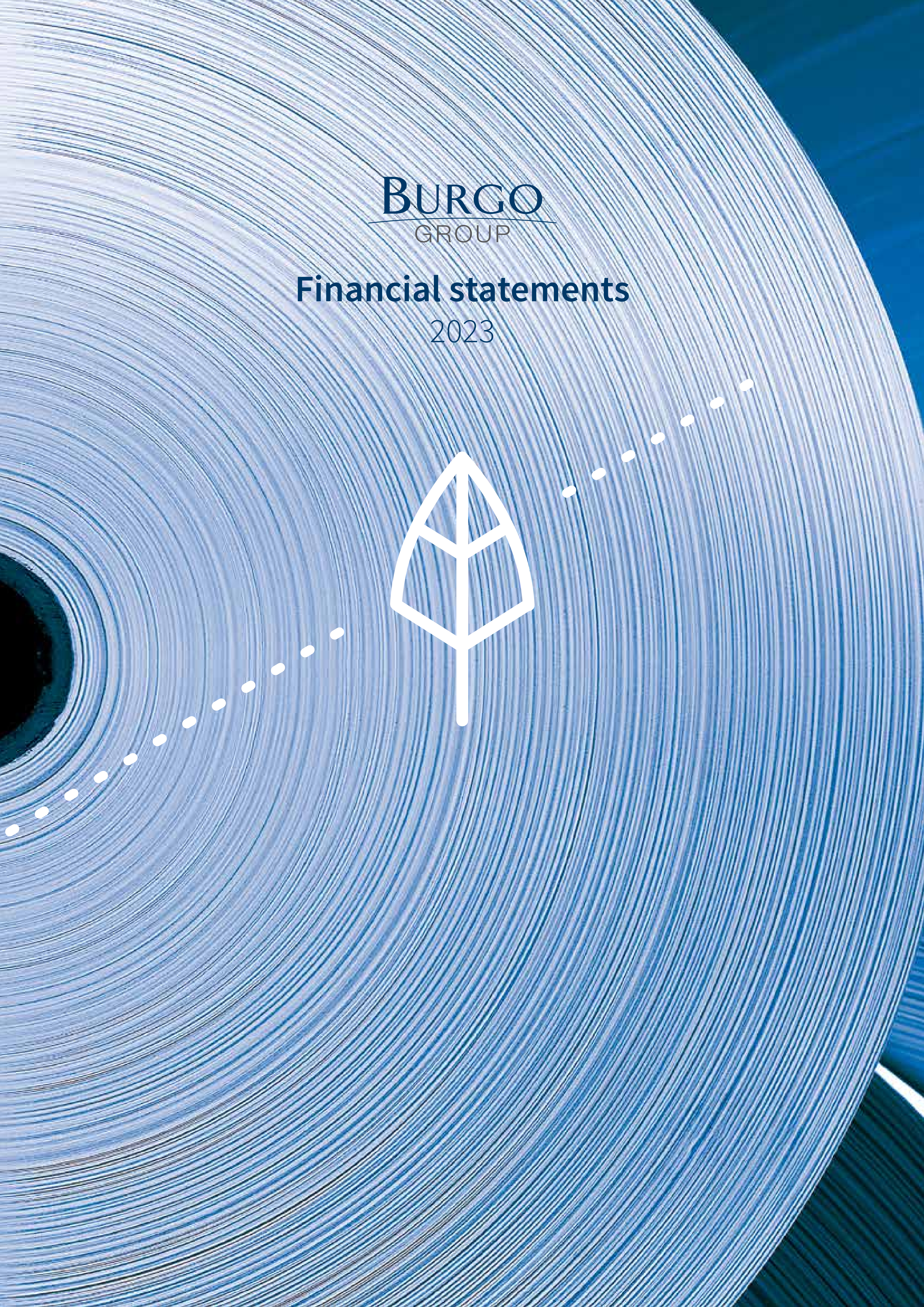
BURGO
GROUP

Financial statements

2023



BURGO GROUP

Financial statements
at 31 December 2023

GO 2030
GROWING SUSTAINABLY

Burgo Group structure

91.70%
BG Holding S.r.l.

4.03%
Mediobanca S.p.A.

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

2.13%
Italmobiliare S.p.A.

0,01%
Minority Shareholders[1]

1 Please note that the Company Burgo Group S.p.A. manages 1,968 shares on behalf of unknown shareholders.

Equity investments

100.00%	BURGO DISTRIBUZIONE S.r.l.		
100.00%	BURGO ARDENNES S.A. (B)	BURGO IBERICA PAPEL S.A. (E)	100.00%
0.20%		S.E.F.E. S.à r.l. (F)	99.80%
100.00%	MOSAICO S.p.A.		
28.03%		CONSORZIO ENERGY PAPER S.c.a.r.l.	17.21%
100.00%	BURGO ENERGIA S.r.l.		
100.00%	GEVER S.p.A. in liquidation		
90.00%	BURGO FACTOR S.p.A.		
100.00%	BURGO BENELUX S.A. (B)		
100.00%	BURGO FRANCE S.à r.l. (F)		
100.00%	BURGO UK Ltd (UK)		
100.00%	BURGO CENTRAL EUROPE GmbH (D)		
100.00%	BURGO NORTH AMERICA Inc (USA)		
100.00%	BURGO EASTERN EUROPE Sp. z o.o. (PL)		
51.00%	BURGO RECYCLING S.r.l.		

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

Burgo Group S.p.A.

Honorary Chairman
Giuseppe Lignana

Board of Directors
(three-year term, 2023-2025)

Chairperson
Alberto Marchi

Deputy Chairman
Francesco Conte

Chief Executive Officer
Ignazio Capuano

Directors
Valentina Barbone
Francesco Capurro
Lorenzo Marzotto
Matteo Guglielmo D'Alberto

Board of Statutory Auditors
(three years 2023 - 2025)

Chairperson
Gaetano Terrin

Regular auditors
Fedele Gubitosi
Roberto Spada

Alternate auditors
Fabio Gallio
Luca Zoani

Independent Auditing Firm
(three years 2022 - 2024)
EY S.p.A.

Burgo Group S.p.A.

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

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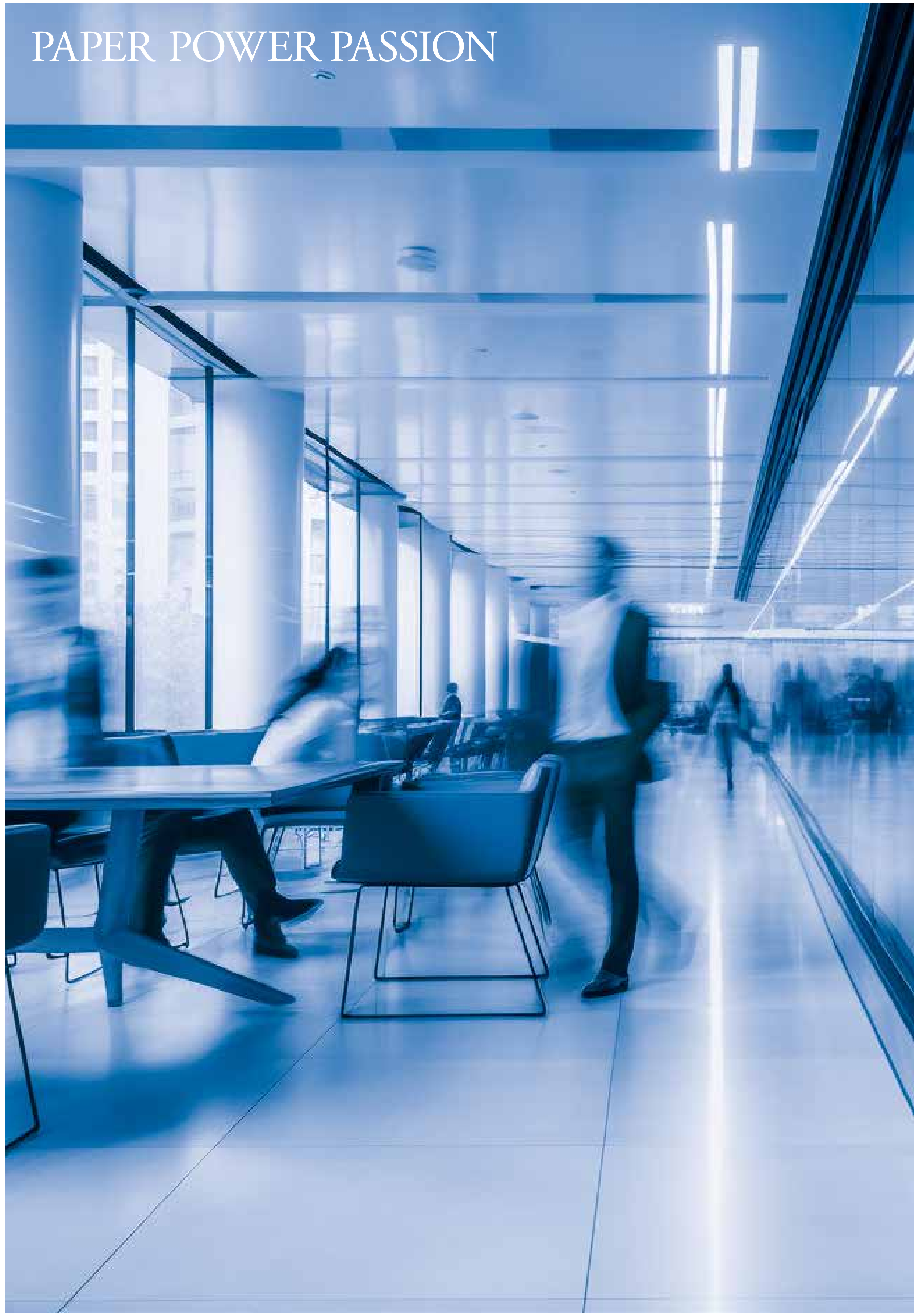

Report on operations

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The Group and the market

This last year has been characterised by a context in which persistent geopolitical tensions and uncertainties continued to be a determining factor, while inflationary pressure was a decisive aspect in the choices made by Central Banks. World growth was estimated at +2.9% in 2023 after the +3.3% recorded in 2022. Global trade dropped by 0.6% after the growth of 3.0% recorded in 2022.
The geopolitical issues included the conflict between Russia and Ukraine that persisted throughout the year, continuing to keep tensions high in certain primary markets including energy, where listings came down significantly compared to the peaks in 2022. During the latter part of the year, the conflict that broke out in the Middle East, involving Israel and Hamas, represented another aspect of viscosity in the global economy.
Among the macroeconomic factors, as mentioned previously, 2023 was characterised by persistent inflation, which after having re-emerged sharply in 2022, once again remained at levels that were well above Central Bank targets over the last year. Global inflation is forecast at 6.9% for 2023, down from the 8.7% in 2022. Forecasts for 2024 indicate an additional drop to 5.8%. All the main Central Banks responded to this risk with determination by introducing counter measures; foremost was the increase in official interest rates, so as to bring the increase in prices on growth rates in line with their targets. The restrictive monetary policies adopted by Central Banks, specifically by the FED and ECB that raised their rates to 5.5% and 4.5% respectively, contributed to cooling down global economic growth as a negative collateral effect. During their year-end meetings, both the FED and ECB kept their rate levels unchanged, thus avoiding additional monetary restrictions, whilst still keeping them at very high levels, compared to the last ten-year period. Signs are nonetheless emerging that would signal a potential easing in monetary policy in the near future.

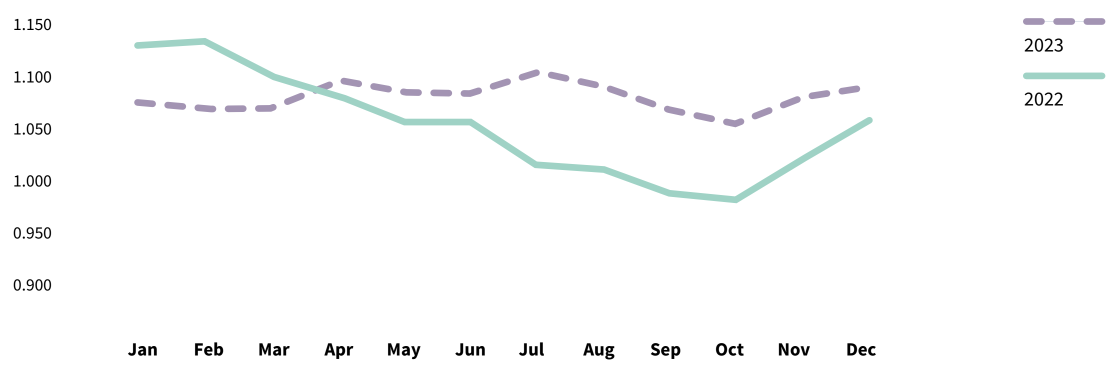
With regard to price trends, it is important to consider the trend in some of the fundamentals that define the short-term trajectory, such as those specifically relating to energy and world trade prices. The energy pricing trend had a positive effect on downward inflation. During 2023, the former had recorded a downward trend, despite decisions by certain player, like OPEC, which had aimed to keep listings at higher levels. Other significant factors contributing to containing the inflation trend in 2023 are the downward trend in agricultural prices, which nonetheless are still well above the prices recorded before the pandemic crisis, and the process partially normalising along the entire global value chain. At the same time, certain other critical factors persisted, such as the reorganisation of global supply chains and the reshoring of certain production activities following the pandemic, as well as several effects caused by the introduction of green transition policies.
In the Eurozone, the weakness during the first part of the year that mainly seemed to refer to Germany, the traditional economic locomotive of the old continent, extended to other European countries, bringing growth prospects to +0.7%, after the growth of +3.3% recorded in 2022. The position varied between the main economies, with Spain recording higher growth rates to Italy and France. The easing in support measures to deal with the energy crisis and counter the impoverishment of families, combined with the need to balance out public finances, has left governments with less space for initiatives to support economic activity, which until recently had been supporting demand through public investments. The restrictive monetary policy has had negative effects on demand for consumption and investments in the private sector. The labour market keeping firm has made a positive contribution to bolstering household incomes. The European context, where there is a greater propensity to saving compared to other economies, leads one to believe that private consumption will also be relatively weak in the first part of 2024, resulting in a lower drive to increasing prices, but also lower growth. Businesses are expected to exercise caution in this context, representing a brake to growth.

Focusing on Italy, the situation continued with growth in 2023 remaining low, reaching stagnation especially during the second half of the year. Estimates refer to 2023 growth positioned around +0.7%, with estimates at +0.6% for 2024. The slowdown is mainly attributable to slowing consumption, compressed by inflationary pressure, and investments that were limited due to uncertain growth prospects and the high cost of financing. Of note nonetheless is the recovery in exports during 2023.
The latter part of the year was marked by an intensified drop in consumer inflation, which extended to non-energy industrial goods and services. Production inflation remained negative due to the reduction in energy, intermediate and food prices.
There were positive signs for household consumption in the final part of the year, driven by the net easing in inflation. The recovery in growth for Italy will provide a positive effect for the speed with which inflation will return to the target of 2%.
Forecasts are nevertheless exposed to a highly uncertain scenario and there are considerable upside and downside divergence risks. Factors such as unresolved geopolitical tensions, the inflation trend and ECB monetary policy, energy prices, tensions along the supply chain, household consumption trends, investments and the implementation of the National Recovery and Resilience Plan (NRRP) may lead to significant changes in 2024.

With regard to currencies, the euro strengthened against the dollar during 2023, following the range of rates applied by the FED compared to the ECB, which over the course of 2023 came down by 100 basis points from 2% at the end of 2022 to 1% at the end of 2023.
The 2023 monthly average exchange rate was USD 1.082 to EUR 1, compared to an average exchange rate in 2022 of USD 1.054 to EUR 1, with an average appreciation of the euro of 2.6%. Compared to the 2023 daily opening prices, which stood at USD 1.062 to EUR 1, the value of the euro was up by 1.9% at year-end (USD 1.081 to EUR 1). Looking at the monthly trend, we note that the first few months of 2023 were in line with the exchange rate at the end of 2022. The EUR/USD exchange rate then rose in April, remaining at higher levels to the previous year for the rest of the year. This movement in the exchange rate is explained by the rates increases introduced by the ECB in the first half of 2023, which were more robust than those of the FED over the same period. The Central European Bank made consecutive increases for a total of 150 basis points compared to the American Central Bank that introduced three increases of 25 basis points each. The rates' hike continued with less vigour in the third quarter on the part of the FED at 25 basis points, and the ECB with two hikes of 25 basis points each, because inflationary pressure had slowed down.
During the fourth quarter of 2023, the cost of money remain unchanged from the moment (as reported by the Institute in Frankfurt) that the rates level reached had been maintained for a sufficiently long period, to provide a substantial contribution to bringing inflation back to within the 2% target.

The monthly average exchange rate for this year is represented in the graph below.

EUR/USD Exchange Rate - monthly average



The trend for energy markets in 2023 was characterised by dropping prices in almost all energy commodities, after the extraordinary price increases that had occurred in 2022 due to geopolitical tensions. The price decreases during the year led natural gas and electricity to reach record levels that were significantly lower than the previous year.
In particular, Brent crude oil fell year-on-year to an average of USD 82.2/bbl (USD 98.8/bbl in 2022; -16.8%). Whilst still in a context of uncertainty, prices were positively affected by the lower impact of the sanctions against Russia on markets, following the restructuring of global international oil market flows. Specifically, the growth in supply from non OPEC+ countries managed to meet the increase in global demand. Over the course of the year, there were times of tension and a decrease in supply by certain large producers that contributed to temporary hikes, which were then offset by subsequent drops caused by the uncertain macroeconomic context. During the final part of the year, reductions were limited to the increasing geopolitical tensions in the Middle East. In general terms, the oil price in euro followed the trend of USD pricing, whilst being impacted by a decrease from the appreciation of the single currency, resulting in a 19.0% drop.

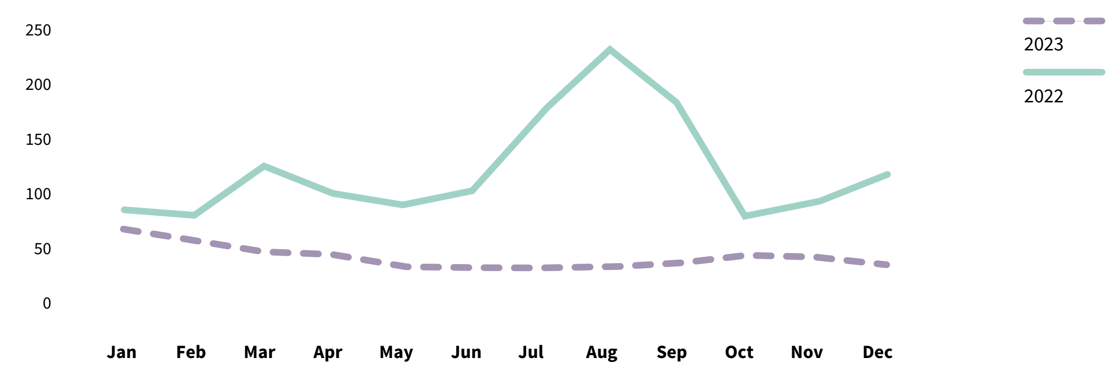
A similar trend was also experienced on the natural gas market: after the record levels recorded in 2022, prices to the primary hubs reached significantly lower prices, marking an average drop of around 60%. Significant reductions were seen during the first two quarters, with a partial retracement in the third quarter.

The Italian PSV price averaged € 43.1/MWh (€ 125.4 MWh in 2022; -65.7%) while the TTF price averaged € 40.8/MWh (€ 124.7/MWh in 2022; -67.3%), reaching annual lows in July, with a monthly average of around € 32/MWh.

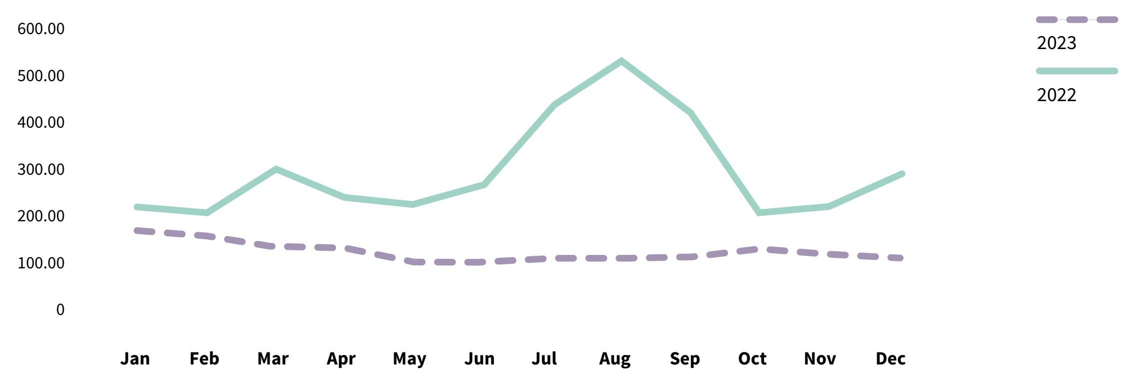
On the Italian electricity market, the average annual PUN (National Single Price) decreased from its historic high in 2022 to € 127.2/MWh (€ 303.9/MWh in 2022; -58.1%), coming back to the figures in 2021. The PUN reached its average monthly peak in January at € 174/MWh, to then progressively track prices downward in subsequent months, following the reduction in the natural gas prices, to then come back temporarily, especially in October.

In terms of the annual average, prices on the CO_2 emissions equity market rose slightly, to reach an average of € 83.5/t in 2023, increasing by 3.3% compared to the average the previous year (€ 80.8 €/t). The trend over the course of the year nonetheless showed rising prices in the first half, with the market reaching its peak in February at € 97/t, followed by a downward trend in the second half of the year, which was not sustained by demand that had fallen off due to the slowdown in industrial production and reduction in electricity production from fossil sources. At the end of 2023, emission right prices listed at € 77.3/t (€ 80.8/t at the end of 2022). Of note during 2023, the approval of the ETS (*Emission Trading System*) reform in the scope of the *Fit for 55* programme. The reform, which strengthens the ETS system, extending it to other sectors and creating new specific exchange systems, envisages a reduction in the permits in circulation and greater support in line with the REPowerEU plan.

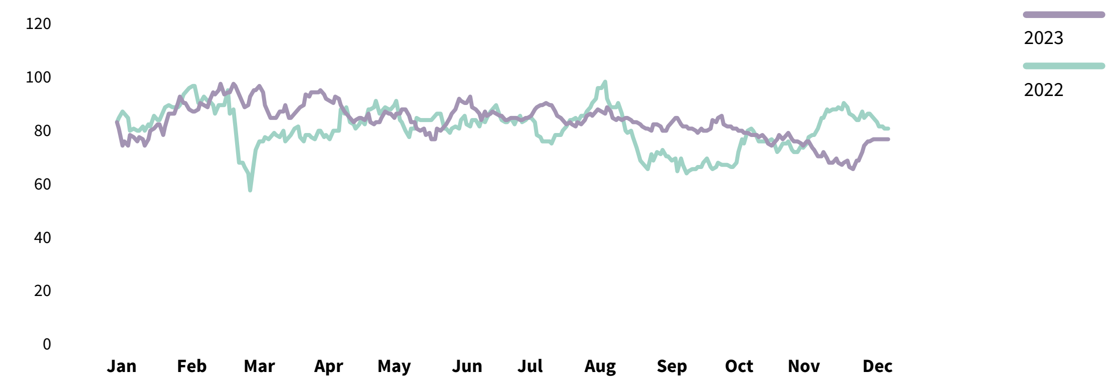
Average monthly PSV €/MWh



Average monthly PUN - €/MWh



EUA - €/t



In 2023, the Burgo Group conducted its business amid this highly uncertain economic and geopolitical context, dealing with tensions on the energy and raw materials markets and a drop in demand, while at the same time continuing its strategy to focus production on business segments characterised by higher growth rates such as speciality and packaging papers. In January 2023, the Group finalised the sale of the Duino facility which specialised in the production of graphic paper. The operation, which followed the sale in 2021 of the Verzuolo plant, has further helped to accelerate the process to reposition the Group's business on production areas with higher growth rates and better margins.

In the first part of the year, the Group experienced weak demand as a result of destocking, a slowdown in the economy and forecasts of falling prices following the reduction in the costs of raw materials. There was a recovery in demand during the second part of the year, due to the lessened effect of destocking by many customers that had resumed buying again on a regular basis. In this context, total sales volumes at Group level, considering the same reporting boundary, fell by 21.1% compared to the previous year, especially due to the drop in demand for graphic paper which fell significantly in the first half of the year.

As widely reported, the year was characterised by the contraction in the costs of raw materials and energy driven by a significant drop in global demand. In particular, compared to the previous year, the reduced prices of raw materials resulted in lower costs of approximately € 18 million, while the decrease in natural gas had an impact of around € 97 million compared to the previous year.

To offset these trends, commercial action was undertaken on both prices and the sales mix which, along with measures to optimise supplies and improve productivity, enabled the Group to limit the reduction in revenues to 35.8% compared to 2022 (considering the same reporting boundary this increase was 30.3%) recording a gross margin of 10.9%, coming down on the 13.4% recorded in the previous year on comparable data (excluding non-recurring charges and restructuring expenses). Margins measured on the Group's pulp and paper revenues also decreased from 16.2% in 2022 to 13.1% in the current financial year.

On the debt front, the financial situation continued to show a marked improvement compared to previous years, with the Group ending the year with a positive net financial position of around € 113.8 million.

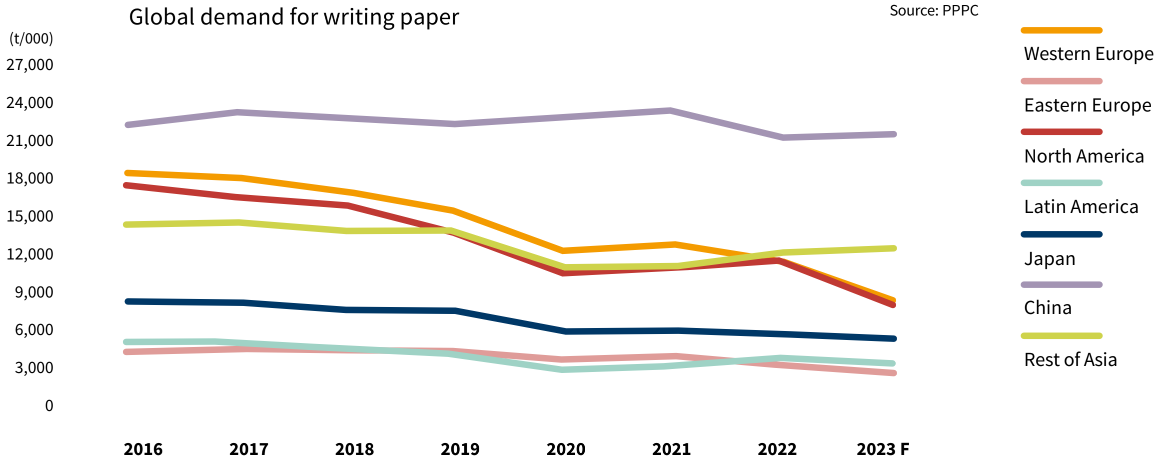
In the graphic paper segment, an area where the Burgo Group is gradually reducing its presence but which nonetheless continues to represent its core business segment, in 2023 demand fell by 9.8% globally (-2.5% in 2022) and by 24.2% in Western Europe (-9.2% in 2022). The trend (substantially negative or at low growth rates) in the other main global markets was varied: North America -27% (compared to +4.4% in 2022), Latin America -9.6% (compared to +15.5% in 2022), Japan -6.1% (compared to -4.3% in 2022), Eastern Europe -18.5% (compared to -15.9% in 2022), China +1.4% (compared to -7.8% in the previous year). Within the graphic paper sector, the Western European market, which represents the Group's main market, recorded declines across all segments: CM -22.6%, CWF -30.8% and UWF -21.5%.

In the containerboard segment, demand recorded a drop in 2023 for the second consecutive year (-6.1% compared to -4.5% the previous year), which after years of consistent growth, signals a slowdown relating to the macroeconomic context.

Despite the macroeconomic and geopolitical context characterised by many critical issues and the associated risks, the Group's overall positive performance in the past year has confirmed the validity and strength of the strategic decisions and direction taken by the Group through investments to develop growing sectors such as speciality paper and packaging, and through the pursuit of long-term sustainability targets.

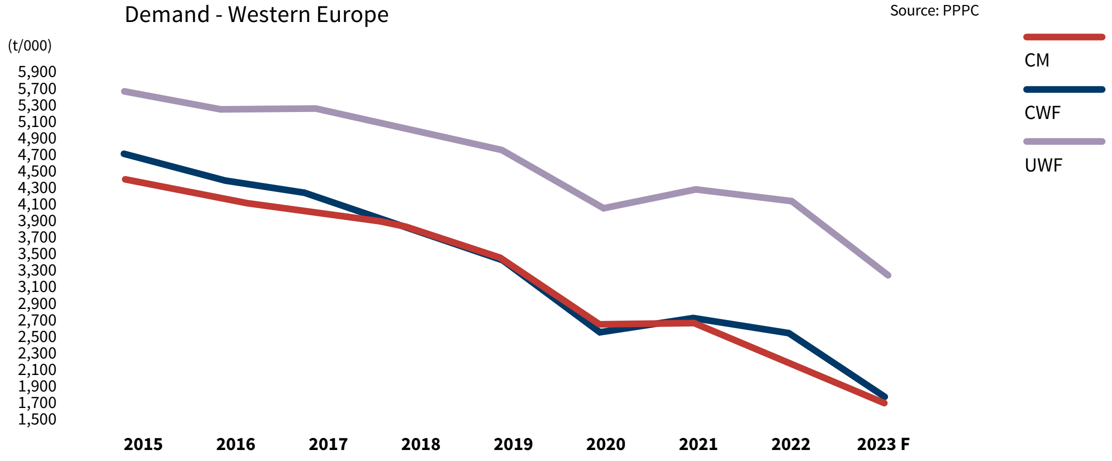
Global demand for writing paper

Source: PPPC



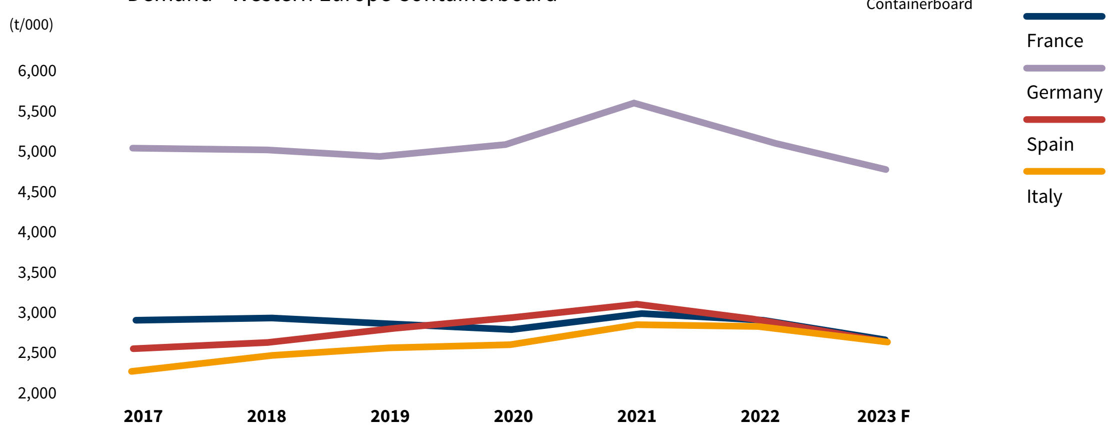
Demand - Western Europe

Source: PPPC



Demand - Western Europe Containerboard

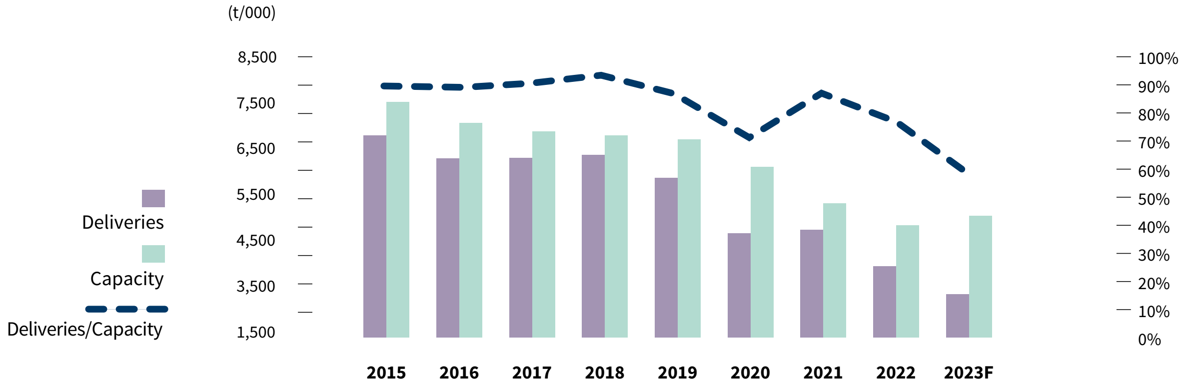
Source: CEPI Containerboard



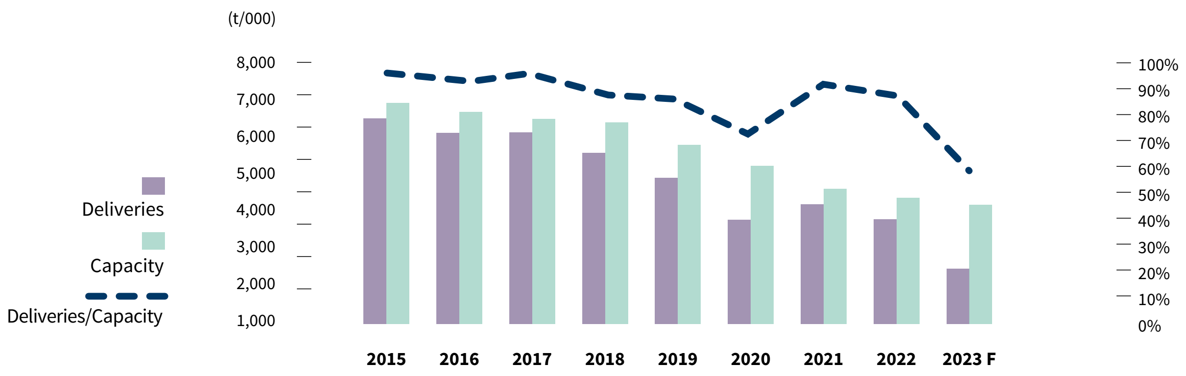
Use rate of production capacity in Western Europe

Coated mechanical

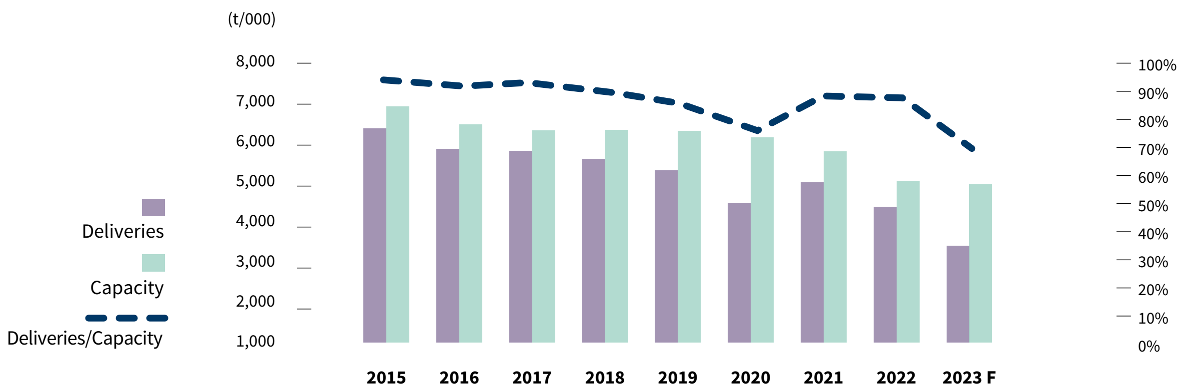
SOURCE: Eurograph



Coated woodfree paper



Uncoated woodfree



Development lines and management outlook

2023 was marked by the ongoing significant geopolitical and macroeconomic uncertainties and tensions, as well as the outbreak of new tensions: the persistent Russia-Ukraine conflict, friction between the United States and China, the worsening tensions in the Middle East, with the unexpected escalation of relations between Israel on the one hand, and the Palestinians and other Arab populations on the other.
None of these uncertainties have been resolved and will certainly distinguish the start of the new year.

