FEDRIGONI

Annual Report 2020

Fedrigoni is synonymous with excellence in the world of special papers for packaging, graphics, publishing, fine arts, security and self-adhesive materials.

Fedrigoni today

Founded in **1888**

€1.3 billion Turnover 2020

€166.4 Million Adj. EBITDA 2020

€197.2 Million Adj. PF EBITDA*

approx. 4,000 employees in **25** countries

21 logistics and production sites

13 cutting and distribution centres

25,000 products

Distribution in **132** countries

*includes accounting adjustments, run rate costs for Fedrigoni Group operations, run rate effects for the IP Venus acquisition and costs related to Covid-19.

Our mission

To be the partner of choice for brands, printers, converters and graphic designers providing best-in-class product offering and service in premium paper, packaging and self-adhesives solutions.

How we work

We provide a distinctive and premium product offering through dynamic product management and a distinctive innovation engine

We relentlessly pursue quality and efficiency, through operational excellence in procurement and manufacturing

We continue to expand our geographic presence and product offering both organically and through acquisition

We offer a superior experience to our customers, through deep understanding of their needs and a great, reliable service

We attract, develop and retain the best talent in the industry, valuing and rewarding collaboration as much as individual contribution

We are constantly improving our Sustainability footprint, supporting United Nation Sustainable Development Goals and working throughout the entire value chain

Highlights 2020

FEDRIGONI

Our commitment to sustainability

Making *Progress*

At Fedrigoni, sustainability is about honest effort and making progress, everyday. It requires leaps of human imagination and effort to redesign the way we do things. It requires collaboration with the entire ecosystem to make a real impact. Our mission is to elevate brands, and the creativity of designers, printers, converters. Our commitment is to elevate them sustainably, raising the bar in our industry, honestly sharing our daily progress, fostering circularity and partnership, starting from the present. This is our way to building a better future, for our people, for our planet.

2020 results

Environment

264.5 Ktons CO_2 emissions

90% clean water returned to the environment and zero cases of non-compliance

75% recovered waste

Social and Governance

20% women in managerial positions

105 accidents (-40% compared with 2019)

Product Development

50% ESG approved suppliers

100% purchased certified FSC pulp (Chain of Custody + Controlled Wood)

Our 2030 goals

Environment

-30% CO_2 Emissions

100% Industrial waste recovery

95% Clean water returned to the environment

+45% ESG approved suppliers

Social and Governance

+50% women in managerial positions

-67% of accidents in the workplace

100% of people involved in individual development interviews

60 NPS employees

100% Employees trained on the Code of Ethics

Product Development

From 20% to 40%
of growth in volume of ESG products in the Paper & Security division

From 35% to 70%
of growth in volume of ESG products in the Self-Adhesives division

Transparency and Endorsement

ESG among the KPIs of individual performance assessment

Reporting according to GRI standards

Joining the UN Global Compact

ESG rating by an accredited firm

Highlights 2020

Dear Stakeholders,

Due to the coronavirus health emergency 2020 was a very intense year. We immediately put all the necessary procedures into place to protect the health of our 4,000 people around the world and, at the same time, to guarantee business continuity - from procurement, to production, up to delivery - in compliance with the commitments to our 30,000 global customers.

As defined in the 2020-2023 business plan, our Group is carrying out an ambitious transformation process without taking a step back and maintaining all our commitments. In fact, we have accelerated the main strategic trajectories of our growth plan.

First and foremost are our people: we are committed both to attracting the best talents and to creating a new Fedrigoni culture based on shared behaviours that pursue excellence in a climate of collaboration, dialogue and openness to change.

The second pillar of our strategy is our commitment to customer care, which is at the centre of all our decisions, and an active player in the product innovation process. Our aim is to continue to develop our product range - with an increasing focus on support for packaging - producing premium papers and self-adhesive materials that are unique, high-performing and in line with the needs of a constantly evolving market.

Customers are also the main player of our third pillar, which focuses on the continuous improvement of the experience and interaction we offer to our customers and audiences (brands, printers, converters, designers), starting from their feedback through the use of digital platforms that make interaction easier and more immediate.

The fourth pillar is the continuous improvement of our procurement, production and distribution activities, with specific investment and initiatives for plants and technology, processes and organisational models, support systems and skills. Our efforts in this area are aimed at service, efficiency and sustainability.

The fifth area for acceleration is our acquisition plan that allows us to strengthen our presence in the various geographic markets and expand our product portfolio and production capacity, creating effective alliances with the companies that join our Group through a comprehensive approach to integrate skills, technologies, culture and identity.

In 2020 we successfully completed two important operations for the growth of our self-adhesives division: the purchase and subsequent integration of the Italian company, Ritrama, in January - which led us to double our presence in the self-adhesive materials market - and of the Mexican company, IP Venus, in December.

The sixth and final area we strongly believe in is linked to improving our environmental and social impact. In this report you will find our 2020 ESG data, which represent our new baseline and, above all, our environmental, social and governance commitments for the future, with the objectives we want to achieve over the next 10 years. With twenty years of commitment in this area behind us, we now want to do even more. This year we have worked on developing an ambitious ESG plan that looks towards 2030. We are working to reduce our CO_2 emissions by 30%, return 95% of clean water to the environment, generate less waste, less production process waste and have a waste reuse channel without landfill. We want to partner with suppliers who are aligned with our ESG standards, as well as accelerate the launch of sustainable products, both in terms of their environmental footprint and downstream recyclability. As far as our people are concerned, we are using regular surveys to listen to all our employees. Over the coming years our commitment will be aimed at ensuring all our employees work in a safe and inclusive environment that facilitates dialogue and collaboration at all organisational levels. We want to reduce the injury rate by 60% and increase the number of women in managerial positions by 50%.

After such a complex 2020, I would like to thank all our colleagues, who have shown extraordinary resilience and professionalism whilst carrying out all the strategic initiatives we are committed to delivering. Special thanks must also go to the many production workers who, despite the situation, have shown up for work every day in the factories.

Finally, I would like to thank our customers and all our stakeholders who support us and continue to place their trust in our Group every day.

Marco Nespolo
CEO Fedrigoni Group

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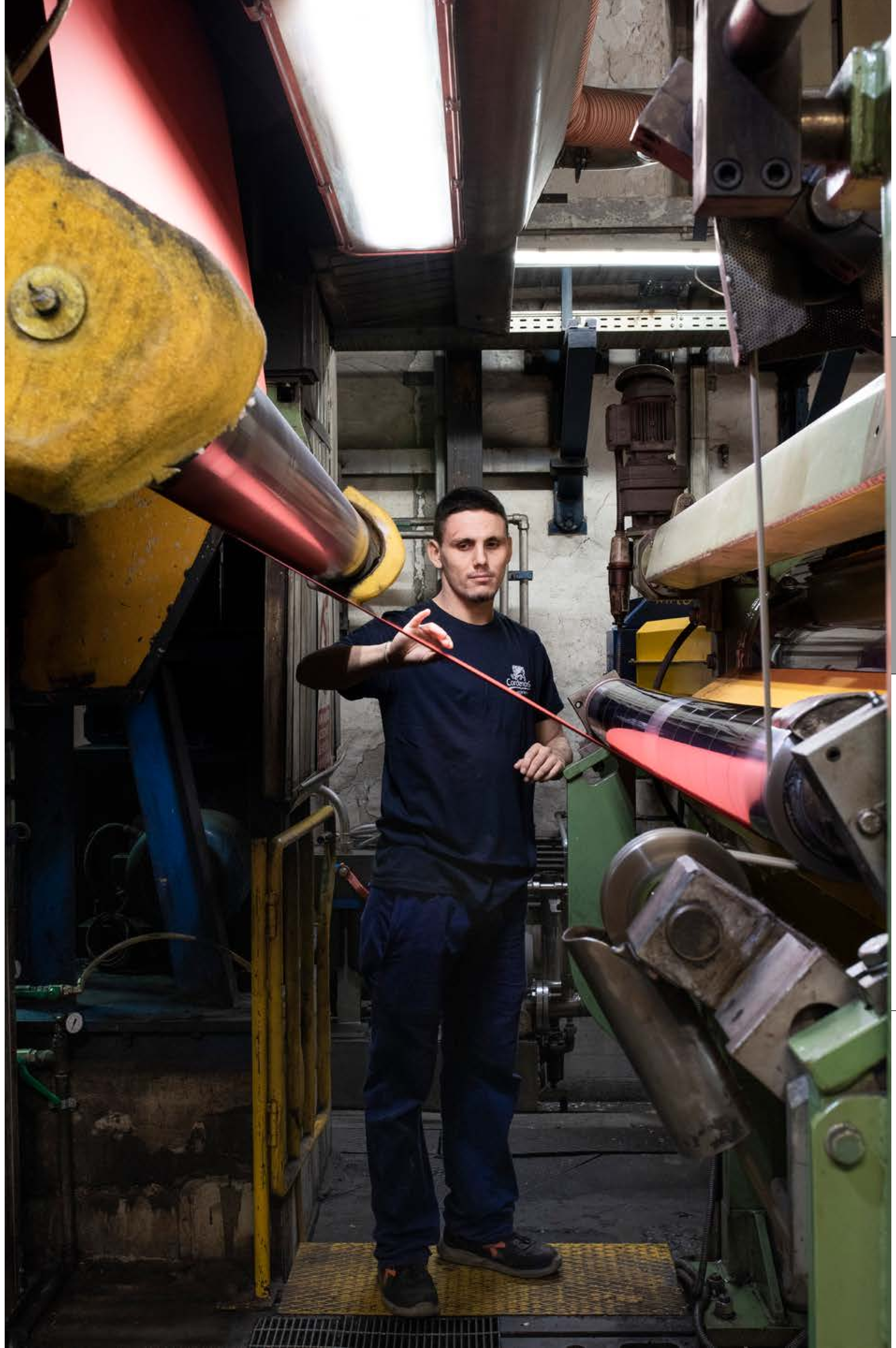
Our Group

Fedrigoni is synonymous with excellence in the world of special papers for packaging, graphics, publishing, fine arts, securities and self-adhesive materials. Our story began in 1888 and we have grown quickly in the last year thanks to the latest acquisitions - Ritrama in January and IP Venus in December - leading our Group to close 2020 with a turnover of over €1.3 billion and an EBITDA of €166.4 million.

Today we are the third global player in self-adhesive materials and the European leader in special papers, with 4,000 employees worldwide, 34 production plants and cutting centres and more than 25,000 products, in addition to 10,000 papers made exclusively for major fashion and luxury brands, distributed in over 130 countries.

Thanks to the efforts made this year, we were able to mitigate the impact of Coronavirus on the market and achieve all our goals, in terms of acquisitions, management enhancement, innovation, new product development, streamlining of processes, acceleration in sustainability and strengthening our positioning on the market with a new global image.

Over the next few years we want to continue on our path of transformation to build a large global group, a process in which creativity and design play a leading role. Fedrigoni has always worked alongside people with innovative ideas for paper and self-adhesive labels and materials, providing the right level of support to give substance to their intuition, from luxury packaging to the most refined labels, from art to publishing. 'Elevating Creativity' is our mission. The ladder is a symbol of the city of Verona and it also represents our determination in supporting our 30,000 clients across the world in improving and elevating their brands.



Paper & Security

Specialty Paper
Specialty graphic paper for a variety of applications, such as luxury packaging and art and drawing

Premium Commodity Paper
Premium coated and uncoated wood-free paper for graphics, school and office usage

Security Paper & Features
Paper for banknotes and other security applications, as well as security features such as holograms and threads

Self-Adhesives

Range of self-adhesive products for the production of labels for a wide range of consumer and industrial end markets

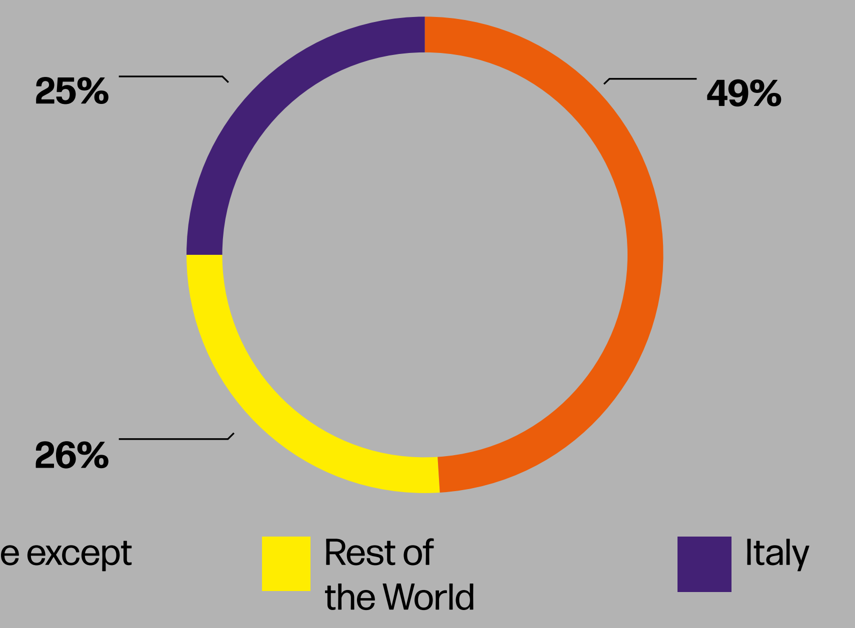
Leading position in attractive premium niche markets

Product offering targeted primarily to attractive end markets.

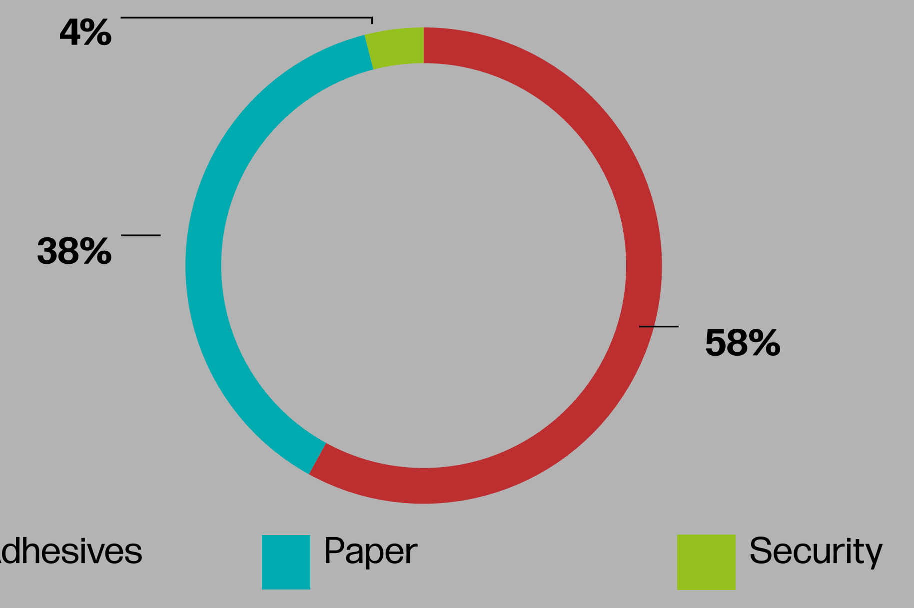
PRODUCT	END MARKET	MARKET POSITION		
Self-Adhesives	Wine and spirits, premium beers, food, cosmetics, pharma, chemicals	1° Europe Wine	3° Europe Self-Adhesives	3° LatAm Self-Adhesives
Speciality graphic paper	Luxury packaging, digital printing, fine stationary	1° Europe Fine Paper	1° Europe Fine Paper	
Drawing/Art	Students, Artists, Hobbyists	2° Global Drawing & Art		
Premium commodity paper	Uncoated and Coated Paper, Office paper, Notebooks	Niche Player Europe		
Security paper, banknotes and security features	Central banks, private companies	2° Addressable Market Banknotes		

FY Dec-20 Sales Revenues equivalent to: €1,315.2m
FY Dec-20 Adjusted EBITDA: €166.4m (12.6% margin)

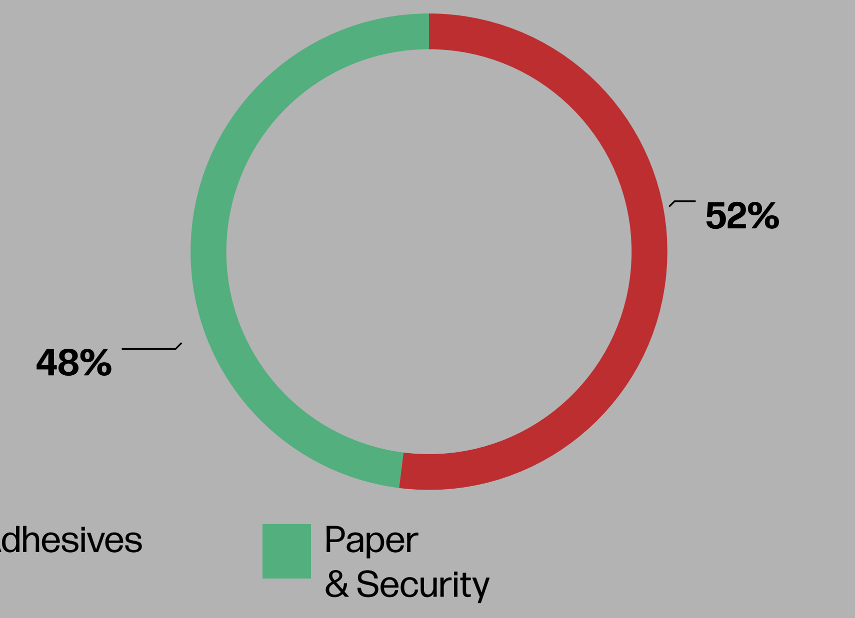
Adjusted Sales Revenues by geography



Adjusted Sales Revenues by business



Adjusted EBITDA by segment



Where we are
Self-Adhesives

10 Production Sites

11 Slitting Centers

2 Distribution Centers

22 Offices

1 Distributor

Where we are
Paper

11 Production Sites & Distribution Centers

16 Warehouses

8 Boutiques

25 Offices

1 Distributor

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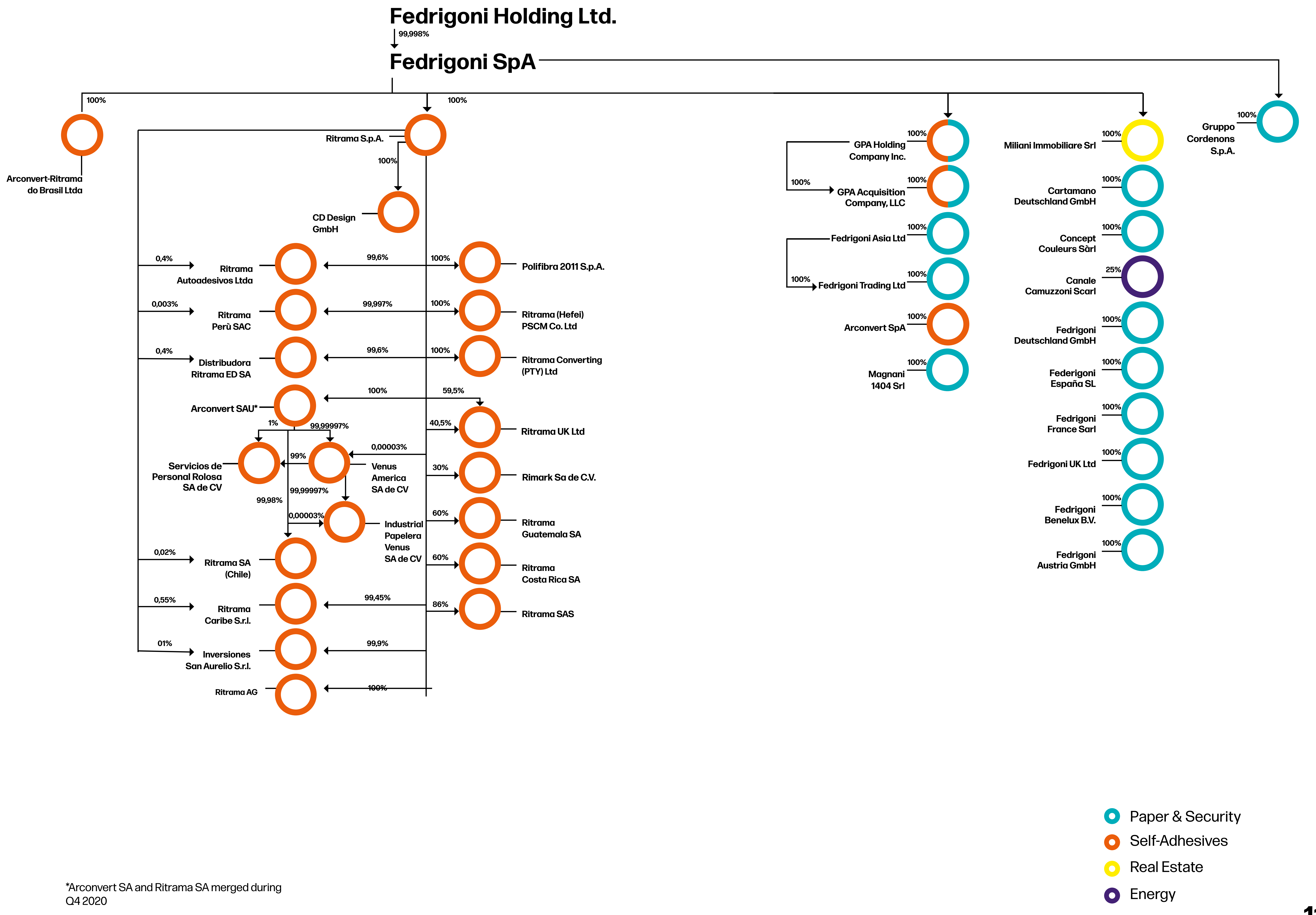

*Arconvert SA and Ritrama SA merged during Q4 2020

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Consolidated Financial Statement

Board of Directors

Reference is made to the board of directors of Fedrigoni Holding Limited, parent company of Fedrigoni S.p.A.

Ivano Sessa
Chair of the Board

Chiara Medioli Fedrigoni
Vice-chair of the Board and Chief Sustainability & Communication Officer

Marco Nespolo
Chief Executive Officer & Board Member

Giacomo Massetti
Board Member

Halvor Meyer Horten
Board Member

Board of Statutory Auditors and Independent Auditors of Fedrigoni S.p.A.

Gilberto Ambrogio Arnaldo Comi
Chairman

Antonio Ferragù
Standing Auditor

Cristiana Tironi
Supply Auditor

Andrea Vagliè
Standing Auditor

Federico Ragazzini
Supply Auditor

Deloitte & Touche S.P.A
Independent Auditors

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Introduction

The year just ended was characterized by a scenario of extreme uncertainty triggered by the coronavirus (Covid-19) outbreak. Nothwithstanding the ensuing severe global macroeconomic instability, the Group demonstrated its resilience, succeeding in taking over market share from its main competitors and pressing forward with its transformation and reorganization processes.

During 2020, the downstream merger of parent Fabric (BC) S.p.A. into Fedrigoni S.p.A. was formalized with a notarial deed dated December 10, 2020 drawn up by Notary Public Mariella of Milan, rep. 44.544, racc. 14.634 and registered on December 11, 2020.

The merger, intended to simplify the organizational and administrative structure of the "Fedrigoni Group", was carried out with the unanimous approval of all the shareholders through the direct redistribution to the shareholders of the acquiree, Fabric (BC) S.p.A., of the shares of the acquirer, Fedrigoni S.p.A., and the issuance of 846 new Fedrigoni S.p.A. shares to non-controlling shareholders (other than those of Fabric), without involving any capital increases of the acquirer and without any adjusting cash consideration. The merger deed states expressly that the accounting and financial effects, with the acquiree's transactions incorporated into the acquirer's financial statements, are effective from January 1, 2020, with the tax effects of the merger backdated to the same date.

Fedrigoni S.p.A. (also referred to herein as the "Company" or "Fedrigoni") is a company incorporated and domiciled in Italy and organized under Italian law

The Fedrigoni Group (also referred to herein as the "Group"), whose parent is Fedrigoni S.p.A., produces and sells paper, security products and self-adhesive items (pressure sensitive labels).

Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. Its main brands are Fedrigoni, *Fabriano* and *Cordenons*.

The Group also produces special security products, such as banknote paper, other security paper, security threads and holograms.

In addition, the Group produces, converts and distributes worldwide adhesive and anti-adhesive paper and materials. The Group's main brands are *Arconvert, Ritrama* (acquired in January 2020), *Manter* and *IP Venus* (acquired in December 2020).

Report on Operations

1. The paper industry in 2020

In 2020 the global economy was impacted by the public health and socio-economic crisis caused by the Covid-19 pandemic.

A resurgence of new infections in the latter part of the year slowed down the global recovery, particularly in advanced countries. However, the launch of vaccination campaigns is very favorable for medium-term prospects, although the timing and intensity of a rebound remain uncertain despite numerous interventions by monetary authorities aiming to ensure favorable financing conditions to support the economy.

In this scenario, the European paper industry shows a 5% decrease in production compared with 2019, with downturns in the all countries in the area.

Graphic paper and packaging paper experienced different consumption trends in 2020. Graphic paper presents an 18.8% decline attributable essentially to the performance of coated paper (-25.2%).

The printing sector was particularly affected by the measures adopted to contain the pandemic (closure of offices and retail activities, remote working, reduced newspaper and magazine sales and print advertising).

Packaging paper performed well (+2.1%) due to the growth of electronic commerce.

The Group operates mainly in the niche market of special paper designated for premium printing and luxury packaging, in both the graphic paper and packaging paper segments.

This market, where the Group has a top position in Europe, is expected to perform better than the global paper industry.