2024 is the year for a sequence of political elections without precedent in history: there will in fact be 50 elections held in 76 countries, in which 2 billion people will be casting their votes in Europe, the United States, Russia, India, Mexico and in many other places in the world. This situation could result in significant changes in direction compared to the policies that have been followed up to now in certain countries, and thus further aggravate geopolitical uncertainties.

In this context, the Group is continuing its strategy of focusing on the more resilient business sectors with a higher growth rate, such as speciality paper and packaging, with the development activities characterising this phase of our Group's history fitting into this context. During the year, the Group will continue to implement its investment programme, aimed at product diversification and improving production and energy efficiency, with a view to improving our range of products, overall profitability and environmental footprint.

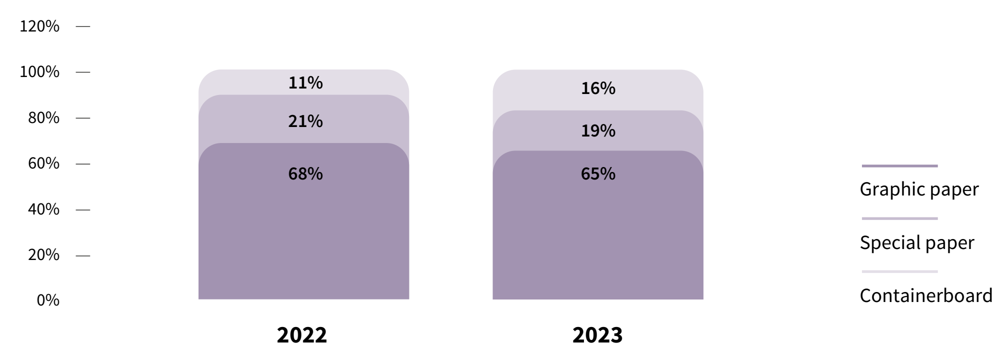
Considering the inflationary trend and possible shortages in certain production elements that are crucial to its business, the Group is continuing to manage, diversify and carefully monitor its sources of raw materials and natural gas. With regard to product sales, the Group will manage its product portfolio in such a way as to ensure that its activities are properly remunerated, also taking into account the more cautious purchasing trends that will continued to characterise our customers' purchasing trends in 2024.

The Group's production

Paper production, the Group's main area of business, amounted to **1,028,369 t** (1,547,525 t in 2022), with a reduction of 33.5% in respect to the previous year.
This variation reflects the reduction in the reporting boundary following the sale of the Duino plant at the start of 2023 (171,024 t in 2022), as well as the significant decrease in the graphic and speciality paper markets.
Containerboard represented **168,767 t**, up by 2.9% compared to the previous year (2022: 163,963 t), whereas speciality paper production decreased by 40.6% and stood at **193,967 t** (326,585 in 2022).
Production of pulp came to **319,114 t** (348,141 t in 2022), down by 8.3%, while wood pulp production totalled **28,447 t** (87,225 t in 2022, of which 56,768 referring to Duino), showing a decrease of 67.4%.
Finally, electricity production amounted to **1,035,198 MWh** (in 2022: 1,572,195 MWh, of 306,776 MWh referring to Duino), decreasing by 34.2%.

Production data		2022	2023	% change
Paper	t/000	1,548	1,028	-33.5%
Pulp	t/000	348	319	-8.3%
Wood pulp and Deink	t/000	87	28	-67.4%
Electricity	kWh/mln	1,572	1,035	-34.2%

Type of paper



The Group's sales

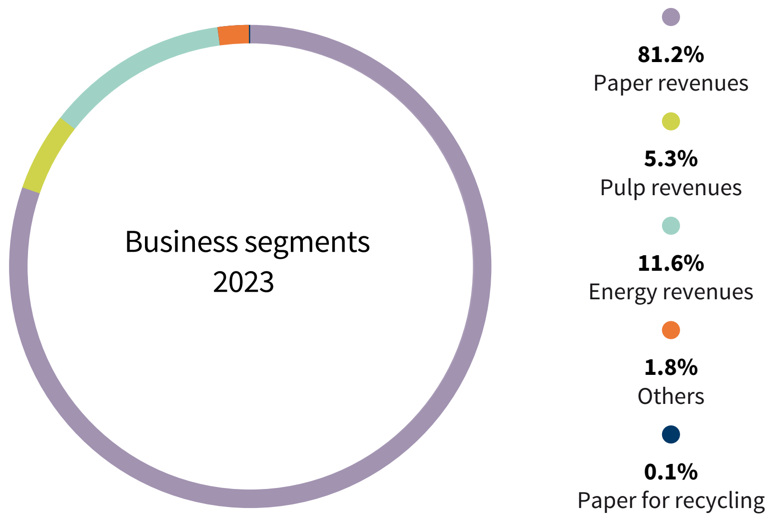
Group revenues amounted to € 1,471 million, down by 35.8% (€ 820 million) compared to 2022, when the figure was € 2,291 million. Considering the same reporting boundary, excluding the revenue generated by Duino during the previous year and in 2023, the variation in revenues was -30.8%.

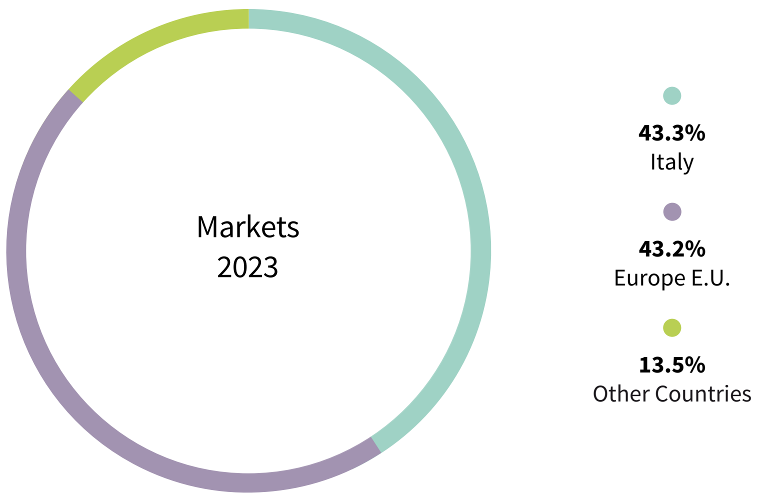
Paper revenues totalled € 1,194 million, down by 34.9% with respect to the previous year. Considering the same reporting boundary, paper revenues came down by 30%.
Pulp revenues was at € 77 million, performing negatively for 27.1%.
Energy revenues, at € 171 million, decreased by 43.3%; on the same reporting boundary, the downward change in energy revenue was at 35.4%.
Other revenues, including sales of lignin sulphonate, decreased by 42.9% to € 26 million compared to 2022 (at € 46 million).
Revenue from paper for recycling sales by the subsidiary Burgo Recycling, was down on the previous year.

Business segments €/mln	**2022**	**2023**	**% change**
Paper revenues	1,834	1,194	-34.9%
% of total revenues	*80.1%*	*81.2%*	
Paper for recycling	2	2	-26.3%
% of total revenues	*0.1%*	*0.1%*	
Pulp revenues	106	77	-27.1%
% of total revenues	*4.6%*	*5.3%*	
Energy revenues	302	171	-43.3%
% of total revenues	*13.2%*	*11.6%*	
Others	46	26	-42.9%
% of total revenues	*2.0%*	*1.8%*	
	2,291	**1,471**	**-35.8%**

The breakdown of revenues between the internal market and exports shows that in 2023 the overall decrease in revenues mainly regarded sales in Italy and other Countries. The percentage of sales in Italy and Europe increased on the other hand with respect to non-EU exports.

Markets €/mln	**2022**	**2023**	**% change**
Italy	884	637	-27.9%
% of total revenues	***38.6%***	***43.3%***	
Europe E.U.	925	636	-31.3%
% of total revenues	***40.4%***	***43.2%***	
Other countries	482	198	-58.8%
% of total revenues	***21.0%***	***13.5%***	
	2,291	**1,471**	**-35.8%**





Market prices

- **CM** (coated mechanical papers): average sales prices during 2023 in the coated mechanical paper market experienced a significant drop (around -15%), which had begun during the last quarter of 2022 and into the first half of 2023, to then stabilise during the second half of the year. The main reason for this trend was the reduction in the costs of raw materials and energy, which had reached record highs during 2022 due to the war in Ukraine. If we compare the last quarter for the two years, the decrease in the market price was at around 23%.
- **CWF** (coated woodfree) and **UWF** (uncoated woodfree): the trend in the market price for these two segments was very similar to what had been recorded in the CM market.
  2023 was characterised by a progressive decline in prices: there was a drop in prices right from the start of the year, mainly driven by the trend in raw materials and energy prices.
  - With regard to CWF, compared to the price at the close of the previous year, a drop of 13% was recorded at the end of 2023; despite this, the average market price in 2023 remained essentially in line with the 2022 average price.
  - The average 2023 price was also essentially in line for the UWF segment with the 2022 average, even though a downward trend was also recorded for this segment: there is a 10% drop when comparing the prices at the end of 2023 with those at the end of 2022.
- The **Containerboard** segment also recorded a decrease in market prices; this had most notably begun in the first half of 2022 and continued over the whole of 2023. Compared to the average 2022 price, the 2023 average recorded a change of around -32%, and a difference between the price in the last quarter of 2022 and end of year of about -35%.
- **Speciality Paper**: the Speciality paper segment followed the trend of the other product families.
  The drop in prices that had already began towards end of 2022 also affected the first 3 quarters of 2023 to then stabilise in the last quarter, reaching an average price for the year that was very similar to the beginning of 2022.
  The average 2023 price dropped by about 5% compared to the 2022 average.
  From January to December 2023, the price came down by around 20%, whereas if we consider the comparison between the last two quarters over the two years, the decrease was at about 30%.

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

Costs

Compared to the previous year, 2023 was characterised by the downward trend in the prices of raw materials. After the peak recorded in the last part of 2022, fibres, the main raw material used by the Group, recorded a consistent drop during the entire first part of the year, a time of stability during the summer months, only recovering in the last quarter of the year, which still brought year-end pricing to lower levels than what they had opened at in 2023. An example of this is NSBK long-fibre ($ 1,257/t 2023 average), which fell in relation to the average 2022 price ($ 1,427/t), showing a 11.9% decrease in dollar and a 14.5% in euro terms. Again among the pulp, the price of eucalyptus also fell, going from an average of $ 1,308/t in 2022 to an average price of $ 1,001/t in 2023 (-23.5%). Included among the other raw materials, the price for standard latex, representing more than 80% of latex acquired by the Group, decreased by 23% during 2023, going from € 1,587 in 2022 to € 1,222 in the current year. The price of carbonates, another of the main raw materials used in paper manufacturing, were stable on average, recording a 0.5% drop.

Following on from the peak prices in 2022, the price of pulp, characterised by an average price in 2023 that was 46% lower than the previous year, recorded a stable phase in the first quarter of the year, albeit with some monthly variations in line with the average for the year.

European natural gas markets in 2023, affected by the very mild temperatures in the first quarter and stockpiling that ended the supply campaign at record filling levels, saw a gradual reduction in prices from € 70/MWh at the start of the year towards € 30/MWh at year-end.

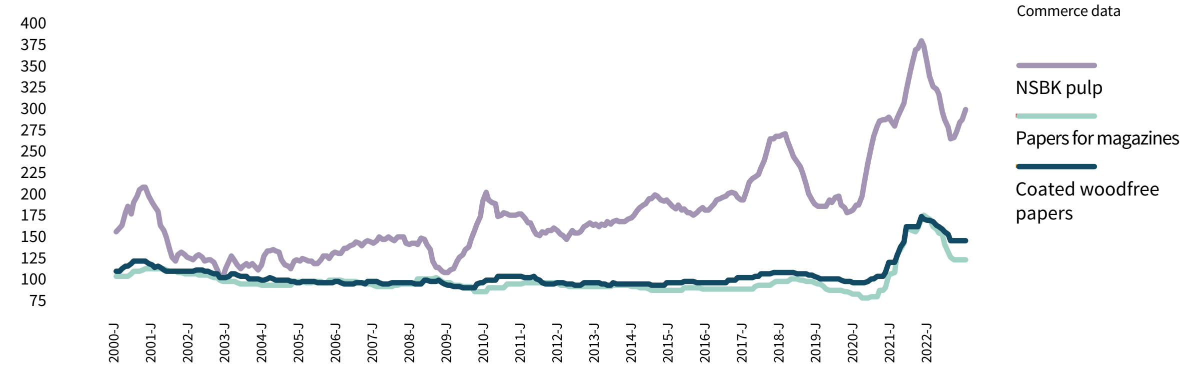
The summer period (which in 2022 had experienced a surge in prices while stocks were being filled, at the time at much lower levels than in 2023) saw low demand for injection against a solid supply: American LNG continued to reach Europe preferring this destination to Asia, due to the lower transport costs compared to the modest price differentials between the two areas (Asia/Europe).
In addition, modest Asian demand, due to the resumption of nuclear in Japan and the weak Chinese industrial demand (slowdown in the economy and delayed recovery), contributed to keeping global demand for LNG at moderate levels.

The Italian power market took its impetus from gas, going from almost € 200/MWh at the start of the year to € 100/MWh at year-end.
The Italian market nonetheless maintained significant differentials in relation to the European markets, and this guaranteed consistent imports across the borders, supported by the new-found stability in the French nuclear production segment.
Furthermore, if EUA prices at the beginning of the year close to € 100/ton had supported electricity prices, their falling back to around € 75/MWh towards the end of the year, contributed to the drop in electricity prices.

Regarding EUAs, after record pricing at the start of the year, these followed the descending parabola of gas and electricity. During 2023, the EUA market recorded a surplus in supply compared to demand, also as a consequence of the European Council's decision proposed by the Commission, to increase the quantities sold on auction as from July 2023.

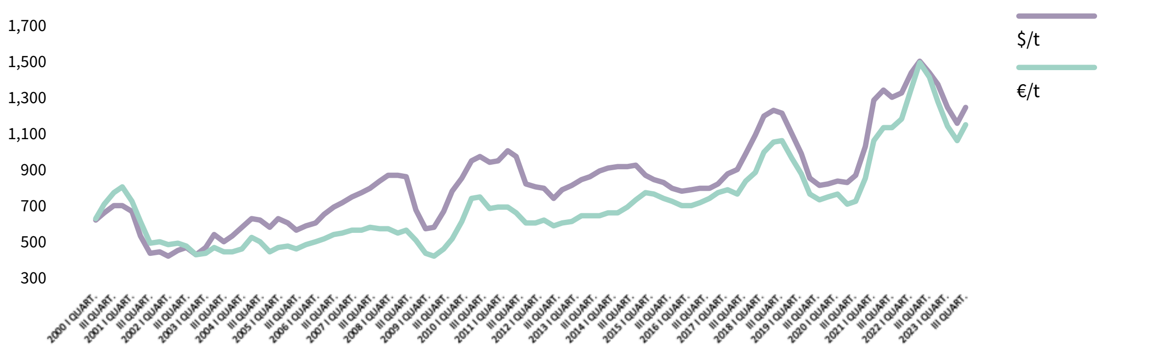
Prices of pulp and certain types of paper
(€/t – January 1999 = 100)

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



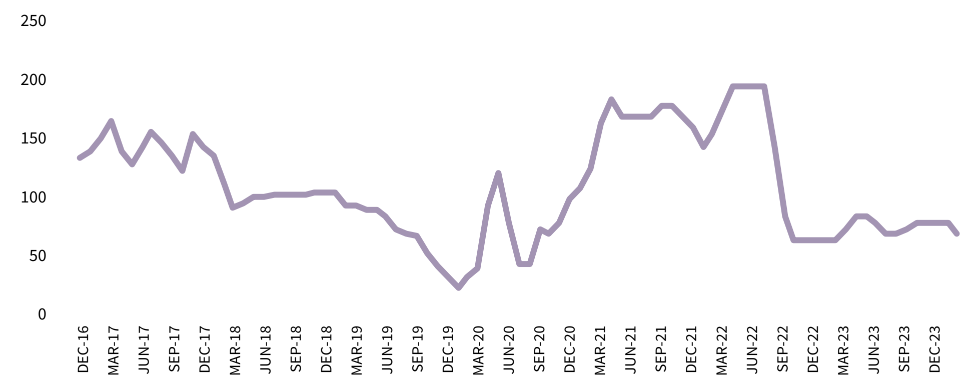
Price of pulp NSBK
(current values)

Source: Assocarta processing of PPI data



Price of Paper for recycling
(€/t - 1.05 old corrugated containers)

Source: RISI



Energy

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

Burgo Energia dealt with significantly complex issues over the course of the year, given the instability in energy markets, which once again in 2023, had a considerable impact on gas prices.
Developments in the natural gas market during 2022, when major suppliers refused to supply gas to larger energy intensive companies, like Burgo, compelled Burgo Energia to start purchasing gas directly on the market as from October 2022 and supply it to certain plants in the Group; this tendency that also continued during 2023, saw similar action directed towards certain primary customers in the steel and paper sectors.
This new business line is developed by Burgo Energia, procuring supplies directly on the stock markets (GME and EEX) or by operating through bilateral agreements with leading market operators. In this context, Burgo Energia also continued to operate a gas storage facility. This enabled a greater diversification in the supply mix for the winter period and generated economic benefits for the Group.
In 2023, Burgo Energia also continued its process to focus its business activities on servicing the plants; in particular, it continued to manage the Group's participation in the Capacity Market project and the MSD dispatching service for the Duino paper mill power plants (even after it was sold to the Mondi Group), Avezzano and Sora power plants (belonging to the Group) and for the Verzuolo plant (owned by the Smurfit Kappa Group). It also continued to handle the technical management of the Energy Paper Consortium, consolidating its position as one of the leading electrical load interruptibility service providers.

Furthermore, Burgo Energia managed the participation of the Group's plants in the Gas Interruptibility service for the 2022-23 winter period, a particularly critical service given the gas availability situation in Italy.

Through its "Energy Management" unit, Burgo Energia worked with other Group departments to handle the complex procedures to obtain the tax credits available to energy and gas-intensive companies, a mechanism introduced by Art. 15 of the "Sostegni-Ter" decree and continued by other decrees to cover only the first part of 2023.

The ISO 5001 Energy Management System certification process was started for the Tolmezzo, Lugo and Avezzano sites, with the objective of completing the procedure during 2024.

The "Operation and Trading" department continued its activities to optimise the production assets operated by Burgo and Mosaico, participating in all dispatching activities on the energy markets and in the virtual and financial interconnector service. Considering its operations in Italy and abroad, the Burgo Group produced a total of 1,035 GWh of electricity (1,572 GWh in 2022), mainly for self-consumption, and consumed a total of 273 million m^3 of natural gas (433 million Sm^3 in 2022 - 356 million Sm^3 not including the Duino plant). Burgo Energia sold electricity totalling 968 GWh (860 GWh in 2022) and natural gas totalling 253 million Sm^3 (127 million Sm^3 in 2022).

Investments

In terms of total investments in property, plant and equipment made during the course of 2023, these amounted to € 49.3 million (€ 48.6 million in 2022). Investments in intangible assets came to € 0.6 million. This is in addition to fixed assets for right of use and leasing totalling € 3 million.

The investment plan, defined in the reference Business Plan, continued with the introduction of new aspects directed at implementing the most modern technologies, while managing resources efficiently, with action aimed at improving energy efficiency and the transition to decarbonisation, identifying potential impacts and mitigation measures to protect the environment.

Besides ensuring the ongoing maintenance of its plant, the work done provided continuity to the technological modernisation process, quality improvement and energy efficiency undertaken in previous years. Specifically, at the Avezzano site, the new shoe press became operational, the modernisation of a portion of the aerothermal plant was completed and the pre-dryer hood was replaced, with all these interventions aimed at energy savings, while also increasing production capacity. The authorisation process was also started to install an anaerobic plant to treat wastewater. This plant, which expands the existing plant, will produce biomethane that will then be used in the existing boiler.

In Sora, the conversion of line 2 for the production of coated and non-coated cardboard was finalised, with a virgin fibre base that is suitable for packaging foodstuffs; operations are expected to begin at the start of 2024.

A new biological treatment plant began operating at the Villorba plant, making it possible to reduce COD (Chemical Oxygen Demand) emissions, and utilise less water resources.
The paper mill in Lugo was installed and began running a new laminator to boost production of playing card supports and more generally, coupled papers.

In the scope of improving the pulp production cycle, work was done at the Ardennes plant to improve the quality of the green liquor, and consequently the production of the lime kiln and white liquor; with regard to the lime kiln, a study is being undertaken with a view to improving its management and allowing for expansion.
The work on the new photovoltaic plant continued, with the area being prepared so that the start of the installation works can then follow. The plant is expected to become operational by the summer of 2024.
In an era where innovation is constantly accelerating, the industrial automation sector has to deal with continual change. Specifically, the Group's commitment focused on modernising existing automation systems, by introducing more advanced technology aimed at raising the quality of products and improving plant efficiency.
With regard to energy, 2023 was characterised by the two new cogeneration power stations at Toscolano and Tolmezzo coming into service.
At the same time, the partial refurbishing project of the Villorba cogeneration plant went into operation: the new steam turbine was ordered in the first half of 2023 and will be installed in the second half of 2024; initial preliminary work has been completed on the steam section and work will continue throughout 2024.

New initiatives include the execution of the preliminary design for the wood biomass boiler for the Tolmezzo paper mill, with the authorisation process initiated during the last part of 2023 and which should be completed during the second half of 2024. Once authorised, the project envisages the introduction of a 25MW thermal boiler, including systems for the preparation and feeding of the biomass, and fume treatment and filtration; once operational, the plant will reduce the use of fossil sources by 30% at the Tolmezzo cogeneration, the equivalent of 35,000 tons/year of CO_2.
Furthermore, an assessment is currently also underway regarding collaboration with local entities for the supply of thermal energy for the district heating of certain public buildings in Tolmezzo.

The utmost attention was given to the issues of energy sustainability and decarbonisation targets: in addition to the Tolmezzo project referred to above, an analysis is being undertaken for the future upgrading of the wood biomass boiler at the Ardennes plant. Studies and analyses were also undertaken from this perspective for possible processes to reduce the consumption of fossil fuels, develop renewable sources and increase energy efficiency, by also taking advantage of the possibilities offered by national and European tenders for these initiatives. More specifically, a study in underway at the Avezzano plant for a project to reduce our carbon footprint, based on a mix of technologies to self-produce electricity and thermal energy, which would partially replace the current combined cycle natural gas plant.

So as to implement its policies and objectives regarding health, safety and the environment (HSE), all Group sites continued to make investments related to programmes to prevent and improve the protection of health and safety in the workplace, protect the environment and comply with regulatory changes.

In addition to these technical investments, improvements were also made in the IT sector, aimed firstly at strengthening the cyber security strategy with initiatives to protect the Group from potential digital threats. Standards were also defined for the replacement of existing IT infrastructure, formulating a model for plant servers as well as wireless connections.
With regard to application systems, certain software licences were updated based on their effective use, and new implementations were introduced to revamp certain applications.

Research and development

Activities mainly focused on:
- production processes, such as development of innovative technologies to improve competitiveness;
- new products in the graphic, special and packaging sectors.

Production processes

Activities concentrated on maximising both wood and non-wood fibres, and those originating as streams from other industrial processes. Specific focus was given to studies on the use of post-consumer waste of various origins and types, particularly in the field of recycled packaging papers and the use of appropriate fibrous mixes in the area of virgin packaging.
In terms of non-fibrous raw materials, studies and applications continued both in the lab and industrial processes, involving innovative products for functional treatments with a view to eliminating fossil-based materials.

New products

The driver in all activities was product sustainability, understood as the design of new or existing products with a minimal or reduced environmental impact, also in terms of CO_2 emissions.
More specifically, the introduction of a series of laws and regulations at both national and European level, combined with increased sensitivity on the part of consumers and brand owners regarding the sustainability of products and their reduced environmental impact, have proved to be decisive drivers in the development of graphic, special and packaging products. Special emphasis was given to issues relating to recycling and composting in a context of functionalising paper supports for sectors where synthetic materials are already available.

In the inkjet segment for digital papers, the range of treated and coated products was extended and certified for their advanced print quality.
The reallocation process at the Villorba plant for offset products previously manufactured at the Duino facility was finalised and completed.

In the havana recycled packaging sector, specific products were developed such as flexible and functional packaging, both involving applications that do not strictly pertain to the corrugation sector.

Health, Safety and Environment (HSE)

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

In line the principles enshrined in its Code of Ethics, the Group believes the protection of the environment and the health and safety of its workers to be fundamental values to be upheld in all its activities.

The HSE Department, Sustainability and Integrated Management Systems, established at the headquarters in Altavilla Vicentina is responsible for managing and standardising all activities regarding the Group's HSE Management System, defining action plans, monitoring their application, and coordinating the activities carried out at individual production sites. At each facility, HSE aspects are managed by specially trained and appointed personnel. Monthly coordination meetings continued during 2023 with the Prevention and Protection Service Officers (RSPP) and Environmental Management System Officers (RSGA), organised from head office, with the aim of assessing progress in achieving improvement goals, reviewing events and non-compliance, preparing any corrective measures, promoting the exchange and sharing of good practices between the Group sites and companies.

The Burgo Group has defined an Integrated HSE Policy which states that the respect for and protection of the environment, natural resources and occupational health and safety are issues that concern the entire organisation and constitute the foundation of the Company's operational and market strategies and environmental commitments.

To optimise the existing system, in 2023 the integrated and systemic approach to HSE was consolidated according to the reference standards (e.g., EMAS Regulation, ISO 14001, ISO 45001) used to implement the company management system. In particular, key aspects were revised and strengthened, focusing in particular on context analysis, risk opportunity analysis, stakeholder engagement, and the continuous improvement of company processes and management systems, with a view to ensuring a more integrated approach to sustainability.

Following this analysis, specific activities, initiatives, programmes and projects were directed towards various system areas to mitigate risks and promote the embracing of new opportunities. This translates into specific goals and improvement targets, defined on an annual basis and managed as part of the management systems with regular status monitoring.
An Integrated QHSE management System Department was created at central level in 2023, with the aim of benefiting from the opportunities provided by the common structure of international ISO standards relating to the management systems adopted (High Level Structure), which support organisations to standardise different management systems and facilitate their integration.

Occupational Health and Safety

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

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

The 12 principles campaign for a "new" culture of safety continued during 2023. These principles are aimed at raising awareness and strengthening understanding on safety issues at all levels, providing indications on the correct approach to safety (e.g., safety when working as a team, the application of the 4 Ps (pause for thought, prevent, plan, protect) before starting each work task, etc.) and operating guidelines for managing specific activities.
To support the promotion of a culture inspired by safety and prevention, the Burgo Group is committed to developing and implementing training and information programmes on occupational health and safety. In addition to mandatory training, in 2022, the Group launched the *Vision Zero* initiative continuing this into 2023. This refers to an interactive training course for site personnel aimed at increasing individual awareness of the ability to recognise risks and adopt safe preventative behaviour.
All of the above activities were conducted in close relation with the Supervisory Board pursuant to Legislative Decree 231/2011.

Environmental Management

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

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

Investments in HSE

So as to implement its policies and objectives regarding the environment, health and safety (HSE), all Group sites continued to make investments related to programmes to prevent and improve the protection of health and safety of workers, protect the environment and comply with regulatory changes.
The main investment projects aimed at HSE management in 2023 regarded:

- upgrades related to fire safety;
- improvements to plant and machine safety at all Group sites;
- the installation of lifelines and anti-fall devices;
- the installation of energy consumption reduction (e.g., installation of high efficiency engines) and energy efficiency systems;
- work on managing the water cycle, with the aim of reducing consumption;
- improving security and extraordinary maintenance on sewage treatment works.

Personnel

During 2023, approximately 50,500 hours of training were provided, of which around 18,300 related to issues on Health and Workers' Safety.

Group employees, including temporary workers, at 31 December 2023 totalled 2,934, compared to 3,259 at the end of 2022. It is noted that the 2022 figure includes employees from the Duino plant, which was sold at the beginning of 2023.

Personnel at 31 December	**31 Dec 2022**	**31 Dec 2023**	**Change**	**% change**
Burgo Group	1,378	1,108	(270)	-19.6%
Italian subsidiaries	1,156	1,093	(63)	-5.4%
Foreign subsidiaries	725	733	8	1.1%
	3,259	**2,934**	**(325)**	**-10.0%**

The Group makes use of temporary workers, for the most part at Burgo Ardennes, which in 2023 had 186 (FTE), compared to 190 in 2022.

The use of the social safety net in 2023 was higher than in the previous year due to a significant reduction in demand, which was more evident in the graphic papers market, but also affected the special papers market. This was caused by the general increase in prices, which in turn, was a consequence of the significant increase in costs for energy and the procurement of raw materials.

The table below illustrates the recourse made to social safety nets in 2023:

Social safety nets (CIGO) hours	**31 Dec 2022**	**31 Dec 2023**	**Change**	**% change**
CIGO	118,012	531,118	413,106	350.1%
	118,012	**531,118**	**413,106**	**350.1%**

In view of the persisting socio-economic context that is especially complex, once again in 2023, the Group provided all workers with a donation for around € 800,000, with the intention of alleviating the negative effects of inflation as far as possible.

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

1 • Credit risk
2 • Liquidity risk
3 • Market risk

In each section of comments on financial statement items, the 2023 Financial Statements provide additional quantitative information.
The disclosure required under IFRS 7 was included within the Notes to the individual and consolidated financial statements.

1 • Credit risk

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

Trade receivables and other receivables

Within the context of its credit management activities through the dedicated department, the Group has established an internal process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for activation of corrective actions, which range from blocking orders to legal action. Internal activities are further supported by instruments of coverage available on the market, including insurance policies and without recourse transfer of receivables. Sales are supported by insurance coverage stipulated with major insurance companies for first and second level credit (top up).
In 2023, Burgo Group S.p.A., Mosaico S.p.A. and Burgo Distribuzione S.r.l. renewed the certification of the credit management system with regards to the domestic UNI 44:2018 standard and the international TUV Rheinland CMC:2012 standard.

Financial investments

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

Guarantees

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

2 • Liquidity risk

Liquidity risk is the risk that the Group will have difficulty complying with its obligations relative to financial liabilities.
The approach to liquidity management is aimed at guaranteeing, as much as possible, that there are always sufficient funds available to comply with obligations when maturity dates are reached.
The Group performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows.
Estimates are periodically reviewed to ensure there is adequate on demand cash and cash equivalents to cover operating expenses forecast for a period of around 12 months.
To meet short-term financial needs as at 31 December 2023, short-term credit lines were available, totalling around € 236 million, of which € 211.5 million in Italy and € 24.5 million in Belgium available to Burgo Ardennes. The Burgo Group also has access to a Revolving line totalling € 100 million that was unused as at 31 December 2023.
The Group also has access to without-recourse factoring lines with a total limit, increased during 2023, of over 110 million, in addition to a limit with recourse of about € 8 million on Burgo Ardennes, included among its ST lines.
For long-term financial requirements, the Group has loans of around € 202 million.
It should be noted that time deposits have been opened for the remuneration management of cash in current accounts. As at 31 December 2023 time deposits totalled around € 100.7 million.

3 • Market risk

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

Risk associated with interest rate fluctuations

The Group hedged against the interest rate fluctuations on the pool loan contract and the Sace-guaranteed loan contract. As at 31 December 2023, hedging on the three main loans totalling € 175.2 million (Amortising Line, Bullet Line and Sace-guaranteed Line) was approximately 99%.

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 focused 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

The 2023 financial year shows a reduction in **total operating revenue and income** from € 2,345.4 million in 2022 to € 1,529.4 million in 2023 (down by -34.8%), recording **adjusted EBITDA** at € 157.3 million, compared to € 300.3 million in 2022.
The first part of the year was characterised by weak demand in all areas served by the Group, in particular graphic paper, which then recovered slightly in the second part of the year. This caused a decrease in sales volumes, resulting in a number of production stoppages at plants. The Group continued with its policy to recover production and energy efficiency to deal with this situation.
The year was also characterised by the drop in the costs of raw materials and energy, which after the strong upward trend the previous year, saw prices coming down especially during the first part of the year. In particular, compared to 2022, the reduced prices of raw materials resulted in lower costs for approximately € 18 million, while costs to procure natural gas decreased by around € 97 million. The decrease in production costs saw corresponding reductions in sales prices.
Another significant event in the year was the sale of the Duino plant, which was finalised at the start of January 2023. A toll manufacturing contract was signed with the buyer, making it possible to continue with production for a few months into 2023.

In financial terms, **net financial position** at the end of the year showed a liquidity of € 113.8 million, a significant further improvement from the previous year, which had already showed a liquidity of € 11.7 million. This improvement, which amounted to about € 102.1 million, was mainly due to the gross margins realised during the year for € 157.3 million, together with the generation of cash arising from the decrease in working capital for € 84.8 million (resulting especially from the decrease in inventories) and collections from sold assets for € 40.8 million. These positive financial flows more than offset outflows referring primarily to investments for € 52.9 million, payments for net financial expenses and taxes for € 40.8 million and distributions of shareholders' equity for € 80.5 million.

Consolidated Income statement for the year €/000	**31 Dec 2022**	**31 Dec 2023**	**% change**
Revenues	2,290,511	1,470,813	**-35.8%**
Other income	54,893	58,639	
Total operating revenues and income	**2,345,404**	**1,529,452**	**-34.8%**
Costs for materials and external services	(1,854,720)	(1,060,632)	
Personnel expenses	(196,347)	(174,705)	
Other operating costs	(83,746)	(43,927)	
Change in inventories	88,848	(93,964)	
Capitalised costs for internal work	839	1,107	
Total operating costs	**(2,045,125)**	**(1,372,121)**	**-32.9%**
Adjusted EBITDA	**300,279**	**157,331**	**-47.6%**
Depreciation and amortisation	(51,646)	(46,678)	
Capital gains/losses on disposal of non-current assets	1,461	899	
EBIT before non-recurring expenses and income and restructuring	**250,095**	**111,552**	
Writebacks/writedowns of non-current assets	(20,102)	(5,837)	
Income/expenses of a non-recurring nature and for restructuring	(5,921)	(9,054)	
Operating result (EBIT)	**224,072**	**96,661**	
Financial expenses	(24,879)	(13,152)	
Financial income	6,661	7,644	
Result before taxes	**205,854**	**91,153**	**-55.7%**
Income taxes	(48,101)	(17,595)	
Profit/(loss) for the period	**157,753**	**73,558**	

Revenues from ordinary operations in 2023 amounted to € 1,470.8 million, down by € 819.7 million (-35.8%) with respect to the € 2,290.5 million seen in 2022. The contraction in sales is attributable to the volume effect and the decrease in unit pricing (of both paper and energy products). In particular, paper revenues decreased by € 640 million (-34.9%) and energy revenues by € 131 million (-43.3%).
The reduction in sales prices followed the trend of production costs, which (as already mentioned) saw a sharp decline in the prices of raw materials and energy during the year. The slowdown in demand aggravated this effect, which remained weak, especially in the first half of the year.