2. The pressure-sensitive label industry in 2020

"The label industry did not experience the same economic effects of the global pandemic as many other industries. While the continuously evolving Covid-19 situation presented new and unprecedented challenges, the label industry continued to play its significant role in the worldwide manufacturing and supply chain. Pressure-sensitive labels are an essential component of the supply chains for necessities and provide a vital tool to convey product information and branding for products in such sectors as food, beverages, healthcare/personal care, and household chemicals. They also provide essential identification and usage information: pack size, weight, ingredients, traceability, and general usage instructions. To limit the human and economic impact of Covid-19, governments across the globe allowed only critical professions and market sectors to continue working during lockdowns. These included the label and packaging sector, which played a critical role in ensuring safe supplies of food, pharmaceuticals, and other essential items"[1].

In its latest report, AWA, a firm specialized in paper, label and packaging sector studies, projects a post-Covid-19 2019-2022 compound annual growth rate (CAGR) of 4.0% for the global pressure-sensitive label market.

The markets for pressure sensitive labels span a number of industries ranging from food and beverage to retail, logistics and pharmaceutics.

For this reason, global GDP is the most important growth driver of volumes in the industry along with the increase in per capita consumption.

The second most important driver is the technological replacement of traditional labels with pressure sensitive ones, which enable faster application, better print effects and a wider range of manageable supports.

[1]AWA COVID19 Impact Supplement, Global Pressure-sensitive Label Market

3. The Group

3.1 The business

At December 31, 2020 the Group consisted of the Parent company, Fedrigoni S.p.A., and the companies listed hereunder:

Subsidiaries	City/Country	Currency	Share capital	Annual Profit/ (Loss) (Euro)	Equity (Euro)	%	Direct Parent Company
ARCONVERT S.p.A.	Arco (TN) - Italy	Euro	4,000,000	2,576,173	63,075,204	100	FEDRIGONI S.p.A.
ARCONVERT-RITRAMA DO BRASIL Ltda	Jundiaí - Brazil	Euro	64,281,043	1,329,652	4,184,712	100	FEDRIGONI S.p.A.
ARCONVERT S.A.U.	Sant Gregori Girona - Spain	Euro	1,250,000	14,580,227	163,021,242	100	RITRAMA S.p.A.
FEDRIGONI DEUTSCHLAND GmbH	Oberhaching Munich - Germany	Euro	600,000	510,612	8,468,470	100	FEDRIGONI S.p.A.
FEDRIGONI ESPANA SL	Madrid - Spain	Euro	1,000,000	689,355	11,452,673	100	FEDRIGONI S.p.A.
FEDRIGONI FRANCE S.a.r.l.	Choisy le Roi - France	Euro	500,000	1,416,280	13,280,271	100	FEDRIGONI S.p.A.
FEDRIGONI UK Ltd	Northampton - United Kingdom	Euro	10,969,235	652,356	8,196,791	100	FEDRIGONI S.p.A.
FEDRIGONI BENELUX B.V.	Brussels	Euro	500,000	(278,779)	291,285	100	FEDRIGONI S.p.A.
CARTAMANO DEUTSCHLAND GmbH	Munich - Germany	Euro	100,000	(206,681)	416,121	100	FEDRIGONI S.p.A.
FEDRIGONI ASIA Ltd	Hong Kong - China	Euro	48,824	(416,758)	(488,848)	100	FEDRIGONI S.p.A.
FEDRIGONI AUSTRIA GmbH	Vienna - Austria	Euro	35,000	(24,347)	(3,417)	100	FEDRIGONI S.p.A.
GPA HOLDING COMPANY Inc	McCook, Illinois - U.S.A.	Euro	48,162,543	(339,837)	46,886,014	100	FEDRIGONI S.p.A.
FEDRIGONI TRADING (SHANGHAI) COMPANY Limited	Shanghai - China	Euro	515,640	(236,262)	(357,544)	100	FEDRIGONI ASIA Ltd
CONCEPT COULEURS S.a.r.l.	Geneva - Switzerland	Euro	46,083	(17,840)	(488,420)	100	FEDRIGONI S.p.A.
MILIANI IMMOBILIARE S.r.l.	Verona (VR) - Italy	Euro	2,080,000	(428,805)	1,126,885	100	FEDRIGONI S.p.A.
CORDENONS S.p.A. GROUP	Milan (MI) - Italy	Euro	15,000,000	12,824,352	60,278,531	100	FEDRIGONI S.p.A.
MAGNANI 1404 S.r.l.	Massa e Cozzile (PT) - Italy	Euro	80,000	(59,387)	59,438	100	FEDRIGONI S.p.A.
RITRAMA S.p.A.	Agrate Brianza (MB) - Italy	Euro	9,000,000	3,218,480	80,844,360	100	FEDRIGONI S.p.A.
POLIFIBRA 2011 S.p.A.	Agrate Brianza (MB) - Italy	Euro	120,000	344,441	3,044,674	100	RITRAMA S.p.A.

Subsidiaries	City/Country	Currency	Share capital	Annual Profit/ (Loss) (Euro)	Equity (Euro)	%	Direct Parent Company
RITRAMA (HEFEI) PRESSURE SENSITIVE COATED MATERIALS CO.LIMITED	Hefei - China	Euro	30,014,336	(1,583,168)	9,668,703	100	RITRAMA S.p.A.
RITRAMA UK Ltd	Dukinfield - United Kingdom	Euro	364,363	2,235,280	12,334,069	59.5*	ARCONVERT S.A.U.
INVERSIONES SAN AURELIO SRL	Santo Domingo - Dominican Republic	Euro	79,681	40,110	155,086	99.9*	RITRAMA S.p.A.
RITRAMA CONVERTING (PTY) Ltd	Durban - South Africa	Euro	1,999,316	(31,871)	1,702,881	100	RITRAMA S.p.A.
RITRAMA A.G.	Bremgarten - Switzerland	Euro	92,132	24,321	241,513	100	RITRAMA S.p.A.
RITRAMA S.A. CHILE	Curauma, Valparaíso - Chile	Euro	21,212,004	(2,834,383)	24,228,881	99.98*	ARCONVERT S.A.U.
RITRAMA AUTOADESIVOS LTDA	Jundiaí - Brazil	Euro	10,700,483	(1,332,175)	594,694	99.6*	RITRAMA S.A. CHILE
DISTRIBUIDORA RITRAMA ECUADOR DISRITREC S.A.	Quito - Ecuador	Euro	22,254	21,869	34,574	99.6*	RITRAMA S.A. CHILE
RITRAMA PERU' SAC	Lima – Peru	Euro	890,416	12,953	398,837	99.997*	RITRAMA S.A. CHILE
RITRAMA CARIBE SRL	Santo Domingo - Dominican Republic	Euro	871,668	(18,686)	4,131	99.45*	RITRAMA S.p.A.
CD DESIGN GmbH	Velbert - Germany	Euro	320,000	(2,750)	9,368	100	RITRAMA S.p.A.
RITRAMA S.A.S.	La Estrella, Antioquia - Colombia	Euro	1,646,426	(146,681)	949,426	86*	RITRAMA S.p.A.
RITRAMA COSTA RICA S.A.	Heredia - Costa Rica	Euro	170,769	(282,193)	878,622	60*	RITRAMA S.p.A.
RITRAMA GUATEMALA S.A.	Ofibodega - Guatemala	Euro	-11,120	(114,721)	(115,877)	60*	RITRAMA S.p.A.
VENUS AMERICA S.A. DE C.V.	Tlalnepantla - Mexico	Euro	29,939	n.a.	1,225,883	99.9997*	ARCONVERT S.A.U.
SERVICIOS DE PERSONAL ROLOSA S.A. DE C.V.	Tlalnepantla - Mexico	Euro	2,048	n.a.	(93,808)	99*	VENUS AMERICA S.A. DE C.V.
INDUSTRIAL PAPELERA VENUS S.A. DE C.V.	Tlalnepantla - Mexico	Euro	2,219,993	n.a.	1,146,982	99.99997*	VENUS AMERICA S.A. DE C.V.

The Group currently operates in the following business segments:

- Production, conversion and distribution of graphic paper, both coated and uncoated, for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, artistic use and scholastic use.

- The companies operating in this sector are: Fedrigoni S.p.A., Fedrigoni Brasil Papéis Ltda (divested in the fourth quarter of the year) and distribution companies Fedrigoni Deutschland GmbH, Fedrigoni Austria GmbH, Fedrigoni Benelux B.V., Fedrigoni Espana SL, Fedrigoni France S.a.r.l., Fedrigoni UK Ltd, Fedrigoni Trading Company, Fedrigoni Asia Ltd, GPA Holding Company Inc., Gruppo Cordenons S.p.A. and Magnani 1404 S.r.l.

- Production and distribution of adhesive and anti-adhesive paper and materials at Arconvert S.p.A., Arconvert S.A.U., Arconvert-Ritrama do Brasil Ltda, Ritrama S.p.A., Ritrama UK Ltd, Ritrama S.A. (Chile), Ritrama (Hefei) PSCM Col Ltd, Ritrama Converting PTY Ltd, Ritrama Autoadesivos Ltda, Ritrama S.A.S. (Colombia), Ritrama Costa Rica S.A., Ritrama Guatemala S.A., Ritrama Caribe Srl, Inversiones San Aurelio Srl, Distribuidora Ritrama ED S.A., Ritrama Peru SAC, CD Design GmbH, Ritrama A.G., Industrial Papelera Venus S.A. de C.V., Venus America S.A. de C.V., Servicios De Personal Rolosa S.A. de C.V. and GPA Holding Company Inc.

- Production and distribution of electrical insulators, technical materials for the construction and photovoltaic sectors and technical applications at Polifibra 2011 S.p.A.

- Distribution of gift items and stationery, through the points of sale of Fedrigoni S.p.A., Fedrigoni UK Ltd, Fedrigoni France S.a.r.l., Concept Couleurs S.a.r.l. and Cartamano Deutschland GmbH.

- Production and distribution of special security products, such as:
  - banknote paper;
  - other security paper (for checks, passports, diplomas, etc.) at the Fabriano plant and Salto plant (sold in October 2020);
  - security threads and holograms, security prints (checks, tickets for theatrical and sporting events, etc.) at the Bollate plant.

- In addition, a property management company is part of the Group: Miliani Immobiliare S.r.l., based in Verona.

3.2 The organization

Production, marketing and administrative activities are performed at the plants, distribution centers and offices listed in the following table:

Production and conversion of graphic paper and security products			
Fedrigoni S.p.A.	Headquarters	Verona	
	Plants:	Arco	Trento
		Riva del Garda	Trento
		Verona	
		Fabriano	Ancona
		Pioraco	Macerata
		Castelraimondo	Macerata
		Ospiate di Bollate	Milan
Cordenons S.p.A. Group	Headquarters	Milan	
	Plants:	Cordenons	Pordenone
		Scurelle	Trento
Magnani 1404 S.r.l.	Headquarters and plant:	Chiesina Uzzanese	Pistoia
Production of pressure sensitive labels			
Arconvert S.p.A.	Headquarters and plant:	Arco	Trento
Ritrama S.p.A.	Headquarters and plant:	Caponago	Monza and Brianza
	Plants:	Sassoferrato	Ancona
		Basiano	Milan
Polifibra 2011 S.p.A.	Headquarters and plant:	Agrate Brianza	Monza and Brianza
Arconvert S.A.U.	Headquarters and plant:	Gerona	Spain
	Headquarters and plant:	Barberá del Vallés	Spain
Ritrama UK Ltd	Headquarters and plant:	Dukinfield	UK
Arconvert-Ritrama do Brasil Ltda	Headquarters and plant:	Juindiai	Brazil
Ritrama Autoadesivos Ltda	Plant:	Juindiai	Brazil
Ritrama S.A. Chile	Headquarters and plant:	Valparaiso	Chile
Industrial Papelera Venus S.A. de C.V.	Headquarters and plant:	Tlalnepantla	Mexico
Ritrama (Hefei) Pressure Sensitive Coated Materials Co.Limited	Headquarters and plant:	Hefei	China
Ritrama Converting (PTY) Ltd	Plant:	Durban	South Africa
Distribuidora Ritrama Ecuador Disritrec S.A.	Plant:	Quito	Ecuador
Ritrama Peru SAC	Plant:	Lima	Peru
Ritrama Caribe Srl	Plant:	Santo Domingo	Dominican Republic
Ritrama S.A.S. (Colombia)	Plant:	La Estrella, Medellin	Colombia
Ritrama Costa Rica S.A.	Plant:	Heredia	Costa Rica
GPA Holding Company Inc	Plant:	Los Cerritos, CA	U.S.A.
Paper distribution in Italy			
Fedrigoni S.p.A.			
Logistics Center:		Buttapietra	Verona
		Rocchetta	Ancona
Branches with warehouses:	**Lombardy**	**Settala**	**Milan**
	Veneto and Trentino A.A.	Verona	
	Friuli Est	Muggia	Trieste
	Campania, Molise, Sicily and Calabria	Melito	Naples
Branches:	**Emilia Romagna**	**Bologna**	
	Lazio	Rome	
	Tuscany	Scandicci	Florence
	Umbria, Marche and Abruzzo	Corciano	Perugia