It is noted that with effect from this financial year, in order to appropriately reflect the policy of grant cash discounts for payments made in advance respect to contractual terms on consolidated financial statements, the Group has classified the cash discounts as a reduction to revenues, rather than as financial charges. The figures from the previous year have been restated in order to ensure a fully comparability. The effects for the 2023 and for the restatement of 2022 financial years are less revenues in the amounts of € 11,353.5 thousand and € 16,465.6 thousand respectively (the latter are gross of the effects of the IFRS 5 application re-classification).

Other income totalled € 58.6 million (€ 54.9 million the previous year) due, in particular, to environmental certificates and remuneration for the availability of electricity and gas interruptibility agreements.
The amount of paper sold totalled 1,111 thousand t, down by 28% with respect to the 1,533 thousand t sold in 2022. This variation reflects the sale of the Duino plant at the start of 2023 (considering the same reporting boundary the reduction was 289 thousand t, or -21.1%). **Operating expenses** totalled € 1,372.1 million against € 2,045.1 million the previous year, a decrease of -32.9%. Within operating costs, personnel expenses amounted to € 174.7 million, compared to € 196.3 million the previous year. This was also affected by the Duino sale and less hours worked following the production stoppages.

Adjusted EBITDA was € 157.3 million, against € 300.3 million in 2022. In percentage terms, EBITDA amounted to 10.3% of total operating revenues and income, compared to 12.8% the previous year. Margins measured on the Group's pulp and paper revenues also decreased from 17.2% in 2022 to 12.4 % in 2023.

Depreciation and amortisation amounted to € 46.7 million compared to € 51.7 million in 2022, down from the previous year mainly due to the sale of the Duino plant at the start of 2023.
The **operating result, before non-recurring transactions**, amounted to € 111.6 million, compared to € 250.1 million the previous year.
Writedowns on non-current assets totalled € -5.8 million.
Non-recurring income and expense in 2023 amounted to € -9.1 million, compared to € -5.9 million last year.

Financial expenses went from € 24.9 million in 2022 to € 13.2 million in 2023, mainly due to the reduction in financial discounts linked to the assignment of the tax credits provided for energy and gas intensive companies, and the lower interest expense on medium-long term debt, referring to the Parent Company, thanks to the early partial voluntary repayment of € 18.3 million made in May 2023. **Financial income** increased during 2023, going from € 7.6 million from € 6.7 million in 2022, due to higher interest income accruing on cash deposits.
As a consequence of the above, the **profit for the period**, after income taxes of € -17.6 million, came to € 73.6 million, compared to profit of € 157.8 million the previous year.

Non-recurring expense and restructuring costs

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

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

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

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

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

The indicator selected by management to represent its performance, after removing items relative to extraordinary costs and/or non-recurring operations, is the Gross Operating Margin (EBITDA). In the context of the disclosure regarding the nature and amount of the most significant cost and revenue items (IAS 1 - paragraph 97), below is a reconciliation schedule and a description of non-recurring items.
Below is a schedule reconciling non-recurring components relative to 2023.

Consolidated Income statement for the year €/000	**31 Dec 2023**		
	PROFIT AND LOSS STATEMENT including non-recurring components	non-recurring components	PROFIT AND LOSS STATEMENT excluding non-recurring components
Revenues	1,470,813	-	1,470,813
Other income	58,639	-	58,639
Total operating revenues and income	**1,529,452**	**-**	**1,529,452**
Costs for materials and external services	(1,060,632)	(3,552)	(1,064,184)
Personnel expenses	(174,705)	(1,000)	(175,705)
Other operating costs	(43,927)	(3,505)	(47,432)
Change in inventories	(93,964)	(997)	(94,960)
Capitalised costs for internal work	1,107	-	1,107
Total operating costs	**(1,372,121)**	**(9,054)**	**(1,381,175)**
Adjusted EBITDA	**157,331**		
Depreciation and amortisation	(46,678)	-	(46,678)
Capital gains/losses on disposal of non-current assets	899	-	899
EBIT before non-recurring expenses and income and restructuring	**111,552**	**(9,054)**	**102,498**
Writebacks/writedowns of non-current assets	(5,837)	-	(5,837)
Income/expenses of a non-recurring nature and for restructuring	(9,054)	9,054	-
Operating result (EBIT)	**96,661**	**-**	**96,661**
Financial expenses	(13,152)	-	(13,152)
Financial income	7,644	-	7,644
Result before taxes	**91,153**	**-**	**91,153**
Income taxes	(17,595)	-	(17,595)
Profit/(loss) for the period	**73,558**	**-**	**73,558**

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

- expenses totalling € 3.3 million deriving from extraordinary operations;
- expenses relating to the sale of the Duino plant for € 1.4 million;
- provisions for restructuring expenses for € 1 million;
- provisions made for non-recurring industrial expenses relating to dismantling works at decommissioned plants for € 3.1 million;
- expenses relating to the San Mauro offices, up until it was sold, and other discontinued operating facilities for € 0.2 million.

Statement of financial position: Assets €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current assets	**476.4**	**460.5**	**(15.8)**
Property, plant and equipment	387.8	385.1	(2.7)
Intangible assets	18.7	13.4	(5.3)
Other non-current assets	23.0	26.1	3.1
Deferred tax assets	46.9	36.0	(10.9)
Current assets	**852.2**	**729.2**	**(123.0)**
Assets held for sale and discontinued operations	**45.4**	**-**	**(45.4)**
Total assets	**1,373.9**	**1,189.7**	**(184.1)**

Statement of financial position: Liabilities €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Shareholders' equity	**520.0**	**509.4**	**(10.6)**
Shareholders' equity pertaining to the Group	516.1	505.5	(10.6)
Shareholders' equity attributable to non-controlling interests	3.9	3.9	0.0
Non-current liabilities	**320.6**	**262.4**	**(58.2)**
Current liabilities	**524.3**	**418.0**	**(106.3)**
Liabilities related to assets held for sale and to discontinued operations	**9.0**	**-**	**(9.0)**
Total shareholders' equity and liabilities	**1,373.9**	**1,189.7**	**(184.1)**

Net tangible and intangible **fixed assets** decreased, going from € 406.5 million to € 398.5 million. The change is mainly attributable to the difference between tangible and intangible investments totalling € 52.9 million, disposals for approximately € 3.3 million, writedowns for € 5.8 million, provisions for € 46.7 million and a net change of € -5 million for less environmental certificates registered for intangible fixed assets at year-end. Once again in 2023, the Group continued its investment programme aimed at developing new products, improving production and energy efficiency, quality, safety, plant maintenance, and upgrading and strengthening the Group's IT software and hardware.

Inventories decreased by € 94.8 million, with **trade receivables from customers** also coming down by € 94.8 million and **trade payables to suppliers** by € 104.7 million, mainly due to the contraction in revenues, but also because of the continued optimisation of collection and payment conditions, thus contributing to generating an overall contraction in **operating working capital** of € 84.8 million.
Net financial position, shows a liquidity of € 113.8 million, compared to a liquidity of € 11.7 million the previous year.
Shareholders' equity decreased by € 10.6 million from € 520 million to € 509.4 million. The main changes are attributable to the profit for the year of € 73.6 million, overall negative changes to OCI totalling € 3.4 million, including in particular those resulting from the negative adjustment of the CFH reserve, and the payment of dividends in the amount of € 80.5 million.

Breakdown of net financial position €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Current financial assets	260.6	330.7	70.1
Short-term financial payables	(34.2)	(49.6)	(15.4)
Medium/long-term financial assets	6.0	8.3	2.3
Medium/long-term financial payables	(220.7)	(175.6)	45.0
Net financial position	**11.7**	**113.8**	**102.1**

Capital and financial structure €/mln	31 Dec 2022	31 Dec 2023	Change
Intangible assets	18.7	13.4	(5.3)
Property, plant and equipment	387.8	385.1	(2.7)
Other non-current assets:			
Equity investments	7.2	7.2	0.0
Other receivables and non-current assets	9.9	10.6	0.7
Net fixed assets	**423.5**	**416.2**	**(7.2)**
Inventories	279.6	184.8	(94.8)
Trade receivables	279.3	184.4	(94.8)
Trade payables	(410.4)	(305.6)	104.7
Working capital	**148.5**	**63.7**	**(84.8)**
Other receivables and current assets	32.7	29.2	(3.5)
Deferred tax assets	46.9	36.0	(10.9)
Provisions for deferred tax liabilities	(16.1)	(14.1)	2.0
Provisions for risks and charges	(65.9)	(55.9)	10.0
Other payables and non-current liabilities	(0.5)	(0.5)	0.0
Payables for current taxes	(19.7)	(7.5)	12.2
Other payables and current liabilities	(60.0)	(55.3)	4.8
Assets held for sale and discontinued operations	45.4	-	(45.4)
Liabilities related to assets held for sale and to discontinued operations	(9.0)	-	9.0
Other operating assets and liabilities	**(46.4)**	**(68.1)**	**(21.7)**
Working capital	**102.1**	**(4.5)**	**(106.6)**
Invested capital, after deducting operating liabilities	**525.6**	**411.8**	**(113.8)**
Severance indemnities and other provisions related to personnel	(17.3)	(16.2)	1.1
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**508.2**	**395.6**	**(112.7)**
Share capital	(90.0)	(90.0)	-
Reserves	(260.9)	(196.8)	64.1
Accumulated profits/(losses) including profit/(loss) for the period	(165.2)	(218.7)	(53.5)
Shareholders' equity attributable to non-controlling interests	(3.9)	(3.9)	(0.0)
Own capital	**(520.0)**	**(509.4)**	**10.6**
Financial receivables and other non-current financial assets	6.0	8.3	2.3
Financial receivables and other current financial assets	147.0	58.3	(88.7)
Cash on hand and other cash equivalents	113.6	272.4	158.8
Non-current financial liabilities	(220.7)	(175.6)	45.0
Current financial liabilities	(34.2)	(49.6)	(15.4)
Net financial position	**11.7**	**113.8**	**102.1**
Total coverage	**(508.2)**	**(395.6)**	**112.7**

Analysis by index	31 Dec 2022	31 Dec 2023
ROS (EBIT/Turnover)	10.59%	6.32%
AT (Assets turnover: Turnover/Average invested capital)	1.55	1.19
ROI (EBIT/Average invested capital) = ROS x AT	**16.46%**	**7.54%**
Debt ratio (CI/CN)	3.43	3.41
Impact of non-management expense	0.70	0.76
ROE (ROI*CI/CN*RN/RO)	**39.78%**	**19.56%**
ROCE (Operating income/Net average invested capital)	**46.02%**	**21.39%**
NFP/Shareholders' equity	**-0.02**	**-0.22**
NFP/EBITDA	**-0.04**	**-0.72**

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

Income statement for the year €/000	31 Dec 2022	31 Dec 2023	% change
Revenues	1,460,517	869,476	-40.5%
Other income	20,492	21,860	
Total operating revenues and income	**1,481,009**	**891,336**	**-39.8%**
Costs for materials and external services	(1,211,628)	(711,412)	
Personnel expenses	(76,320)	(59,351)	
Other operating costs	(53,488)	(20,062)	
Change in inventories	38,273	(55,054)	
Capitalised costs for internal work	177	528	
Total operating costs	**(1,302,986)**	**(845,351)**	**-35.1%**
Adjusted EBITDA	**178,023**	**45,985**	**-74.2%**
Depreciation and amortisation	(25,174)	(19,071)	
Capital gains/(losses) on disposal of non-current assets	1,461	870	
EBIT before non-recurring expenses and income	**154,310**	**27,784**	
Writebacks/writedowns of non-current assets	(12,861)	(3,028)	
Income/expenses of a non-recurring nature and for restructuring	(5,832)	(5,694)	
Operating result (EBIT)	**135,617**	**19,061**	
Financial expenses	(19,558)	(10,283)	
Financial income	21,222	59,005	
Result before taxes	**137,281**	**67,783**	**-50.6%**
Income taxes	(17,965)	(155)	
Profit/(loss) for the period	**119,316**	**67,628**	

The 2023 financial year saw a reduction in **total operating revenue and income** from € 1,481 million in 2022 to € 891.3 million in 2023 (down by 39.8%), recording **adjusted EBITDA** at € 46 million, compared to € 178 million in 2022.
The first part of the year was characterised by weak demand in all areas served by the Company, in particular graphic paper, which then recovered slightly in the second part of the year. This caused a decrease in sales volumes, resulting in a number of production stoppages at plants. The Company continued with its policy to recover production and energy efficiency to deal with this situation.
Another significant event in the year was the sale of the Duino plant, which was finalised at the start of January 2023. A toll manufacturing contract was signed with the buyer, making it possible to continue with production for a few months into 2023.

Revenues from ordinary operations in 2023 amounted to € 869.5 million, against € 1,460.5 million in 2022, a decrease of 40.5%. The contraction in sales is attributable to the volume effect and the decrease in unit pricing (of both paper and energy products).
The change relating to paper sales, which totalled € 502.4 million, derives mainly from a volumes effect amounting to € 356.5 million, whereas the price effect amounted to € 145.9 million. We note that the change also encompasses the component from the progressive exit of the Duino plant from the Burgo Group S.p.A. perimeter, which in 2022 had generated € 191 million in paper revenues, against € 35.4 million in 2023.
It is noted that with effect from this financial year, in order to appropriately reflect the policy of grant cash discounts for payments made in advance respect to contractual terms on consolidated financial statements, the Group has classified the cash discounts as a reduction to revenues, rather than as financial charges. The figures from the previous year have been restated in order to ensure a fully comparability. The effects for the 2023 and for the restatement of 2022 financial years are less revenues in the amounts of € 7,317.3 thousand and € 10,664.7 thousand respectively (the latter are gross of the effects of the IFRS 5 application re-classification).

Additionally, **other income** totalling € 21.9 million was recorded, in particular from environmental certificates and interruptibility agreements (€ 20.5 million the previous year).
The volume of paper sales was 839 thousand t, compared to 1,153 thousand t the previous year, recording a drop of -315 thousand t (-27.3%). Net of the sales from the Duino plant assets, the change stands at 181 thousand t (-18.4%).

Total **operating costs** came to € 845.4 million against € 1,303 million in 2022 (-35.1%). Within operating costs, personnel costs amounted to € 59.4 million. Impacting on the drop in costs was the volume effect due to the exit of the Duino plant from the Company perimeter and the lower volumes produced by the other four active plants, in addition to the drop in prices for the primary raw materials, especially pulpcellulose and the decrease in energy costs (further benefiting as in the previous year, from the tax credit provided to gas and energy intensive companies).

Depreciation and amortisation amounted to € 19.1 million compared to € 25.2 million in 2022, with the € -6.1 million difference net of the effect of the Duino plant exit amounting to € -1.6 million.
Operating income, before non-recurring transactions, amounted to € 27.8 million, against € 154.3 million the previous year.
Therefore, **net non-recurring income/expense** of € -5.7 million and writedowns of € -3 million were recorded.

The result of **financial management** was positive at € 48.7 million, against the € 1.7 million recorded in 2022. The change is mainly due to higher dividends received from subsidiaries and the lower expense on financial transactions (fees on the transfer of tax credits, not included in 2023). The **result before taxes** was positive at € 67.8 million, against the positive € 137.3 million recorded the previous year.
The **profit for the period** amounts to € 67.6 million, compared to € 119.3 million the previous year.

Non-recurring expenses

Below is a schedule reconciling non-recurring components relative to 2023. For methodology, please see that indicated above in the comments on the consolidated profit and loss statement figures.

Income statement for the year €/000	**31 Dec 2023** PROFIT AND LOSS STATEMENT including non-recurring components	non-recurring components	PROFIT AND LOSS STATEMENT excluding non-recurring components
Revenues	869,476	260	869,736
Other income	21,860		21,860
Total operating revenues and income	**891,336**	**260**	**891,596**
Costs for materials and external services	(711,412)	(3,552)	(714,964)
Personnel expenses	(59,351)	(1,000)	(60,351)
Other operating costs	(20,062)	(405)	(20,467)
Change in inventories	(55,054)	(997)	(56,051)
Capitalised costs for internal work	528		528
Total operating costs	**(845,351)**	**(5,954)**	**(851,305)**
Adjusted EBITDA	**45,985**		
Depreciation and amortisation	(19,071)		(19,071)
Capital gains/losses on disposal of non-current assets	870	-	870
EBIT before non-recurring expenses and income and restructuring	**27,784**	**(5,694)**	**22,090**
Writebacks/writedowns of non-current assets	(3,028)		(3,028)
Income/expenses of a non-recurring nature and for restructuring	(5,694)	5,694	-
Operating result (EBIT)	**19,061**	**-**	**19,061**
Financial expenses	(10,283)		(10,283)
Financial income	59,005	-	59,005
Result before taxes	**67,783**	**-**	**67,783**
Income taxes	(155)		(155)
Profit/(loss) for the period	**67,628**	**-**	**67,628**

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

- expenses totalling € 3.1 million deriving from transactions and extraordinary operations;
- expenses relating to the Duino plant for € 1.4 million;
- provisions for restructuring expenses for € 1 million;
- expenses relating to the San Mauro offices, up until it was sold, and discontinued operating facilities for € 0.2 million.

Statement of financial position: Assets €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current assets	**646.6**	**640.7**	**(5.9)**
Property, plant and equipment	150.8	152.8	2.0
Intangible assets	2.1	1.9	(0.2)
Other non-current assets	458.5	461.5	3.1
Deferred tax assets	35.1	24.4	(10.7)
Current assets	**549.0**	**474.8**	**(74.1)**
Assets held for sale and discontinued operations	**45.4**	**-**	**(45.4)**
Total assets	**1,240.9**	**1,115.5**	**(125.4)**

Statement of financial position: Liabilities €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Shareholders' equity	**(585.2)**	**(569.6)**	**15.6**
Non-current liabilities	**(246.9)**	**(193.0)**	**53.9**
Current liabilities	**(399.8)**	**(352.9)**	**46.9**
Liabilities related to assets held for sale and to discontinued operations	**(9.0)**	**-**	**9.0**
Total shareholders' equity and liabilities	**(1,240.9)**	**(1,115.5)**	**125.4**

During the year **technical investments** totalling € 22.4 million were made (€ 18.2 million in 2022). Together with capitalisation of financial expense, internal work and advances on plant maintenance, these bring the total to € 25.1 million. Recognition of rights of use due to application of IFRS 16 during the year amounted to € 0.9 million, compared to € 0.7 million in the previous year. Increases relative to intangible fixed assets amounted to € 0.6 million (€ 1.1 million in 2022). **Trade receivables** went from € 169.3 million in 2022 to € 118.5 million and **warehouse** inventories went from € 114 million to € 57.9 million. **Payables due to suppliers** decreased from € 256.3 million at the end of 2022 to € 220.6 million.

Net financial position shows a liquidity of € 26.9 million, compared to a debt of € 54.3 million at the end of 2022, with a positive difference of € 81.2 million.

Shareholders' equity amounted to € 569.6 million against € 585.2 million at the end of 2022, dropping by € 15.6 million, mainly due to the distribution of dividends during the year for € 80.5 million and the net positive result for the period of € 67.6 million.

Breakdown of net financial position €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Current financial assets	228.8	272.9	44.1
Short-term financial payables	(100.3)	(104.9)	(4.6)
Medium/long-term financial assets	7.4	9.7	2.3
Medium/long-term financial payables	(190.1)	(150.8)	39.3
Net financial position	**(54.3)**	**26.9**	**81.2**

Capital and financial structure €/mln	**31 Dec 2022**	**31 Dec 2023**	**Change**
Intangible assets	2.1	1.9	(0.2)
Property, plant and equipment	150.8	152.8	2.0
Other non-current assets:			
Equity investments	441.6	441.6	(0.0)
Other receivables and non-current assets	9.4	10.2	0.7
Net fixed assets	**604.0**	**606.6**	**2.5**
Inventories	114.0	57.9	(56.1)
Trade receivables	169.3	118.5	(50.7)
Trade payables	(256.3)	(220.6)	35.7
Working capital	**26.9**	**(44.1)**	**(71.1)**
Other receivables and current assets	36.9	25.5	(11.4)
Deferred tax assets	35.1	24.4	(10.7)
Provisions for risks and charges	(48.5)	(34.4)	14.1
Payables for current taxes	(11.9)	(2.1)	9.8
Other payables and current liabilities	(31.2)	(25.4)	5.9
Assets held for sale and discontinued operations	45.4	-	(45.4)
Liabilities related to assets held for sale and to discontinued operations	(9.0)	-	9.0
Other operating assets and liabilities	**16.8**	**(12.1)**	**(28.8)**
Working capital	**43.7**	**(56.2)**	**(99.9)**
Invested capital, after deducting operating liabilities	**647.7**	**550.4**	**(97.3)**
Severance indemnities and other provisions related to personnel	(8.3)	(7.7)	0.6
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**639.4**	**542.7**	**(96.7)**
Share capital	(90.0)	(90.0)	-
Reserves	(328.0)	(264.7)	63.3
Accumulated profits/(losses) including profit/(loss) for the period	(167.1)	(214.9)	(47.8)
Own capital	**(585.2)**	**(569.6)**	**15.6**
Financial receivables and other non-current financial assets	7.4	9.7	2.3
Financial receivables and other current financial assets	142.6	29.2	(113.4)
Cash on hand and other cash equivalents	86.2	243.7	157.6
Non-current financial liabilities	(190.1)	(150.8)	39.3
Current financial liabilities	(100.3)	(104.9)	(4.6)
Net financial position	**(54.3)**	**26.9**	**81.2**
Total coverage	**(639.4)**	**(542.7)**	**96.7**

Performance of subsidiaries and associated companies

Subsidiaries

Burgo Ardennes S.A.
(*reporting prepared in accordance with the international accounting standards*)
Revenues amounted to € 409.8 million (€ 421.7 million the previous year).
The gross operating margin (EBITDA) was € 35.5 million, against € 30.6 million the previous year.
Net profits for the year came to € 8.8 million, against € 8.7 million the previous year.

Mosaico S.p.A.
(*financial statements prepared in accordance with the international accounting standards*)
Revenues amounted to € 457.3 million (€ 684.7 million the previous year).
The gross operating margin (EBITDA) was € 59.1 million, against € 69.5 million the previous year.
Net profits for the year came to € 37.2 million, against € 40.7 million the previous year.

Burgo Distribuzione S.r.l.
(*financial statements prepared in accordance with the international accounting standards*)
Revenues amounted to € 175.2 million (€ 244.4 million the previous year).
The gross operating margin (EBITDA) was € 6.2 million, against € 8.5 million the previous year.
Net profits for the year came to € 4.1 million, against € 5.9 million the previous year.

Burgo Energia S.r.l.
(*financial statements prepared in accordance with the international accounting standards*)
Revenues amounted to € 261.8 million (€ 346.4 million the previous year).
The gross operating margin (EBITDA) was € 8.8 million, against € 12.3 million the previous year.
Net profits for the year came to € 5.3 million, against € -1.9 million the previous year.

Burgo Factor S.p.A.
(*financial statements prepared in accordance with the international accounting standards*)
The company managed total receivables equal to € 142 million (€ 304 million the previous year).
Net profits for the year came to € 2.2 million, against € 3.1 million the previous year.

Gever S.p.A. in liquidation
(*financial statements prepared in accordance with the international accounting standards*)
Revenues amounted to € 0.01 million (€ 0.0 million the previous year).
The gross operating margin (EBITDA) was € 0.01 million, against € -0.02 million the previous year.
Net profits for the year came to € 0.03 million, against € -0.09 million the previous year.
The company was put into liquidation in 2021 due to it not being possible to achieve the corporate purpose following the sale of the Verzuolo plant and the relative power plant.

Burgo Recycling S.r.l.
(*financial statements prepared in accordance with national accounting standards*)
Revenue totalled € 2.3 million (€ 2.7 the previous year), the gross operating margin (EBITDA) was € 0.3 million (€ 0.2 million the previous year) and the net result for the year was € 0.2 million (€ 0.1 million the previous year).

Other foreign companies
The foreign sales companies (Burgo Central Europe, Burgo France, Burgo Ibérica Papel, Burgo UK, Burgo Benelux, Burgo North America, Burgo Eastern Europe) and SEFE achieved a positive net result as a whole, equal to € 0.2 million
(€ 0.9 million the previous year).

Relations with subsidiaries, associated companies and parent companies

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

The Company purchases:

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

The parent company supplies:

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

Burgo Factor provides factoring services for receivables due to the Group from its suppliers.
Burgo Group S.p.A., as the manager of the Group's centralised treasury, credits and debits associated companies with regards to financial income and expense at market rates, in shared current accounts.
The Company makes use of the ability to consolidate the individual items receivable and payable relative to Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A. in liquidation, Burgo Factor S.p.A., Mosaico S.p.A. and Burgo Recycling S.r.l for IRES purposes and to Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A. in liquidation, Mosaico S.p.A. and Burgo Recycling S.r.l. for VAT purposes, according to the applicable tax regulations in force.

The above relationships are indicated quantitatively in the schedule below:

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2022	**31 Dec 2023**	**31 Dec 2022**	**%**	**31 Dec 2023**	**%**
Financial receivables and other non-current financial assets	2,800	2,800	7,407	38%	9,750	29%
Trade receivables	79,633	61,254	169,278	47%	118,534	52%
Other receivables and current assets	19,557	10,950	36,927	53%	25,497	43%
Financial receivables and other current financial assets	72,859	14,228	142,611	51%	29,165	49%
Current financial liabilities	(89,714)	(79,256)	(100,312)	89%	(104,869)	76%
Trade payables	(79,768)	(108,190)	(256,319)	31%	(220,576)	49%
Other payables and current liabilities	(7,177)	(3,587)	(31,245)	23%	(25,373)	14%
Economic relationships						
Revenues	333,380	183,157	1,234,004	27%	869,476	21%
Other income	10,882	6,142	16,539	66%	22,120	28%
Costs for materials and external services	(416,435)	(426,911)	(1,037,124)	40%	(714,964)	60%
Other operating costs	(32,873)	(8,383)	(45,659)	72%	(20,467)	41%
Capitalised costs for internal work	-	(14)	162	0%	528	-3%
Financial expenses	(0)	(871)	(19,558)	0%	(10,283)	8%
Financial income	19,723	52,148	21,222	93%	59,005	88%
Income taxes	18,506	10,726	(7,052)	-262%	(155)	-6941%

Corporate governance and internal audit system

General information

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

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

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

The governing bodies

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

(ii) Board of Directors: the Company is administered by a Board of Directors consisting of 7 (seven) directors appointed on the basis of a list system, governed by article 22 of the Articles of Association in effect.
Those who find themselves in the conditions established under article 2382 of the Italian Civil Code cannot be appointed as Directors and, if they already hold such office, shall cease to hold it.
On 05 May 2023, the Shareholders' Meeting appointed the Board for the 2023-2025 period, that is until approval of the 2025 financial statements, as follows:

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

The Board of Directors is granted the broadest 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.
Art. 25.5 identifies the so-called "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 4 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 05 May 2023, the Burgo Group Shareholders' Meeting appointed the Board of Statutory Auditors for 2023-2025, or until the approval of the 2025 Financial Statements, as follows:

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

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

Internal audit system

The Company's Board of Directors adopted, already in financial year 2003, in application of Italian Legislative Decree 231 of 8 June 2001, an "Organisation, Management and Control Model", which serves to identify and apply a collection of behavioural, organisational and control rules which constitute a control system reasonably able to identify and prevent conduct associated with corporate liability pursuant to Italian Legislative Decree 231/2001, as amended.
The Model consists of a General Section and 17 Special Sections accompanied by operational protocols/management procedures integrated with internal certification systems.
The responsibility of monitoring the effective functioning and observance of the Model, as well as proposing updates, is assigned to a collegial Oversight Committee, which reports to the Chairperson.
The Board of Statutory Auditors consists of three regular auditors and two alternate auditors. Their terms will expire on the date the financial statements at 31 December 2025 are approved.

Equity financial instruments

Following the Capital Increase Operation and refinancing carried out on 29/30 October 2020, the SFP regime was also changed.
More specifically, the Special Meeting of SFP Holders irrevocably renounced their right to convert the existing equity financial instruments, entirely or partially, into ordinary and/or privileged Company shares, and adopted a new Regulation which profoundly changed the regulations for the equity financial instruments, both in terms of equity and administrative rights. As part of this, the Financial Instruments lost the right to be converted into Company shares and all Governance rights.
These equity instruments were originally subscribed through the conversion of € 200 million of debt by certain financial institutions.
With the Resolution adopted on 05 May 2023, the Burgo Group S.p.A. Shareholders' Meeting approved the distribution of a total gross dividend of € 80,547,297.00, to be paid no later than 30 June 2023 and divided as follows in accordance with the provisions of the Articles of Association and related annexes:

1) € 16,109,459.00 as a gross dividend paid to shareholders at the rate of € 0.0074276245 per share;
2) € 64,437,838.00 as a Distribution pursuant to Article 6(b)(i) of the Burgo Group S.p.A. Equity Instrument Issue Rules, paid pro rata to holders of the Equity Financial Instruments, out of the Reserve for Equity Financial Instruments consisting of profit reserves.
   Therefore, at the time of writing, equity instruments totalled € 101,554,150, divided as follows:

Equity financial instruments	
Mediobanca S.p.A.	66,200,379
QuattroR SGR S.p.A.	27,468,834
Banco BPM S.p.A.	7,884,937
	101,554,150

Business crisis and insolvency code

Pursuant to Italian Legislative Decree 14/2019 (Business Crisis and Insolvency Code), recently amended by Legislative Decree 83/2022, the Company adopts an organisational, administrative and accounting structure appropriate to the nature of its business such to enable the early detection of business crises and the implementation of appropriate action to ensure business continuity.

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

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

With reference to financial year 2023, 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.

Burgo Group consolidated financial statements

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Consolidated statement of financial position

Consolidated statement of financial position: **Assets** €/000	Note	31 Dec 2022	31 Dec 2023	Change
Non-current assets		**476,365**	**460,542**	**(15,823)**
Property, plant and equipment		**387,751**	**385,073**	**(2,678)**
Property, plant and equipment	1	378,103	375,369	(2,734)
Property investments	1	429	410	(19)
Right of use assets	1	9,219	9,293	74
Intangible assets		**18,681**	**13,355**	**(5,327)**
Goodwill and other intangible assets with undefined life	2	6,224	6,224	-
Intangible assets with defined life	2	12,457	7,130	(5,327)
Other non-current assets		**23,006**	**26,091**	**3,085**
Equity investments	3	-	27	27
Equity investments in other companies	3	7,174	7,174	-
Financial receivables and other non-current financial assets	3	5,951	8,279	2,329
Other receivables and non-current assets	3	9,881	10,611	730
Deferred tax assets		**46,926**	**36,024**	**(10,902)**
Deferred tax assets	4	46,926	36,024	(10,902)
Current assets		**852,161**	**729,202**	**(122,958)**
Inventories	5	279,592	184,835	(94,756)
Trade receivables	6	279,281	184,449	(94,831)
Other receivables and current assets	7	32,666	29,171	(3,495)
Financial receivables and other current financial assets	8	146,995	58,342	(88,653)
Cash on hand and other cash equivalents	9	113,627	272,404	158,778
Assets held for sale and discontinued operations	**10**	**45,360**	**-**	**(45,360)**
Total assets		**1,373,886**	**1,189,745**	**(184,141)**

Consolidated statement of financial position: **Liabilities** €/000	Note	31 Dec 2022	31 Dec 2023	Change
Shareholders' equity		**519,975**	**509,374**	**(10,602)**
Share capital	11	90,000	90,000	-
Reserves	11	260,908	196,770	(64,138)
Accumulated profits/(losses) including profit/(loss) for the period	11	165,177	218,700	53,523
Shareholders' equity attributable to non-controlling interests	11	3,890	3,904	14
Non-current liabilities		**320,602**	**262,409**	**(58,192)**
Non-current financial liabilities	12	220,677	175,649	(45,029)
Severance indemnities and other provisions related to personnel	13	17,340	16,214	(1,126)
Provisions for deferred tax liabilities	14	16,136	14,136	(2,000)
Provisions for risks and charges	15	65,949	55,934	(10,015)
Other payables and non-current liabilities	16	499	476	(23)
Current liabilities		**524,295**	**417,961**	**(106,334)**
Current financial liabilities	17	34,155	49,565	15,410
Trade payables	18	410,375	305,628	(104,747)
Payables for current taxes	19	19,723	7,481	(12,241)
Other payables and current liabilities	20	60,043	55,288	(4,755)
Liabilities related to assets held for sale and to discontinued operations	**21**	**9,013**	**-**	**(9,013)**
Total shareholders' equity and liabilities		**1,373,886**	**1,189,745**	**(184,141)**

Consolidated Income Statement

Consolidated Income Statement for the year €/000	**Note**	**31 Dec 2022**	**31 Dec 2023**	**% change**
Revenues	23	2,063,998	1,470,813	-28.7%
Other income	24	50,941	58,639	
Total operating revenues and income		**2,114,939**	**1,529,452**	**-27.7%**
Costs for materials and external services	25	(1,680,216)	(1,064,184)	
Personnel expenses	26	(185,255)	(175,705)	
Other operating costs	27	(75,916)	(47,432)	
Change in inventories	28	82,158	(94,960)	
Capitalised costs for internal work	29	824	1,107	
Depreciation and amortization	30	(47,146)	(46,678)	
Capital gains/losses on disposal of non-current assets	31	1,461	899	
Writebacks/writedowns of non-current assets	32	(20,102)	(5,837)	
Total operating costs		**(1,924,191)**	**(1,432,792)**	**-25.5%**
Operating result		**190,747**	**96,661**	**-49.3%**
Financial expenses	33	(24,967)	(13,152)	
Financial income	34	6,661	7,644	
Result before taxes		**172,441**	**91,153**	**-47.1%**
Income taxes	35	(37,188)	(17,595)	
Net profit/(loss) from assets held for sale and from discontinued operations	36	22,500	-	
Profit/(loss) for the period		**157,753**	**73,558**	**-53.4%**
Attributable to:				
Profit (loss) for the period pertaining to non-controlling interests		*381*	*332*	
Profit (loss) for the period pertaining to the owners of the Parent		*157,372*	*73,225*	

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income €/000	**Note**	**31 Dec 2022**	**31 Dec 2023**
A - Profit (loss) for the period		**157,753**	**73,558**
Other components of the Statement of Comprehensive Income:		-	-
Other components of the Statement of Comprehensive Income to be subsequently reclassified in the annual Income statement:		**-**	**-**
Translation differences from foreign financial statements		56	(5)
		56	(5)
Net (loss) profit from cash flow hedge	37	(14,545)	(4,238)
Income taxes		4,814	885
		(9,730)	(3,354)
Net (loss) profit from financial assets FVOCI		-	-
Income taxes		-	-
		-	-
B- Total other components of the Statement of Comprehensive Income to be subsequently reclassified in the annual Income statement net of taxes		**(9,674)**	**(3,359)**
Other components of the Statement of Comprehensive Income not to be subsequently reclassified in the annual Income statement:			
(Losses) gains from discounting of defined benefit plans	37	3,918	(113)
Income taxes		(950)	27
		2,968	(86)
C- Total Other components of the Statement of Comprehensive Income not to be subsequently reclassified in the annual Income statement net of taxes		**2,968**	**(86)**
D - Total other components of the Statement of Comprehensive Income net of taxes (B + C)		**(6,706)**	**(3,445)**
E - Total Comprehensive Income net of taxes (D +A)		**151,046**	**70,113**
Attributable to:			
minority shareholders (non-controlling interests)		*381*	*332*
the Group (owners of the parent)		*150,665*	*69,781*

For comments on the schedule, please see note 37 "Consolidated schedule of other components of the statement of comprehensive income".

Statement of Changes in Consolidated Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	Distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	Shareholders' equity, majority shareholder	Third party reserves	Profit (loss) for the year pertaining to minority shareholders	**Group shareholders' equity**
Balances at start of previous period	**90,000**	**13,149**	**138,797**	**-**	**12,920**	**200,000**	**436**	**(66,702)**	**(40,017)**	**59,488**	**408,072**	**4,510**	**(769)**	**411,814**
Destination of result - distribution of dividends	-	3,647	-	-	-	(34,008)	(436)	-	47,775	(59,488)	(42,510)	(991)	769	(42,732)
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	-	(6,763)	-	-	-	-	-	(6,763)	-	-	(6,763)
Other changes in shareholders' equity	-	-	(138,797)	138,797	-	-	-	(190)	47	-	(143)	(10)	-	(153)
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	-	56	-	-	56	-	-	56
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	157,372	157,372	-	381	157,753
Balances at end of previous period	**90,000**	**16,797**	**-**	**138,797**	**6,158**	**165,992**	**-**	**(66,836)**	**7,805**	**157,372**	**516,085**	**3,509**	**381**	**519,975**
Destination of result - distribution of dividends	-	1,203	-	-	-	(64,438)	2,559	-	137,500	(157,372)	(80,547)	81	(381)	(80,847)
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	-	(3,440)	-	-	-	-	-	(3,440)	-	-	(3,440)
Other changes in shareholders' equity	-	-	-	-	(18)	-	-	-	169	-	151	(19)	-	132
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	-	(5)	-	-	(5)	-	-	(5)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	73,225	73,225	-	332	73,558
Balances at period end	**90,000**	**18,000**	**-**	**138,797**	**2,700**	**101,554**	**2,559**	**(66,841)**	**145,475**	**73,225**	**505,470**	**3,571**	**332**	**509,374**

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

Consolidated Cash Flow Statement

Cash Flow Statement €/000	31 Dec 2022	31 Dec 2023
A - Net initial monetary availability	**95,218**	**95,935**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	157,753	73,558
Amortization, depreciation, write-downs and writebacks	71,747	52,515
Writedowns and writebacks of financial assets	3,000	-
Capital (gains) losses on disposal of non-current assets	(1,461)	(899)
Capital (gains) losses on disposal of financial assets	5,191	-
Change in TFR and provisions for risks	14,471	(11,254)
Change in deferred tax assets and provision for deferred taxes	19,220	9,814
Profit (loss) for the period before changes in working capital	**269,920**	**123,734**
Change in inventories	(88,848)	94,756
Change in trade receivables	35,989	94,831
Change in trade payables	(100,537)	(104,747)
Change in other assets and liabilities	21,266	(18,664)
Change in net working capital	**(132,129)**	**66,176**
Assets held for sale and discontinued operations	**(1)**	**36,347**
Total B- Monetary flow from operating activities	**137,791**	**226,257**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(48,633)	(49,302)
Other increases in property, plant and equipment	210	-
Investments in intangible assets	(2,809)	(605)
Recognition of other non-current assets	(13,542)	(9,708)
Change in equity investments	-	(27)
Revenues from sales of fixed assets	22,510	19,013
Total C - Monetary flow from investing activities	**(42,264)**	**(40,629)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(66)	(2,329)
Change in financial receivables and other current financial assets	(51,843)	88,653
Change in current and non-current other non-financial liabilities	7,177	1,309
New loans	7,820	486
Repayment of loans	(10,766)	(30,448)
Repayment right of use loans	(4,621)	(3,010)
Dividends distributed and/or resolved	(42,510)	(80,547)
Changes in Shareholders' Equity	-	-
Total D - Monetary flow from financing activities	**(94,810)**	**(25,885)**
E - Monetary flow for the period (B + C + D)	**717**	**159,743**
Net final monetary availability (A + E)	**95,935**	**255,678**
Additional information:		
Interest received during the period	5,142	5,776
Interest paid during the period	(34,477)	(22,088)
Taxes paid during the period	(20,414)	(18,760)
Dividends received during the period	-	-

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

Explanatory notes to the consolidated financial statements

General information

Group structure and scope of consolidation

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

List of companies consolidated on a line by line basis

Company name	Registered office	Share capital		Stake held	
				%	by
Gever S.p.A. in liquidation	Altavilla Vicentina (VI)	EUR	100,360	100.00	Burgo Group S.p.A.
Burgo Ardennes S.A. *(paper industry)*	Virton (BE)	EUR	75,000,000	99.99 0.01	Burgo Group S.p.A. Mosaico S.p.A.
Burgo Iberica Papel S.A. *(sales)*	Barcelona (ES)	EUR	268,000	100.00	Burgo Ardennes S.A.
Burgo Benelux S.A. *(sales)*	Virton (BE)	EUR	247,900	100.00	Burgo Group S.p.A.
Burgo France S.à r.l. *(sales)*	Champeaux (FR)	EUR	600,000	100.00	Burgo Group S.p.A.
Burgo UK Ltd *(sales)*	Milton Keynes (UK)	GBP	250,000	100.00	Burgo Group S.p.A.
Burgo Central Europe GmbH *(sales)*	Munich (DE)	EUR	256,000	100.00	Burgo Group S.p.A.
Burgo North America Inc *(sales)*	Stamford - Connecticut (USA)	USD	100,000	100.00	Burgo Group S.p.A.
Burgo Factor S.p.A. *(factoring)*	Milan	EUR	3,000,000	90.00	Burgo Group S.p.A.
Burgo Distribuzione S.r.l. *(sales)*	Altavilla Vicentina (VI)	EUR	9,060,000	100.00	Burgo Group S.p.A.
S.E.F.E. S.à r.l. *(forest management)*	Ecouviez (FR)	EUR	76,250	99.80 0.20	Burgo Ardennes S.A. Burgo Group S.p.A.
Burgo Energia S.r.l. *(energy wholesaler)*	Altavilla Vicentina (VI)	EUR	5,015,000	100.00	Burgo Group S.p.A.
Mosaico S.p.A. *(paper industry)*	Altavilla Vicentina (VI)	EUR	75,000,000	100.00	Burgo Group S.p.A.
Burgo Eastern Europe Sp. z o.o. *(sales)*	Warsaw (POL)	PLN	5,000	100.00	Burgo Group S.p.A.
Burgo Recycling S.r.l. *(sales)*	Altavilla Vicentina (VI)	EUR	100,000	51.00	Burgo Group S.p.A.

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Accounting standards and consolidation criteria

The consolidated financial statements for Burgo Group S.p.A. at 31 December 2023 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.

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 Statement of Financial Position**: a form of representation was selected that distinguishes between current and non-current assets and liabilities, based on that allowed under paragraphs 60 and subsequent of IAS 1;
- **Consolidated 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 income statement for the year. In addition, as from 2020, the schedules included in the Notes have been updated, with the eliminated subtotals now included in the Report on Operations schedules;
- **Cash flow statement**: this is structured on the basis of the indirect method.

The Group ended financial year 2023 with profits of € 73.6 million, shareholders' equity of € 509.4 million and net financial position with a liquidity of € 113.8 million.
The consolidated financial situations were prepared using the general cost principle, with the exception of financial assets, measured in accordance with IFRS 9, and derivatives, measured at fair value.
Assets and liabilities and income and expense are not offset, unless this is allowed or required under an international accounting standard or interpretation.

Consolidation standards

The consolidated financial statements include the financial statements of Burgo Group S.p.A., the parent company, and those of subsidiaries over which Burgo Group S.p.A. holds direct or indirect control.
In addition to the subsidiaries, the scope of consolidation also includes associated companies and companies under joint control.
Control exists when the parent company has the power to determine the financial and operating policies of a company, in order to obtain benefits from its business.
Subsidiaries are consolidated starting on the date on which control is effectively obtained by the Group and consolidation ceases on the date on which control is transferred outside of the Group.
These companies are consolidated on a line by line basis.
Associated companies, over which Burgo Group S.p.A. exercises significant influence, or companies for which it exercises joint control over financial and operating policies, are measured using the equity method.
In preparing the consolidated figures, the equity, economic and financial situations of subsidiaries as prepared at the reporting date were used, as well as additional information useful for the translation to the standards adopted in preparing the consolidated financial statements, in order to allow for application of homogeneous accounting standards.
The main operations carried out in preparing the consolidated financial statements are:

- elimination of the book value of equity investments held by the parent company and other companies within the scope of consolidation with the relative shareholders' equity, while taking on the assets and liabilities of companies consolidated with the line by line method. Positive differences emerging from the purchase cost of the equity investments with the relative shares of shareholders' equity are recognised as adjustments to the relevant assets item on the basis of the assessment carried out at the time of purchase. Any residual amount not allocated is recognised in an assets item called "goodwill", which is subject to an impairment test. Any negative residual amounts are recognised in the annual income 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 income statement.

Financial statements of foreign companies

Translation into euro of items in the consolidated statement of financial position 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 income 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 2022 and 31 December 2023.

Exchange rates	2022		2023	
	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	1.067	1.053	1.105	1.081
Pound sterling	0.887	0.853	0.869	0.870
Polish zloty	4.681	4.686	4.340	4.542

Accounting standards and measurement criteria

The consolidated financial statements at 31 December 2023 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2022, taking into account the amendments and new standards which took effect as of 1 January 2023, listed below.

IFRS accounting standards, amendments and interpretations applied as of 1 january 2023

For the preparation of these Consolidated Financial Statements, the Group has adopted for the first time certain accounting standards and amendments effective for financial years beginning on or after 1 January 2023, a list of which is provided below, noting that these changes have not affected the statement of financial position and income statement amounts shown:

- ***IFRS17 – Insurance contracts***
  In May 2017, the IASB issued a new accounting standard, IFRS 17 for insurance contracts, which refers to their recognition, measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance contracts issued in 2005. IFRS 17 applies to all insurance policies (e.g. life, damage, direct insurance and re-insurance), regardless of the entity that issues them, similarly to certain guarantees and financial instruments based on discretionary participation; there are some exceptions in the scope of application. The general objective of IFRS 17 is to provide a more appropriate and consistent accounting model for insurers. As opposed to IFRS 4 requirements, which were largely based on maintaining the previous local accounting principles, IFRS 17 provides a complete model for insurance contracts, covering all the relevant accounting aspects. IFRS 17 is based on a general model, integrated with:
  - A specific adaptation for contracts with direct participation characteristics (variable fee approach);
  - A simplified approach (premium allocation approach) referring mainly to short-term contracts.

  The changes have not had any impact on the Group's consolidated financial statements.
- The IASB published the following amendments:
  - ***Amendments to IAS 8 - Definition of Accounting Estimates***: the changes to IAS 8 clarify the distinction between changes to accounting estimates, changes to accounting standards and the correction of errors. They further provide clarification on how entities should use evaluation techniques and the input for developing accounting estimates.

    The changes have not had any impact on the Group's consolidated financial statements.

SECTION 2

- ***Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies***: the changes to IAS 1 and IFRS *Practice Statement 2 Making Materiality Judgements* provide information and examples to assist entities in applying materiality judgements on the disclosure of accounting principles. The amendments aims to assist entities in providing information on the most useful accounting standards, replacing entities' obligation to disclose their "significant" accounting standards. They also include a guide on how entities should apply the materiality concept when making decisions regarding the disclosure of accounting policies.

  The changes have not had any impact on the Group's consolidated financial statements.
- ***Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction***: The changes to IAS 12 *Income Taxes* restrict the scope of application, introducing an exception to the initial recognition, so that an entity does not apply the initial recognition exemption to transactions that give rise to equal taxable and deductible temporary differences, as in the case of leases and decommissioning liabilities.

  The changes have not had any impact on the Group's consolidated financial statements.
- ***Amendments of IAS 12 - International Tax Reform – Pillar Two Model Rules***: the changes to IAS 12 were introduced in response to the OECD BEPS *Pillar Two rules* regulations and include:
  - A mandatory temporary exemption to the recognition and disclosure requirements for deferred taxes deriving from the implementation of *Pillar Two Rules* into legislation; and
  - The disclosure requirements for the entities involved, to assist financial statement users to better understand the effects on income tax arising from this legislation, specifically, before the date when it effectively comes into force.

  The temporary mandatory exemption is immediately applicable, and its use must be reported. The remaining disclosure requirements apply to financial years starting on 1 January 2023 or later, but not for the intermediate periods prior to 31 December 2023.

  The changes have not had any impact on the Group's consolidated financial statements.

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 r4eduction in the original amortization/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 income 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 amortized 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 expenses attributable to the purchase, construction or production of a capitalisable asset.

Property investments

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

Right of use assets

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

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

In particular, relative to lease contracts the Group recognises

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

Intangible assets

Intangible assets are non-monetary elements without physical substance, which can be identified and are controlled by the Group, intended to generate future economic benefits. Intangible assets can be recognised in the accounts when it is probable that use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible assets acquired separately are initially recognised at cost, those acquired through business combinations are measured at fair value upon initial recognition. Expenses sustained after initial acquisition are added to the cost of the asset to the degree in which these expenses are able to generate future economic benefits.
After initial recognition, intangible assets are measured net of provisions for amortization 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 income statement at the time of acquisition.
After initial recognition, goodwill is not amortized, 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.

Environmental securities: emission stocks and White Certificates

Different evaluation criteria apply between stock/certificates held for own-use, i.e. for one's own requirements ("Industrial Portfolio") and those held with the intention of trading ("Trading Portfolio"). Stock/certificates held for own-use ("Industrial Portfolio") exceeding the requirement, calculated in relation to the obligations accrued at year-end ("*surplus*"), are recognised under other intangible assets at the cost incurred. Certificates that are freely assigned are recorded with a zero value. Given that this refers to an asset that is immediately usable, it is subject to an impairment test and not amortization. The recoverable value is the higher figure between the value in use and market value. If on the other hand, the requirement exceeds stock/certificates in the portfolio at the reporting date ("deficit"), an allocation is made in the financial statements of the expense needed to address the residual obligation, estimated on the basis of purchase contracts, including spot contracts, already signed at the reporting date, and market prices for the residual portion. Stock/certificates held with the intention of trading ("Trading portfolio") are recognised under inventories and valued at the lesser amount between the purchase cost and presumable realisable value, to be deduced from market performance. The market value is defined with reference to any sales contracts, including spot contracts, already signed at the reporting date, and to market prices, for the residual portion.

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 income 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 income 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 infra-group profits relative to minority shareholders are eliminated relative to the portion pertaining to the Group held in the investee. Unrealised infra group 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 amortized 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 amortized 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 amortized 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 amortized cost (debt instruments)

The Group measures financial assets at amortized 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 amortized cost are subsequently measured using the criteria of effective interest and are subject to impairment testing. Profits and losses are recognised in the income statement when the asset is eliminated, amended or remeasured.

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

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

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

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

Investments in equity instruments

At initial recognition, the Group may irrevocably decide to classify its stock investments as equity instruments recognised at fair value through other comprehensive income when the satisfy the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is done for each individual instrument.

Profits and losses resulting from these financial assets are never reversed to the income statement. Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the Group benefits from these amounts as recovery of part of the cost of the financial asset, in which case, the profits are recognised under OCI. Equity instruments recognised at fair value through other comprehensive income are not subject to impairment testing.

Financial assets at fair value through profit and loss

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

After initial recognition, loans are measured using the amortized 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 amortization process. The amortized 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. Amortization at the effective interest rate is recognised among financial expenses in the income 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 amortization.

— *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 income statement for the year.

— *Offsetting of financial instruments*

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

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 income 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 income 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 income statement when the effects of the transaction being hedged are recognised in the annual income statement. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the annual income 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 income 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 income 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 income 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 income statement.
Any losses from these contracts are recognised in the annual income statement in the full amount, at the time they become known.

Cash and other cash equivalents

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

Assets and liabilities held for sale

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

Recognition of revenues and costs

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

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

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

Current, prepaid and deferred taxes

Income taxes are determined on the basis of estimated taxable income, with reference to the current tax regulations, in the countries in which the Group companies reside. Forecast debt, net of any advances and withholdings, is recognised under the statement of financial position 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 income 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 trans action 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 foreseea ble 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 2023 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 income statement for the period in which the change occurred.

Consolidated Statement of financial position

Non-current assets

1 I Property, plant and equipment

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

Property, plant and equipment €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Property, plant and equipment	378,103	375,369	(2,734)
Property investments	429	410	(19)
Right of use assets	9,219	9,293	74
	387,751	**385,073**	**(2,678)**

— 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	**397,611**	**2,012,693**	**16,636**	**44,641**	**26,197**	**2,497,778**
Increases during period	751	15,710	183	459	32,199	49,302
Disposals during period	(17,712)	(4,712)	(23)	(3,097)	-	(25,544)
Revaluations, impairment during period	-	(2,810)	-	-	(3,026)	(5,837)
Other changes	1,883	23,629	(54)	1,008	(26,469)	(3)
Historic cost at period end	**382,532**	**2,044,510**	**16,742**	**43,011**	**28,900**	**2,515,696**
Provision for amortization/ depreciation at start of period	**282,401**	**1,779,591**	**15,975**	**41,707**	**-**	**2,119,675**
Amortization/depreciation during period	5,104	36,172	307	1,525	-	43,108
Uses during period	(15,146)	(4,671)	(21)	(2,615)	-	(22,453)
Other changes in the provision	(3)	394	-	(395)	-	(3)
Provision for amortization/ depreciation at period end	**272,357**	**1,811,487**	**16,260**	**40,223**	**-**	**2,140,327**
Net book value at period end	**110,175**	**233,023**	**482**	**2,789**	**28,900**	**375,369**

Capitalisation carried out during the year amounted to € 49,302 thousand (€ 48,633 thousand in 2022) and also included other increases for € 1,107 thousand relative to internal work; capitalisation of financial expenses equal to € 219 thousand (€ 396 thousand in 2022), calculated with reference to a rate of 1.68%, implementing IAS 23; and advances on maintenance work for € 2,350 thousand (€ 4,787 thousand in 2022).
The companies in which the major investments have been made are Burgo Group S.p.A., Burgo Ardennes S.A., and Mosaico S.p.A., with interventions particularly made at the sites of Virton (€16,551 thousand), Sora (€10,873 thousand), Avezzano (€8,158 thousand), Villorba (€4,238 thousand), and Tolmezzo (€2,722 thousand).
Please see the Report on Operations for comments and details on investments in 2023.

The main disposal operations of assets involve Burgo Group S.p.A and refer to decreases due to the disposal of the San Mauro plant for an historic cost of € 20,224 thousand.
During the year total writedowns came to € 5,837 thousand and referred to plants and machinery, specifically at the Avezzano plant, due to the suspension of part of the energy production facility (€3,028 thousand), and Lugo plant, from an impairment test (€2,809 thousand).
For more information on the parameters used for the impairment test, please refer to the following note on Intangible Assets.

— Property investments

Flow of property investments €/000	**Civil land**	**Civil buildings**	**Total**
Historic cost at start of period	**80**	**680**	**760**
Increases during period	-	-	-
Disposals during period	-	-	-
Revaluations, impairment during period	-	-	-
Transfer	-	-	-
Other changes	-	-	-
Historic cost at period end	**80**	**680**	**760**
Provision for amortization/depreciation at start of period	**-**	**331**	**331**
Amortization/depreciation during period	-	19	**19**
Uses during period	-	-	-
Transfer	-	-	-
Other changes in the provision	-	-	-
Provision for amortization/depreciation at period end	**-**	**350**	**350**
Net book value at period end	**80**	**330**	**410**

During the year, changes in civil properties consisted of amortization totalling € 19 thousand.

— Right of use assets

Right of use assets flow €/000	Commercial leases	Residential leases	Industrial leases	Vehicle leases	IT	Fixed assets in progress	**Total**
Historic cost at start of period	**4,115**	**1,132**	**7,723**	**1,252**	**1,860**	**-**	**16,082**
Increases during period	449	238	1,740	312	-	258	2,998
Disposals during period	(335)	(105)	(130)	(154)	(126)	-	(851)
Other changes	-	-	-	-	-	-	-
Historic cost at period end	**4,229**	**1,265**	**9,333**	**1,410**	**1,734**	**258**	**18,228**
Provision for amortization/ depreciation at start of period	**(1,651)**	**(596)**	**(2,775)**	**(785)**	**(1,056)**	**-**	**(6,863)**
Amortization/depreciation during period	(677)	(211)	(1,254)	(257)	(346)	-	(2,744)
Uses during period	335	27	127	154	29	-	672
Other changes	-	-	-	-	-	-	-
Provision for amortization/ depreciation at period end	**(1,993)**	**(780)**	**(3,903)**	**(887)**	**(1,373)**	**-**	**(8,935)**
Net book value at period end	**2,236**	**485**	**5,431**	**523**	**361**	**258**	**9,293**

During 2023 increases were recorded in the amount of € 2,998 thousand following the opening of new leasing contracts. Amortization during the period totalled € 2,744 thousand. Disposals of gross historic cost during the period totalled € 851 thousand, against write-offs of the provision equal to € 672 thousand.

2 I Intangible assets

The balance is as follows:

Intangible assets €/000	31 Dec 2022	31 Dec 2023	Change
Goodwill and other assets with undefined life			
Goodwill	6,224	6,224	-
	6,224	**6,224**	**-**
Intangible assets with defined life			
Plant and expansion costs	0	-	(0)
Concessions, licenses, trademarks and similar rights	1,855	1,605	(251)
Other intangible assets	10,167	5,074	(5,094)
Fixed assets in progress and advances	435	452	17
	12,457	**7,130**	**(5,327)**
	18,681	**13,355**	**(5,327)**

The item goodwill includes that recognised through the incorporation of the Valchiampo plant (€ 5,819 thousand) and for the acquisition of 100% of Cavallari S.r.l., subsequently renamed 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 take into account the specific risks of the CGUs, involve the risk-free rate of 4.27% (3.75% in 2022), a market risk premium that remained unchanged on the previous year at 5.50% (increased, similarly to the previous year, from a minimum of 0% to a maximum of 2.5% to incorporate other risks for certain CGUs), the growth rate of 2.00%, the cost of debt before taxes of 1.79% (1.78% in 2022) and the ratio between equity and debt, respectively equal to 83.97% and 16.03% (respectively 85.89% and 14.11% the previous year) derived as the average value of a panel of comparable listed companies in the same sector.

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

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

The impairment test was also carried out with reference to the CGUs for which, in previous years or in the current year, there were indicators of impairment, and as anticipated in the previous note on Intangible Assets, the test in one case, that of the Lugo plant, highlighted the need to impair the values of the assets recorded in the Statement of financial position.

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 € 5,074 thousand under assets (€ 10,167 thousand in 2022). The other intangible assets are mainly composed of software licenses.
The table below shows changes occurring during the year.

Flow from intangible assets €/000	Goodwill and other intangible assets with undefined life	Concessions, licenses, trademarks and similar rights	Other intangible assets	Fixed assets in progress and advances	Total
Historic cost at start of period	**6,224**	**17,094**	**10,167**	**435**	**33,921**
Increases during period	-	475	11,403	131	12,008
Disposals during period	-	(739)	(14,802)	(31)	(15,572)
Revaluations, impairment during period	-	739	-	-	739
Other changes	-	82	(1,695)	(82)	(1,695)
Historic cost at period end	**6,224**	**17,651**	**5,074**	**452**	**29,401**
Provision for amortization/depreciation at start of period		**15,239**	**-**		**15,239**
Amortization/depreciation during period		807	-		807
Uses during period		-	-		-
Other changes in the provision		(0)	-		(0)
Provision for amortization/depreciation at period end		**16,046**	**-**		**16,046**
Net book value at period end	**6,224**	**1,605**	**5,074**	**452**	**13,355**

The increases for € 12,008 thousand include the recognition of green certificates in the amount of € 11,403 thousand over the year, as well as € 606 thousand related mainly to IT interventions, especially regarding software and user licences.

The decreases for € 15,572 thousand are mainly relate to the sale of green certificates relative to Burgo Ardennes for € 14,802 thousand.

3 | Other non-current assets

These include the items indicated below:

— Equity investments and securities

Equity investments and securities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Equity investments	-	27	27
Equity investments in other companies	7,174	7,174	-
	7,174	**7,201**	**27**

Equity investments refer to the investment in the associate Consorzio Energy Paper S.c.a.r.l. for € 27 thousand, as this exited the scope of subsidiaries during 2023.
The item "Equity investments in other companies" mainly refers to the equity investment in Paper Interconnector S.c.a.r.l., recognised in the financial statements with a net value of € 6,651 thousand and the equity investment in Interconnector Energy Paper for € 523 thousand.

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current financial receivables due from others	5,951	8,279	2,329
	5,951	**8,279**	**2,329**

Financial receivables due from others total € 8,279 thousand, mainly comprising € 4,292 thousand for the financial receivable due to Burgo Group S.p.A. relative to the investee Consorzio Interconnector Energy Italia S.c.a.r.l., which increased by € 2,219 thousand during 2023, and € 1,000 thousand for a term deposit made by Burgo Ardennes S.A. to guarantee a loan obtained for the cooker investment.

— Other receivables and non-current assets

Other receivables and non-current assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current sundry receivables due from others	86	87	1
Non-current guarantee deposits	9,795	10,524	729
	9,881	**10,611**	**730**

The increase in other receivables and non-current assets of € 730 thousand compared to the previous year is mainly due to the increase in the guarantee deposit made with Terna, relative to the Interconnector procedure, to guarantee the execution of inter-connection work.

4 | Deferred tax assets

Deferred tax assets amount to € 36,024 thousand, a decrease of € 10,902 thousand. Below is a detailed explanation:

Deferred tax assets €/000	31 Dec 2022			31 Dec 2023		
	Taxable	% rate	(Debit)/ credit	Taxable	% rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	124,551	24.0	29,892	108,342	24.0	26,002
Derivatives	(10,326)	24.0	(2,478)	(6,087)	24.0	(1,461)
IAS 19 discounting - actuarial G/L	1,383	24.0	332	2,248	24.0	540
Amortization, depreciation and writedowns	9,635	24.0	2,312	21,100	24.0	5,064
30% limit financial expense	11,161	24.0	2,679	-	24.0	-
IRES losses to be used in future financial years	40,328	24.0	9,679	24,401	24.0	5,856
Allocation of shortfall	(31,352)	24.0	(7,524)	(31,004)	24.0	(7,441)
Other items	37,334	24.0	8,960	22,827	24.0	5,478
	182,714		**43,851**	**141,826**		**34,038**
IRAP						
Taxed provisions (allocated)	60,173	3.9	2,347	39,241	3.9	1,530
Amortization, depreciation and writedowns	7,671	3.9	299	18,761	3.9	732
Allocation of shortfall	(31,352)	3.9	(1,223)	(31,008)	3.9	(1,209)
Derivatives	5,784	3.9	226	2,383	3.9	93
Other items	36,535	3.9	1,425	21,509	3.9	839
	78,812		**3,074**	**50,885**		**1,985**
Prepaid foreign taxes						
Other items	4	28.0	1	4	28.0	1
	4		**1**	**4**		**1**
			46,926			**36,024**

Deferred tax assets show the balance between positions receivable and payable deriving from companies for which offsetting is legally allowed.
During the year deferred tax credits fell by € 10,902 thousand. The main differences seen during the year can be attributed to the following phenomena:

- provisions taxed for IRES and IRAP purposes, whose recognised deferred tax assets decreased by € 4,707 thousand;
- amortization/depreciation and impairment for IRES and IRAP, an increase in deferred tax assets of € 3,185 thousand;
- IRES losses to be used in future financial years whose deferred tax assets decreased by € 3,823 thousand;
- non-deductible financial expenses whose IRES deferred tax assets decreased by € 2,679 thousand;
- fair value on derivative financial instruments hedged recorded in Equity whose deferred tax liabilities decreased by € 885 thousand;
- allocation of shortfalls for IRES and IRAP whose deferred tax liabilities decreased by € 97 thousand;
- other liabilities with temporary differences, whose related deferred tax assets decreased by € 4,068 thousand.

For more details about the applicable rate, please see note 35 “income taxes”.
Note that the tax losses of the parent company can currently all be carried forward indefinitely.
Recognition of deferred tax assets relative to a portion of IRES tax losses that can be carried forward is justified by a reasonable expectation of sufficient future taxable income, based on the economic forecasts found in the industrial plan.
Tax losses which led to tax losses, summarised by year of creation and maturity, relate to the parent company. 2002 tax losses can only be used by Burgo Group S.p.A.
The difference between the losses accrued at the end of 2022 and 2023 derives from the use of these losses to reduce Burgo Group S.p.A.’s taxable base for the current year and for adjustments between the estimated tax calculation recorded in the Financial Statements as at 31 December 2022 and the final tax return.

Deferred tax assets refer to legal entities which have a positive balance in their individual financial statements. Specifically, these refer to the Burgo Group S.p.A., Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Mosaico S.p.A. and Gever S.p.A. in liquidation.

In accordance with the transitional regime provided for in Article 54, paragraph 2, of Legislative Decree No. 209 of 27.12.2023, for the purposes of Globe rules, taxes paid in advance that have not been recorded in the financial statements up to 31.12.2023 are also taken into account in the absence of the corresponding accounting requirements. It is worth noting that as of 31.12.2023, the Group has tax losses for IRES amounting to €139,446 thousand, for which no deferred tax assets have been recognized.

Furthermore, based on current estimations, it is unlikely that the Group will be subject to global minimum tax in the following years due to the application of existing safe harbors.

Tax losses €/000		2022		2023	
	maturity	loss	tax	**loss**	**tax**
2002	can be carried forward indefinitely	40,328	9,679	24,401	5,856
		40,328	**9,679**	**24,401**	**5,856**

Current assets

5 I Inventories

Inventories €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Raw materials inventories	85,777	54,410	(31,367)
stock inventories	41,705	42,625	920
Provision for impairment of raw materials and stocks	(17,966)	(17,440)	526
Raw materials, subsidiary and consumable items	**109,516**	**79,595**	**(29,921)**
Products in progress and semi-finished products	39,337	30,253	(9,084)
Finished products and goods	146,977	93,881	(53,096)
Provision for impairment of products and semi-finished products	(16,239)	(18,894)	(2,655)
Finished products, in progress and semi-finished products	**170,076**	**105,241**	**(64,835)**
	279,592	**184,835**	**(94,756)**

Warehouse inventories decreased overall by € 94,756 thousand (in 2022 the change was € +84,687 thousand).
The value of raw materials, stocks, consumables, semi-finished products and finished products is shown net of the provision for obsolescence for € 36,334 thousand (€ 34,205 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 € 31,367 thousand, is mainly attributable to the decrease in purchase prices for raw materials, and consequently in their average weighted cost at the end of the year.

In detail, for pulp used in production, the weighted average end-of-year cost has decreased by about 20% compared to the end of 2022. Contributing to the decrease in the value of the inventory is also a reduction in the quantities held at the end of the current year compared to the previous year, which in the case of fibers for production has decreased by about 30%.
Reference is made to the paragraph “Market Prices” in the Report on Operations.

The value of inventories at € 42,625 thousand is in line with the figure at the end of the previous year.

The decrease in the value of products in progress and finished products for € 9,084 thousand and € 53,096 thousand respectively (decreased by about 6% compared to last year), is due both to lower quantities in stock and to the decrease in the average production cost linked to the reduced cost of raw materials and energy.

6 I Trade receivables

Trade receivables €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Relative to customers	335,751	228,831	(106,920)
Provision for doubtful accounts	(56,470)	(50,259)	6,211
	279,281	**178,572**	**(100,708)**
from affiliated companies	-	5,877	5,877
	-	**5,877**	**5,877**
	279,281	**184,449**	**(94,831)**

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 € 1,083 thousand, with releases at € 1,047 thousand, while uses of the provision came to € 6,248 thousand following the write-off of certain positions that were no longer due.
The table below provides a breakdown of trade receivables by geographic area.
The reduction of trade receivables is the result of a variety of factors, all pointing towards a decrease in the balance, including: the reduction of selling prices, the decrease in sales volumes, and the optimization of working capital activity.

Trade receivables by geographic area €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Italy	155,808	112,574	(43,234)
Europe E.U.	70,431	52,562	(17,868)
Other countries	53,042	19,313	(33,728)
	279,281	**184,449**	**(94,831)**

7 I Other receivables and current assets

Other receivables and current assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Current tax receivables	**15,547**	**17,362**	**1,814**
Current sundry receivables due from others	10,470	10,121	(349)
Current receivables due from social security entities	150	222	72
Current derivative assets	2,832	203	(2,629)
Other sundry receivables	**13,452**	**10,547**	**(2,905)**
Other assets	**3,667**	**1,262**	**(2,405)**
	32,666	**29,171**	**(3,495)**

Other receivables and current assets decreased as a whole by € 3,495 thousand.
Current tax receivables increased by € 1,814 thousand, mainly due to a higher credit for the IRES and IRAP payments and higher tax credits, which were partially offset by lower VAT credits from the tax authorities.
With regard to other receivables, the changes were mainly due to the € 2,629 thousand decrease in the fair value of derivative asset instruments.
The other activities, consisting of accrued income and prepayments, decrease mainly due to the significant reduction of accrued income for positive differentials on gas hedging contracts but recognized in the following financial year.

8 I Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Financial receivables due from others	129,575	46,805	(82,770)
Derivative financial assets	16,711	9,175	(7,536)
Other financial assets	709	2,362	1,653
	146,995	**58,342**	**(88,653)**

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 € 37,935 thousand (€ 60,471 thousand in 2022) at market rates, the average duration of which falls between 30 and 90 days;
- financial receivables due from factoring companies to the Parent Company and the subsidiary Mosaico, for the recourse transfer of receivables for € 2,141 thousand (€ 14,461 thousand in 2022);
- deposit accounts to support the operations of the subsidiary Burgo Energia S.r.l. for €3,848 thousand;
- deposit account partially subject (€ 1,824 thousand) to a pledge lien in favor of Burgo Group for € 2,450 thousand.

Financial assets for current derivatives amounted to € 9,175 thousand to cover medium- to long-term credit lines.

9 I Cash and other cash equivalents

Cash on hand and other cash equivalents €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Bank, postal deposits and cash equivalents	113,595	272,378	158,783
Cash and cash on hand	32	27	(6)
	113,627	**272,404**	**158,778**

Cash on hand and other cash equivalents totalled € 272,404 thousand. The book value is equal to the fair value.
It is reported that cash equivalents include readily convertible deposit accounts, with repayment on demand or with a maximum maturity of three months, for a total of €96,220 thousand, of which €90,000 thousand subscribed during the year by the Parent company and €6,220 thousand by the subsidiary Burgo Ardennes SA.