International paper distribution			
Companies with warehouses:			
Germany: Fedrigoni Deutschland Gmbh	Headquarters and branch:	Oberhaching	Munich
	Warehouses:	Dortmund	
		Dresden	
		Cologne	
		Stuttgart	
		Berlin	
		Hamburg	
	Sales offices:	Dusseldorf	
		Nuremberg	
		Berlin	
		Hamburg	
Austria: Fedrigoni Austria GmbH	Headquarters and branch:	Vienna	
Spain: Fedrigoni Espana SL	Headquarters and branch:	Getafe	Madrid
	Branch:	Barcelona	
France: Fedrigoni France S.a.r.l.	Headquarters and branch:	Choisy Le Roi	Paris
Belgium: Fedrigoni Benelux B.V.	Headquarters and branch:	Overjse	
United Kingdom: Fedrigoni UK Ltd	Headquarters and branch:	Northampton	
	Sales offices:	London	
China: Fedrigoni Asia Ltd	Headquarters and branch:	Hong Kong	
Fedrigoni Trading Ltd	Headquarters and branch:	Shanghai	
USA: GPA Ltd	Headquarters and branch:	McCook	Illinois
		Los Angeles	California
		Hartford	Connecticut
		Atlanta	Georgia
International pressure sensitive label distribution			
Companies with warehouses:			
Inversiones San Aurelio Srl	Headquarters:	Santo Domingo	Dominican Republic
RITRAMA Guatemala S.A.	Headquarters:	Ofibodega	Guatemala
Distribution of gift items and stationery			
Fedrigoni S.p.A.	Headquarters:	Rome	
	Warehouse:	Rocchetta	Ancona
	Stores:	Rome	
		Milan	
		Florence	
		Venice	
		Verona	
Cartamano Deutschland GmbH	Headquarters and Store:	Munich Airport	
	Store:	Berlin Airport	
Fedrigoni UK Ltd	Store:	London	

3.3 Group situation

3.3.1 General information

3.3.1.1 - Production and conversion of graphic paper and paper used for packaging

During the year, the Group companies operating in this business segment were affected by the Covid-19 pandemic, which caused demand for special paper to fall.

In this difficult scenario, the Group gained market share from its main competitors, which will bring long-term advantages when the demand recovers as expected at the end of the pandemic.

3.3.1.2 - Production and distribution of security products

In the security segment, the annual results were affected by lower demand for banknote paper due to the policies of some countries to insource and nationalize banknote production, denying private manufacturers of the possibility to compete for such contracts.

The production of security products (threads and holograms) was adversely affected by the pandemic and consequent production shutdown, lasting several weeks, of two large customers, causing an interruption in our related deliveries.

In October 2020 the Brazilian affiliate, which operated in this product segment in the South American market, was disposed of.

3.3.1.3 - Production of paper and adhesive/anti-adhesive materials (Pressure Sensitive Labels or "PSL")

On a comparable consolidation basis, the PSL segment was characterized by higher volumes and a different product mix resulting mainly from the effects of the pandemic on the pressure sensitive label sector.

In this segment as well, the Group benefited from the favorable raw material price trend and the ability to contain the consequential decrease in selling prices.

Thanks to such actions, the results of this segment improved in 2020.

3.3.2 - Results of operations

In 2020 the Fedrigoni Group finalized two important acquisitions in the paper and pressure sensitive label sectors.

The acquisition of the Ritrama Group was completed, and the income statement results thereof were consolidated as at January 1, 2020.

In the last two months of the year, Fedrigoni completed the acquisition of the Industrial Papelera Venus Group, composed of Industrial Papelera Venus S.A. de C.V., Venus America S.A. de C.V. and Servicios De Personal Rolosa S.A. de C.V. At the reporting date, only the related assets and liabilities were consolidated, whereas the income statement results will be consolidated on a line-by-line basis in the 2021 consolidated financial statements.

The effect of these acquisitions limits the comparability of the 2020 results with those of 2019.

Income Statement highlights

Following the 2020 disposal of the Brazilian affiliate, Fedrigoni Brasil Papéis Ltda, and the carve-out of the pressure sensitive label business unit remaining among the Group's operations, under IFRS 5, in order to ensure comparability, the 2019 income statement has been restated by reclassifying the effects on profit and loss of the disposed assets and liabilities to profits and losses from discontinued operations.

The Group reports the following results for 2020:

- sales revenues of Euro 1,315.2 million, compared with the Euro 1,115.0 million of 2019;
- adjusted EBITDA of Euro 166.4 million (12.6% of sales), compared with the Euro 154.1 million of 2019 (13.8% of sales);
- operating income of Euro 45.4 million (3.5% of sales), compared with the Euro 65.7 million of 2019 (5.9% of sales);
- a net profit of Euro 272 thousand (0.021% of sales), compared with the Euro 14.7 million of 2019 (1.315% of sales).

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The Consolidated Income Statement is set forth below:

	Year ended December 31	
(Euro/Millions)	**2020**	**Restated 2019 (1)**
Sales revenues	1,315.2	1,115.0
Other operating income	13.1	9.8
Cost of materials	(732.3)	(588.0)
Cost of services	(263.0)	(233.3)
Cost of personnel	(208.6)	(164.1)
Other costs	(11.0)	(11.0)
Depreciation, amortization and impairment losses	(73.7)	(55.0)
Change in inventories of work in progress, semi-finished goods and finished products	3.9	(8.7)
Cost of capitalized in-house work	1.7	1.0
Operating income	**45.4**	**65.7**
Financial income	22.2	9.5
Finance costs	(76.2)	(41.6)
Net financial costs	**(54.0)**	**(32.2)**
Share of profits of associates	**0.0**	**0.0**
(Loss)/profit before tax	**(8.6)**	**33.6**
Income taxes	34.9	(15.5)
Net profit/(loss) from continuing operations	26.3	18.1
- Attributable to owners of the Parent	*26.6*	*18.1*
- Attributable to non-controlling interests	*(0.3)*	*0*
Net (loss) from discontinued operations	(26.0)	(3.4)
- Attributable to owners of the Parent	*(26.0)*	*(3.4)*
- Attributable to non-controlling interests	*-*	*-*
Net profit	**0.3**	**14.7**

[1] The amounts of 2019 were restated pursuant to IFRS 5

The consolidated revenues increased by Euro 200.2 million to Euro 1,315.2 million in 2020, from the Euro 1,115.0 million of 2019. The performance is attributable primarily to the consolidation in 2020 of the Ritrama Group. The growth was offset in part by a sales decline in the Paper and Security Segment caused principally by the consequences of Covid-19 on the related markets. For this reason, on a comparable consolidation basis, the sales performance reflects lower sales revenues due to the performance of the Paper and Security Segment. In the Paper segment, the volume downturn ensuing from the pandemic was accompanied by a reduction of average selling prices due to lower pulp prices. The Security Segment was affected by the decision of some countries to insource and nationalize banknote production and the interruption of our deliveries of security items (threads and holograms) to two important customers which, in compliance with the guidelines to contain the pandemic, had to shut down their production for a ew weeks.

Costs of materials increased by Euro 144.3 million to Euro 732.3 million in 2020, from the Euro 588.0 million of 2019. The performance is attributable primarily to the consolidation in 2020 of the Ritrama Group. On a comparable consolidation basis, the costs of materials decreased as a result of the drop in product volumes and lower raw material (especially pulp) costs. The total cost of raw materials continued in 2020 to benefit from the new organization of the procurement process, which led to better average purchasing conditions.

The cost of services increased from Euro 233.3 million in 2019 to Euro 263.0 million in 2020. The performance is attributable primarily to the consolidation in 2020 of the Ritrama Group.

On a comparable consolidation basis, costs for services fell as a result of the impact of the pandemic on the sales performance, which led to a reduction of royalties from the production of security items, a decrease in costs for the participation in trade fairs and similar promotional events, a decrease in business travel expenses and a decrease in energy costs due to the production shutdowns.
Those decreases were offset in part by an increase in freight costs caused mainly by the Covid-19 pandemic, which resulted in an increase in unit costs, and by an increase in consulting costs regarding both the transformation plans that the Group is developing and the acquisition of the Ritrama Group.

The cost of personnel increased by Euro 44.5 million, from Euro 164.1 million to Euro 208.6 million. The performance is attributable primarily to the consolidation in 2020 of the Ritrama Group. On a comparable consolidation basis, the difference refers to the increase in costs for the reinforcement of the Group's management with new competencies, in keeping with the new strategic objectives. The increase in these costs was offset only in part by initiatives intended to contain the effects on profit and loss of the pandemic, such as the planning of some production shutdowns at some factories, and by the reorganization and streamlining of the Group's production structure initiated in the prior year.

The contribution of the Ritrama Group's consolidation in 2020 and the aforementioned collective changes made the Group's adjusted EBITDA (defined as net profit before tax, financial income and costs, the share of income from equity-accounted investments, depreciation, amortization, impairment losses, and any non-recurring income and costs) rise considerably, notwithstanding the adverse effects of the pandemic on the Group's Paper and Security Segment.

The impact of depreciation, amortization and impairment losses increased from Euro 55.0 million to Euro 73.7 million. The performance is attributable primarily to the consolidation in 2020 of the Ritrama Group.

Finance costs increased from Euro 32.2 million for 2019 to Euro 54.0 million for 2020; the increase refers mainly to greater finance costs for the bond notes subscribed in 2020 to finance the acquisition of the Ritrama Group.

The income taxes for 2020 consist of income of Euro 33.6 million, compared with expense of Euro 15.5 million for 2019. The difference arose primarily from the decision to use in 2020, for the Italian companies Fedrigoni S.p.A., Cordenons S.p.A. Group, Arconvert S.p.A. and Ritrama S.p.A., the possibility of realigning the tax bases to the higher values of the goods recognized in the financial statements, under Decree Law 104/2020, Article 110, paragraphs 8 and 8 *bis*. In addition, parent Fedrigoni S.p.A. opted to apply tax relief, under Decree Law 185/2008, to the excess accounting values emerging from the downstream merger with Fabric (BC) S.p.A. and to some values regarding intangible assets recognized in the consolidated financial statements. All the deductions deriving from such transactions generate corporate income tax (IRES) and regional business tax (IRES) benefits, recognized at December 31, 2020 as accruals of Euro 8.8 million of deferred tax assets and as releases of Euro 38.7 million of deferred tax liabilities for a total amount of Euro 47.5 million.

Segment reporting

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into Segments for reporting purposes corresponds to the structure of the reports periodically examined by management.

The following tables present the 2019 and 2020 income statements, showing the adjusted EBITDA by Segment, reconciled with the Group net profit.

2019:

(in thousands of Euros)	Year ended December 31, 2019 - Restated				
	Paper and Security	**PSL**	**Intercompany eliminations**	**Other**	**Total**
Revenues from sales					
to third parties	726,432	388,615	-		1,115,047
to other Group companies	27,340	2,321	(29,661)		-
Total sales revenues	753,772	390,936	(29,661)		1,115,047
Other operating income	9,863	1,763	(1,792)	-	9,834
Operating expenses	(645,755)	(349,581)	31,447	(40,230)	(1,004,119)
Transformation costs				35,825	35,825
Other non-recurring expenses / income	(2,520)	-	-	-	(2,520)
Adjusted EBITDA (*)	**115,360**	**43,118**	**(6)**	**(4,405)**	**154,067**
Other non-recurring expenses / income	2,520	-	-	-	2,520
Transformation costs	-	-	-	(35,825)	(35,825)
Depreciation, amortization and impairment losses					(55,017)
Operating income					**65,745**
Income from equity-accounted investments in associates					37
Financial income					9,491
Finance costs					(41,646)
Profit before tax					**33,626**
Income taxes					(15,537)
Net profit from continuing operations					18,090
Net loss from discontinued operations					(3,430)
Net profit					**14,660**

2020:

(in thousands of Euros)	Year ended December 31, 2020				
	Paper and Security	PSL	Intercompany eliminations	Other	Total
Revenues from sales					
to third parties	540,465	774,777	-	-	1,315,242
to other Group companies	29,610	2,183	(31,793)	-	-
Total sales revenues	570,075	776,960	(31,793)		1,315,242
Other operating income	11,823	2,370	(1,048)	-	13,145
Operating expenses	(507,214)	(692,320)	32,844	(42,680)	(1,209,370)
Transformation costs	-	-	-	40,306	40,306
Other non-recurring expenses / income	6,206	822	-	-	7,028
Adjusted EBITDA (*)	80,890	87,832	3	(2,374)	166,351
Other non-recurring (expenses) / income	(6,206)	(822)	-	-	(7,028)
Transformation costs	-	-	-	(40,306)	(40,306)
Depreciation, amortization and impairment losses					(73,661)
Operating income					45,356
Income from equity-accounted investments in associates					39
Financial income					22,188
Finance costs					(76,203)
Profit before tax					(8,620)
Income taxes					34,884
Net profit from continuing operations					26,264
Net loss from discontinued operations					(25,992)
Net profit					272

(*) Adjusted EBITDA is defined by the Group as net profit before net loss from discontinued operations, income taxes, financial income and costs, the share of income from equity-accounted investments, depreciation, amortization, impairment losses, and any non-recurring income and costs. Adjusted EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance. The Company believes that Adjusted EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

Shared unallocated costs ("Other") are a marginal amount referring to the Group's operating structure. Each Segment has a complete and independent structure, able to fulfill its own functions. Most eliminations ("intercompany eliminations" in the tables above) refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length.