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 net monetary availability €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Cash on hand and other cash equivalents	113,627	272,404	158,778
Current accounts and other loans	(17,692)	(16,726)	966
	95,935	**255,678**	**159,743**

10 I Assets held for sale and discontinued operations

This item includes all assets held for sale.
With regard to 2022, the assets listed in the table below refer to the sale of Cartiera Duino S.r.l., which came into effect on 01 January 2023, and are detailed below:

Statement of financial position: Assets €/000	**31 Dec 2022**	**31 Dec 2023**
Non-current assets	**41,192**	**-**
Property, plant and equipment	**39,828**	**-**
Property, plant and equipment	39,676	-
Property investments	105	-
Right of use assets	48	-
Intangible assets	**755**	**-**
Intangible assets with defined life	755	-
Other non-current assets	**1**	**-**
Financial receivables and other non-current financial assets	1	-
Deferred tax assets	**607**	**-**
Deferred tax assets	607	-
Current assets	**4,168**	**-**
Inventories	4,161	-
Other receivables and current assets	6	-
Cash on hand and other cash equivalents	1	-
Total assets	**45,360**	**-**

Shareholders' equity

11 I Shareholders' equity

Total consolidated shareholders' equity amounted to € 509,374 thousand (€ 519,975 thousand at 31 December 2022).
Share capital at 31 December 2023 consisted of 2,168,857,500 ordinary shares with no nominal value, for a total value of € 90,000 thousand.
The parent company has no treasury shares in its portfolio.
Consolidated shareholders' equity at 31 December 2023 decreased by € 10,602 thousand with respect to 31 December 2022, as a consequence of the following main changes:

- an increase due to profits for the year of € 73,558 thousand (€ +157,753 thousand in 2022);
- an decrease due to net fair value changes in financial derivatives recognised using hedge accounting for € 3,354 thousand (€ +9,730 thousand in 2022);
- a decrease for net changes equal to € 86 thousand (€ +2,968 thousand in 2022) due to discounting of TFR and other social security plans pursuant to IAS 19;
- a decrease due to the distribution of dividends of € 80,547 thousand, of which € 64,438 thousand from the Equity Instruments reserve component of profit reserve and € 16,109 thousand from the 2022 result.

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

Reserves and profits carried forward €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Distributable reserve from share capital reduction	138,797	138,797	-
Legal	16,797	18,000	1,203
Reserve for equity financial instruments	165,992	101,554	(64,438)
Non-distributable exchange gains reserve	-	2,559	2,559
Other reserves	48	48	-
Consolidation	(66,884)	(66,889)	(5)
IAS 19 reserve	(6,601)	(6,704)	(103)
Reserve for accounting standard change - FTA	4,686	4,684	(2)
Cash flow hedge reserve	8,073	4,719	(3,354)
	260,908	**196,770**	**(64,138)**
Profits (losses) carried forward reserve	7,805	145,475	137,670
	7,805	**145,475**	**137,670**

The main variations are commented below:

- legal reserve increases due to the allocation of part of the previous year's results, as provided for in Article 2430 of the Civil Code;
- reserve for equity financial instruments decreases due to the distribution of dividends;
- non-distributable reserve for unrealized exchange rate gains increases following the allocation of the 2022 result;
- CFH reserve decreases due to the reduction in fair value of hedging derivatives, accounted for using the option of recording in equity;
- reserve for retained earnings/(loss) varies by €137,670 thousand mainly due to the carryover of 2022 earnings, net of the dividends distributed in 2023 from the 2022 results, amounting to €137,500 thousand.

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Fair value changes in cash flow hedges	(2,414)	(1,529)	885
Actuarial gains/(losses)	1,886	1,914	27
Other	1,052	1,052	-
	525	**1,436**	**912**

Non-current liabilities

12 I Non-current financial liabilities

Non-current financial liabilities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Bonds	2,125	425	(1,700)
Loan payables	212,075	169,559	(42,515)
Right of use liabilities	6,478	5,664	(814)
	220,677	**175,649**	**(45,029)**

Non-current financial liabilities include:

- bond loan issued by the subsidiary Burgo Ardennes S.A. for € 425 thousand (€ 2,125 thousand in 2022); the loan was subscribed by S.R.I.W. in 2019;
- bank loan obtained by the subsidiary Burgo Ardennes S.A. for the cooker investment of € 8,854 thousand (€ 10,979 thousand in 2022);
- amounts due to Parent Company shareholders due after the end of the year and valued at amortized cost at € 83,746 thousand (€ 104,957 thousand at the end of the previous year) and MLT loans to others for € 64,344 thousand (€ 82,041 thousand at the end of the previous year);
- a subsidised loan of € 1,503 thousand (initial nominal value of € 3,292 thousand) and a bank loan of € 322 thousand, relative to the admission to receive the benefits of the Fund for Technological Innovation, Law FIT 46/82 for the Sora plant, granted to the Parent Group;
- a new subsidised loan obtained during the year for € 309 thousand, relating to project at the Avezzano plant for the new White Top Liner paper production, for corrugated packaging;
- FRIE mortgages granted to the subsidiary Mosaico S.p.A.:
  - in 2016 by Mediocredito FVG at a subsidised variable rate, with a residual amount of € 729 thousand;
  - in 2021 by Civibank at a subsidised variable rate, with a residual amount of € 10,716 thousand;
- payables subscribed by S.E.F.E. for € 65 thousand;
- liabilities for rights of use of € 5,664 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 amortized cost, it is held that the book value reflects the fair value of the financial instrument as of the reporting date.

Bonds - breakdown of maturity dates €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
from 2 - 3 years	2,125	425	(1,700)
from 4 - 5 years	-	-	-
over 5 years	-	-	-
	2,125	**425**	**(1,700)**

Loan payables - breakdown of maturity dates €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
from 2 - 3 years	38,419	150,192	111,773
from 4 - 5 years	163,363	12,347	(151,016)
over 5 years	10,292	7,021	(3,272)
	212,075	**169,559**	**(42,515)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
from 2 - 3 years	3,200	3,162	(38)
from 4 - 5 years	1,876	1,752	(124)
over 5 years	1,402	750	(652)
	6,478	**5,664**	**(814)**

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

TFR (severance indemnity) €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Actuarial measurement of TFR at start of period	26,052	17,340	(8,712)
Provisions	21	152	131
Payments	(2,556)	(2,180)	376
TFR discounting - IAS 19 reserve	(2,968)	130	3,098
TFR discounting - financial expense (income)	242	791	548
Other changes - incoming (outgoing) transfers	(3,453)	(19)	3,434
	17,340	**16,214**	**(1,126)**

During the just-ended exercise, different than the previous one, during which, among other exercise variations, a reclassification of liabilities related to activities intended for disposal was included for IFRS 5 purposes concerning the Duino plant for €3,483 thousand, there are no movements to report other than those that occur in the ordinary management of the company.

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2023, on the basis of accounting standard IAS 19 an independent actuary carried out the calculation, on the basis of information provided by the Group.
In the calculation, the actuary made use of the following demographic hypotheses:

- to estimate probability of death within the group of employees subject to measurement, the RG48 survival table used by the Italian General Accounting Office to estimate pension expenses for the Italian population was used;
- to estimate probability of disability within the group of employees subject to measurement, an INPS table was used, broken down by age and gender;
- 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	**2022**	**2023**
Annual theoretical discounting rate	3.63%	3.08%
Annual inflation rate	2.30%	2.00%
Annual TFR increase rate	3.23%	3.00%

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 € 14,136 thousand (€ 16,136 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 2022**			**31 Dec 2023**		
	Taxable	% rate	Debit/ credit	**Taxable**	**% rate**	**Debit/ credit**
IRES						
Taxed provisions (allocated)	2,301	24.0	552	1,913	24.0	459
Other items	(974)	24.0	(234)	(1,013)	24.0	(243)
	1,327		**318**	**901**		**216**
IRAP						
Other items	(974)	3.9	(38)	(1,013)	3.9	(39)
	(974)		**(38)**	**(1,013)**		**(39)**
Deferred foreign taxes						
Taxed provisions (allocated)	63,048	25.0	15,762	50,837	25.0	12,709
Other items	297	31.6	94	4,964	25.2	1,250
	63,345		**15,856**	**55,801**		**13,960**
			16,136			**14,136**

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

15 I Provisions for risks and charges

Provisions for risks and charges €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Provision for industrial charges	42,402	19,119	(23,283)
Provision for disputes in course	13,980	24,796	10,815
Provision for supplementary customer allowance	4,742	4,752	10
Provision for restructuring charges	639	1,639	1,000
Other provisions for risks and charges	1,875	2,437	562
Provision for future personnel plans	2,310	3,192	881
	65,949	**55,934**	**(10,015)**

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	42,402	11,775	(35,059)	-	19,118
Provision for disputes in course	13,980	10,919	(104)	-	24,796
Provision for supplementary customer allowance	4,742	265	(255)	-	4,752
Provision for restructuring charges	639	1,000	-	-	1,639
Other provisions for risks and charges	1,875	702	(140)	-	2,437
Provision for future personnel plans	2,310	877		5	3,192
	65,949	**25,538**	**(35,558)**	**5**	**55,934**

SECTION 2

The **provision for industrial charges** which is composed as the table above, has undergone the following main movements listed below:

- provision for industrial charges associated with the CO_2 quota deficit, calculated at 31/12/2023 after free allocations received on an accrual basis and acquisitions already made to deal with the deficit in question. Allocations for € 3,964 thousand and utilizations for €2,297 thousand were recognised during the period. The provision as at 31 December stands at € 3,965 thousand (€ 2,298 thousand in the previous year);
- provision for costs associated with the toll manufacturing contract, incurred at the time of sale of the Duino plant, for a total of € 25,270 thousand to the Burgo Group and fully released during the period;
- provision for costs to be incurred for the demolition and redevelopment of certain production facilities and for the management of rubbish dumps for a total amount, as at 31 December 2023, of € 8,882 thousand to Burgo Ardennes, and € 5,621 to the Burgo Group. During the year, accruals were made for the remediation of properties and plants, amounting to € 3,101 thousand for Burgo Ardennes and € 810 thousand for Burgo Group, while respective utilizations of € 150 thousand and € 1,489 thousand were made;
- provision for future maintenance costs of production facilities amounting to € 650 thousand attributable to Burgo Ardennes. Accruals made during the year were € 3,900 thousand, while the utilizations for mandatory maintenance amounted to € 5,850 thousand.

The **provision for ongoing disputes** is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items. The increase over the period mainly refers to the allocations made for € 5,823 thousand, related to a risk associated with incentives for energy-intensive companies and the adjustment of the down payment by Burgo Group S.p.A., amounting to €4,631 thousand, related to the dispute with the Abruzzo Region regarding water rights fees for hydroelectric use.

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

The **provision for restructuring costs** at the Burgo Group includes provisions made for expenses to be sustained to carry out the restructuring plan. This increased by € 1,000 thousand during the year.

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 2023, 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-5 for men and FR-5 for women;
- for the rate of adhesion to pre-pensioning it was assumed that 5% of employees over 60 and 4% of employees between 55 and 59 would opt for the benefit as soon as possible, and that the rest would remain in service until reaching 60.

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

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used	2022	2023
Annual theoretical discounting rate	3.50%	3.15%
Annual inflation rate	2.20%	2.20%

For the actuarial assessment of the social security plan at 31 December 2023 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 expenses.

16 I Other payables and non-current liabilities

Other payables and non-current liabilities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current payables due to suppliers	499	476	(23)
	499	**476**	**(23)**

The payable refers to multi-year premiums paid to suppliers of wood by the subsidiary Burgo Ardennes S.A., for € 476 thousand.

Current liabilities

17 I Current financial liabilities

Current financial liabilities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Bonds	1,700	1,700	-
Loan payables - current portion	11,117	26,602	15,485
Current accounts and other loans	17,692	16,726	(966)
Payables due from other lenders	17	1	(16)
Derivatives	43	-	(43)
Right of use liabilities	2,218	2,563	344
Other financial liabilities	1,367	1,972	605
	34,155	**49,565**	**15,410**

The € 15,410 thousand increase in current financial liabilities is mainly attributable to the reclassification of the portion of debt to be paid by the end of the next year in the short-term area. Please note that in the current loan payables the current payables to shareholders of the Parent Company, valued at amortized cost, stood at € 12,261 thousand (compared to € 4,829 thousand the previous year).
The current portion of right of use liabilities amount to € 2,563 thousand.
The item “Other financial liabilities” includes interest expense payable accruing on medium to long-term loans and the use of short-term credit lines.
Interest on variable rate loans is determined half-yearly, while that for fixed rate loans remained constant until the instrument matured. For all payables relative to loans, valued at the amortized cost, it is held that the book value approximates the fair value of the financial instrument as of the reporting date.
It should also be noted that, at the end of the 2023 financial year, credit lines totalling around € 236 million were available to meet short-term financial needs, of which € 211.5 million were for BT lines in Italy and € 24.5 million in Belgium for Burgo Ardennes, utilised as at 31 December 2023 for a total of about € 49 million, most of which related to unsecured lines.
The Group also has access to without-recourse factoring lines with a total limit of about € 113 million, in addition to a limit with recourse of about € 8 million on Burgo Ardennes included in the ST lines.

18 I Trade payables

Trade payables €/000	31 Dec 2022	31 Dec 2023	Change
Current payables due to suppliers	410,375	305,254	(105,121)
Current payables due to affiliated companies	-	373	373
	410,375	**305,628**	**(104,747)**

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

The significant reduction in trade payables of € 104,747 thousand compared to the previous year is mainly due to less purchases being made in relation to the same period the previous year, and to the reduction in the costs of raw materials and energy. Trade payables due to affiliated companies refer to Burgo S.p.A. and Mosaico S.p.A. payables to the affiliate Consorzio Energy Paper S.c.a.r.l..

The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	31 Dec 2022	31 Dec 2023	Change
Italy	186,202	142,374	(43,828)
Europe E.U.	215,185	157,686	(57,499)
Other countries	8,988	5,568	(3,420)
	410,375	**305,628**	**(104,747)**

19 I Current tax payables

Current tax payables amounted to € 7,481 thousand. The item mainly includes payables due to the tax authorities for substitute taxes and income taxes for Italian companies and foreign subsidiaries.

Payables for current taxes €/000	31 Dec 2022	31 Dec 2023	Change
Tax payables, income tax	13,852	2,599	(11,253)
Tax payables, VAT	285	171	(114)
Payables for withholdings	4,719	3,644	(1,076)
Tax payables for municipal taxes	38	39	2
Other tax payables	828	1,028	200
	19,723	**7,481**	**(12,241)**

20 I Other payables and current liabilities

Other payables and current liabilities, as follows:

Other payables and current liabilities €/000	31 Dec 2022	31 Dec 2023	Change
Current sundry payables due to others	9,386	9,578	193
Payables for commissions and premiums	6,974	5,106	(1,868)
Payables due to personnel	22,836	24,942	2,106
Current payables due to social security entities	7,304	6,445	(858)
Current derivative liabilities	8,703	2,564	(6,138)
Accruals and deferred income	4,842	6,652	1,811
	60,043	**55,288**	**(4,755)**

The decrease of € 4,755 thousand, is due in particular to:

- a decrease in liabilities for the fair value of current derivative of commodities instruments for €6,138 thousand;
- increase in payables due to personnel both as a result of the increase in costs for salaries and wages following the renewal of the contract with effect from the beginning of 2023, and for the debt for the extended Performance Bonus, starting from 2023, to all employees of the Italian sites;
- decrease in payables for commissions and bonuses to customers by €1,868 thousand linked to the reduction in turnover;
- increase in passive accruals and deferred income on capital contributions on investments.

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

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

Statement of financial position: Liabilities €/000	31 Dec 2022	31 Dec 2023
Non-current liabilities	**8,699**	**-**
Non-current financial liabilities	25	-
Severance indemnities and other provisions related to personnel	3,484	-
Other provisions for risks and charges	5,191	-
Current liabilities	**314**	**-**
Current financial liabilities	24	-
Other payables and current liabilities	291	-
Total shareholders' equity and liabilities	**9,013**	**-**

22 I Commitments and potential liabilities

Commitments and potential liabilities €/000	31 Dec 2022	31 Dec 2023	Change
Personal guarantees provided in favour of:			
subsidiaries	36,579	25,255	(11,324)
other subjects	19,339	17,439	(1,900)
	55,918	**42,694**	**(13,224)**

Consolidated Income statement for the Year

Below are the main items which were not commented on relative to the consolidated income statement. For comments on changes in the most significant items, please see the analysis of the Group's income results in the Report on Operations.
Due to the provisions of IFRS 5, the income Statement for the year, in the comparative column for 2022, has isolated the effects of the sale of the Duino plant, which became effective on 01 January 2023.

23 I Revenues

Revenues €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Paper	1,644,368	1,194,169	(450,199)
Pulp	106,313	77,477	(28,836)
Paper for recycling	2,224	1,640	(584)
Energy	249,298	142,848	(106,450)
Gas	15,985	28,421	12,437
Others	45,810	26,257	(19,553)
	2,063,998	**1,470,813**	**(593,185)**

It is noted that with effect from this financial year, in order to appropriately reflect the policy of grant cash discounts for payments made in advance respect to contractual terms on consolidated financial statements, the Group has classified the cash discounts as a reduction to revenues, rather than as financial charges. The figures from the previous year have been restated in order to ensure a fully comparability. The effects for the 2023 and for the restatement of 2022 financial years are less revenues in the amounts of € 11,353.5 thousand and € 14,905.1 thousand respectively.

The decrease in revenues for € 593,185 (-29%) was mainly due to the decrease in paper sales, which amounted to € 450,199 thousand (-27%); energy and gas-related revenues also decreased by € 94,013 thousand (-35%), pulp sales revenues by € 28,836 thousand (-27%), and other revenues by € 19,553 thousand (-43%).
The decrease in paper revenues is primarily due both to the lower volumes sold, which fell from 1,366 thousand in 2022 to 1,111 thousand in 2023, and the lower average sales prices for paper that went from € 1,204/t in 2022 to € 1,075/t in 2023.

Below is a breakdown of revenues by geographic area:

Markets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Italy	796,191	637,007	(159,184)
Europe E.U.	833,764	635,560	(198,204)
Other countries	434,043	198,246	(235,797)
	2,063,998	**1,470,813**	**(593,185)**

24 I Other income

Other income €/000	31 Dec 2022	31 Dec 2023	Change
Insurance settlements	4,924	876	(4,048)
Environmental certificates	19,634	19,843	209
Energy expense recovery and reimbursements	18,282	28,099	9,817
Sundry income and expense recovery	4,974	6,657	1,683
Fair value assets derivative financial instruments	588	0	(588)
Grants for capital and current expenses	2,538	3,165	626
	50,941	**58,639**	**7,699**

Other income increased by € 7,699 thousand, specifically due to:

- lower insurance compensation for claims settled by the Group during the year for € 4,048 thousand;
- higher revenues for environmental certificates for € 209 thousand as a combined effect of higher white certificates sold by the Group in 2023, compared to 2022, for about € 3,300 thousand and lower revenues for green certificates for about € 2,600 thousand and € 500 thousand for other income related to environmental certificates;
- higher revenues for recoveries and miscellaneous energy income mainly resulting from consideration paid for electricity and gas interruptibility services for a total of € 6,499 thousand, and higher compensation related to the ETS scheme of Burgo Ardennes for € 6,953 thousand;
- higher other income of € 1,683 thousand mainly resulting from VAT recoveries from bankruptcies that offset lower income from active factoring commissions of Burgo Factor S.p.A., which in 2023 amounted to € 797 thousand (€ 1,681 thousand in the previous year) representing a decrease of € 885 thousand;
- higher contributions to operating and capital accounts, the latter for the portion attributable to the financial year based on the useful life of the asset to which they refer.

25 I Purchases of materials and external services

Purchases of materials and external services €/000	31 Dec 2022	31 Dec 2023	Change
Purchases of raw materials, subsidiary and consumable items and goods	875,861	617,424	(258,438)
Transport and accessory expense on purchases	24,662	24,452	(209)
Transport and accessory expense on sales	156,404	89,179	(67,225)
Other industrial services	47,553	23,707	(23,846)
Industrial maintenance	26,907	24,777	(2,130)
Electricity and natural gas	515,859	251,018	(264,842)
Fees to independent auditing firm	350	350	(0)
Fees to statutory auditors	199	194	(5)
Other general and administrative services	29,087	29,412	325
Rentals and leases	3,333	3,672	339
	1,680,216	**1,064,184**	**(616,031)**

Purchases of materials and external services decreased by €616.031 thousand. The most significant changes include:

- the purchase of raw materials, ancillary materials, consumables, and goods decreased by €258,438 thousand, both due to lower volumes purchased in the period and due to the decrease in prices;
- transportation costs and accessory expenses on sales also decreased (€ 67,225 thousand) due to lower volumes and the decrease in prices for transportation services;
- other industrial services saw a significant reduction (€23,846 thousand) mainly due to lower processing required from external suppliers;
- the costs of energy products decreased by €264,842 thousand due to the decrease in the average price of natural gas and electricity in 2023 compared to the previous year. This decrease affected both gas and electricity purchased for the consumption of production plants and gas and electricity purchased for resale by the subsidiary Burgo Energia S.r.l.. The decrease in costs was also influenced by lower production and consequent lower natural gas consumption. The costs incurred for electricity and natural gas related to the paper activity benefit from a partial offset from the cost resulting from tax credits granted to energy-intensive companies, of which the Group is a part.

26 I Personnel expenses

Personnel expenses €/000	31 Dec 2022	31 Dec 2023	Change
Wages and salaries	117,107	111,289	(5,818)
Social security contributions	39,721	36,481	(3,239)
Expenses for defined benefit programs	5,775	5,831	56
Others	22,652	22,104	(548)
	185,255	**175,705**	**(9,550)**

Personnel expenses decreased by € 9,550 thousand compared to the previous year and accounted for 11.9% of revenue (9.0% in 2022). The decline is attributed to production stoppages, resulting from the decrease in demand particularly in the early part of the year. Throughout the year, the number of working days decreased as a result of the use of social safety nets. It is worth noting that during the year, costs increased due to the renewal of the sectoral collective bargaining agreement for paper, which led to wage increases, the signing of an agreement that allowed all employees to receive a Performance Bonus, and finally due to the cost of labour being indexed to inflation at the subsidiary Burgo Ardennes S.A. in Belgium.
Other costs include fees paid to directors and fees paid for temporary work provided within Group companies, as well as staff training expenses. During 2023 fees paid for temporary work services totalled € 9,794 thousand (€ 10,624 thousand in 2022).
The item other costs includes premiums, pre-pensions and complementary insurance for employees of the subsidiary Burgo Ardennes S.A..
For more details, please see the Report on Operations, under the item “Personnel”.

27 I Other operating costs

Other operating costs €/000	31 Dec 2022	31 Dec 2023	Change
Provisions			
for impairment of receivables	7,832	(777)	(8,610)
for industrial charges	28,614	7,000	(21,614)
for disputes in course	2,540	12,502	9,961
for supplementary customer allowance	525	265	(260)
	39,512	**18,989**	**(20,522)**
Other costs			
Corporate expenses, taxes and indirect taxes	12,500	12,932	432
Fair value liabilities derivative financial instruments	874	-	(874)
Contributions, donations and sundry costs	1,129	1,317	188
Losses and other costs	1,618	1,393	(225)
	16,120	**15,641**	**(479)**
CO_2 certificates			
CO_2 costs net of price setting	(1,425)	11,134	12,559
CO_2 allocations	21,709	1,667	(20,041)
	20,284	**12,801**	**(7,482)**
	75,916	**47,432**	**(28,484)**

Other operating costs decreased by € 28,484 thousand overall.
More specifically:

- provisions for future credit losses decreased. However, the provision is limited by the existence of credit insurance;
- provisions for industrial expenses decrease; in particular, compared to the previous year when there was a provision resulting from the toll manufacturing contract related to the Duino plant, totaling € 25,270 thousand, in 2023 provisions amount to € 3,100 thousand for dismantling of plants and € 3,900 thousand for future maintenance costs of the plants;
- provisions for claims ongoing increase mainly as a precautionary measure, amounting to € 5,823 thousand, in light of the incentives for energy-intensive companies and a provision made by Burgo Group S.p.A., amounting to € 4,631 thousand, in relation to the ongoing dispute with the Abruzzo Region regarding water usage fees for hydroelectric purposes;
- net CO_2 costs for the year were lower compared to the previous period by € 7,482 thousand due to lower gas consumption resulting in a deficit of emission allowances to be purchased.

28 I Change in inventories

Change in inventories €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Change in inventories	82,158	(94,960)	(177,118)
	82,158	**(94,960)**	**(177,118)**

The change in inventories led to a cost for the year of € 94,960 thousand, following the reduction in the value of stock at the end of the year. See note 5) Inventories for more details.

29 I Capitalised costs for internal work

Capitalised costs for internal work €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Capitalised costs	824	1,107	283
	824	**1,107**	**283**

This item includes costs for employee work, warehouse materials and other costs sustained to complete internal systems work. The increase is linked to the main investments made during the year, in particular at the Sora, Avezzano and Tolmezzo plants. Please see the Report on Operations for more details on the main investments made during 2023.

30 I Depreciation and amortization

Depreciation and amortization €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Buildings	6,063	5,104	(959)
Plant and machinery	36,217	36,172	(45)
Industrial equipment	369	307	(62)
Other assets	1,435	1,525	90
Buildings for civil use	19	19	-
Rights of use	2,256	2,744	488
Intangible assets with defined life	787	807	20
	47,146	**46,678**	**(467)**

Depreciation and amortization of € 46,678 thousand, down from the previous year, was affected by the depreciations made at the end of previous year and the completion of the depreciation of certain assets that had reached the end of the depreciation process.

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

Capital gains/losses on disposal of non-current assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Capital gains	1.491	928	(563)
Capital losses	(30)	(30)	0
	1.461	**899**	**(563)**

Capital gains/losses related to disposals in the year, especially the capital gain from the sale of the office in San Mauro Torinese.

32 I Writebacks/writedowns of non-current assets

Writebacks/writedowns of assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Land and buildings	400	-	(400)
Plant and machinery	8,865	2,810	(6,054)
Fixed assets in progress and advances	-	3,026	3,026
Goodwill and other assets with undefined life	10,837	-	(10,837)
	20,102	**5,837**	**(14,265)**

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

- € 2,810 thousand relative to write-downs on machinery, mainly at the Lugo plant;
- € 3,026 thousand relative to the write-down of advances for plants under construction at the Avezzano plant.

33 I Financial expenses

Financial expenses €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Interest expense on payables due to banks	9,267	6,611	(2,657)
Discounting of severance indemnities (TFR)	242	791	548
Other financial expense	11,323	5,171	(6,152)
Exchange losses	1,134	579	(555)
Write-downs of equity investments	3,000	-	(3,000)
	24,967	**13,152**	**(11,815)**

Financial expenses amounted to € 13,152 thousand, showing a € 11,815 thousand decrease with respect to the previous year.

The main changes involved:

- financial expenses from debts to banks decreased by € 2,657 thousand. The decrease is mainly explained by the effect resulting from the change in valuation according to the amortized cost criteria following the voluntary early repayment of € 18,282 thousand of medium-long term lines held by Burgo Group S.p.A. in May 2023;
- other financial expenses decreased by € 6,152 thousand, mainly attributable to:
  - the year's competence portion of fees paid in advance for the availability of short-term credit facilities (revolving credit facility);
  - costs for discounting and from fees charged on the transfer of tax credits to energy-intensive companies, significantly lower than in the previous year;
  - guarantees costs are also decreasing due to the lower guarantees required to operate in the energy markets following the drop in prices.

34 I Financial income

Financial income €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Other financial income			
Financial income from the sale of equity investments	-	196	196
Interest income from banks	168	2,691	2,523
Interest income from long-term receivables	3,951	2,865	(1,086)
Financial income from derivative valuation	-	705	705
Other financial income	1,023	220	(803)
Exchange gains	1,519	966	(552)
	6,661	**7,644**	**983**

Financial income amounted to € 7,644 thousand, compared to € 6,661 thousand the previous year and increased with respect to the previous year by € 983 thousand. The increase is mainly attributable to the higher interest income from banks (€ 2,523 thousand) compared to the previous year, due to interest income being recognised on investments in time deposits, which more than offset the decreased interest income from receivables for factoring transactions receivable by Burgo Factor S.p.A. for € 1,086 thousand.

35 I Income taxes

Current taxes reflect the amount allocated relative to the regulations in effect in the various countries in which the Group operates.
It is noted that Other taxes referring to the previous year included the 2022 and 2023 surplus profit contributions of the subsidiary Burgo Energia totalling € 10,227 thousand, which were paid in full during 2023.
Deferred tax assets and liabilities recognised in the annual income statement reflect the changes in the same occurring at the equity level, with respect to the previous year.

Income taxes €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Current taxes - IRES	(1,888)	-	1,888
Current taxes - IRAP	8,674	1,763	(6,911)
Current taxes - foreign companies	654	5,998	5,344
Other taxes	10,227	-	(10,227)
Deferred tax assets/liabilities - IRES	22,272	10,774	(11,498)
Deferred tax assets/liabilities - IRAP	(2,577)	955	3,532
Deferred tax assets/liabilities - foreign companies	(176)	(1,895)	(1,719)
	37,188	**17,595**	**(19,593)**

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

Tax rates	**2023**
Italy	27.90%
Belgium	25.00%
France	25.00%
Spain	28.00%
Great Britain	20.00%
Germany	32.97%
Poland	19.00%
United States of America	21.00%

Reconciliation of income taxes recognised in the annual income 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	**2022**	**2023**
Before tax profit for the year recorded to the Statement of Profit and Loss	**172,441**	**91,153**
Theoretical tax (IRES) - Italian tax rate in effect: 24.0%	41,386	21,877
Current taxes (IRES) recognised in the financial statements	(1,888)	-
Deferred taxes (IRES) recognised in the financial statements	22,272	10,774
Current/deferred taxes, foreign companies	479	4,103
Total taxes (IRES and foreign corporate taxes) recognised in the financial statements	**20,863**	**14,877**
Effective tax rate on before tax profit	12.1%	16.3%
Current taxes (IRAP) recognised in the financial statements - 3,9% rate in effect	8,674	1,763
Deferred taxes (IRAP) recognised in the financial statements - 3,9% rate in effect	(2,577)	955
Total (IRAP) taxes recognised in the financial statements	**6,097**	**2,718**
Effective (IRAP) tax rate on before tax profit	3.5%	3.0%
Taxes - CORPORATE TAX - Total recognised in the financial statements	**26,960**	**17,595**
Effective tax rate on before tax profit	15.6%	19.3%
Other taxes (Surplus profit contributions)	10,227	-
Taxes - TOTAL recognised in the financial statements before IFRS 5 taxes	**37,188**	**17,595**
Effective tax rate on before tax profit	21.6%	19.3%
Taxes classified under Net result from assets held for sale/discontinued operations	10,914	
TOTAL taxes recognised in the financial statements	**48,101**	**17,595**
Before tax profit for the year including the portion reclassified under IFRS 5	**205,854**	**91,153**
Effective tax rate on before tax profit	**23.4%**	**19.3%**

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

The line item in the income Statement for discontinued operations includes the revenue and costs pertaining to the Duino plant, where the sale was finalised in January 2023. The net result from discontinued operations is shown below, broken down as per the items of the Income Statement:

Income statement for the year €/000	**31 Dec 2022**	**31 Dec 2023**
Total operating revenues and income	**230,579**	**-**
Total operating costs	**(187,475)**	**-**
Adjusted EBITDA	**43,104**	**-**
Depreciation and amortization	(4,500)	
Capital gains/losses on disposal of non-current assets	-	
EBIT before non-recurring expenses and income	**38,604**	**-**
Writebacks/writedowns of non-current assets	-	-
Operating result (EBIT)	**38,604**	**-**
Financial expenses	(5,191)	
Financial income	-	
Result before taxes	**33,413**	**-**
Income taxes	(10,914)	-
Profit/(loss) for the period	**22,500**	**-**

37 I Consolidated Schedule of Other Components of the Statement of Comprehensive Income

The schedule presented on page 79 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 income statement and has been adjusted to the provisions of IAS 1, indicating through grouping the items which, upon the meeting of specific conditions, will be reclassified to profit (loss) for the year and, separately, those that will not be reclassified to profit (loss) for the year.
The Group presents the following items:

- year-end fair value adjustment of hedging derivatives. During the year, the gross variation was negative for € 4,238 thousand, which net of taxes (€ 885 thousand) is equal to -€3,354 thousand.
- profits and losses from discounting of defined benefit plans associated with defined benefit plans recognised within a specific shareholders' equity reserve: in 2023 € -113 thousand was recognised which, net of tax effects of € 27 thousand, led to a negative change of € 86 thousand;
- the effects of translating the financial statements of foreign companies (€ -5 thousand).

Relations with related parties

Related party transactions, including infra-group transactions, are not classified as atypical or unusual, as they are part of the ordinary business of the Group's companies. These operations, when not completed under standard conditions or those dictated by specific regulatory provisions, are in any case carried out under market conditions. Related party transactions (based on the definition in IAS 24) essentially involve the exchange of goods, the provision of services or the supply and use of financial means. Below are the economic and equity effects of transactions with subsidiaries of Burgo Group S.p.A. related parties at 31 December 2023.

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2022	**31 Dec 2023**	**31 Dec 2022**	**%**	**31 Dec 2023**	**%**
Financial receivables and other non current financial assets	2,800	2,800	7,407	38%	9,750	29%
Trade receivables	79,633	61,254	169,278	47%	118,534	52%
Other receivables and current assets	19,557	10,950	36,927	53%	25,497	43%
Financial receivables and other current financial assets	72,859	14,228	142,611	51%	29,165	49%
Current financial liabilities	(89,714)	(79,256)	(100,312)	89%	(104,869)	76%
Trade payables	(79,768)	(108,190)	(256,319)	31%	(220,576)	49%
Other payables and current liabilities	(7,177)	(3,587)	(31,245)	23%	(25,373)	14%
Economic relationships						
Revenues	333,380	183,157	1,234,004	27%	869,476	21%
Other income	10,882	6,142	16,539	66%	22,120	28%
Costs for materials and external services	(416,435)	(426,911)	(1,037,124)	40%	(714,964)	60%
Other operating costs	(32,873)	(8,383)	(45,659)	72%	(20,467)	41%
Capitalised costs for internal work	-	(14)	162	0%	528	-3%
Financial expenses	(0)	(871)	(19,558)	0%	(10,283)	8%
Financial income	19,723	52,148	21,222	93%	59,005	88%
Income taxes	18,506	10,726	(7,052)	-262%	(155)	-6941%

In addition, the transactions reported above, at 31 December 2023 there were medium/long-term loans, interest rate hedging contracts and insurance policies covering industrial risks and civil liability with related parties, all stipulated at market conditions. As at 31 December 2023, loans with related parties amounted to a nominal € 98,257 thousand (€ 113,359 thousand at 31 December 2022), including the amount to be repaid within and after year-end.

Significant events after year end

With 2023 being characterised by continuing geopolitical and macroeconomic uncertainties, ongoing conflicts, inflation and the slowdown in global economic growth, these uncertainties will continue into 2024, in addition to tensions relating to the cost of energy and certain raw materials.

During the initial months of 2024, the Group continued to carry out its business without any significant transactions or events. There are no additional events to report.

Other information

Reconciliation statement of parent company and Group results

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

Reconciliation between shareholders' equity and parent company and consolidated result €/000	**Shareholders' equity**		**Profit/(loss) for the period**	
	31 Dec 2022	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**
Parent Company Financial Statements	**585,170**	**569,605**	**119,316**	**67,628**
Elision of consolidated equity investments	(64,913)	(60,671)	57,311	57,948
Elimination of dividends from consolidated companies	-	-	(18,814)	(52,772)
Adjustments for adaptation to Group accounting standards	(282)	439	(60)	754
Consolidated Financial Statements	**519,975**	**509,374**	**157,753**	**73,558**

Number of employees

Number of employees	**Start of year**	**Year end**	**Average 2022**	**Average 2023**
Executives	44	45	44	45
Office Workers	808	768	813	788
Manual Workers	2,244	1,997	2,254	2,121
Temporary Workers	163	124	165	144
	3,259	**2,934**	**3,276**	**3,097**
Employees related to discontinued operations - Duino	(222)	-	(229)	-
Number of employees excluded discontinued operations	**3,037**	**2,934**	**3,046**	**3,097**

The average number of employees in 2023 was down on the previous year, mainly due to the sale of the Duino plant, which took place during 2022.