"Other non-recurring expenses/ income" include costs of Euro 6,432 thousand deriving from the sale of cogeneration turbines, previously among fixed assets, during 2020.

"Transformation costs" refer to the total costs incurred for consulting services or other clearly identified costs primarily instrumental in transforming the new Group. The costs regarded the continuance of projects intended to create a new organizational structure capable of attracting new talent and optimizing the pre-existing departments (financial, operational, purchasing, sales) or are attributable to extraordinary merger and acquisition transactions intended to determine the Group's structure. The new organization aims to accelerate the Group's growth and create efficiencies.

3.3.3 Financial position

The following table summarizes the Group's Consolidated Statement of Financial Position as at December 31, 2020 and December 31, 2019, with presentation of the invested capital and net financial debt.

	December 31	
(Euro/Millions)	**2020**	**2019**
Intangible assets	338.9	212.3
Property, plant, equipment and investment property	404.5	386.4
Other non-current assets/(liabilities) - net	16.9	(16.7)
Non-current assets	**760.3**	**582.0**
Net Working Capital	149.3	169.5
Other current assets/(liabilities) - net	(58.5)	(30.3)
Invested Capital	**851.1**	**721.2**
Equity	190.7	214.7
Provisions for risks and charges and employee benefits	56.8	55.8
Net financial debt	603.6	450.7
Invested Capital	**851.1**	**721.2**

The figures above were obtained from the financial statements. Some items have been modified and/or aggregated as follows:

- The net working capital is the sum of "inventories" and "trade receivables" less "trade payables".
- The net financial debt is the sum of "cash and cash equivalents", "current financial assets" and "derivatives", less "current and non-current payables and other financial liabilities" and "current and non-current derivatives".

The Group's net financial debt is Euro 603.6 million at the end of 2020, versus Euro 450.7 million at the end of 2019, and includes Euro 563.8 million concerning the issuance of non-convertible, unsubordinated notes for an aggregate principal amount of Euro 580.0 million, and Euro 216.7 million concerning the issuance in 2020 of non-convertible, unsubordinated notes for an aggregate principal amount of Euro 225.0 million.

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3.4 Business trends

3.4.1 Raw material and energy trends

In 2020 the global pulp market and the raw material market were heavily affected by the crisis caused by the coronavirus pandemic. The contraction of demand combined with a high pulp stock level was advantageous to buyers and for keeping prices low. In Europe, prices for short fibers (BHK) remained steady for the entire year at $ 680, whereas prices for long fibers (BSK) fluctuated between $ 820 and $ 850 until the end of November. Price for long fibers began to rise only at the end of the year, in December, driven by strong demand from Asia.

In 2020, the natural gas at the Title Transfer Facility (TTF) in the Netherlands, Europe's natural gas trading hub, reported a substantial 30% decline compared with the 2019 values; the 36.8% decrease in values at the Italian Virtual Trading Point (PSV) was also very significant, contributing further to the downward trend that had initiated in 2019.

The crisis caused by the Covid-19 pandemic reduced the demand in all European markets, driving down the prices on all the European trading platforms. Particularly significant was the decrease in the second quarter of 2020, during the first lockdown.

3.4.2 Investments

In 2020 the most significant investments regarded:
- the completion of energy efficiency projects at the Arco, Fabriano, Varone and Verona plants for more than Euro 9.1 million;
- the completion of the new industrial wastewater treatment system of the Verona plant for Euro 1.6 million;
- the technological adaptation of cutters at the Rocchetta plant for Euro 0.8 million;
- the implementation of new Business Intelligence and S&P systems for Euro 3.1 million;
- technological upgrading of the coating machines at the Italian factories in Arco, Sassoferrato and Basiano and at the Spanish factory in Girona;
- the completion and activation of a new industrial humidification and cooling system at the Jundiaì plant in Brazil;
- improvements in IT hardware to enable, facilitate and improve the effectiveness of remote working, made necessary by the restrictions imposed to contain the spread of Covid-19.

Moreover, plans to improve the flexibility and efficiency of existing plants and machines and to maintain and improve safety were developed at all the facilities.

3.4.3 Personnel

The Group's personnel headcount at the end of 2020 is 3,750 units, excluding the employees of Consorzio Canale Industriale G. Camuzzoni S.c.a.r.l. and Rimark S.A. de C.V. We believe that our most important strengths lie in our employees, who contribute to our success every day with their talent, passion and ethics. To achieve our objectives in 2020, we invested in recruiting and in enhancing our personnel. We welcomed more than 280 new employees into the Fedrigoni Group, at our factories and offices throughout the world. The new hires are in line with our objectives of diversity, inclusion and merit. In terms of development, among other things we started up a leadership and management skills program involving 110 of our managers and leaders. We also continued with safety and environmental training, *ad hoc* individual technical and functional training, and on-the-job training for factory workers and technicians.

We began 2020 by listening, inviting for the first time all our co-workers in the world, staff, factory workers and managers, to have their say in a Global Engagement Survey, so we could collect feedback and opinions to assist the continuous improvement of the organization and the development of effective initiatives geared toward the engagement and satisfaction of our employees.

We introduced some initiatives to improve the experience of our employees, opening two new workplaces for our office staff in Verona and Milan with areas designed to encourage and stimulate teamwork. We also launched a new digital space, the internal communication platform and social collaboration workplace, to foster interaction, collaboration and the circulation of information within the Group, thereby reducing the distance between employees, teams and various workplaces while favoring consistency, clarity and transparency.

To support all these activities and our transformation process, we continued to work on a more structured HR organization by strengthening and introducing competencies while pursuing the harmonization and simplification of practices and processes at a Group level.

3.4.4 Quality, safety and the environment

All the Group's manufacturing companies ensure the constant monitoring of plant and machinery operation, and their continuous upgrading in order to assure full compliance with safety and environmental laws.
Many training and informational initiatives were implemented for personnel regarding safety and environmental protection.

The main quality, safety and environmental protection certifications held by the Group companies are listed below:

For Fedrigoni S.p.A.:
- Maintenance of the following certifications comprising the Integrated Management System:
- UNI EN ISO 9001/2015 (quality management system);
- ISO 45001:2018 (occupational health and safety management system);
- FSC-STD-40-003/V2-1 (Chain of Custody Certification of Multiple Sites),
- FSC-STD-40-004/V3-0 (Chain of Custody Certification),
- FSC-STD-40-007/V2-0 (Sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects);
- Three-year renewal of the Environmental Management System certification under the ISO 14001:2015 standard;
- ECOLABEL for some series of office paper produced at the Fabriano and Pioraco plants;
- Maintenance of Authorized Economic Operators (AEOF) certification;
- Maintenance of the European Central Bank accreditation of the Fabriano and Bollate plants as producers and suppliers of banknote paper, value items, holograms and security threads.

For the Cordenons S.p.A. Group.:
- Maintenance of certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Confirmation of the Environmental Management System under the UNI EN ISO 14001/2015 standard;
- Certification of the Occupational Health and Safety Management System under the BSI – OHSAS 18001 standard;
- Certification of the Energy Management System under the ISO 50001:2011 standard;
- Certification of the Safe and Hygienic Packaging Materials System under the BRCGS standard.

For Arconvert Ritrama do Brasil Ltda:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard.

For Arconvert S.p.A.:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Certificatoin of the Environmental Management System under the UNI EN ISO 14001/2015 standard;
- Certification of the Occupational Health and Safety Management System under the BSI – OHSAS 18001 standard.

For Arconvert S.A.U.:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Certification of the Environmental Management System under the UNI EN ISO 14001/2015 standard for the Basiano and Sassoferrato sites;
- Certification of the Occupational Health and Safety Management System under the BSI – OHSAS 18001 standard;
- Certification of the Research, Development and Innovation Management System under the UNE 166002:2014 standard.

For Ritrama S.p.A.:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Certification of the Quality Management System under the IATF 16949/2016 standard;
- Certification of the Environmental Management System under the UNI EN ISO 14001/2015 standard;
- Certification of the Occupational Health and Safety Management System under the BSI – OHSAS 1800 standard.

For Ritrama UK Ltd:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Certification of the Environmental Management System under the UNI EN ISO 14001/2015 standard.

For Ritrama (Hefei) PSCM Col Ltd:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard;
- Certification of the Environmental Management System under the UNI EN ISO 14001/2015 standard;
- Certification of the Occupational Health and Safety Management System under the BSI – OHSAS 1800 standard.

For Ritrama S.A. (Chile):
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard.

Industrial Papelera Venus S.A. de C.V.:
- Certification of the Quality Management System under the UNI EN ISO 9001/2015 standard.

Set forth below two of the main ESG performance indicators to highlight how, even in a year heavily impacted by the coronavirus pandemic, the Fedrigoni Group was able to keep the efficiency of the plants in line with the average rates of the previous year.

	Safety	
(Days)	**2020**	**2019**
Total injuries frequency rate	21.1	28.7

	CO_2	
(ton CO_2 / ton product)	**2020**	**2019**
Paper	0.57	0.53
Self-adhesives	81.3	79.3

Moreover, the Group intends to continue improving its ESG performance, in particular through the following levers:
- safety: training and communication;
- CO_2: concrete investments to encourage the use of renewable sources, reduce consumption and increase energy efficiency.

3.4.5 Research and development

In 2020 the Group's manufacturing companies continued to carry out their research and development activities in pursuit of creating new products, improving existing products and coming up with new, more efficient production and organizational processes.

3.4.6 Other business initiatives

Due to the pandemic, participation in the main trade fairs of the industry, in which the Group usually takes part, was severely limited.

During the year, the paper business unit ("BU") nevertheless participated in:
- PCD in Paris;
- Creativeworld in Frankfurt;
- Luxepack in Shanghai;
- the Festival del Disegno.

To surmount the limitations imposed by the pandemic, the paper BU organized some digital events such as:
- the Packaging Premier digital edition;
- Torino Graphic Days;
- the Paper Box Experience online event in October;
- the Sirio Color & Digital online launch.

During the year, the PSL BU participated in:
- Olioofficina in Milan;
- the Unified Wine & Grape Symposium, in Sacramento (California) for the wine industry;
- Packaging Première in Milan;
- the Label Summit Latin America in Chile;
- the Craft Beer convention in Italy (digital event);
- Labelexpo South China 2020 in Shenzen, China.

3.4.7 Risk management objectives and policies

The risk management objectives and policies are described hereunder.

- Raw material and energy risks: The Group companies buy raw materials (fibrous raw materials in particular) on international markets whose prices are affected by global demand, and thus the prices are the same for all businesses in the industry.
  In previous periods the Group started up a project aimed to equip the sales structure with systems and the proper tools for maintaining margins where price tension exists for raw materials. It is uncertain whether fibrous raw material price increases are fully recoverable though paper price increases.
  In order to reduce the risk deriving from priceincreases of natural gas, another important raw material for the paper industry, the companies made significant investments to cut consumption, developed business relationships with major suppliers and stipulated long-term supply agreements.
- Cash flow risk: The Group's credit lines are more than adequate for its cash flow needs. The cash flows generated by the companies, scrupulous treasury management, and the Parent company's monitoring activities ensure effective, efficient cash management.

- Foreign exchange risk: All the Group companies exposed to significant foreign exchange risk, deriving from raw material purchases and product sales in U.S. dollars and British pounds sterling, have applied hedges through currency forwards.

- Credit risk: All the main companies are covered by specific insurance policies on foreign trade receivables, and have implemented systematic credit management procedures.

- Interest rate risk: The Group's bank indebtedness exposes it to the risk of fluctuating interest rates. The variable-rate loans are exposed to the risk of fluctuating cash flows. The Group assesses regularly its exposure to interest rate risk and in 2018 decided to stipulate two interest rate swaps (IRS) to hedge the risk on the notes issued.

The Notes to the Consolidated Financial Statements provide more detailed information.

3.4.8 Related-party transactions

The Company's transactions with Group companies and with the Parent company, and the Group's transactions with related parties, are primarily of a trade and financial nature and are conducted at arm's length. Such transactions are described in the Notes to the Consolidated Financial Statements.

3.4.9 Treasury shares

At the end of the year the Company did not own, either directly or indirectly through third parties, any of its own shares or the Parent company's shares, and no transactions were initiated to purchase such shares.

3.4.10 Subsequent events

By the date of this report, the Group is in the process of potentially disposing a company branch related to the security business unit. In this regard, there are no elements that could affect the consolidated financial statements as at 31 December 2020.

3.4.11 Business outlook

Despite the emergence of Covid-19 variants, which have caused a third wave of the pandemic, the initial months of 2021 have featured general recovery of economic activity in all the major areas. Confidence in the vaccination campaigns along with the monetary and fiscal stimulus launched in 2020 and 2021 by governments and central banks allow us to be optimistic about the developments of the upcoming months.

In Europe, this climate of confidence was eroded in the first few months of the year by the resurgence of the pandemic with the arrival of the third wave, which struck the largest countries of mainland Europe. Rapid development of vaccination campaigns over the next few months will be essential to the continuance of recovery over the next quarters.

Although the Covid-19 crisis led to massive supply and demand shocks whose impact is very difficult to quantify, the level of orders and the saturation of production capacity at the start of 2021 are reasons to be optimistic about the rest of the year.

In fact, we are convinced that partial recovery of demand will be accompanied by additional expansion of our special paper market share.

In addition to regaining volumes, this year the Group faces the challenge of considerably higher raw material prices, particularly of pulp, requiring the entire business structure to make important efforts to maintain margins with scrupulous management of the price policies.

Verona; April 30, 2021
on behalf of the Board of Directors

Chairman
Marco Nespolo

Consolidated Financial Statement

Consolidated Statement of Financial Position

		December 31	
(in thousands of Euros)	***Note***	**2020**	**2019**
Non-current assets			
Property, plant and equipment	*6*	404,179	386,068
Intangible assets	*7*	338,924	212,277
Investment property	*8*	283	321
Equity-accounted investments in associates	*9*	2,854	2,402
Tax receivables	*10*	11,005	1,476
Deferred tax assets	*11*	48,381	31,962
Other non-current assets	*13*	1,369	12,646
Total non-current assets		**806,995**	**647,152**
Current assets			
Inventories	*12*	293,254	222,129
Trade receivables	*14*	167,040	188,176
Tax receivables	*10*	7,696	774
Other current assets	*12*	25,873	22,763
Cash and cash equivalents	*15*	273,342	145,186
Derivatives	*16*	1,604	83
Total current assets		**768,809**	**579,111**
Total assets		**1,575,804**	**1,226,263**
Share capital		40,000	1,000
Reserves and retained earnings		150,404	213,696
Equity attributable to owners of the Parent		**190,404**	**214,696**
Equity attributable to non-controlling interests		**311**	**39**
Total equity	**17**	**190,715**	**214,735**
Non-current liabilities			
Due to banks and other lenders	*18*	818,487	583,754
Employee benefits	*19*	21,595	17,343
Provisions for risks and charges	*20*	35,168	38,444
Deferred tax liabilities	*11*	42,462	63,455
Other non-current liabilities	*22*	4,233	1,773
Derivatives	*19*	1,467	2,202
Total non-current liabilities		**923,412**	**706,971**
Current liabilities			
Due to banks and other lenders	*18*	56,992	9,713
Trade payables	*21*	311,033	240,837
Current tax liabilities	*22*	28,847	3,136
Other current liabilities	*21*	63,273	50,694
Derivatives	*16*	1,532	177
Total current liabilities		**461,677**	**304,557**
Total liabilities		**1,385,089**	**1,011,528**
Total equity and liabilities		**1,575,804**	**1,226,263**

Consolidated Income Statement

		Year ended December 31	
(in thousands of Euros)	***Note***	**2020**	**Restated 2019 (*)**
Sales revenues	*23*	1,315,242	1,115,047
Other operating income	*24*	13,145	9,834
Cost of materials	*25*	(732,346)	(587,967)
Cost of services	*26*	(263,036)	(233,343)
Cost of personnel	*27*	(208,589)	(164,122)
Other costs	*28*	(10,971)	(10,969)
Depreciation, amortization and impairment losses	*29*	(73,661)	(55,017)
Change in inventories of work in progress, semi-finished goods and finished products		3,898	(8,739)
Cost of capitalized in-house work		1,674	1,021
Operating income		**45,356**	**65,745**
Financial income		22,188	9,491
Finance costs		(76,203)	(41,646)
Net financial costs	*30*	**(54,015)**	**(32,155)**
Share of profits of associates		**39**	**37**
(Loss)/profit before tax		**(8,620)**	**33,627**
Income taxes	*31*	34,884	(15,537)
Net profit/(loss) from continuing operations		26,264	18,090
- Attributable to owners of the Parent		*26,555*	*18,088*
- Attributable to non-controlling interests		*(291)*	*2*
Net (loss) from discontinued operations	*32*	(25,992)	(3,430)
- Attributable to owners of the Parent		*(25,992)*	*(3,430)*
- Attributable to non-controlling interests		*-*	*-*
Net profit		**272**	**14,660**
Attributable to:			
- Owners of the Parent		563	14,658
- Non-controlling interests		(291)	2
Earnings per share (in Euros): - basic and diluted	*33*	0.00	0.18
Earnings per share (in Euros): - basic and diluted from continuing operations		-	0.22
Earnings per share (in Euros): - basic and diluted from discontinued operations		-	(0.04)

* The amounts of 2019 were restated pursuant to IFRS 5 as described in "Significant changes in the current reporting period"

Consolidated Statement of Comprehensive Income

(in thousands of Euros)	Year ended December 31 2020	2019
Net profit for the year	**272**	**14,660**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	(909)	(861)
Income tax relating to actuarial losses	140	204
	(769)	**(657)**
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(20,088)	309
Effective portion of gains/(losses) on hedging instruments (cash flow hedge)	735	(1,050)
Income tax relating to cash flow hedge	(217)	311
	(19,570)	**(430)**
Other comprehensive income/(loss) for the year, net of income tax	**(20,339)**	**(1,087)**
Comprehensive (loss)/income for the year	**(20,067)**	**13,573**
Attributable to owners of the Parent	*(19,695)*	*13,571*
Attributable to non-controlling interests	*(372)*	*2*

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Consolidated Statement of Cash Flows

	December 31	
(in thousands of Euros)	2020	Restated 2019
(Loss)/profit before tax	**(8,620)**	**33,626**
Adjustments for:		
Depreciation of property, plant and equipment	54,485	43,261
Amortization of intangible assets	19,138	11,718
Depreciation of investment property	38	38
Impairment losses on tangible and intangible assets	-	-
Charge to provision for severance indemnities	152	11
(Releases from)/charges to risk provisions	(3,269)	1,512
(Gains)/Losses on disposals of property, plant and equipment	6,433	-
Charges to provision for doubtful debts	1,507	2,692
Income from equity-accounted investments in associates	(39)	(37)
Net financial costs/(income)	54,015	32,155
Derivatives fair value adjustment	(94)	-
Cash flow from operating activities before movements in working capital and income taxes paid - discontinued operations	6,888	8,879
Cash flow from operating activities before movements in working capital and income taxes paid	**130,634**	**133,856**
Change in trade receivables	118,466	87,024
Change in trade payables	(7,002)	(52,763)
Change in inventories	(1,833)	48,277
Use of provisions for risks	(4,423)	(7,706)
Use of provisions for personnel	(2,359)	(1,986)
Change in other assets / liabilities	905	12,015
Cash generated by/(used in) operations before income taxes paid - discontinued operations	(14,464)	(10,395)
Cash generated by operations before income taxes paid	**219,924**	**208,322**
Income taxes paid	(10,585)	(14,148)
Net cash generated by operating activities	**209,339**	**194,174**
Cash flow from investing activities		
Investments in intangible assets	(9,604)	(4,649)
Investments in property, plant and equipment	(39,136)	(38,785)
Disposals of property, plant and equipment and intangible assets	1,675	905
Acquisition of subsidiaries or business units net of cash and cash equivalents	(138,077)	-
Financial income received	508	772
Net cash generated by/(used in) investing activities - discontinued operations	(713)	(500)
Net cash generated by/(used in) investing activities	**(185,347)**	**(42,257)**
Dividends paid	(4,500)	-
Finance costs paid	(41,039)	(29,455)
Increase in securities/notes	215,619	-
New short-term bank loans raised	173,372	6
Repayment of short-term bank loans	(227,933)	(26,885)
Repayment of financing from leasing companies	(9,281)	(7,012)
Net cash generated by (used in) financing activities - discontinued operations	(52)	-
Net cash generated by/(used in) financing activities	**106,186**	**(63,346)**
Net increase/(decrease) in cash and cash equivalents for the year	**130,178**	**88,571**
Cash and cash equivalents at the beginning of the period	145,186	56,411
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2,022)	204
Cash and cash equivalents at the end of the year	**273,342**	**145,186**

Consolidated Statement of Changes in Equity

(in thousands of Euros)	Share capital	Share premium reserve	Other reserves	Profit/ (loss) for the year	Equity attributable to owners of the Parent	Capital and reserves attributable to non-controlling interests	Consolidated equity
Balance at January 1, 2019	1,000	194,461	(3,171)	8,810	201,100	39	201,139
Net profit/(loss) for the year	-	-	-	**14,658**	**14,658**	**2**	**14,660**
Actuarial gains/(losses)	-	-	(657)	-	(657)	-	(657)
Cash flow hedge, net of taxes	-	-	(739)	-	(739)	-	(739)
Exchange differences	-	-	309	-	309	-	309
Other items of comprehensive income	-	-	**(1,087)**	**14,658**	**13,571**	**2**	**13,573**
Other changes	-	-	32	-	32	(2)	30
Area change	-	-	(6)	-	(6)	-	(6)
Allocation of profit	-	-	8,810	(8,810)	-	-	-
Balance at December 31, 2019	**1,000**	**194,461**	**4,577**	**14,658**	**214,696**	**39**	**214,735**
Balance at January 1, 2020	1,000	194,461	4,577	14,658	214,696	39	214,735
Net profit/(loss) for the year	-	-	-	**563**	**563**	**(291)**	**272**
Actuarial gains/(losses)	-	-	(769)	-	(769)	-	(769)
Cash flow hedge, net of taxes	-	-	518	-	518	-	518
Exchange differences	-	-	(20,007)	-	(20,007)	(81)	(20,088)
Other items of comprehensive income	-	-	**(20,258)**	**563**	**(19,695)**	**(372)**	**(20,067)**
Dividends distributed	-	(4,500)	(0)	-	(4,500)	-	(4,500)
Other changes	-	-	(61)	-	(61)	-	(61)
Area change	39,000	(129,719)	90,683	-	(36)	644	608
Allocation of profit	-	-	14,658	(14,658)	-	-	-
Balance at December 31, 2020	**40,000**	**60,242**	**89,599**	**563**	**190,404**	**311**	**190,715**

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Notes to the Consolidated Financial Statements

Introduction

On April 16, 2018, Fabric (BC) S.p.A. purchased the entire share capital of Fedrigoni S.p.A. (the "Company" or "Fedrigoni"), a leading international company in the production and sale of various types of paper, security products and self-adhesive items.

On July 11, 2018, Fabric (BC) S.p.A., with a view toward strategic consolidation in the Paper and Security Segment, purchased the entire share capital of the Cordenons S.p.A. Group ("Cordenons") through Bianco (BC) S.p.A ("Bianco"), which was then absorbed by Cordenons.

Significant changes in the current reporting period

On January 31, 2020, pursuant to Fedrigoni's business plan, the Company purchased the entire share capital of Ritrama S.p.A. and the subsidiaries thereof (excluding Ritrama Holdings, Inc. and Ritrama Inc.), Eurotac S.p.A. and Coating Ricofin S.p.A. (the "Ritrama Group"). On March 13, 2020, Eurotac S.p.A. and Coating Ricofin S.p.A. were absorbed by Ritrama S.p.A. The Ritrama Group produces and distributes at a worldwide level adhesive and anti-adhesive paper and materials and is a global leader in the production of labels for the industrial market.

The acquisition was financed through the issuance of unsubordinated, non-convertible notes for an aggregate principal amount of Euro 225 million, the "€ 225,000,000.00 Floating Rate Senior Secured Notes due 2026".

During 2020, the downstream merger of parent Fabric (BC) S.p.A. into Fedrigoni S.p.A. took place with a notarial deed dated December 10, 2020 drawn up by Notary Public Mariella of Milan, rep. 44,544, conn. 14,634. Pursuant to such operation, the Company's direct parent is the English company, Fedrigoni Holding Ltd.

The merger, intended to simplify the organizational and administrative structure of the "Fedrigoni Group", was carried out with the unanimous approval of all the shareholders through the direct redistribution to the shareholders of the acquiree, Fabric (BC) S.p.A., of the shares of the acquirer, Fedrigoni S.p.A., and the issuance of 846 new Fedrigoni S.p.A. shares to non-controlling shareholders (other than those of Fabric), without involving any capital increases of the acquirer and without any adjusting cash consideration. The merger deed states expressly that the accounting and financial effects, with the acquiree's transactions incorporated into the acquirer's financial statements, shall take effect on January 1, 2020, with the tax effects of the merger backdated to the same date.

On December 1, 2020 the Company purchased on its own and through its subsidiary, Arconvert S.A.U., the entire share capital of Venus America S.A. de C.V. and the subsidiaries thereof ("IP Venus Group"). The IP Venus Group, established in Mexico, produces and distributes adhesive and anti-adhesive materials.