Independent auditing fees (article 2427, paragraph 1, 16 bis, Italian Civil Code)

Compensation for statutory auditing pursuant to article 2427, paragraph 1, no. 16 bis, Italian Civil Code. €/000	**2023 Financial Statements**
Statutory auditing services for the annual accounts:	
Parent Company	130,540
Italian subsidiaries	122,866
Foreign subsidiaries	111,442
	364,848

SECTION 2

Disclosure for transparency in public subsidies, required by Italian Law 124/2017, article 1, paragraphs 125-129, as amended.

Italian Law 124 of 2017 (the annual market and competition law) introduced new disclosure requirements relative to transparency in public subsidies received and granted, in article 1, paragraphs 125-129.
The following schedule provides information about grants and other economic advantages received from Italian public administrations during 2023:

Contributions and subsidised rate loans

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Economic Development	Agrifood grant for Project at Avezzano Plant for "New White Top-Liner paper production for corrugated packaging"		Total amount of € 388 thousand disbursed in 2023, total amount to pay € 686 thousand.
Ministry of Economic Development	Subsidised rate loan Agrifood for Project at Avezzano Plant for "New White Top-Liner paper production for corrugated packaging"	Annual fixed rate 0.13%	Total amount of € 332 thousand disbursed in 2023, total amount to pay € 609 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 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 titles for € 7,665 thousand.

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

Information about the financial risk management policy

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

Significance of financial instruments relative to the equity and financial situation and economic result

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

Significance of financial instruments to the equity and financial situation

The table shows the book value recognised for each financial asset and liability in the consolidated statement of financial postion.

Financial instruments €/000	**31 Dec 2022 Book value**	**31 Dec 2023 Book value**
Trade receivables and other receivables	324,947	232,308
Financial receivables	130,284	49,167
Cash and cash equivalents	113,627	272,404
Derivatives:		
Assets	19,543	9,378
Liabilities	(8,746)	(2,564)
Assets held for sale	45,360	-
Lending from banks	(113,403)	(100,151)
Right of use liabilities	(8,696)	(8,227)
Loans from associated companies	(109,789)	(96,010)
Bonds and converting loans	(3,825)	(2,125)
Trade payables and other payables	(481,954)	(366,310)
Payables due to banks	(19,059)	(18,698)
	(111,711)	**(30,829)**

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

Derivatives

In general, the fair value of derivatives is determined on the basis of market prices, if available.
If this reference is not available/accessible, fair value estimates are made on the basis of standard financial algorithms.
In particular, the fair value of forward exchange rate and commodity derivatives is calculated by discounting the difference between the contractual price and the end price, redetermined on the basis of market conditions on the reporting date.
For interest rate derivatives, when recognised, different models are used based on the type of instrument being evaluated. In particular:

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

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

Details on financial risk hedging instruments

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

Details on market risk hedging instruments

Among commodity exposures, price risk deriving from volatility in electricity, has and emission rights purchase prices was partially managed through the establishment of commodity swaps and futures, recognised based on hedge accounting rules, and in part through setting prices with counterparties.
As shown in the table "financial instruments", the fair value of derivatives generated financial assets of € 9.4 million (€ 19.5 million the previous year) and financial liabilities for € 2.6 million (€ 8.7 million the previous year).

Investments in equity instruments

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

Debt securities

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

Capital management

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

Financial assets

The tables below provide a breakdown of financial assets.

Non-current financial assets €/000	31 Dec 2022	31 Dec 2023
Loans and receivables	15,832	18,891
	15,832	**18,891**

Current financial assets €/000	31 Dec 2022	31 Dec 2023
Loans and receivables	439,399	262,584
Cash and cash equivalents	113,627	272,404
Current derivative assets	2,832	203
Current derivative financial assets	16,711	9,175
Assets held for sale	45,360	-
	617,929	**544,367**

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

Financial liabilities

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	31 Dec 2022	31 Dec 2023
Lending from banks	(107,115)	(85,810)
Loans from associated companies	(104,960)	(83,749)
Non-current bonds	(2,125)	(425)
Right of use liabilities	(6,478)	(5,664)
Other payables	(499)	(476)
	(221,177)	**(176,125)**

Current financial liabilities €/000	31 Dec 2022	31 Dec 2023
Lending from banks	(6,288)	(14,341)
Loans from associated companies	(4,829)	(12,261)
Bonds	(1,700)	(1,700)
Derivatives	(8,746)	(2,564)
Right of use liabilities	(2,218)	(2,563)
Payables due to banks	(17,692)	(16,726)
Trade payables and other payables	(482,822)	(367,806)
Liabilities related to assets held for sale	(9,013)	-
	(533,309)	**(417,961)**

Other additional information

The Group did not carry out any reclassification of financial assets, changing the measurement criteria relative to the same. As a consequence, no remeasurement was done. Additionally, no assets were transferred that did not involve elimination from the accounts.

Impact of financial instruments on the annual income statement

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

Financial income and expense recognised in the consolidated income statement €/000	**31 Dec 2022**	**31 Dec 2023**
Income from securities in fixed assets, not equity investments	3,951	2,865
Interest income from current account	168	2,691
Financial income from measurement of derivatives	-	705
Income from customers	16	24
Exchange gains	1,519	966
Other income	1,007	392
	6,661	**7,644**
Interest expense from current account	(536)	(31)
Interest expense on mortgages	(8,732)	(6,579)
Charges due to suppliers	(15)	(0)
Factoring commissions	(1,065)	(2,315)
Exchange losses	(1,134)	(579)
Other expense	(8,683)	(2,857)
	(20,164)	**(12,361)**
Dividends from subsidiaries and associated companies	0	-
Net income (expense) from discounting	(242)	(791)
	(13,746)	**(5,508)**

Financial income and expense recognised in shareholders' equity €/000	**31 Dec 2022**	**31 Dec 2023**
Change in cash flow hedge reserve	(9,730)	(3,354)
Change in FVOCI securities revaluation reserve	-	-
	(9,730)	**(3,354)**

Note that the change in the Cash Flow Hedge reserve is shown net of deferred taxes accruing during the year.

Credit Risk

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

Risk exposure

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

Exposure to credit risk €/000	**31 Dec 2022**	**31 Dec 2023**
Trade receivables and other receivables	455,232	281,475
Cash and cash equivalents	113,627	272,404
	568,858	**553,879**

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 2022**	**31 Dec 2023**	**Change**
Balance at start of period	(65,420)	(56,470)	8,950
Uses	16,782	7,294	(9,487)
Provisions	(7,832)	(1,083)	6,749
	(56,470)	**(50,259)**	**6,211**

Concentration of credit risk

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

Breakdown of risk by customer type €/000	31 Dec 2022	31 Dec 2023
End consumers	169,152	111,476
Retailers	5,650	1,587
Stock exchange	6,561	5,331
Wholesalers	47,549	23,001
Printers	56,282	43,834
Publishers	2,329	1,792
Other group companies	-	5,877
Credit institutions	114,336	274,767
Tax authorities	15,547	17,362
Others	159,694	77,302
	577,102	**562,328**

Credit risk management methods

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Group has instituted an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Regarding measurement of creditworthiness, functional to assignment of credit and the creation of commercial relationships, internal procedures require the collection and analysis of qualitative and quantitative information. Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified based on a two level scoring system, that differentiates between reliable and non-reliable customers. At-risk customers are subject to strict controls and any future orders are only fulfilled after approval by the Credit Committee. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for application of corrective actions, which range from blocking orders to legal action. In 2023, the Group protected itself from credit risk from customers by stipulating credit insurance contracts with leading insurance companies.

Financial investments

The Group limits its exposure to credit risk by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market. As at 31 December 2023 the Group had no security exposures. Financial assets include time deposit investments made with Italian banks known to be reliable.

Guarantees

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

Market Risk

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

- Exchange risk;
- Interest rate risk;
- Commodity risk.

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

Exchange risk

The Group holds some of its trade receivables/payables in currencies other than the euro. The exchange risk management policy establishes that derivatives should only be used to hedge against risk. Derivatives existing at 31 December 2023 used to manage exchange risk include only futures contract to purchase/sell foreign currencies. Even if these serve hedging purposes, these derivatives are not recognised using hedge accounting, as the rigidity of this treatment would negative impact the operational efficiency of the hedges.
The foreign currencies used by the Group are AUD, JPY, NOK, DDK, SEK, CHF, GBP and USD, with the latter two currencies representing almost the entirety of trade items in foreign currencies.

Sensitivity analysis relative to exchange risk

In order to measure the possible effects of changes in the exchange rate obtained at the reporting date on the consolidated statement of financial position and annual income statement, a variation in the value of the euro with respect to the reference foreign currencies at 31 December 2023 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 income statement.
The net impact on the result from the year deriving from a +/- 10% shock would have been € +1,406 thousand (€ +2,518 thousand in 2022) and € -1,719 thousand (€ -3,078 thousand in 2022), respectively.

Exchange risk management methods

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

General aspects

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

Exchange risk management policies

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

Interest rate risk

Financial liabilities which expose the Group to interest rate risk are medium/long-term variable rate loans.
With regard to assets, items exposed to interest rate risk consist of a shareholders' loan to a company in which an equity investment is held, classified among equity investments in other companies.
These assets are classified as "held to maturity" and do not generate effects on the annual income statement/consolidated statement of financial position 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 2022**	**31 Dec 2023**
Fixed rate financial instruments		
Fixed rate loans	(24,531)	(20,660)
	(24,531)	**(20,660)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	9,795	10,524
Financial instruments with positive FV	19,543	9,378
Loans to others	5,951	8,279
Financial liabilities		
Derivatives with negative FV	(8,746)	(2,564)
Variable rate loans	(209,455)	(184,616)
Current account advances	(19,059)	(18,698)
Right of use liabilities	(1,724)	(1,235)
	(203,695)	**(178,932)**
	(228,226)	**(199,592)**

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 2023 on the annual income statement and statement of financial position.
Analysis was done supposing that the other variables, in particular exchange rates, remained constant and was done using the same suppositions as in the previous year.
As at 31 December 2023 the Group held interest rate swap derivatives.
As at 31 December 2023, hedging instruments had a notional value of € 171,012 thousand and provided almost full coverage of the medium- and long-term payables that form the majority of the Group's debt. As a result, the effect on the result for the year of variable-rate indexed assets and liabilities is not significant.

Interest risk management methods

General aspects

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

Interest risk management policies

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

Commodity risk

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

Gas and electricity price risk

In order to supply its various plants with the electricity necessary for production, the Group has various contracts to purchase gas. Given the variable nature of the price of the commodity, the Group suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by setting prices with counterparties. Group energy costs are optimised through the subsidiary Burgo Energia.
As at 31 December 2023, the Group had gas purchases with the following characteristics:

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

In order to supply its various plants with the electricity necessary for production, the Group has a contract to purchase electricity through its subsidiary Burgo Energia S.r.l. Given the variable nature of the price of electricity, the Group is exposed to risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. As at 31 December 2023, the Group had no fixed price electricity sales.

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

Carbon dioxide emission rights price risk

In order to supply its various plants with the rights to issue carbon dioxide, needed to comply with the obligations deriving from the ETS scheme, the Group has signed purchase contracts with the subsidiary Burgo Energia S.r.l. Given the variable nature of the price of the commodity, the Group suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. Derivative financial instruments on commodities outstanding at the end of the year were accounted for using hedge accounting, in accordance with IFRS 9.

Sensitivity analysis relative to commodity risk

In order to measure the possible effects of changes in the value of carbon dioxide emission rights, in the statement of financial position and annual income statement, a +/-10% change in the value of EUA prices was hypothesised at 31 December 2023. The impact on the annual income statement deriving from this type of shock would be € -0.4 million (€ -0.1 million in the previous year) and € +0.4 million (€ +0.1 million in the previous year). Sensitivity analysis is not done for gas and electricity price risk, because all the assets and liabilities associated with these are recognised at a fixed price.

Commodity risk management methods

General aspects

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

Commodity risk management policies

Management of risks associated with oscillations in commodities prices involves several administrative departments, at the individual Group company level.
In determining its hedging strategy and with reference to the various types of supply contracts, the Group implements mitigation strategies with the objective of stabilising its profit margin.
With reference to the procedures used to estimate exposure to risks associated with commodities, the following elements are considered:

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

Liquidity Risk

Liquidity risk is the risk that the Group will have difficulty complying with its future obligations relative to financial liabilities.
Risk analysis is done with the aim of quantifying cash flows deriving from the various types of financial liabilities held by the Group at 31 December 2023, 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 2023.

31 Dec 2023 €/000	**Book value**	6 months or less	6-12 months	1-2 years	2- 5 years	over 5 years
Non-derivative financial liabilities:						
Loans	196,161	13,301	13,301	150,192	12,347	7,021
Bonds	2,125	850	850	425		
Commercial debts and other debts	366,310	366,310	-	-	-	-
Right of use liabilities	8,227	1,336	1,227	3,162	1,923	579
Derivative financial liabilities:						
Derivatives	2,564	1,282	1,282	-	-	-
	575,388	**383,079**	**16,660**	**153,779**	**14,270**	**7,600**

Liquidity risk management methods

General aspects

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

Liquidity risk management policies

The Group performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows. Estimates are periodically reviewed to ensure there is adequate on demand cash and cash equivalents to cover operating expenses forecast for the short term (around 3 months).
To meet short-term financial needs as at 31 December 2023, short-term credit lines were available, totalling around € 236 million, of which € 211.5 million in Italy and € 24.5 million in Belgium available to Burgo Ardennes.
For its long-term financial needs, the Group's loans and bonds recorded on the statement of financial position, both for the short-term and long-term portion, totalled € 198.3 million. Loans are valued at amortized cost, the nominal value of which is approximately € 214.4 million.

Report of the independent auditing firm

Building a better working world

Burgo Group S.p.A.

Consolidated financial statements as at December 31, 2023

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

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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 (the Group), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated Shareholders' equity and the consolidated cash flows statement for the year then ended, and explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

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

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SECTION 2

Building a better working world

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.

Building a better working world

Report on compliance with other legal and regulatory requirements

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

The Directors of Burgo Group S.p.A. are responsible for the preparation of the Report on Operations of the Group as of December 31, 2023, 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 Burgo Group as of December 31, 2023 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 Burgo Group as of December 31, 2023 and comply with the applicable laws and regulations.

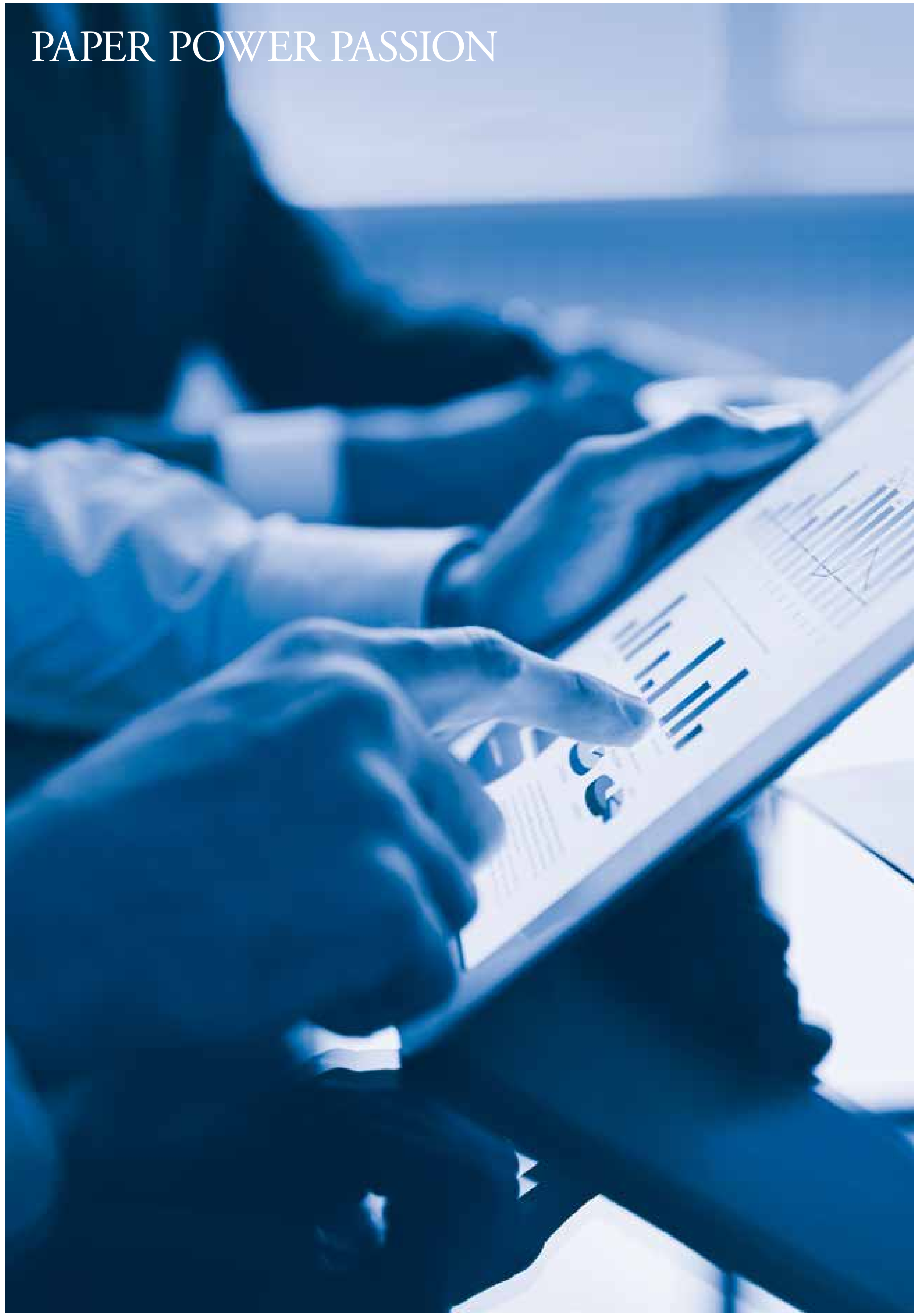
With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Verona, March 29, 2024

EY S.p.A.

Signed by: Daniele Tosi, Auditor

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



Burgo Group separate financial statements

3

3

Statement of financial position

Statement of financial position: Assets €	Note	31 Dec 2022	31 Dec 2023	Change
Non-current assets		**646,560,260**	**640,693,808**	**(5,866,451)**
Property, plant and equipment		**150,832,342**	**152,813,682**	**1,981,340**
Property, plant and equipment	1	149,007,252	151,216,430	2,209,178
Property investments	1	143,681	138,807	(4,875)
Right of use assets	1	1,681,408	1,458,445	(222,963)
Intangible assets		**2,109,298**	**1,945,297**	**(164,001)**
Intangible assets with defined life	2	2,109,298	1,945,297	(164,001)
Other non-current assets		**458,486,507**	**461,545,703**	**3,059,196**
Equity investments in subsidiaries	3	434,457,427	434,430,944	(26,483)
Equity investments in associates	3	-	16,483	16,483
Equity investments in other companies	3	7,174,090	7,174,090	-
Financial receivables and other non-current financial assets	3	7,406,597	9,749,531	2,342,934
Other receivables and non-current assets	3	9,448,393	10,174,655	726,262
Deferred tax assets		**35,132,113**	**24,389,126**	**(10,742,986)**
Deferred tax assets	4	35,132,113	24,389,126	(10,742,986)
Current assets		**548,955,402**	**474,840,525**	**(74,114,877)**
Inventories	5	113,987,471	57,936,472	(56,051,000)
Trade receivables	6	169,278,378	118,533,622	(50,744,755)
Other receivables and current assets	7	36,927,106	25,496,904	(11,430,201)
Financial receivables and other current financial assets	8	142,610,973	29,164,812	(113,446,161)
Cash on hand and other cash equivalents	9	86,151,474	243,708,714	157,557,240
Assets held for sale and discontinued operations	**10**	**45,373,670**	**-**	**(45,373,670)**
Total assets		**1,240,889,332**	**1,115,534,333**	**(125,354,999)**

Statement of financial position: Liabilities €	Note	31 Dec 2022	31 Dec 2023	Change
Shareholders' equity		**585,170,217**	**569,605,227**	**(15,564,990)**
Share capital	11	90,000,000	90,000,000	-
Reserves	11	328,023,116	264,701,304	(63,321,812)
Accumulated profits (losses)	11	47,831,143	147,275,472	99,444,329
Profit (loss) for the year	11	119,315,958	67,628,451	(51,687,506)
Non-current liabilities		**246,905,610**	**192,980,666**	**(53,924,944)**
Non-current financial liabilities	12	190,123,153	150,842,746	(39,280,406)
Severance indemnities and other provisions related to personnel	13	8,289,013	7,702,521	(586,491)
Provisions for risks and charges	14	48,493,445	34,435,398	(14,058,047)
Current liabilities		**399,800,023**	**352,948,440**	**(46,851,582)**
Current financial liabilities	15	100,312,419	104,869,308	4,556,889
Trade payables	16	256,319,143	220,576,369	(35,742,774)
Payables for current taxes	17	11,922,979	2,129,421	(9,793,559)
Other payables and current liabilities	18	31,245,482	25,373,343	(5,872,139)
Liabilities related to assets held for sale and to discontinued operations	**19**	**9,013,482**	**-**	**(9,013,482)**
Total shareholders' equity and liabilities		**1,240,889,332**	**1,115,534,333**	**(125,354,999)**

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Income Statement for the Year

Income statement for the year €	**Note**	**31 Dec 2022**	**31 Dec 2023**	**% change**
Revenues	21	1,234,004,256	869,476,185	-29.5%
Other income	22	16,538,968	22,119,701	
Total operating revenues and income		**1,250,543,224**	**891,595,886**	**-28.7%**
Costs for materials and external services	23	(1,037,123,675)	(714,964,264)	
Personnel expenses	24	(65,228,255)	(60,351,179)	
Other operating costs	25	(45,658,555)	(20,467,300)	
Change in inventories	26	31,582,273	(56,051,000)	
Capitalised costs for internal work	27	162,477	528,318	
Depreciation and amortization	28	(20,674,251)	(19,070,851)	
Capital gains/(losses) on disposal of non-current assets	29	1,461,105	870,021	
Writebacks/writedowns of non-current assets	30	(12,860,730)	(3,028,196)	
Total operating costs		**(1,148,339,613)**	**(872,534,451)**	**-24.0%**
Operating result		**102,203,611**	**19,061,435**	**-81.3%**
Financial expenses	31	(19,557,743)	(10,283,232)	
Financial income	32	21,222,256	59,004,788	
Result before taxes		**103,868,124**	**67,782,992**	**-34.7%**
Income taxes	33	(7,051,930)	(154,540)	
Net profit/(loss) from assets held for sale and from discontinued operations	34	22,499,763	-	
Profit/(loss) for the period		**119,315,958**	**67,628,451**	**-43.3%**

Statement of Comprehensive Income

Statement of Comprehensive Income €	**Note**	**31 Dec 2022**	**31 Dec 2023**	**% change**
A - Profit (loss) for the period		**119,315,958**	**67,628,451**	**-43.3%**
Other components of the Statement of Comprehensive Income:				
Other components of the Statement of Comprehensive Income to be subsequently reclassified in the annual Income statement:				
Net (loss) profit from cash flow hedge		(16,334,203)	(3,364,538)	
Income taxes		5,200,624	640,759	
		(11,133,580)	(2,723,779)	
Net (loss) profit from financial assets FVOCI	35	-	-	
		-	-	
B- Total other components of the Statement of Comprehensive Income to be subsequently reclassified in the annual Income statement net of taxes		**(11,133,580)**	**(2,723,779)**	
Other components of the Statement of Comprehensive Income not to be subsequently reclassified in the annual Income statement:				
(Losses) gains from discounting of defined benefit plans	35	1,625,064	102,151	
Income taxes		(390,015)	(24,516)	
		1,235,048	77,634	
C- Total Other components of the Statement of Comprehensive Income not to be subsequently reclassified in the annual Income statement net of taxes		**1,235,048**	**77,634**	
D - Total other components of the Statement of Comprehensive Income net of taxes (B + C)		**(9,898,531)**	**(2,646,144)**	
E - Total Comprehensive Income net of taxes (D +A)		**109,417,427**	**64,982,307**	**-40.6%**

SECTION 3

Statement of Changes in Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	Distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	**Total**
Balances at start of previous period	**90,000**	**13,149**	**138,797**	**-**	**16,098**	**200,000**	**436**	**238**	**(13,405)**	**72,950**	**518,263**
Destination of result - distribution of dividends	-	3,647	-	-	-	(34,008)	(436)	-	61,236	(72,950)	(42,510)
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	-	(9,899)	-	-	-	-	-	(9,899)
Other changes in shareholders' equity	-	-	(138,797)	138,797	-	-	-	-	-	-	(42,510)
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	119,316	119,316
Balances at end of previous period	**90,000**	**16,797**	**-**	**138,797**	**6,199**	**165,992**	**-**	**238**	**47,831**	**119,316**	**585,170**
Destination of result - distribution of dividends	-	1,203	-	-	-	(64,438)	2,559	-	99,444	(119,316)	(80,547)
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	-	(2,646)	-	-	-	-	-	(2,646)
Other changes in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of foreign financial statements	-	-	-	-	-			-	-		-
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	67,628	67,628
Balances at period end	**90,000**	**18,000**	**-**	**138,797**	**3,553**	**101,554**	**2,559**	**238**	**147,275**	**67,628**	**569,605**

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

Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2022**	**31 Dec 2023**
A - Net initial monetary availability	**83,181**	**69,296**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	119,316	67,628
Amortization, depreciation, write-downs and writebacks	38,035	22,099
Writedowns and writebacks of financial assets	3,200	-
Capital (gains) losses on disposal of non-current assets	(1,461)	(870)
Capital (gains) losses on disposal of financial assets	5,191	(196)
Change in TFR and provisions for risks	13,728	(14,542)
Change in deferred tax assets and provision for deferred taxes	27,015	11,359
Profit (loss) for the period before changes in working capital	**205,023**	**85,478**
Change in inventories	(38,273)	56,051
Change in trade receivables	18,715	50,745
Change in trade payables	(90,828)	(35,743)
Change in other assets and liabilities	(1,447)	(790)
Change in net working capital	**(111,834)**	**70,263**
Assets held for sale and discontinued operations	**(1)**	**36,360**
Total B- Monetary flow from operating activities	**93,188**	**192,101**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(23,030)	(25,158)
Investments in intangible assets	(1,060)	(565)
Change in equity investments	3,010	206
Revenues from sales of fixed assets	5,676	3,610
Total C - Monetary flow from investing activities	**(15,404)**	**(21,907)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(120)	(2,343)
Change in financial receivables and other current financial assets	(46,190)	47,279
Change in current and non-current other non-financial liabilities	4,388	2,425
New loans	-	332
Repayment of loans	(6,697)	(26,533)
Repayment right of use loans	(540)	(1,422)
Dividends distributed and/or resolved	(42,510)	(80,547)
Total D - Monetary flow from financing activities	**(91,669)**	**(60,809)**
E - Monetary flow for the period (B + C + D)	**(13,885)**	**109,385**
Net final monetary availability (A + E)	**69,296**	**178,681**
Additional information:		
Interest received during the period	1,992	4,978
Interest paid during the period	(24,419)	(11,104)
Taxes paid during the period	-	(4,593)
Dividends received during the period	18,699	52,614

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.

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Explanatory notes to the individual financial statements

General information

Burgo Group S.p.A. is an Italian Company, registered with the Vicenza Business Registry (no.13051890153), with its registered offices in Altavilla Vicentina (prov. Vicenza), in via Piave 1.
These draft financial statements were approved by the Board of Directors on 26 March 2024.

Accounting standards and measurement criteria

The Company's financial statements at 31 December 2023 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2022, taking into account the amendments and new standards which took effect as of 1 January 2023, listed below.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2023

For the preparation of these Financial Statements, the Company has for the first time adopted certain accounting standards and amendments effective for financial years beginning on or after 1 January 2023, a list of which is provided below, noting that these changes have not affected the statement of financial position and income statement amounts shown:

- ***IFRS17 – Insurance contracts***
  In May 2017, the IASB issued a new accounting standard, IFRS 17 for insurance contracts, which refers to their recognition, measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance contracts issued in 2005. IFRS 17 applies to all insurance policies (e.g. life, damage, direct insurance and re-insurance), regardless of the entity that issues them, similarly to certain guarantees and financial instruments based on discretionary participation; there are some exceptions in the scope of application. The general objective of IFRS 17 is to provide a more appropriate and consistent accounting model for insurers. As opposed to IFRS 4 requirements, which were largely based on maintaining the previous local accounting principles, IFRS 17 provides a complete model for insurance contracts, covering all the relevant accounting aspects. IFRS 17 is based on a general model, integrated with:
  - A specific adaptation for contracts with direct participation characteristics (variable fee approach);
  - A simplified approach (premium allocation approach) referring mainly to short-term contracts.

The changes have not had any impact on the Company's financial statements.

- The IASB published the following amendments:
  - ***Amendments to IAS 8 - Definition of Accounting Estimates***: the changes to IAS 8 clarify the distinction between changes to accounting estimates, changes to accounting standards and the correction of errors. They further provide clarification on how entities should use evaluation techniques and the input for developing accounting estimates.

The changes have not had any impact on the Company's financial statements.

- ***Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies***: the changes to IAS 1 and IFRS *Practice Statement 2 Making Materiality Judgements* provide information and examples to assist entities in applying materiality judgements on the disclosure of accounting principles. The amendments aim to assist entities in providing information on the most useful accounting standards, replacing entities' obligation to disclose their "significant" accounting standards. They also include a guide on how entities should apply the materiality concept when making decisions regarding the disclosure of accounting policies.

The changes have not had any impact on the Company's financial statements.

- ***Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction***: The changes to IAS 12 *Income Taxes* restrict the scope of application, introducing an exception to the initial recognition, so that an entity does not apply the initial recognition exemption to transactions that give rise to equal taxable and deductible temporary differences, as in the case of leases and decommissioning liabilities.

The changes have not had any impact on the Company's financial statements.

- ***Amendments of IAS 12 - International Tax Reform – Pillar Two Model Rules***: the changes to IAS 12 were introduced in response to the OECD BEPS *Pillar Two rules* regulations and include:

- A mandatory temporary exemption to the recognition and disclosure requirements for deferred taxes deriving from the implementation of *Pillar Two Rules* into legislation; and
- The disclosure requirements for the entities involved, to assist financial statement users to better understand the effects on income tax arising from this legislation, specifically, before the date when it effectively comes into force.

The temporary mandatory exemption is immediately applicable, and its use must be reported. The remaining disclosure requirements apply to financial years starting on 1 January 2023 or later, but not for the intermediate periods prior to 31 December 2023. The changes have not had any impact on the Company's financial statements.

There are no other new standards, amendments or interpretations that are effective as of the reference date of these Financial Statements.

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 amortization/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 income 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 amortized 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 expenses attributable to the purchase, construction or production of a capitalisable asset.

Property investments

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

Right of use assets

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

v) 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);
vi) 16.5(b) in relation to contracts with a value of less than € 5,000;
vii) 16.15 in relation to the possibility of not separating non-lease components;
viii) the Portfolio approach was not adopted.

In particular, relative to lease contracts the Company recognises

c) a right of use equal to the value of the financial liability as of the date the contract takes effect.
d) 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 amortization 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 income statement at the time of acquisition.
After initial recognition, goodwill is not amortized, 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 income 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 income statement, unless the asset is recognised at the written back value, in which case the writeback is recognised in the revaluation reserve.

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 amortized 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 amortized 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 amortized 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 amortized cost (debt instruments)

The company measures financial assets at amortized 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 amortized 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 amortized cost. Remaining changes in fair value are recognised in other comprehensive income. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

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

Financial assets at fair value through profit and loss

This category includes assets held for trading, assets designated at initial recognition as financial assets at fair value with changes recognised in the income statement and financial assets necessarily measured at fair value. Assets held for trading are all assets acquired to be sold or repurchased over the short term. Derivatives, including separated ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows which do not pass the SPPI test are classified and measured at fair value through profit and loss, regardless of the business mode. Despite the criteria for debt instruments for classification at amortized 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 income 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 amortized 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 amortization process.
The amortized 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. Amortization at the effective interest rate is recognised among financial expenses in the income 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 amortization.

— *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 income statement for the year.

— *Offsetting of financial instruments*

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

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 income 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 income 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 income statement when the effects of the transaction being hedged are recognised in the annual income statement. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the annual income 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 income 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 income 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 income 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 income statement.
Any losses from these contracts are recognised in the annual income 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 Statement of Cash Flows, cash and other cash equivalents are shown net of bank overdrafts as of the reporting date.

Assets held for sale

Non-current assets and groups of assets and liabilities for which the book value will mainly be recovered through sale, rather than through continuous use, are presented separately under other assets and liabilities in the statement of financial position.
These assets, classified within a specific item in the statement of financial position, are measured at the lower of the book value and the fair value minus foreseeable sales costs.
Gains and losses, net of the relative tax effects, from non-current assets disposed of or held for sale are recognised in a specific item within the annual income 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 amortized 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 income 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 income 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 income statement.
The amount of rights accrued by employees during the year is recognised under the item personnel expenses, while the financial component, which represents the charge that the company would face if it were to finance the amount of the severance indemnity (TFR) on the market, is recognised under financial income/expense.

Provisions for risks and charges

The Company allocates provisions for risks and charges when:

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

Provisions are recognised at the value which represents the best estimate that the Company would reasonably pay to fulfil the obligation (fair value) or to transfer it to third parties, on the reporting date.
Changes in estimates are shown in the income 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 income statement under the item "financial expenses".
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 income 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, including discounts for advance payments, 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 statement of financial position 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 income 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 financial statements of the year just ended, 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 income statement for the period in which the change occurred.

Statement of financial position

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 2022	31 Dec 2023	Change
Property, plant and equipment	149,007	151,216	2,209
Property investments	144	139	(5)
Right of use assets	1,681	1,458	(223)
	150,832	**152,814**	**1,981**

— 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	**195,493**	**898,557**	**2,482**	**23,327**	**20,352**	**1,140,211**
Increases during period	358	11,506	121	120	13,052	25,158
Disposals during period	(17,712)	(4,483)	(5)	(2,307)	-	(24,506)
Revaluations, impairment during period	-	(2)	-	-	(3,026)	(3,028)
Other changes	1,074	10,343	(86)	477	(11,811)	(3)
Historic cost at period end	**179,213**	**915,920**	**2,513**	**21,619**	**18,566**	**1,137,831**
Provision for amortization/ depreciation at start of period	**148,581**	**818,074**	**2,350**	**22,199**	**-**	**991,204**
Amortization/depreciation during period	2,101	14,620	57	541	-	17,320
Uses during period	(15,146)	(4,455)	(5)	(2,299)	-	(21,905)
Other changes in the provision	(3)	-	-	-	-	(3)
Provision for amortization/ depreciation at period end	**135,533**	**828,239**	**2,403**	**20,441**	**-**	**986,615**
Net book value at period end	**43,680**	**87,682**	**110**	**1,178**	**18,566**	**151,216**

The increase in the net book value of property, plant and equipment, for € 2,209 thousand, originated mainly from the following components:

- increases of € 25,158 thousand (€ 23,030 thousand in 2022) relating to investments made during the year. Please see the Report on Operations for a description. More specifically, the increase are mainly attributable to: € 22,383 for investments through third-party acquisitions, € 528 thousand for the capitalisation relative to internal work, capitalisation of financial expense equal to € 205 thousand, calculated with reference to a rate of 1.68%, implementing IAS 23; and advances on maintenance work for € 1,726 thousand. The work referred specifically to the sites at Sora (for € 10,873 thousand) Avezzano (for € 8,158 thousand) and Villorba (for € 4,238 thousand);
- decreases for disposals, sales and writedowns of € 27,534 thousand (€ 10,583 thousand in 2022), particularly € 20,224 thousand relating to the sale of the San Mauro Torinese office and € 3,028 thousand relating to writedowns for the year following the suspension of part of the energy production facility in Avezzano.

The change in the amortization provision of € 4,589 thousand (€ 535,563 thousand in 2022) can be broken down as follows:

- increases for depreciation during the year of € 17,320 thousand;
- decreases following the disposal of systems for € 21,905 thousand, as listed above;

Fully depreciated assets still in use have a historic cost equal to € 538,619 thousand. Pursuant to article 10 of Italian Law 72 of 19 March 1983, relative to revaluations, below is a breakdown of revaluation balances at 31/12/2023, equal to € 173,274 thousand and almost entirely depreciated.

Monetary revaluations pursuant to article 2427, no. 2, Italian Civil Code €/000	Law 576/75	Law 72/83	Law 413/91	Other	Total
Land and buildings	4,488	17,573	33,474	19,618	75,153
Plants and machinery	14,092	79,767	-	2,408	96,267
Industrial and sales equipment	89	266	-	83	438
Other assets	277	963	-	177	1,416
	18,946	**98,569**	**33,474**	**22,285**	**173,274**

— *Property investments*

Flow of property investments €/000	Civil land	Civil buildings	**Total**
Historic cost at start of period	**67**	**162**	**230**
Increases during period	-	-	-
Disposals during period	-	-	-
Revaluations, impairment during period	-	-	-
Transfer	-	-	-
Other changes	-	-	-
Historic cost at period end	**67**	**162**	**230**
Provision for amortization/depreciation at start of period	**-**	**86**	**86**
Amortization/depreciation during period	-	5	5
Uses during period	-	-	-
Transfer	-	-	-
Other changes in the provision	-	-	-
Provision for amortization/depreciation at period end	**-**	**91**	**91**
Net book value at period end	**67**	**72**	**139**

During the year, changes in civil properties consisted of amortization totalling € 5 thousand.

— *Right of use assets*

Right of use assets flow €/000	Commercial leases	Residential leases	Industrial leases	Vehicle leases	IT	Fixed assets in progress	**Total**
Historic cost at start of period	**376**	**699**	**2,048**	**491**	**1,377**	**-**	**4,991**
Increases during period	-	67	484	124	-	258	933
Disposals during period	-	(22)	-	(38)	(103)	-	(163)
Other changes	-	-	-	-	-	-	-
Historic cost at period end	**376**	**744**	**2,532**	**578**	**1,274**	**258**	**5,762**
Provision for amortization/ depreciation at start of period	**(170)**	**(424)**	**(1,519)**	**(420)**	**(776)**	**-**	**(3,309)**
Amortization/depreciation during period	(43)	(135)	(549)	(76)	(246)	-	(1,049)
Uses during period	-	12	-	38	6	-	55
Other changes			-	-	-	-	-
Provision for amortization/ depreciation at period end	**(213)**	**(547)**	**(2,068)**	**(458)**	**(1,017)**	**-**	**(4,303)**
Net book value at period end	**163**	**197**	**464**	**120**	**258**	**258**	**1,458**

During 2023, increases were recorded as a result of the signing of new contracts for leased assets or assets falling under the scope of IFRS 16 amounting to € 933 thousand, which related to: industrial leases for € 484 thousand, residential leases for € 67 thousand, vehicle leases for € 124 thousand, and the new Villorba steam turbine for € 258 thousand. Depreciation/amortization during the year totalled € 1,049 thousand; disposals in the year came to € 163 thousand, against write-offs of the provision for € 55 thousand.

No indicators for impairment emerged during the year. Tests were nonetheless conducted on CGUs, which in the past had either been written down following impairment testing or had recorded indicators. During the year in question the impairment test performed did not indicate a need to carry out any writedowns.
For the purposes of the impairment test, the main assumptions, in line with current measurements of the cost of money, which take into account the specific risks of the CGUs, involve the risk-free rate of 4.27% (3.75% in 2022), the market risk premium unchanged on the previous year at 5.50% (increased, similarly to 2022, from a minimum of 0% to a maximum of 2.5% to incorporate other risks for certain CGUs), the growth rate of 2.00%, the cost of debt before taxes of 1.79% (1.78% in 2022) and the ratio between equity and debt, respectively equal to 83.97% and 16.03% (respectively 85.89% and 14.11% the previous year) derived as the average value of a panel of comparable listed companies in the same sector.

2 I Intangible assets

The balance is as follows:

Intangible assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Goodwill and other assets with undefined life			
	-	-	-
Intangible assets with defined life			
Concessions, licenses, trademarks and similar rights	1,684	1,493	(191)
Fixed assets in progress and advances	425	452	27
	2,109	**1,945**	**(164)**
	2,109	**1,945**	**(164)**

It is reported that the Company had no goodwill recognised to the balance sheet under assets at year-end.

Increases, totalling € 565 thousand, mainly refer to investments in software and usage licenses.
Amortization during the year was equal to € 698 thousand.
The value of intangible assets fully amortized but still in use was € 8,582 thousand.

Flow from intangible assets €/000	Concessions, licenses, trademarks and similar rights	Fixed assets in progress and advances	**Total**
Historic cost at start of period	**11,988**	**425**	**12,413**
Increases during period	434	131	565
Disposals during period	(739)	(31)	(770)
Revaluations, impairment during period	739	-	739
Other changes	72	(72)	-
Historic cost at period end	**12,495**	**452**	**12,947**
Provision for amortization/depreciation at start of period	**10,304**	**-**	**10,304**
Amortization/depreciation during period	698	-	698
Uses during period	-	-	-
Other changes in the provision	-	-	-
Provision for amortization/depreciation at period end	**11,001**	**-**	**11,001**
Net book value at period end	**1,493**	**452**	**1,945**

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3 I Other non-current assets

— *Equity investments and securities*

These include the items indicated below:

Equity investments and securities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Gever S.p.A. in liquidation	1,243	1,243	-
Burgo Ardennes S.A.	292,701	292,701	-
Burgo Benelux S.A.	290	290	-
Burgo France S.a.r.l.	2	2	-
Burgo UK Ltd	388	388	-
Burgo Central Europe GmbH	377	377	-
Burgo North America Inc	110	110	-
Burgo Factor S.p.A.	4,105	4,105	-
Burgo Distribuzione S.r.l.	11,530	11,530	-
S.E.F.E. S.à r. l.	0	0	-
Burgo Energia S.r.l.	15	15	-
Consorzio Energy Paper S.c.a.r.l.	16	-	(16)
Mosaico S.p.A.	123,620	123,620	-
Burgo Eastern Europe Sp z o.o.	1	1	-
Burgo Recycling S.r.l.	51	51	-
Equity investments in Cartiera Duino S.r.l.	10	-	(10)
Equity investments in subsidiaries	**434,457**	**434,431**	**(26)**
Consorzio Energy Paper S.c.a.r.l.	-	16	16
Equity investments in associates	**-**	**16**	**16**
Equity investments in other companies	**7,174**	**7,174**	**-**
	441,632	**441,622**	**(10)**

The decrease in equity investments in subsidiaries was attributable to the sale of the equity investment in Cartiere Duino S.r.l., registered at 31 December 2023 for € 10 thousand, and the restatement of the equity investment in Consorzio Energy Paper S.c.a.r.l. for € 16 thousand under associates, as it exited the scope of subsidiaries.

— *Equity investments in subsidiaries and in other companies*

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

Company name	Registered office	Share capital (*)		Shareholders’ equity (*)	Profit (loss) (*)	Stake directly held	**Book value**
Subsidiaries							
Gever S.p.A. in Liquidation	Altavilla Vicentina (VI)	EUR	100	1,297	34	100.00	1,243
Burgo Ardennes S.A.	Virton (Belgium)	EUR	75,000	141,673	8,822	99.99 **	292,701
Burgo Benelux S.a.r.l.	Virton (Belgium)	EUR	248	218	65	100.00	290
Burgo France S.a.r.l.	Champeaux (France)	EUR	600	327	56	100.00	2
Burgo UK Ltd	Milton Keynes (UK)	GBP	250	770	48	100.00	388
Burgo Central Europe GmbH	Munich (Germany)	EUR	256	594	8	100.00	377
Burgo North America Inc	Stamford - Connecticut (USA)	USD	100	1,199	(249)	100.00	110
Burgo Factor S.p.A.	Milan	EUR	3,000	36,584	2,220	90.00	4,105
Burgo Distribuzione S.r.l.	Altavilla Vicentina (VI)	EUR	9,060	15,461	4,135	100.00	11,530
S.E.F.E. S.à r. l.	Ecouviez (France)	EUR	76	788	3	0.20	-
Burgo Energia S.r.l.	Altavilla Vicentina (VI)	EUR	5,015	9,113	5,344	100.00	15
Mosaico S.p.A.	Altavilla Vicentina (VI)	EUR	75,000	166,484	37,175	100.00	123,620
Burgo Eastern Europe Sp z o.o.	Warsaw (Poland)	PLN	5	2,964	959	100.00	1
Burgo Recycling S.r.l.	Altavilla Vicentina (VI)	EUR	100	501	225	51.00	51
							434.431

(*) The figures for each investee were taken from the 2023 financial statements of 2023 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 SA and the relative recognisable shareholders' equity (statutory shareholders' equity plus profits from the current year), equal to € 194.2 million (€ 196.6 million at 31-12-2022), 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 SA on the basis of a specific exchange appraisal. At 31 December 2023, the value of the subsidiary's shareholders' equity, expressed on the basis of international accounting standards for the consolidated financial statements of Burgo Group S.p.A., was € 141.7 million (€ 143.9 million at 31-12-2022) with a difference of € 151 million (€ 148.8 million at 31-12-2022) 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 2023 and positive results achieved. Despite the profits recognised by the associated company, which has always achieved annual profits, cash flows forecast for coming years as well as the strategic importance of the equity investment within the Burgo Group, an impairment test was still performed, which did not indicate any lasting losses of value (paragraph 12.h.i IAS 36).

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

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current financial receivables due from subsidiaries	2,800	2,800	-
Non-current financial receivables due from others	4,607	6,950	2,343
	7,407	**9,750**	**2,343**

The receivable due from the parent company, already present the previous year, consists of a medium-term loan disbursed to the subsidiary Mosaico S.p.A. for € 2,800 thousand. On the other hand, receivables due from other companies refer to shareholder loans to Consorzio Italia Energy Interconnector, relative to obligations deriving from the Interconnector procedure, which in 2023 was increased by € 2,219 thousand.

— Other receivables and non-current assets

Other receivables and non-current assets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Non-current sundry receivables due from others	0	0	-
Non-current guarantee deposits	9,448	10,174	726
	9,448	**10,175**	**726**

Other receivables and non-current assets consist of guarantee deposits for € 10,174 thousand. The increase, of € 726 thousand, is mainly due to the increase in the guarantee deposit made with Terna relative to the Interconnector procedure, for amounts paid during 2023 to guarantee the execution of interconnection work.

4 I Deferred tax assets

These amounted to € 24,389 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 2022**			**31 Dec 2023**		
	Taxable	% rate	(Debit) /credit	**Taxable**	**% rate**	**(Debit)/ credit**
IRES						
Taxed provisions (allocated)	81,511	24.0	19,563	64,588	24.0	15,501
Derivatives	(10,326)	24.0	(2,478)	(6,961)	24.0	(1,671)
IAS 19 discounting - actuarial G/L	2,150	24.0	516	2,695	24.0	647
Amortization, depreciation and writedowns	-	-	-	10,743	24.0	2,578
30% limit financial expense	11,159	24.0	2,679	-	-	-
IRES losses to be used in future financial years	40,328	24.0	9,679	24,401	24.0	5,856
Allocation of shortfall	(17,558)	24.0	(4,214)	(17,403)	24.0	(4,177)
Other items	27,348	24.0	6,563	16,426	24.0	3,942
	134,611		**32,307**	**94,489**		**22,677**
IRAP						
Taxed provisions (allocated)	57,536	3.9	2,244	34,516	3.9	1,346
Amortization, depreciation and writedowns	-	-	-	9,895	3.9	386
Allocation of shortfall	(17,558)	3.9	(685)	(17,407)	3.9	(679)
Derivatives	5,784	3.9	226	1,509	3.9	59
Other items	26,668	3.9	1,040	15,379	3.9	600
	72,431		**2,825**	**43,892**		**1,712**
			35,132			**24,389**

In 2023, the Company recognised the following main effects in the item deferred tax assets:

- lower tax assets relating to previous years' IRES losses to be used in future financial years. The change for € 3,823 thousand resulted from the use made in the 2023 tax return statement (year 2022);
- lower IRES tax assets due to the 30% limit on financial charges for € 2,679 thousand mainly due to the deduction made in the current year;
- higher IRES and IRAP tax assets for non-deductible impairment and amortization/depreciation for € 2,964 thousand;
- lower IRES and IRAP tax assets on taxed provisions for € 4,960 thousand, in particular for allocations made to provisions for risks and charges, and for other costs allocated for and not deducted;
- lower IRES tax liabilities for € 807 thousand on the sum of assets and liabilities for hedging derivatives recognised almost entirely in Shareholders' equity under hedge accounting as required by IFRS 9;
- lower IRES and IRAP deferred tax assets for € 3,061 thousand, under Other items with temporary tax differences.

It is noted that the changes referring to IRES losses and non-deductible interest expenses include the effects of the restatement of tax assets carried out with the tax return statement for the 2022 tax period, which did not have any accounting and tax consequences.

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

Tax losses €/000		**2022**		**2023**	
	maturity	loss	tax	**loss**	**tax**
2002	can be carried forward indefinitely	40,328	9,679	24,401	5,856
		40,328	**9,679**	**24,401**	**5,856**

Please note that 2002 tax losses can only be used by Burgo Group S.p.A.
The difference between the losses accrued at the end of 2022 and 2023 derives from the use of these losses for adjustments between the estimated tax calculation recorded in the Financial Statements as at 31 December 2022 and the final tax return.
Pursuant to the transitional measures in terms of Art. 54, paragraph 2 of Italian Legislative Decree no. 209 of 27.12.2023, for the purposes of the Globe rules, prepaid taxes not recognised in the financial statements are noted up until 31.12.2023 due to the lack of the relative accounting prerequisites.
It is worth noting that as of 31.12.2023, the group has tax losses for IRES amounting to €139,446 thousand, for which no deferred tax assets have been recognized.
Furthermore, based on current estimations, it is unlikely that the Company will be subject to global minimum tax in the following years due to the application of existing safe harbours.

3

Current assets

5 I Inventories

Inventories €/000	31 Dec 2022	31 Dec 2023	Change
Raw materials inventories	37,903	16,503	(21,400)
Stock inventories	17,551	16,738	(813)
Provision for impairment of raw materials and stocks	(8,974)	(8,304)	670
Raw materials, subsidiary and consumable item	**46,481**	**24,937**	**(21,543)**
Products in progress and semi-finished products	12,658	8,714	(3,944)
Finished products and goods	56,787	30,738	(26,049)
Provision for impairment of products and semi-finished products	(1,939)	(6,453)	(4,514)
Finished products, in progress and semi-finished products	**67,507**	**32,999**	**(34,508)**
	113,987	**57,936**	**(56,051)**

Warehouse inventories decreased overall by € 56,051 thousand (in 2022 the change was € +34,112 thousand).
The value of raw materials, stocks, consumables of semi-finished products and finished products is shown net of the provision for obsolescence for € 14,757 thousand (€ 10,913 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 € 21,400 thousand, is mainly attributable to the decrease in purchase prices, with a consequent decrease in the average weighted cost at the end of the year, as well as the decrease in stock volumes at the end of the period.

The value of inventories at € 16,738 thousand is essentially in line with the figure at the end of the previous year.

The decrease in the value of products in progress and finished products for € -3,944 thousand and € -26,049 thousand respectively, is due both to lower quantities in stock for € 2,264 thousand, and to the decrease in the average production cost linked to the reduced cost of raw materials and energy for € 27,730 thousand.

6 I Trade receivables

Trade receivables €/000	31 Dec 2022	31 Dec 2023	Change
Relative to customers	122,036	79,315	(42,721)
minus: provision for doubtful accounts	(30,050)	(24,815)	5,235
	91,986	**54,500**	**(37,486)**
Relative to the Group companies	77,292	61,110	(16,182)
from affiliated companies	-	2,924	2,924
	77,292	**64,034**	**(13,258)**
	169,278	**118,534**	**(50,745)**

Trade receivables due from third parties decreased by € 42,721 thousand due to a variety of factors, all pointing towards a reduction in the balance, including: the contraction in selling prices, the drop in sales volumes and the optimization of working capital activity.
Receivables from other Group companies decreased by € 16,182 thousand due to decreased sales to Mosaico S.p.A., Burgo Distribuzione S.r.l. and Burgo Energia S.r.l..
Trade receivables do not accrue interest. It is held that the value inserted (adjusted by the provision for doubtful accounts) approximates the presumable realisable value.
The provision for doubtful accounts is adequate to risk coverage requirements. The change in the provision for doubtful accounts results from the write-offs of receivables with uses of the provision for € 5,235 thousand. No allocations were made.
The table below provides a breakdown of trade receivables by geographic area, exclusive of infra-group transactions.

Trade receivables by geographic area €/000	31 Dec 2022	31 Dec 2023	Change
Italy	36,374	18,833	(17,541)
Europe E.U.	31,610	28,743	(2,867)
Other countries	24,002	6,924	(17,078)
	91,986	**54,500**	**(37,486)**

7 I Other receivables and current assets

Other receivables and current assets €/000	31 Dec 2022	31 Dec 2023	Change
Current tax receivables	**7,455**	**8,738**	**1,283**
Current sundry receivables due from subsidiaries	1,039	287	(752)
Current tax consolidation receivables due from subsidiaries	18,518	10,663	(7,855)
Sundry receivables due from group companies	**19,557**	**10,950**	**(8,607)**
Current sundry receivables due from others	7,076	5,144	(1,932)
Current receivables due from social security entities	129	23	(106)
Current derivative assets	2,334	144	(2,189)
Other sundry receivables	**9,538**	**5,311**	**(4,227)**
Other assets	**377**	**498**	**121**
	36,927	**25,497**	**(11,430)**

Other receivables and current assets decreased by € 11,430 thousand. The main changes are described in detail below:

- tax receivables increased by € 1,283, mainly due to higher IRES and IRAP taxes, amounting to € 5,222, and higher tax credits, € 830 thousand, which were partially offset by lower VAT credits from the tax authorities, equal to € 4,737 thousand;
- receivables for tax consolidation relative to subsidiaries decreased by € 7,855 thousand mainly due to a lower receivable from the subsidiary Mosaico S.p.A.;
- other receivables due from others: these fell by € 1,932 thousand, mainly due to lower advances to suppliers;
- derivative asset entries for energy costs decreased by € 2,189 thousand.

8 I Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	31 Dec 2022	31 Dec 2023	Change
Financial receivables due from subsidiaries	72,859	14,228	(58,631)
Financial receivables due from others	52,338	3,415	(48,923)
Derivative financial assets	16,711	9,175	(7,536)
Other financial assets	703	2,347	1,644
	142,611	**29,165**	**(113,446)**

Among other things, the balance includes financial receivables due from subsidiaries represent pass-through items in the context of coordinated treasury management (€ 14,228 thousand).
Specifically, receivables due from subsidiaries consist of the following positions:

- Burgo Energia S.r.l.: € 8,332 thousand (€ 32,090 thousand at 31 December 2022);
- Burgo Distribuzione S.r.l.: € 1,238 thousand (€ 19,162 thousand at 31 December 2022);
- Burgo Factor S.p.A.: € 267 thousand (€ 21,607 thousand at 31 December 2022);
- Burgo Ardennes S.A.: € 4,392 thousand (€ 0 thousand at 31 December 2022).

The reduction is financial receivables is mainly attributable to the decrease in financial receivables due from subsidiaries as outlined above and the decrease in financial receivables due from others, with almost all qualifying to be classified as cash and cash equivalents at 31 December 2023.
It is noted that under financial receivables due from others, the assets in the deposit account totalling € 2,450 thousand, were not freely available for a portion equalling € 1,829 thousand, because of a lien.
Financial assets for current derivatives amounted to € 9,175 thousand to cover medium to long-term credit lines.
The item Other assets includes prepaid expenses totalling € 473 thousand relative to costs for the revolving credit facility, accrued interest income for € 621 thousand and accrued income on derivatives hedging interest rates for € 1,253 thousand.

9 I Cash and other cash equivalents

Cash on hand and other cash equivalents €/000	31 Dec 2022	31 Dec 2023	Change
Bank, postal deposits and cash equivalents	86,142	243,697	157,555
Cash and cash on hand	9	12	3
	86,151	**243,709**	**157,557**

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.
It is reported that cash equivalents include readily convertible deposit accounts, with repayment on demand or with a maximum maturity of three months, for a total of €90,000 thousand, subscribed during the year.
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 net monetary availability €/000	31 Dec 2022	31 Dec 2023	Change
Cash on hand and other cash equivalents	86,151	153,709	67,557
shared current accounts receivable	72,859	14,228	(58,631)
shared current accounts payable	(89,714)	(79,256)	10,458
Current accounts and other loans	(0)	0	0
	69,296	**88,681**	**(28,788)**

10 I Assets held for sale and discontinued operations

Assets held for sale and discontinued operations at 31/12/2023 were at zero, as these had been conferred to Società Cartiera Duino S.r.l., with effect from 01/01/2023; the latter had been sold as already mentioned above.

Statement of financial position: Assets €/000	31 Dec 2022	31 Dec 2023
Non-current assets	**41,206**	**-**
Property, plant and equipment	**39,828**	**-**
Property, plant and equipment	39,676	-
Property investments	105	-
Right of use assets	48	-
Intangible assets	**755**	**-**
Goodwill and other intangible assets with undefined life	755	
Other non-current assets	**15**	**-**
Equity investments in subsidiaries	13	
Other receivables and non-current assets	1	-
Deferred tax assets	**607**	**-**
Deferred tax assets	607	-
Current assets	**4,168**	**-**
Inventories	4,161	-
Other receivables and current assets	6	-
Cash on hand and other cash equivalents	1	-
Total assets	**45,374**	**-**

Shareholders’ equity

11 I Shareholders’ equity

Total shareholders' equity amounted to € 569,605 thousand (€ 585,170 thousand at 31 December 2022).
Share capital at 31 December 2023 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 2023 decreased by € 15,565 thousand with respect to 31 December 2022, as a consequence of:

- increased profit for the year 2023 of € 67,628 thousand;
- a decrease due to dividend distribution of € 80,547 thousand, of which € 64,438 thousand from the Equity Instruments reserve component of profit reserves and € 16,109 thousand from the profits carried forward reserve;
- the recognition in the reserve, net of taxes, of actuarial gains based on that required under IAS 19, which led to an increase of € 78 thousand;
- the negative change for € 2,724 thousand, for the recognition in the CFH reserve, net of taxes, of the fair value of financial instruments recognised using hedge accounting (cash flow hedge).

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 2022**	**31 Dec 2023**	**Change**
Distributable reserve from share capital reduction	138,797	138,797	-
Legal	16,797	18,000	1,203
Reserve for equity financial instruments	165,992	101,554	(64,438)
Non-distributable exchange gains reserve	-	2,559	2,559
Other reserves	238	238	-
IAS 19 reserve	(6,560)	(6,482)	78
Reserve for accounting standard change - FTA	4,686	4,686	-
Cash flow hedge reserve	8,073	5,349	(2,724)
	328,023	**264,701**	**(63,322)**
Profits (losses) carried forward reserve	47,831	147,275	99,444
	47,831	**147,275**	**99,444**

The main variations for each individual reserve are commented below:

- legal reserve increases due to the allocation of part of the previous year's results, as provided for in Article 2430 of the Civil Code;
- reserve for equity financial instruments decreases due to the distribution of dividends;
- non-distributable reserve for unrealized exchange rate gains increases following the allocation of the 2022 result;
- CFH reserve decreases due to the reduction in fair value of hedging derivatives, accounted for using the option of recording in equity;
- reserve for retained earnings/(loss) varies by €99,444 thousand mainly due to the carry-over of 2022 earnings, net of the dividends distributed in 2023 from the 2022 results.

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Fair value changes in cash flow hedges	(2,253)	(1,612)	641
Actuarial losses	1,813	1,788	(25)
	(440)	**176**	**616**

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 the indications found in “Guide to regulations on distribution of profits and reserves pursuant to Italian Legislative Decree 38 of 28 February 2005”, issued by the Italian Accounting Body.

Distributability of reserves pursuant to article 2427, no. 7 bis, Italian Civil Code €/000	**amount**	possibility of use	portion available for distribution	
Capital reserves:				
Distributable reserve for C.S. reduction	138,797	A, B, C	138,797	
SFP reserve, distributable	46,646	B, D	46,646	
	185,443		185,443	
Profit reserves:				
SFP reserve, distributable	54,908	B, D	54,908	
Legal reserve	18,000	B	0	
CFH reserve	5,349		0	(1)
IAS 19 reserve	(6,482)		0	(2) (4)
FTA reserve (Italian Legislative Decree 38/2005 art,7 paragraph 7)	4,686	B	0	
Merger surplus	238	A, B, C	238	(6)
Reserve for unrealised exchange gains	2,559	A, B	2,559	
	79,258		57,705	
Profits (losses) carried forward reserve	147,275	A, B, C	147,275	
	147,275		147,275	
	226,533		204,980	
	411,976		**390,423**	

Key:

A: A: for capital increase;
B: to cover losses;
C: for distribution to shareholders;
D: for other provisions in the Articles of Association.
(1) 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.
(2) Reserve for gains/losses from discounting of defined benefit plans, based on that required under IAS 19.
(3) 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.
(4) The purposes for which this reserve can be used are not indicated, given that it is a negative value which is offset by decreasing the portion available of any profits carried forward.
(5) Not available for distribution to shareholders, considering that it is a negative value.
(6) Merger surplus from cancellation, comparable to a profit reserve.

The tax regime for the reserve is illustrated below.
In regard 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 € 0.4 million at the end of 2023, 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 I Non-current financial liabilities

Non-current financial liabilities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Loan payables	189,115	150,223	(38,892)
Right of use liabilities	1,008	620	(388)
	190,123	**150,843**	**(39,280)**

Right of use liabilities - flows €/000	Balance at start of period	Decreases	Reclassification	Increases	**Balance at end of period**
Non-current right of use liabilities	1,008	-	(615)	227	620
Current right of use liabilities	716	(1,422)	615	707	615
Total	**1,724**	**(1,422)**	**-**	**933**	**1,235**

Non-current financial liabilities include three medium-term credit lines: one amortizing loan for an initial nominal value of € 200,000 thousand, one bullet loan line of an initial nominal value of € 175,000 thousand, and one SACE-backed loan of an initial nominal value of € 150,000 thousand. At the end of the period, the three credit lines as above referred for € 148,707 thousand to the portion to be paid after the year-end. These are shown net of the current portion of € 23,269 thousand.
Non-current financial liabilities also include:

- a subsidised loan of € 1,503 thousand (initial nominal value of € 3,292 thousand) and a bank loan of € 322 thousand, relative to admission to receive the benefits of the Fund for Technological Innovation, Law FIT 46/82 for the Sora plant. It is noted that both are guaranteed by a lien for the same amount;
- a subsidised Agrifood loan for the Avezzano plant, provided during 2023 for € 285 thousand;
- liabilities for rights of use for € 620 thousand, following application of IFRS 16.

Interest on variable rate loans was determined every six months. Almost all variable rate medium and long-term loans were hedged against interest rate risk. The conditions for fixed rate loans remained constant through to maturity of the instruments. For all payables relative to loans, valued at the amortized 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 2022**	**31 Dec 2023**	**Change**
from 2 - 3 years	31,636	143,958	112,322
from 4 - 5 years	157,479	6,265	(151,215)
	189,115	**150,223**	**(38,892)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
from 2 - 3 years	757	430	(327)
from 4 - 5 years	223	168	(56)
over 5 years	28	22	(6)
	1,008	**620**	**(388)**

3

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

TFR (severance indemnity) €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Actuarial measurement of TFR at start of period	14,507	8,289	(6,218)
Provisions	(2)	-	2
Payments	(1,210)	(1,018)	192
TFR discounting - IAS 19 reserve	(1,625)	(102)	1,523
TFR discounting - financial expenses (income)	136	411	275
Other changes - incoming (outgoing) transfers	(3,518)	122	3,640
	8,289	**7,703**	**(586)**

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2023, 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 gender;
- 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	**2022**	**2023**
Annual theoretical discounting rate	3.63%	3.08%
Annual inflation rate	2.30%	2.00%
Annual TFR increase rate	3.23%	3.00%

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 I Provisions for risks and charges

Provisions for risks and charges €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Provision for industrial charges	33,867	8,934	(24,933)
Provision for disputes in course	13,225	23,068	9,843
Provision for supplementary customer allowance	762	794	32
Provision for restructuring charges	639	1,639	1,000
	48,493	**34,435**	**(14,058)**

Below is a breakdown of changes in the provisions:

Provisions for risks and charges - changes €/000	Balance at start of period	Increases	Decreases	**Balance at end of period**
Provision for industrial charges	33,867	1,826	(26,759)	8,934
Provision for disputes in course	13,225	9,899	(56)	23,068
Provision for supplementary customer allowance	762	32	-	794
Provision for restructuring charges	639	1,000	-	1,639
	48,493	**12,758**	**(26,816)**	**34,435**

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

- expenses expected to be incurred for the demolition and redevelopment of certain production plants;
- costs associated with rubbish dump management;
- charges associated with the CO_2 quota deficit, calculated at 31 December 2023 after free allocations received on an accrual basis and acquisitions already made to deal with the deficit in question; during the year, provisions of € 1,016 thousand were recorded;
- costs associated with the toll manufacturing contract, incurred at the time of sale of the Duino plant, for a total of € 25,270 thousand and fully released during the period;

The **provision for ongoing disputes** is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items. The provision was recorded at €23,068 thousand. The increase over the period mainly refers to an allocation made for € 4,923 thousand, related to a risk associated with incentives for energy-intensive companies and an additional allocation of € 4,631 thousand, related to the dispute initiated with the Abruzzo Region regarding water rights fees for hydroelectric use.
The **provision for supplementary customer allowance** represents the updated estimate of the indemnities to be paid to sales agents for interruption of the agency relationship. Only incremental movements of € 32 thousand were made in the year and no utilisation was recorded.
The **provision for restructuring costs** includes provisions made for expenses to be sustained to carry out a restructuring plan. This increased by € 1,000 thousand during the year.

Current liabilities

15 I Current financial liabilities

Current financial liabilities €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Loan payables - current portion	8,523	23,269	14,746
Current accounts and other loans	0	(0)	(0)
Payables due to subsidiaries	89,714	79,256	(10,458)
Derivatives	43	-	(43)
Right of use liabilities	716	615	(101)
Other financial liabilities	1,316	1,729	413
	100,312	**104,869**	**4,557**

The increase in current financial liabilities relates mainly to the increase in the current portion of payables referring to medium-long term loans for € 14,726 thousand against lower financial liabilities to subsidiaries for € 10,458 thousand.
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 amortized 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 € 615, in application of IFRS 16.
Payables due to subsidiaries for € 79,256 thousand include payables for current accounts held with:

- Gever S.p.A., in liquidation, € 1,877 thousand (€ 1,849 thousand in 2022);
- Mosaico S.p.A. For € 77,379 thousand (€ 49,525 thousand in 2022) and with
- Burgo Ardennes S.A. € 0 thousand (€ 38,339 thousand in 2022).

Other financial liabilities, equal to € 1,729 thousand, include interest expense payable accruing on medium/long-term loans and relative to the use of short-term bank credit lines. Also note that for short-term financial needs, short-term credit lines are available totalling around € 211.5 million, at 31 December 2023 used for a total of around € 31.4 million or 15%.

16 I Trade payables

Trade payables €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Current payables due to suppliers	176,226	112,177	(64,049)
Current trade payables due to subsidiaries	80,093	108,162	28,070
Current trade payables due to associated companies	-	237	237
	256,319	**220,576**	**(35,743)**

Trade payables do not accrue interest. The amount recognised in the financial statements approximates the market value. The significant reduction in trade payables of € 64,049 thousand compared to 31 December 2022 is due to less purchases being made in relation to the same period the previous year, and to the reduction in the costs of raw materials and energy. The change in payables due to Group companies is mainly attributable to the combined effect of the increased payables to the subsidiary Burgo Ardennes S.A. for € 42,687 thousand, a portion of which referred to the year-end adjustments and which during the last year, contrary to the current period had reduced the debt, and to the lower trade payables in respect of the subsidiary Burgo Energia S.r.l. for € 17,851 thousand most especially following the drop in natural gas prices.

The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Italy	100,338	69,375	(30,963)
Europe E.U.	70,248	42,204	(28,044)
Other countries	5,640	598	(5,042)
	176,226	**112,177**	**(64,049)**

17 I Current tax payables

Payables for current taxes €/000	31 Dec 2022	31 Dec 2023	Change
Tax payables, income tax	9,164	-	(9,164)
Tax payables, VAT	72	28	(44)
Payables for withholdings	2,687	2,102	(585)
	11,923	**2,129**	**(9,794)**

Current tax payables amount to € 2,129 thousand. The decrease refers mainly to the zero value for income tax payables (IRES and IRAP) recognised at the end of last year, with the balance paid during the year, and to the fact that the advance payments made exceeded the payables' balance. Another aspect contributing to the decrease in tax payables is the contraction in payables to be made as substitute tax for € 585 thousand, referring mainly to the reduced number of staff following the exist of the Duino plant from the scope of the Company, as mentioned previously. VAT payables refer to payables due to tax authorities in European countries in which the Company holds a VAT number.

18 I Other payables and current liabilities

Other payables and current liabilities €/000	31 Dec 2022	31 Dec 2023	Change
Current sundry payables due to others	6,679	5,755	(925)
Current sundry payables due to subsidiaries	987	1,292	305
Payables for commissions and premiums	2,622	3,442	820
Current tax consolidation payables due to subsidiaries	21	1	(19)
Payables due to personnel	8,638	9,181	543
Current payables due to social security entities	3,186	2,493	(693)
Current derivative liabilities	8,205	1,632	(6,573)
Deferred income from capital account grants	356	1,125	768
Other accrued expenses and deferred income	551	452	(99)
	31,245	**25,373**	**(5,872)**

Other payables and current liabilities decreased by € 5,872 thousand.
Please note in particular:

- allocation of liabilities for current derivatives for € 1,632 thousand (€ 8,205 thousand in 2022) for contracts on energy commodities;
- increase in payables due to personnel for € 543 thousand, both as a result of the increase in costs for salaries and wages following the renewal of the contract with effect from the beginning of 2023, and for the debt allocation for the Performance Bonus, payable to employees as from the current period;
- the payment for a servitude at the Avezzano plant, recognised under Current sundry payables due to others;
- higher payables for commissions for € 820 thousand;
- lower payables to social security institutions for € 693 thousand, mainly as a result of less staff following the exist of the Duino plant from the scope of the Company, as referred to above.

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

This item at the end of the 2022 period combines all the liabilities with effect 01/01/2023, transferred to Società Cartiera Duino S.r.l., which as mentioned previously, was sold.