1. General information

On October 28, 2020 the Brazilian subsidiary, Fedrigoni Brasil Papéis Ltda, was divested through a carve-out of the self-adhesive product business unit remaining among the Group's operations. The sale of the paper and security business unit became necessary as a result of the combination of a number of adverse factors, such as the heightened uncertainties of the banknote paper market in South America and the persistent difficulties experienced by the country, aggravated by the Covid-19 pandemic, with the consequent severe depreciation of the Brazilian Real (40% since the beginning of 2020). The situation would have involved a significant commitment of financial and managerial resources to attempt a recovery. In accordance with IFRS 5, due to this transaction, the 2019 income statement has been restated by reclassifying the effects on profit and loss of the assets and liabilities sold to the profits and losses deriving from discontinued operations.

The consolidated data referring to the prior year, restated as mentioned above, are from the consolidated financial statements for the year ended December 31, 2019 of the merged company, Fabric (BC) S.p.A., which until last year was the consolidating company of the Fedrigoni Group. The reverse merger described above is irrelevant on the consolidation perimeter and on the consolidated equity, it only affected the composition of share capital, share premium reserve, legal reserve and other reserves.

The increase in consolidated revenues in 2020 is attributable primarily to the consolidation in 2020 of the Ritrama Group. The growth was offset in part by a sales decline in the Paper and Security Segment caused principally by the consequences of Covid-19 on the market.

For this reason, on a comparable consolidation basis, the sales performance reflects lower sales revenues due to the performance of the Paper and Security Segment. In the Paper segment, the volume downturn ensuing from the pandemic was accompanied by a reduction of average selling prices due to lower pulp prices. The Security Segment was affected by the decision of some countries to insource and nationalize banknote production and the interruption of our deliveries of security items (threads and holograms) to two important customers which, in compliance with the guidelines to contain the pandemic, had to shut down their production for a few weeks.

Fedrigoni S.p.A. is a company incorporated and domiciled in Italy and organized under Italian law.

The Company, whose registered office is located at Via Enrico Fermi, 13/F – Verona, was incorporated on August 5, 1999 under the name Papelco S.r.l. It changed its name to Fedrigoni Cartiere S.p.A. on December 18, 1999 and then to Fedrigoni S.p.A. on January 1, 2011

Fedrigoni Holding Ltd. (the "Parent company"), an English company whose registered office is located in London at 1 Bartholomew Lane, has a controlling interest in Company, with 99.99% of the voting rights.

The Fedrigoni Group (the "Group") produces and sells special paper, security products (paper and security or "P&S") and self-adhesive items (pressure sensitive labels or "PSL). Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. The Group produces, converts and distributes worldwide adhesive and anti-adhesive papers and materials. It is the only Italian producer of paper for banknotes and one of the world's leading names in this particular market segment. The Group's main brands are *Fedrigoni*, *Fabriano* and *Cordenons* in the Paper Segment, and *Arconvert, Ritrama, Manter* and *IP Venus* in the Pressure Sensitive Labels Segment.

These Consolidated Financial Statements were approved by the Company's Board of Directors on April 28, 2021.

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2. Summary of accounting standards

Provided below are the main accounting standards and principles applied in the preparation of the Group's consolidated financial reports.

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, and with the provisions issued in enactment of Italian Legislative Decree n. 38/2005, Article 9. The term "EU-IFRS" means the International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all Interpretations of the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee, or SIC) which, as of the date of approval of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedures established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. The Consolidated Financial Statements have been prepared according to the best knowledge of the EU-IFRS and taking into consideration the best doctrine applicable. Any future changes in interpretation or orientation will be reflected in subsequent periods as established at the time by applicable accounting standards.
The Consolidated Financial Statements have been prepared on a going concern basis, as the Directors have verified the Group's ability to meet its obligations in the foreseeable future and specifically in the next 12 months, and considering the information reported in Note 37 herein on subsequent events.
A description of how the Group manages financial risk, including both liquidity and equity risk, is provided in Note 3 regarding the management of financial risks.
The Consolidated Financial Statements are presented in Euros, the currency used in the economies in which the Group primarily operates.
Below is a description of the various financial statements and related classification criteria adopted by the Group as envisaged in IAS 1 – Presentation of Financial Statements:

- The *consolidated statement of financial position* has been prepared by classifying assets and liabilities as either current or non-current;
- The *consolidated income statement* has been prepared by classifying operating costs by their nature;
- The *consolidated statement of comprehensive income* includes both the net profit for the period as shown in the consolidated income statement and the other changes in equity resulting from transactions not entered into with shareholders of the Company;
- The *consolidated statement of cash flows* has been prepared by showing the cash flows resulting from operations by way of the "indirect" approach.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for financial assets, which are measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect fair value changes for hedged risks (fair value hedge).

2.2 Basis and method of consolidation

Described below are the criteria adopted by the Group in determining the companies to be consolidated in terms of subsidiaries and associates and their respective consolidation methods.

a) Consolidated companies

i) Subsidiaries

The Consolidated Financial Statements include those of the Company and companies over which, in accordance with IFRS 10, Fedrigoni S.p.A. exercises control either directly or indirectly by virtue of direct or indirect ownership of the majority of voting rights or the exercise of dominant influence in terms of the power to make decisions about the financial and operating policies of the companies/entities, obtaining the related benefits, regardless of the ownership interest. All subsidiaries are included in the consolidation perimeter from the date on which they are acquired until the date on which control over the subsidiary ceases.
Subsidiaries are consolidated on a line-item basis as described below:

- the assets and liabilities, income and expenses are consolidated line by line, with non-controlling interests allocated their share of equity and net profits as shown separately in the statement of changes in equity, consolidated income statement, and consolidated statement of comprehensive income;

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- business combinations which, during the reporting period, resulted in acquiring control over an entity are recognized using the acquisition method under IFRS 3. The acquisition cost is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued. Transaction costs are recognized through profit or loss on the date on which the related services are provided. The assets, liabilities and contingent liabilities acquired are recognized at their fair value at the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognized, if positive, among intangible assets as goodwill or, if negative and after verifying the proper measurement of the fair value of the assets and liabilities acquired and their acquisition cost, through profit or loss. If the fair value of the identifiable assets and liabilities acquired can be determined only provisionally, the business combination is recognized using the provisional values. Any adjustments resulting from the measurement process are recognized within twelve months from the acquisition date, and the comparative figures are remeasured;
- the acquisition of non-controlling interests related to entities in which there is already control, or the sale of non-controlling interests that do not result in a loss of control, are considered equity transactions. This means that, in the event of acquisition or sale of non-controlling interests that result in control being maintained, any difference between the acquisition/sale cost and the related share of equity acquired/sold is recognized in equity;
- receivables, payables, income and expenses between the consolidated companies as well as significant profits and losses and related tax effects resulting from transactions conducted between companies and not yet realized with other parties are eliminated, with the exception of unrealized losses, which are not eliminated if the transaction provides evidence of an impairment loss of the business transferred. Also eliminated, if material, are reciprocal receivables and payables, revenues and expenses, financial income and finance costs;
- profits or losses resulting from the sale of equity interests in consolidated companies that results in a loss of control over that entity are recognized through profit or loss in an amount equal to the difference between the selling price and the corresponding share of the equity sold.
- The financial statements of subsidiaries are prepared with reporting periods ending on December 31, which is the same reporting date for the Consolidated Financial Statements, and have been prepared and approved by the boards of directors of the respective entities and adjusted, as necessary, to ensure uniformity in the accounting standards adopted within the Group.

ii) Associates

Associates are companies over which the Group exercises significant influence, which is the power to contribute to determining the financial and operating policies of the entity without having either control or joint control. Significant influence is assumed to exist when at least 20% of the exercisable voting rights is held either directly or indirectly through subsidiaries. When determining the existence of significant influence, potential voting rights that are actually exercisable or convertible are also taken into account. Investments in associates are measured using the equity method and initially recognized at the cost incurred for their acquisition. A description of the equity method is provided hereunder:

- the carrying value of these investments is aligned with the equity held and adjusted, as necessary, in application of the EU-IFRS; this includes the recognition of the greater value attributed to the assets and liabilities and any goodwill established at the time of acquisition;
- profit or loss attributable to owners of the parent company is recognized from the date on which significant influence began until the date on which it ceases; if realized losses of a company measured at equity should result in negative equity, the carrying value of the investment is eliminated, and any excess attributable to the owners of the parent is recognized in a specific reserve if the parent has undertaken to meet the associate's legal or other constructive obligations; changes in equity for companies measured at equity that are not related to net profits are recognized as a direct adjustment to equity reserves;
- significant unrealized profits and losses generated on transactions between the Company, its subsidiaries and equity-accounted associates are eliminated based on the value of the equity interest that the Group owns in the associate; unrealized losses are eliminated, with the exception of cases in which such losses represent an impairment loss.

As per the information stated in the Introduction and in accordance with IFRS 5, the comparative data referring to 2019 in the financial statements were reclassified in order to ensure comparability. For this reason, the income statement results and cash flows deriving from the assets and liabilities of the Brazilian subsidiary, Fedrigoni Brasil Papéis Ltda, divested during 2020, were reclassified to discontinued operations in both the income statement and in the statement of cash flows.

A list of subsidiaries and associates, which includes information on their headquarters and the respective ownership interests, is provided in Annex 1.

b) Translation of foreign currency balances

The financial statements of subsidiaries and associates are prepared using the currency of the primary economy in which they operate (i.e. the "functional currency"). The rules for translating financial statements expressed in a currency other than the euro are as follows:
- assets and liabilities are translated using the exchange rates in effect at the end of the reporting period;
- income and expenses are translated at the average exchange rate for the reporting period;
- the translation reserve shown in the statement of comprehensive income includes both the exchange rate differences generated by the translation of balances at a different rate from that of the closing date and those generated by the translation of opening equity balances at a different rate from that of the reporting date;
- the goodwill and fair-value adjustments related to the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

The companies in the consolidation perimeter at December 31, 2020 whose functional currency differs from the Euro are Fedrigoni UK Ltd (GBP), Fedrigoni Asia Ltd (HKD), Fedrigoni Brasil Papéis Ltda/Arconvert-Ritrama do Brasil Ltda (BRL), GPA Holding Company Inc. (USD), Fedrigoni Trading (Shanghai) Company Limited (CNY), Concept Couleurs Sàrl (CHF), Distribuidora Ritrama Ecuador Disritrec S.A. (USD), Inversiones San Aurelio Srl (DOP), Ritrama Autoadesivos Ltda (BRL), Ritrama Caribe Srl (DOP), Ritrama S.A. Chile (USD), Ritrama (Hefei) Pressure Sensitive Coated Materials Co.Limited (CNY), Ritrama S.A.S. (COP), Ritrama Costa Rica S.A. (CRC), Ritrama Guatemala S.A. (GTQ), Ritrama Perù SAC (USD), Ritrama Converting (PTY) LTD (ZAR), Ritrama A.G. (CHF), Ritrama UK Ltd (GBP), Venus America, S.A. de C.V. (MXN), Industrial Papelera Venus, S.A. de C.V. (MXN) and Servicios De Personal Rolosa, S.A. de C.V. (MXN).

The exchange rates used to translate the financial statements of companies with a different functional currency from the Euro are reported in the following table:

	Average for the 12 months ended December 31		At December 31	
Currency	2020	2019 (*)	2020	2019 (1*)
GBP	0.8897	0.8778	0.89903	0.8508
BRL	5.8943	4.4134	6.3735	4.5157
CNY	7.8747	7.7355	8.0225	7.8205
CHF	1.0750	1.1124	1.0802	1.0854
USD	1.1422	1.1195	1.2271	1.1234
HKD	8.8587	8.7715	9.5142	8.7473
CRC	668.7550		750.5557	
GTQ	8.8227		9.565	
COP	4217.06		4202.34	
DOP	64.6052		71.4411	
ZAR	18.7655		18.0219	
MXN	24.5194		24.416	

* The 2019 rates are not included for CRC, GTQ, COP, DOP, ZAR and MXN currencies as these relate to companies acquired during the reporting period

c) Translation of foreign currency items

Transactions in a currency other than the functional currency are recognized at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in a currency other than the euro are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency other than the euro are recognized at historical cost using the exchange rate in effect when the transaction was initially recognized. Any currency differences arising from such translation are recognized in the consolidated income statement.

2.3 Accounting policies

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost net of accumulated depreciation and any impairment losses. The purchase or production cost includes any charges incurred directly to bring the assets to working condition for their intended use, as well as any charges for disposal and removal that should be incurred as a result of contractual obligations that require restoring the asset to its original condition. Finance costs directly attributable to the purchase or construction of qualified assets are capitalized and depreciated over the useful life of the related asset.

Expenditure incurred for routine and/or cyclical maintenance and repairs is fully recognized directly in the income statement of the period in which they are incurred. Costs related to the expansion, modernization or improvement of structural components of owned assets are capitalized when such components meet the requirements for separate classification as assets or part of an asset in application of the component approach, which establishes that each component subject to separate determination of its useful life and related value must be treated individually.

Depreciation is recognized monthly on a straight-line basis based on rates that enable the asset to be fully depreciated by the end of its useful life.