Statement of financial position: Liabilities €/000	31 Dec 2022	31 Dec 2023
Non-current liabilities	**8,699**	**-**
Non-current financial liabilities	25	-
Severance indemnities and other provisions related to personnel	3,484	-
Provisions for risks and charges	5,191	-
Current liabilities	**314**	**-**
Current financial liabilities	24	-
Other payables and current liabilities	291	-
Total liabilities	**9,013**	**-**

20 I Commitments and potential liabilities

Commitments and potential liabilities €/000	31 Dec 2022	31 Dec 2023	Change
Personal guarantees provided in favour of:			
subsidiaries	36,579	25,255	(11,324)
other subjects	19,339	17,439	(1,900)
	55,918	**42,694**	**(13,224)**

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

Income Statement for the Year

Below are the main items which were not commented on relative to the income 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 2022**	**31 Dec 2023**	**Change**
Paper	1,117,007	804,038	(312,968)
Energy	93,213	48,898	(44,315)
Others	23,784	16,539	(7,245)
	1,234,004	**869,476**	**(364,528)**

It is noted that with effect from this financial year, in order to appropriately reflect the policy of granting cash discounts for payments made in advance respect to contractual terms on consolidated financial statements, the Company has classified the cash discounts as a reduction to revenues, rather than as financial charges. The figures from the previous year have been restated in order to ensure a fully comparability. The effects for the 2023 and for the restatement of 2022 financial years are less revenues in the amounts of € 7,317.3 thousand and € 9,104.2 thousand respectively.
The decrease in revenues totals € 364,528 thousand is a consequence of the reduction in all three categories, but more so in the component referring to the contraction in paper revenues.
The reduction in paper revenues was due to lower volumes, which went from 1,153 thousand tonnes in 2022 to 839 thousand tonnes in 2023, impacting for € 304,785 in the decrease, and the lower average net sales prices, which impacted for € 8,184 thousand.

Energy revenues came down sharply as a result of the drop in market prices, which had contracted significantly compared to the previous year.
Other revenues, which decreased by € 7,245 thousand, refer to re-invoicing to subsidiaries, for sales of raw materials that also came down following the lower volumes produced and reduced prices.
Below is a breakdown of revenues by geographic area:

Markets €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Italy	531,282	350,993	(181,072)
Europe E.U.	441,088	405,475	(43,506)
Other countries	261,635	113,008	(149,054)
	1,234,004	**869,476**	**(364,528)**

22 I Other income

Other income €/000	31 Dec 2022	31 Dec 2023	Change
Insurance settlements	3,924	1,915	(2,010)
Environmental certificates	2,206	5,836	3,630
Energy expense recovery and reimbursements	8,034	10,316	2,282
Sundry income and expense recovery	1,879	3,473	1,594
Grants for capital and current expenses	495	580	85
	16,539	**22,120**	**5,581**

Other income increased by € 5,581 thousand, with the change referring specifically to:

- lower insurance compensation for claims settled by the Company during the year for € 2,010 thousand;
- higher revenues for environmental certificates for € 3,630 thousand mainly as a combined effect of higher white certificates sold by the Company in 2023, compared to 2022, for about € 4,041 thousand and lower revenues for green certificates for about € 412 thousand;
- higher revenues for recoveries and miscellaneous energy income mainly resulting from consideration paid for electricity and gas interruptibility services for a total of € 2,282 thousand;
- higher other income of € 1,594 thousand mainly resulting from the contingent assets recognised in the financial statements at year-end compared to 2022;
- higher contributions to operating and capital accounts, the latter for the portions attributable to the financial year based on the useful life of the asset to which they refer.

23 I Purchases of materials and external services

Purchases of materials and external services €/000	31 Dec 2022	31 Dec 2023	Change
Purchases of raw materials, subsidiary and consumable items and goods	712,698	551,580	(161,118)
Transport and accessory expense on purchases	4,157	4,123	(34)
Transport and accessory expense on sales	90,733	42,762	(47,971)
Other industrial services	32,211	11,318	(20,893)
Industrial maintenance	7,722	7,728	6
Electricity and natural gas	174,385	80,609	(93,776)
Fees to independent auditing firm	125	131	5
Fees to statutory auditors	105	105	-
Other general and administrative services	14,617	16,150	1,533
Rentals and leases	371	459	88
	1,037,124	**714,964**	**(322,159)**

Purchases of materials and external services decreased by € 322,159 thousand. The most significant changes include:

- the purchase of raw materials, ancillary materials, consumables, and goods decreased by €161,118 thousand, both due to lower volumes purchased in the period and due to the decrease in prices;
- transportation costs and accessory expenses on sales also decreased (€ 47,671 thousand) due to lower volumes and the decrease in prices for transportation services;
- other industrial services saw a significant reduction (€20,893 thousand) mainly due to lower processing required from external suppliers;
- the costs of energy products decreased by € 93,776 thousand due to the decrease in the average price of natural gas and electricity in 2023. Once again, the decrease in costs was also influenced by the volumes' effect due to lower production and consequent lower natural gas consumption. The costs incurred for electricity and natural gas related to the paper activity benefit from a partial offset from the cost resulting from tax credits granted to energy-intensive companies, of which the Company was a part during the first portion of the year.

24 I Personnel expenses

Personnel expenses €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Wages and salaries	43,425	39,002	(4,423)
Social security contributions	14,105	13,381	(724)
Expenses for defined benefit programs	2,721	3,058	337
Others	4,976	4,910	(67)
	65,228	**60,351**	**(4,877)**

Personnel expenses decreased by € 4,877 thousand compared to the previous year and accounted for 6.9% of revenue (5.3% in 2022). The decline is attributed to production stoppages, resulting from the decrease in demand particularly in the early part of the year. The number of working days consequently decreased over the course of the year. The use of social safety nets (CIGO) contributed to bringing down costs. It is worth noting that during the year, costs increased due to the renewal of the sectoral collective bargaining agreement for paper, which led to wage increases and to the signing of an agreement that allowed all employees to receive a Performance Bonus.
For more details, please see the Report on Operations, under the item "Personnel".
Other costs include fees to directors and temporary workers, expenses for personnel training and an allocation to the restructuring fund. During 2023 fees paid for temporary work services in particular totalled € 994 thousand (€ 1,966 thousand in 2022).

25 I Other operating costs

Other operating costs €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Provisions			
for impairment of receivables	2,951	(461)	(3,412)
for industrial charges	26,344	810	(25,534)
for disputes in course	1,649	9,899	8,250
for supplementary customer allowance	46	32	(14)
	30,991	**10,281**	**(20,710)**
Other costs			
Corporate expenses, taxes and indirect taxes	3,008	2,659	(349)
Contributions, donations and sundry costs	632	731	99
Losses and other costs	564	641	77
	4,205	**4,031**	**(173)**
CO_2 certificates			
CO_2 costs net of price setting	(10,246)	5,139	15,384
CO_2 allocations	21,709	1,016	(20,692)
	11,463	6,155	(5,308)
	46,659	**20,467**	**(26,191)**

More specifically:

- provisions for future credit losses decreased. The cost for losses on receivables was limited to recognising insurance refunds on non-collectable receivables, which during the current year stood at € 461 thousand (€ 49 thousand in 2022). The provision is however limited by the existence of credit insurance and the drop in total receivables on which Expected Credit Losses (ECL) can be calculated;
- provisions for industrial expenses decreased, with 2023 charges incorporating various restructuring costs for € 810 thousand; it should be noted that unlike the previous year, when a provision was made for € 25,270 thousand for the toll manufacturing contract, related to the Duino plant, no provision was made for the current year in this regard;

- provisions for ongoing claims increased mainly due to the provisions made for € 4,923 thousand, in light of the incentives for energy-intensive companies and a provision amounting to € 4,631 thousand, in relation to the ongoing dispute with the Abruzzo Region regarding water usage fees for hydroelectric purposes;
- net CO_2 costs for the year were lower compared to the previous period by € 5,308 thousand due to lower gas consumption resulting in a lower deficit of emission allowances to be purchased.

26 I Change in inventories

Change in inventories €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Change in inventories	31,582	(56,051)	(87,633)
	31,582	**(56,051)**	**(87,633)**

The change in warehouse inventories constitutes a cost for the year of € 56,051 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 statement of financial position.

27 I Capitalised costs for internal work

Capitalised costs for internal work €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Capitalised costs	162	528	366
	162	**528**	**366**

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 refers primarily to the Sora and Avezzano plants, where the main investments for the year were made.
Please see the Report on Operations for more details on the main investments made during 2023.

28 I Depreciation and amortization

Depreciation and amortization €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Buildings	2,137	2,101	(35)
Plant and machinery	16,246	14,620	(1,626)
Industrial equipment	71	57	(13)
Other assets	600	541	(59)
Buildings for civil use	5	5	-
Rights of use	924	1,049	125
Intangible assets with defined life	692	698	6
	20,674	**19,071**	**(1,603)**

Depreciation and amortization of € 19,071 thousand, down from the previous year, was affected by the depreciations made at the end of previous year and the completion of the depreciation of certain assets that had reached the end of the depreciation process.

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

Capital gains/losses on disposal of non-current assets €/000	31 Dec 2022	31 Dec 2023	Change
Capital gains	1.480	897	(582)
Capital losses	(19)	(27)	(9)
	1.461	**870**	**(591)**

Capital gains/losses related to disposals in the year; in terms of significance, of note the capital gain from the sale of the office in San Mauro Torinese for € 849 thousand.

30 I Writebacks/writedowns of assets

Writebacks/writedowns of assets €/000	31 Dec 2022	31 Dec 2023	Change
Land and buildings	400	-	(400)
Plant and machinery	1,624	2	(1,622)
Fixed assets in progress and advances	-	3,026	3,026
Goodwill and other assets with undefined life	10,837	-	(10,837)
	12,861	**3,028**	**(9,833)**

The writedown on fixed assets for € 3,028 thousand related almost entirely to the advances for plants under construction at the Avezzano plant.

31 I Financial expenses

Financial expenses €/000	31 Dec 2022	31 Dec 2023	Change
Interest expense on payables due to banks	8,741	5,288	(3,453)
Discounting of severance indemnities (TFR)	136	411	275
Interest expense on intercompany current account	0	871	871
Other financial expense	7,480	3,713	(3,767)
Write-downs of equity investments	3,200	-	(3,200)
	19,558	**10,283**	**(9,275)**

During the year, financial charges due to banks decreased by € 3,453 thousand, mainly associated with the decrease in financial debt, which for the residual portion was not affected by the increase in interest rates due to the hedging of interest rate hikes, and the decrease in the expense from the valuation according to the amortized cost criteria following the voluntary early repayment made on medium-long term lines. A repayment of € 18,282 thousand was made in 2023. Conversely, infra-group current account interest expenses increased by € 871 thousand.
Other financial expenses decreased by € 3,767 thousand and mainly refer to the year's competence portion of fees paid in advance for the availability of short-term credit facilities and commissions for non-use. The drop is explained by the substantial absence during 2023, of the fees charged on the transfer of the tax credit to energy-intensive companies.
It is noted that no write-downs were made on equity investments during the period.

32 I Financial income

Financial income €/000	31 Dec 2022	31 Dec 2023	Change
Income from equity investments			
Dividends from subsidiaries	18,699	52,614	33,915
	18,699	**52,614**	**33,915**
Other financial income			
Financial income from the sale of equity investments	-	196	196
Interest income from banks	157	2,658	2,500
Interest income on intercompany current account	928	1,590	662
Financial income from derivative valuation	-	705	705
Other financial income	907	731	(176)
Exchange gains	531	512	(19)
	2,523	6,391	3,868
	21,222	**59,005**	**37,783**

Financial income increased by € 37,783 thousand compared to the previous year, mainly due to higher dividends received from subsidiaries. More specifically, the main components of this item were the following:

- dividends from subsidiaries:
  - Burgo Ardennes S.A. € 11,000 thousand (€ 8,000 thousand in 2022);
  - Burgo Distribuzione S.r.l. € 5,800 thousand (€ 4,520 thousand in 2022);
  - Mosaico S.p.A. € 32,900 thousand (€ 0 thousand in 2022);
  - Burgo Factor S.p.A. € 2,700 thousand (€ 1,998 thousand in 2022);
  - Burgo Eastern Europe S.p. Zoo € 214 thousand (€ 377 thousand in 2022);
- interest income from infra-group current accounts relative to subsidiaries for € 1,590 thousand;
- interest income from ordinary current bank accounts and time deposits for € 2,658;
- financial income from FV assessments of rate hedging derivatives for € 705 thousand. For the first time in 2023, a portion of the change in FV was recognised with a balancing entry in the profit and loss statement, because a minor portion of hedging contracts was in over-hedging in relation to debt.

33 I Income taxes

Income taxes €/000	31 Dec 2022	31 Dec 2023	Change
Current taxes - IRES	(24,822)	(10,791)	14,031
Current taxes - IRAP	5,249	(414)	(5,663)
Deferred tax assets/liabilities - IRES	28,537	10,413	(18,124)
Deferred tax assets/liabilities - IRAP	(1,913)	946	2,859
	7,052	**155**	**(6,897)**

Taxes recorded to the balance sheet amounted to € 155 thousand and include the effects of the Group's IRES consolidation. Specifically, these comprise:

- IRES taxes for the year for the Parent Company, tax consolidation income and expenses from subsidiaries for net total income of € 10,791 thousand;
- IRES deferred tax liabilities for € 10,413 thousand;
- IRAP deferred tax liabilities for € 946 thousand;
- positive adjustments on previous years' IRES and IRAP taxes for € 473 thousand;

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

Reconciliation between income tax and theoretical tax ** €/000	**2022**		**2023**	
Before tax results for the year*	**103,868**		**67,783**	
Theoretical tax (IRES) - Italian tax rate in effect: 24%		24,928		16,268
increases (temporary and permanent)	115,526		83,333	
decreases (temporary and permanent)	(174,725)		(169,864)	
	44,669		**(18,747)**	
Current taxes recognised in the financial statements		20,669		(59)
Charge (income) from tax consolidation		(36,226)		(10,731)
Deferred taxes (IRES) recognised in the financial statements		28,537		10,413
Total (IRES) taxes recognised in the financial statements		**12,980**		**(378)**
Effective tax rate (IRES) on income		**12.5%**		**(0.6%)**
Current taxes (IRAP) recognised in the financial - 3.9% rate in effect		6,898		(414)
Deferred taxes (IRAP) recognised in the financial - 3.9% rate in effect		(1,913)		946
Total (IRAP) taxes recognised in the financial statements		**4,985**		**532**
Total taxes recognised in the financial statements		**17,965**		**155**
Effective tax rate (IRES and IRAP) on before tax result		17.3%		0.2%
Taxes reclassified for IFRS 5 purposes		**10,914**		
Total taxes recognised in the financial statements after reclassification for IFRS 5 purposes		**7,052**		
Before tax profit reclassified for IFRS 5 purposes		**33,413**		
Before tax profits for the year including the base taxable amount reclassified under IFRS 5		**137,281**		
Effective tax rate (IRES and IRAP) on before tax profit including effect of IFRS 5 reclassification		**13.1%**		

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

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 and other financial income, 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 I Net profit/(loss) from assets held for sale and from discontinued operations

At the end of 2022, this item recognises the net result from assets held for sale to be transferred with effect from 01/01/2023 to Società Cartiera Duino S.r.l. For € 22,500 thousand. As mentioned previously, the company was sold during the period. There were no assets held for sale at 31/12/2023.

Net profit/(loss) from assets held for sale and discontinued operations €/000	**31 Dec 2022**	**31 Dec 2023**	**Change**
Revenues	**230,579**	**-**	**(230,579)**
Operating costs	**(187,475)**	**-**	**187,475**
Gross operating margin	**43,104**	**-**	**(43,104)**
Depreciation and amortization	(4,500)	-	4,500
EBIT before extraordinary expenses	**38,604**	**-**	**(38,604)**
Net financial (expenses)/income	(5,191)	-	5,191
Before tax profit from assets held for sale	**33,413**	**-**	**(33,413)**
Income taxes from disposals/assets held for sale	(10,914)	-	10,914
Net result from assets disposed of/held for sale	**22,500**	**-**	**(22,500)**

35 | Schedule of Other Components of the Statement of Comprehensive Income

The schedule presented, found after the income 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 income statement and has been adjusted to the provisions of IAS 1, indicating through grouping the items which, upon the meeting of specific conditions, will be reclassified to profit (loss) for the year and, separately, those that will not be reclassified to profit (loss) for the year.
The Company has the following items:

- adjustment of derivatives recognised using cash flow hedge rules to the fair value at end of year. During the year, the gross variation was negative for € 3,365 thousand, which net of taxes (€ 641 thousand) is equal to € 2,724 thousand;
- actuarial gains (losses) during the year which, pursuant to the revised IAS 19, are allocated to a specific shareholders' equity reserve. During the year, the gross variation was positive for € 102 thousand, which net of taxes (€ 25 thousand) is equal to € 78 thousand.

The year closed with a profit of € 64,982 thousand, down compared to the € 109,417 thousand recorded in the previous year.

Relations with related parties

Related party transactions, including infragroup transactions, are not classified as atypical or unusual, as they are part of the Company's ordinary business.
These operations, when not completed under standard conditions or those dictated by specific regulatory provisions, are in any case carried out under market conditions.
Below are the economic and equity effects of transactions with related parties for the individual figures of Burgo Group S.p.A. at 31 December 2023.
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 2022	**31 Dec 2023**	**31 Dec 2022**	**%**	**31 Dec 2023**	**%**
Relations with related parties						
Financial receivables and other non-current financial assets	2,800	2,800	7,407	38%	9,750	29%
Trade receivables	79,633	61,254	169,278	47%	118,534	52%
Other receivables and current assets	19,557	10,950	36,927	53%	25,497	43%
Financial receivables and other current financial assets	72,859	14,228	142,611	51%	29,165	49%
Current financial liabilities	(89,714)	(79,256)	(100,312)	89%	(104,869)	76%
Trade payables	(79,768)	(108,190)	(256,319)	31%	(220,576)	49%
Other payables and current liabilities	(7,177)	(3,587)	(31,245)	23%	(25,373)	14%
Economic relationships						
Revenues	333,380	183,157	1,234,004	27%	869,476	21%
Other income	10,882	6,142	16,539	66%	22,120	28%
Costs for materials and external services	(416,435)	(426,911)	(1,037,124)	40%	(714,964)	60%
Other operating costs	(32,873)	(8,383)	(45,659)	72%	(20,467)	41%
Capitalised costs for internal work	-	(14)	162	0%	528	-3%
Financial expenses	(0)	(871)	(19,558)	0%	(10,283)	8%
Financial income	19,723	52,148	21,222	93%	59,005	88%
Income taxes	18,506	10,726	(7,052)	-262%	(155)	-6941%

SECTION 3

3

In addition the transactions reported above, at 31 December 2023 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 2023, loans with related parties amounted to a nominal € 98,257 thousand (€ 113,359 thousand at 31 December 2022).
The year's competence of fees paid to executives with strategic responsibilities: fees paid to the Chairperson and CEO in 2023 totalled € 1,851 thousand.
As the parent company, the Company adheres to tax consolidation, together with its subsidiaries Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A. in liquidation, Mosaico S.p.A. and Burgo Factor S.p.A. 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 civil legal disputes that could have a significant effect on its accounts. For all disputes in which a loss for the Company is deemed probable, a provision which substantially covers the entire risk is allocated.

Tax disputes

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

Significant events after year end

With 2023 being characterised by continuing geopolitical and macroeconomic uncertainties, ongoing conflicts, inflation and the slowdown in global economic growth, these uncertainties will continue into 2024, in addition to tensions relating to the cost of energy and certain raw materials.
During the initial months of 2024, the Company continued to carry out its business without any significant transactions or events. There are no additional events to report.

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

The financial year ended on 31 December with profits of € 67,628,451.48.
The Board of Directors proposes the following profit allocation for 2023 to the Shareholders' Meeting of Burgo Group S.p.A.: carry over of the total profit for € 63,077,449.48.

Other information

Number of employees

Number of employees	Start of year	Year end	Average 2022	Average 2023
Executives	24	26	25	26
Office Workers	339	305	342	304
Manual Workers	953	762	959	770
Temporary Workers	62	15	62	27
	1,378	**1,108**	**1,388**	**1,127**
Employees related to discontinued operations - Duino	(222)	-	(229)	-
Number of employees excluded discontinued operations	**1,156**	**1,108**	**1,159**	**1,127**

The effect of 222 less units is noted with the transfer of the Duino plant to Cartiera Duino S.r.l. Specifically, this refers to 208 units in the employee register and 14 temporary workers.

Disclosure for transparency in public subsidies, required by Italian Law 124/2017, article 1, paragraphs 125-129, as amended.

Law no. 124 of 2017 (the annual market and competition law) introduced new disclosure requirements relative to transparency in public subsidies received and granted, in article 1, paragraphs 125-129.
The following schedule provides information about grants and other economic advantages received from Italian public administrations during 2023:

Contributions and subsidised rate loans

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Economic Development	Agrifood grant for Project at Avezzano Plant for "New White Top-Liner paper production for corrugated packaging"		Total amount of € 388 thousand disbursed in 2023, total amount to pay € 686 thousand.
Ministry of Economic Development	Subsidised rate loan Agrifood for Project at Avezzano Plant for "New White Top-Liner paper production for corrugated packaging"	annual fixed rate 0.13%	Total amount of € 332 thousand disbursed in 2023, total amount to pay € 609 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.
The Company has also opted to indicate in these financial statements the following incentives which are accessible to all companies:

- hydroelectric energy production incentives for € 5,836 thousand.

Information about the financial risk management policy

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

Significance of financial instruments relative to the equity and financial situation and economic result

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

Significance of financial instruments to the equity and financial situation

The following table shows the book value recognised for each financial asset and liability in the consolidated statement of financial position.

Financial instruments €/000	**31 Dec 2022**	**31 Dec 2023**
	Book value	**Book value**
Trade receivables and other receivables	213,320	154,061
Financial receivables	150,018	38,914
Cash and cash equivalents	86,151	243,709
Derivatives:		
Assets	2,334	144
Liabilities	(8,247)	(1,632)
Assets held for sale	45,374	-
Lending from banks	(87,852)	(77,485)
Right of use liabilities	(1,724)	(1,235)
Loans from associated companies	(109,786)	(96,008)
Trade payables and other payables	(291,283)	(246,447)
Current loans from associated companies	(89,714)	(79,256)
Payables due to banks	(1,317)	(1,729)
	(92,727)	**(66,963)**

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 commodity derivatives is calculated by discounting the difference between the contractual price and the end price, redetermined on the basis of market conditions on the reporting date.
As at 31 December the Company had derivative positions on commodities such as gas and EUA emission rights.
For interest rate derivatives, when recognised, different models are used based on the type of instrument being evaluated. In particular:

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

In some cases, the Company used appropriately verified and confirmed counterparties to determine the fair value of valuation interest rate derivative positions.
As at 31/12/2023 the Company holds interest rate derivative positions to hedge the interest rate risk arising from medium and long-term loan agreements.

Details on financial risk hedging instruments

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

Details on market risk hedging instruments

Among commodity exposures, price risk deriving from volatility in electricity, has and emission rights purchase prices was partially managed through the establishment of commodity swaps, recognised based on hedge accounting rules, and in part through setting prices with counterparties.
Among commodity exposures, price risk deriving from volatility in the purchase prices of gas was managed by signing contracts that set prices to be paid with counterparties.
As shown in the "financial instruments" table, the fair value of derivatives generated financial assets of € 144 thousand (€ 2,334 in 2022) and financial liabilities for € 1,632 (€ 8,247 thousand in 2022).

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 2022**	**31 Dec 2023**
Loans and receivables	16,855	19,924
	16,855	**19,924**

Current financial assets €/000	**31 Dec 2022**	**31 Dec 2023**
Loans and receivables	329,772	163,876
Cash and cash equivalents	86,151	243,709
Current derivative assets	2,334	144
Current derivative financial assets	16,711	9,175
Assets held for sale	45,374	-
	480,342	**416,904**

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

Financial liabilities

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	31 Dec 2022	31 Dec 2023
Lending from banks	(84,158)	(66,477)
Loans from associated companies	(104,957)	(83,746)
Right of use liabilities	(1,008)	(620)
	(190,123)	**(150,843)**

Current financial liabilities €/000	31 Dec 2022	31 Dec 2023
Lending from banks	(3,694)	(11,008)
Loans from associated companies	(94,543)	(91,517)
Derivatives	(8,247)	(1,632)
Right of use liabilities	(716)	(615)
Payables due to banks	(0)	0
Trade payables and other payables	(292,599)	(248,177)
Liabilities related to assets held for sale	(9,013)	-
	(408,814)	**(352,948)**

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 income statement

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

Financial income and expense recognised in the consolidated income statement €/000	31 Dec 2022	31 Dec 2023
Interest income from current account	1,085	4,247
Financial income from derivative valuation	-	705
Exchange gains	531	512
Other income	907	927
	2,523	**6,391**
Interest expense from current account	(500)	(874)
Interest expense on mortgages	(8,241)	(5,286)
Charges due to suppliers	(15)	(0)
Factoring commissions	(662)	(1,356)
Exchange losses	-	0
Other expense	(10,003)	(2,357)
	(19,422)	**(9,872)**
Dividends from subsidiaries and associated companies	18,699	52,614
Net income (expense) from discounting	(136)	(411)
	1,665	**48,722**

Income components recognised under Shareholders' Equity €/000	31 Dec 2022	31 Dec 2023
Change in cash flow hedge reserve	(11,134)	(2,724)
	(11,134)	**(2,724)**

Note that the change in the Cash Flow Hedge reserve is shown net of deferred taxes accruing during the year.

3

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 2022**	**31 Dec 2023**
Trade receivables and other receivables	346,627	183,800
Cash and cash equivalents	86,151	243,709
	432,778	**427,509**

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 2022**	**31 Dec 2023**	**Change**
Balance at start of period	(38,520)	(30,050)	8,471
Uses	11,471	5,235	(6,236)
Provisions	(3,000)	-	3,000
	(30,050)	**(24,815)**	**5,235**

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 2022**	**31 Dec 2023**
End consumers	91,986	54,500
Other group companies	172,508	92,012
Credit institutions	86,854	246,056
Tax authorities	7,455	8,738
Others	73,974	26,204
	432,778	**427,509**

Credit risk management methods

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Company has instituted an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Regarding measurement of creditworthiness, functional to assignment of credit and the creation of commercial relationships, internal procedures require the collection and analysis of qualitative and quantitative information. Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified based on a two level scoring system, that differentiates between reliable and non-reliable customers. At-risk customers are subject to strict controls and any future orders are only fulfilled after approval by the Credit Committee. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for activation of corrective actions, which range from blocking orders to legal action. In 2023, the Company covered itself against credit risk relative to Italian customers by stipulating a credit insurance contracts with major insurance companies.

Financial investments

The company limits its exposure to credit risk by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market. As at 31 December 2023 the Group had no security exposures. Additionally, financial assets also include managed savings investments made with Italian banks known to be reliable.

Guarantees

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

Market Risk

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

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

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

Exchange risk

The Company holds some of its trade receivables/payables in currencies other than the euro, and also has short-term loans in foreign currencies. The exchange risk management policy establishes that derivatives should only be used to hedge against risk. Derivatives existing at 31 December 2023 used to manage exchange risk include only futures contract to purchase/sell foreign currencies. Even if these serve hedging purposes, these derivatives are not recognised using hedge accounting, as the rigidity of this treatment would negative impact the operational efficiency of the hedges. The foreign currencies used by the Company are NOK, DDK, SEK, CHF, JPY, PLN, AUD, GBP and USD, with the final three representing almost the entirety of trade items in foreign currencies.

Sensitivity analysis relative to exchange risk

In order to measure the possible effects of changes in the exchange rate obtained at the reporting date on the statement of financial position and annual income statement, a variation in the value of the euro with respect to the reference foreign currencies at 31 December 2023 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 income statement.
The net impact on the result from the year deriving from a +/- 10% shock would have been, respectively, € -1,306 thousand (€ -2,164 thousand in 2022) and € +1,596 thousand (€ +2,645 thousand in 2022).

Exchange risk management methods

In relation to sales activities, the Company makes purchases and sales other currencies, at present mainly in USD, GBP and AUD. Therefore, hedging policies are mainly focused 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 1-month Euribor rate;
- shareholders' loans to a company in which an equity investment is held, classified among equity investments in other companies.

These assets are classified as "held to maturity" and do not generate effects on the annual income statement/consolidated statement of financial position 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 2022**	**31 Dec 2023**
Fixed rate financial instruments		
Fixed rate loans	(366)	(322)
	(366)	**(322)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	9,448	10,174
Financial instruments with positive FV	19,045	9,319
Loans to associated companies	2,800	2,800
Loans to others	4,607	6,950
Financial liabilities		
Derivatives with negative FV	(8,247)	(1,632)
Variable rate loans	(197,272)	(173,171)
Current account advances	(1,317)	(1,729)
Right of use liabilities	(1,724)	(1,235)
	(172,661)	**(148,524)**
	(173,027)	**(148,845)**

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 2023 on the annual income statement and statement of financial position.

Analysis was done supposing that the other variables, in particular exchange rates, remained constant and was done using the same suppositions as in the previous year.

As at 31 December 2023 the Company held interest rate swap derivatives.

As at 31 December 2023, hedging instruments had a notional value of € 171 million and provided almost full coverage of the medium- and long-term payables that form the majority of the Company's debt. As a result, the effect on the result for the year of variable-rate indexed assets and liabilities is not significant.

Interest risk management methods

General aspects

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

Interest risk management policies

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

Commodity risk

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

Gas and electricity price risk

In order to supply its various plants with the electricity necessary for production, the Company has various contracts to purchase gas. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by setting prices with counterparties. At 31 December 2023, the Company had gas purchases with the following characteristics in effect.

- fixed price purchases;
- variable price purchases on the basis of the spot gas price recorded on the Italian PSV market.

In order to supply its various plants with the electricity necessary for production, the Company has a contract to purchase electricity through its subsidiary Burgo Energia S.r.l. Given the variable nature of the price of electricity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2023, the Company had no fixed price electricity purchases.

Carbon dioxide emission rights price risk

In order to supply its various plants with the rights to emit carbon dioxide required to comply with the obligations deriving from the ETS scheme, the Company has signed purchase contracts with the subsidiary Burgo Energia S.r.l. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. Derivative financial instruments on commodities outstanding at the end of the year were accounted for using hedge accounting, in accordance with IFRS 9.

3

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 statement of financial position and annual income statement, a +/-10% change in the value of EUA prices was hypothesised at 31 December 2023. The impact on the annual income statement deriving from this type of shock would be € -0.3 million (€ -0.2 million as at 31 December 2022) and € +0.3 million (€ +0.2 million as at 31 December 2022). Sensitivity analysis is not done for gas and electricity price risk, because all the assets and liabilities recorded in the Financial Statements as at 31 December 2022 associated with these are recognised at a fixed price.

Commodity risk management methods

General aspects

The Company's strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in electricity purchase/sales prices and purchase prices of materials used in production processes, in order to minimise exposure to the correlated risk and losses. With an eye to continuously reducing loss risks, the Company has the simultaneous objective of minimising costs associated with obtaining its production factors.
When negotiating financial contracts for raw materials, the Company does not have the ability to take risk positions on the commodities market. These contracts will have the sole purpose of reducing the risk of an increase in the purchase prices of the production factors used in production processes.
Relative to risk monitoring, the Company applies a quantitative measure for risks, both with reference to analysing exposures and to measuring the efficacy of derivatives negotiated for hedging purposes.

Commodity risk management policies

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will have difficulty complying with its future obligations relative to financial liabilities. Risk analysis is done with the aim of quantifying cash flows deriving from the various types of financial liabilities held by the Company at 31 December 2023, at each contractual repayment date.
Financial liabilities have been broken down into non-derivative financial liabilities and derivative financial liabilities, based on their nature. For the latter, given the difference in accounting treatment, it was necessary to carry out a further classification based on whether or not the derivative is classified as a hedging instrument according on the accounting standards.
Relative to cash flow maturities, given the nature of the Company's monetary cycle it was held expedient to group payments into half-yearly payment buckets.
Below is a summary of analysis done on derivative financial liabilities and non-derivative financial liabilities, at 31 December 2022.

31 Dec 2023 €/000	**Book value**	6 month or less	7-12 months	2-3 years	4-5 years	over 5 years
Non-derivative financial liabilities:						
Loans	173,492	4,664	18,605	143,958	6,265	-
Trade payables and other payables	246,447	246,447	-	-	-	-
Right of use liabilities	1,235	348	267	430	168	22
Derivative financial liabilities:						
Derivatives	1,632	816	816	-	-	-
Currency futures contracts	-	-	-	-	-	-
	422,806	**252,275**	**19,688**	**144,388**	**6,432**	**22**

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 € 211.5 million, and as of 31 December 2023 were used for a total of around € 31.4 million or 15%, all in relation to unsecured lines. Please refer to the section on significant events after the end of the year for information about developments in the availability of short-term credit lines. For its long-term financial needs, the Company's loans recorded on the statement of financial position, both for the short-term and long-term portion, came to € 173 million (€ 198 million as at 31 December 2022). Loans are valued at amortized cost, the nominal value of which is € 177 million.

Report of the independent auditing firm

Building a better working world

Burgo Group S.p.A.

Financial statements as at December 31, 2023

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

Building a better working world

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Burgo Group S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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.

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, 2023, 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, 2023 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, 2023 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, March 29, 2024

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

Burgo Group S.p.A.

Registered office in Altavilla Vicentina (prov. Vicenza)

Share capital € 90,000,000.00 fully paid up

Tax ID and Vicenza Business Registry no.: 13051890153

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 26 March 2024, the following documents relative to the financial year ending on 31 December 2023:

- draft financial statements, accompanied by the Explanatory Notes;
- the report on operations;
- the consolidated financial statements.

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 05 May 2023. The current Board, appointed on 05 May 2023, 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.

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;
- Group employees, including temporary workers, at 31 December 2023 totalled 2,934, compared to 3,259

at the end of 2022. It is noted that the 2022 figure includes employees from the Duino plant, which was sold at the beginning of 2023;
- 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 (2023) and the previous year (2022). 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 Italian Civil Code.

The activities performed by the previous Board of Statutory Auditors (as appointed on 30 October 2020) and subsequently shared by the newly appointed Board of Statutory Auditors, referred to the entire 2023 financial year. During the year, meetings were regularly held pursuant to Article 2404 of the Italian Civil Code, with the relative minutes for these meetings drafted and duly signed for their 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.

As set out in the Report on Operations, the 2023 financial year shows a reduction in total operating revenue and income from € 1,481 million in 2022 to € 891.3 million in 2023 (down by 39.8%), recording adjusted EBITDA at € 46 million, compared to € 178 million in 2022. The decrease was due to (i) weak demand in all market segments served by the Company, in particular graphic paper, which then resulted in decreased sales volumes and (ii) the sale of the Duino plant at the start of January 2023, in which case a toll manufacturing contract was signed with the buyer, making it possible to continue production for a few months into 2023.

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 Italian Civil Code;
- the Board of Statutory Auditors did not issue opinions during the year.

Annual financial statements

The draft financial statements for the year ending on 31 December 2023 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 Italian Civil Code;
- these documents were delivered to the Board of Statutory Auditors within the terms pursuant to article 2429 of the Italian 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 on 29 March 2024, 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 Italian 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 Italian Civil Code;
- the financial statements were prepared by the administrative body with the assumption of the business as a going concern;
- it has been verified that the financial statements are consistent with the facts and information of which we are aware as a result of the performance of duties within the Board of Statutory Auditors' purview and we do not have any observations to submit to you on this regard;
- 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 2023 is a profit of € 67,628,000.

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 2023, as prepared and proposed to you by the Administrative Body, together with the proposed allocation of the result for the year.

Vicenza, 28 March 2024

The Board of Statutory Auditors

Gaetano Terrin

Roberto Spada

Fedele Gubitosi

Notes

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