The useful lives estimated by the Group for the main categories of fixed assets are reflected in the following depreciation rates:

Land	Not depreciated
Buildings	2.5%
Plant and machinery	5-10 %
Equipment	7- 12.5%
Other tangible assets	7-20 %

The useful lives of property, plant and equipment and the residual value of such assets are reviewed and updated as necessary at the end of each year. Land is not depreciated.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease; i.e., whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group adopts a single recognition and measurement model for all leases, excluding short-term leases and leases of low-value assets. The Group recognizes the liabilities referring to lease payments and the right-of-use asset, which represents the right to use the underlying asset in the lease.

Right-of-use asset

The Group recognizes the right-of-use assets at the commencement date of the lease (the date on which the underlying asset is available for use). The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, adjusted by any remeasurements of lease liabilities. The cost of the right-of-use asset comprises the amount of lease liability recognized, the initial direct costs incurred, and any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of the useful life of the underlying asset or, if earlier, to the end of the lease term. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

The right-of-use assets are subject to impairment testing. More information is provided in the section on impairment testing.

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments due include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and the payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as costs in the period in which the event or condition that generated the payment occurs.
In calculating the present value of the lease payments due, the Group uses the incremental borrowing rate at the commencement date if the implicit interest rate cannot be determined easily. After the commencement date, the lease liability is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. Moreover, the carrying amount of the lease liability is remeasured to reflect any lease modifications or revised contractual terms for payment modifications; it is also remeasured to reflect any changes in the assessment of whether the option to purchase the underlying asset is reasonably certain to be exercised or modifications in future payments deriving from a change in the index or rate used to determine such payments.

Short-term leases and leases of low-value assets
The Group applies the exemption for recognizing short-term leases (those that, at the commencement date, have a term of 12 months or less and do not contain a purchase option). The Group also applies the exemption for leases with low-value assets mainly to office equipment considered to have a low value. The payments on short-term leases and low-value leases are recognized as costs on a straight-line basis over the lease term.

Intangible assets
Intangible assets are identifiable, non-monetary items without physical substance, which generate future economic benefits. Goodwill is included when acquired for valuable consideration. Intangible assets are recognized at purchase and/or production cost including any directly attributable expenses incurred to prepare the asset for use and net of accumulated amortization and any impairment losses. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.

Amortization begins when the asset is available for use and is recognized systematically in relation to the remaining useful life of the asset.
Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, i.e. the estimated period in which such assets will be used by the Group. Intangible assets with a finite useful life are tested for impairment in order to determine whether those assets have suffered a loss in value (impairment loss) whenever there is any indication thereof.

Intangible assets with an indefinite useful life are not depreciated, but they are tested for impairment at least annually). The impairment test is described in the section on "impairment losses".

When part or all of a previously acquired business is sold, and goodwill had emerged on the acquisition, the corresponding residual value of goodwill is taken into account in determining the capital gain or capital loss on the sale.
(a) Industrial patents and intellectual property rights
Patents and intellectual property rights are amortized on a straight-line basis over their useful life.
(b) Concessions, licenses and trademarks
Concessions, licenses and trademarks are amortized on a straight-line basis over their respective term except for the *Fedrigoni*, *Fabriano* and *Cordenons* brands, emerging when accounting for the Fedrigoni Group and Cordenons Group acquisitions, which are measured using the royalty method and are not amortized because they have indefinite useful lives, but are tested annually for impairment.

Costs for software licenses, including expenses incurred in order to make the software ready for use, are amortized on a straight-line basis over a period of 3 years.

Costs related to software maintenance are expensed as incurred.
(c) Customer relationships
"Customer relationships" (emerging when accounting for the Fedrigoni Group, Cordenons S.p.A. Group, Ritrama Group and IP Venus Group acquisitions), included among the "other intangible assets", represents the total contractual relationships (supply agreements, service agreements, etc.) and non-contractual relationships with customers, and is measured with the discounted cash flow method (under the income approach). The assets are amortized over the useful life of the asset, estimated as six years for the Fedrigoni Group, twelve years for the Cordenons S.p.A. Group and eighteen years for the Ritrama Group. With respect to the allocation regarding the recent acquisition of the IP Venus Group, since the process of measuring the assets acquired has not been completed yet and since the measurement period envisioned by IFRS 3 has not been exceeded, the allocation reflected in

the financial statements is considered provisional, and the identification of the fair value of the assets acquired and of the related useful lives is postponed to the next reporting period.

(d) Research and development costs
Research costs are expensed as incurred, whereas development costs are recognized as intangible assets when all the following conditions are met:
- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated has been demonstrated;
- a potential market exists or, in the event of internal use, the utility of the intangible asset to produce the intangibles generated by the project has been demonstrated;
- the technical and financial resources needed to complete the project are available.

The amortization of any development costs recognized as intangible assets begins on the date on which the project becomes marketable.

In an identified internal project for the creation of an intangible asset, if the research stage is indistinguishable from the development stage, the cost of this project is fully recognized through profit or loss as if there had only been a research stage.

Impairment of property, plant, equipment and intangible assets
At each reporting date, a review is performed to determine whether there is any indication that assets have suffered an impairment loss. Both internal and external sources of information are taken into account for the impairment testing. Internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the financial performance of the asset compared to expectations. External sources of information include: trends in the market price of the asset; any technological, market or legislative changes; trends in market interest rates or in the cost of capital used to measure the value of the investment.

If any such indication exists, the recoverable value of the asset is estimated, and any impairment loss compared to the current carrying value is recognized in the income statement. The recoverable value of an asset is its fair value less any costs to sell or its value in use (i.e. the present value of estimated future cash flows generated by the asset), whichever is greater. To determine value in use, the present value of expected future cash flows is calculated using a pre-tax discount rate that reflects the current market values of the cost of money based on the investment period and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying value of the asset or of the related cash-generating unit exceeds its recoverable value. Impairment of cash-generating units is initially recognized as a reduction of the carrying value of any goodwill attributed to it and subsequently as a reduction of the other assets proportionate to their carrying values and to the extent of their respective recoverable values. If the conditions for a previous impairment loss should cease to exist, the carrying value of the asset is reinstated and recognized in the income statement to the extent of the net carrying value that the asset would have had if it had not been written down and all related depreciation or amortization had been recognized.

Investment property
Investment property is property owned for the purpose of receiving rent payments, realizing a capital gain on the investment, or both, which generates cash flows that are largely independent of the other assets. Investment property follows the same measurement, recognition and depreciation criteria applied for property, plant and equipment.

Trade receivables and other financial assets
Trade receivables and other financial assets are initially recognized at fair value and subsequently at amortized cost in accordance with the effective interest rate approach, net of any write-downs. Trade receivables and other financial assets are included among current assets, excluding those contractually due after twelve months from the reporting date, in which case they are classified as non-current assets.

Impairment losses on receivables are recognized when there is objective evidence that the Group will not be able to collect the amount from the counterparty based on the terms of the related agreement.
Objective evidence includes events such as:
- significant financial difficulty of the issuer or debtor;
- pending legal disputes with the debtor concerning the receivables;
- likelihood that the debtor will declare bankruptcy or will initiate other such financial restructuring procedures.

The amount of the writedown is measured as the difference between the carrying value of the asset and the present value of the future cash flows and is recognized in the income statement under "other costs". Uncollected receivables are eliminated from the statement of financial position and recognized in a provision for doubtful debts. If the reasons for a previous writedown should cease to exist in future periods, the value of the asset is reinstated at the value of its amortized cost without the writedown.

Financial assets are written off when the right to receive cash flows from them ceases or is transferred, or when the Group has substantially transferred all risks, rewards and control associated with the financial instrument to a third party.

Derivatives and hedge accounting

The Group uses derivatives (interest rate swaps) to hedge against risks of variability in interest rates with respect to the note issuance.

The use of derivatives is regulated by the Group's policies approved by the management bodies, which lay down precise written procedures on the use of derivatives in keeping with the Group's risk management strategies. Derivative agreements were stipulated with some of the most financially solid counterparties in order to reduce to a minimum the risk of contractual breach. The Group does not use derivatives for trading purposes, but to hedge against identified financial risks. A description of the criteria and methods used to manage financial risks is contained in the "Financial risk management" section. Derivatives are initially measured at their fair value, in accordance with IFRS 13, and the attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, the changes in fair value are recognized in profit and loss if the derivatives do not qualify for hedge accounting due either to their type or to the Group's decision not to perform effectiveness testing. Derivatives are designated as hedging instruments when formal documentation of the hedging relationship exists and the hedge effectiveness, tested periodically, is high, under IFRS 9.

Hedge accounting differs according to the purpose of the hedge: hedging of the exposure to variability in future cash flows (cash flow hedge) or of changes in fair value (fair value hedge):

- *Cash flow hedge*: the changes in the fair value of the derivatives that are designated, or are effective, for hedging future cash flows regarding probable transactions are recognized directly in other comprehensive income and other reserves, while the ineffective portion is recognized immediately in profit or loss. The amounts, which had been recognized directly in the Statement of Comprehensive Income and accumulated in equity, are included in profit or loss when the hedged transactions affect profit or loss.
- *Fair value hedge*: for effective hedging of exposure to changes in fair value, the hedged item is adjusted by the fair value changes attributable to the risk hedged with a balancing item in the income statement. Gains and losses deriving from measurement of the derivative are also recognized in profit or loss. Fair value changes of derivatives that do not qualify for hedge accounting are recognized in profit or loss as they occur.

In the absence of quoted prices on active markets, the fair value is the amount resulting from appropriate valuation techniques that take into account all factors adopted by market participants and the prices obtained in an actual market transaction. The fair value of the interest rate swaps is determined by discounting the future cash flows to their present value.

Derivatives qualified as trading instruments

Derivative instruments are used for strategic and financial hedging purposes. However, since some derivative do not meet conditions set by EU-IFRS for hedge accounting, those derivatives are recognized as trading instruments. Accordingly, the derivatives are initially recognized at fair value, and subsequent changes in fair value are recognized as components of financial income and finance costs for the period.

The fair value of financial instruments not listed on an active market is determined using valuation approaches based on a series of methods and assumptions related to the market conditions at the reporting date. The fair value classification of financial instruments is set forth below based on the following hierarchical levels:

- Level 1: fair value determined based on quoted (non-adjusted) prices in active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques based on inputs that are observable in active markets;
- Level 3: fair value determined using valuation techniques based on inputs that are not observable in active markets.

Given the short-term nature of trade receivables and payables, we believe that the carrying value is a good approximation of their fair value.

For more information on the valuation of financial instruments at *Fair Value* based on this hierarchy, see Note 3.5.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value, i.e. the amount that the Group expects to receive on their sale under normal business conditions, less costs to sell. The cost of inventories of raw and ancillary materials, consumables and finished products is determined by using the weighted average cost method.
The cost of finished products and semi-finished goods includes the costs of raw materials, direct labor and other production costs (based on normal operating capacity). Finance costs are not included in the measurement of inventories because the conditions for their capitalization are not present.

Cash and cash equivalents

Cash and cash equivalents include available bank deposits and other forms of short-term investment with a maturity not exceeding three months. At the reporting date, bank overdrafts are classified as current financial liabilities in the statement of financial position. The items included in cash and cash equivalents are measured at fair value, and subsequent changes are recognized through profit or loss.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at fair value net of directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities

Financial liabilities, which relate to loans, leases and other payment obligations, are initially recognized at fair value net of transaction costs and are subsequently recognized at amortized cost using the effective interest rate method. In the event of changes in the expected cash flows, the value of the liability is recalculated in order to reflect such change based on the present value of the new expected cash flows and using the initially determined internal rate of return. Financial liabilities are classified among current liabilities, excluding those with a contractual maturity of twelve months after the reporting date and excluding those for which the Group has the unconditional right to defer payment for at least twelve months from such date.

Purchases and sales of financial liabilities are recognized on the transaction settlement date.

Financial liabilities are eliminated from the statement of financial condition when paid in full and/or when the Group has transferred all risks and charges related to the instrument.

Employee benefits

Short-term benefits include wages, salaries, related social security charges, compensation for unused vacation time, and incentives and bonuses payable within twelve months of the reporting date. These benefits are recognized as components of the cost of personnel during the period of service.

Pension funds

The companies of the Group have both defined-contribution and defined-benefit plans.

The defined-contribution plans are managed by external fund managers in relation to which there are no legal or other obligations to pay further contributions if the fund should have insufficient assets to meet the obligations toward employees. For those defined-contribution plans, the Group gives voluntary or contractually set contributions to both public and private pension funds. The contributions are recognized as costs of personnel on an accrual basis. Advance contributions are recognized as an asset to be reimbursed or used to offset any future payments due.

A defined-benefit plan is one that cannot be classified as a defined-contribution plan. In defined-benefit plans, the amount of the benefit to be paid to the employee is quantifiable solely upon termination of employment and is tied to one or more factors, such as age, seniority, and salary level. As such, the obligations of a defined-benefit plan are determined by an independent actuary using the projected unit credit method". The present value of a defined-benefit plan is determined by discounting the future cash flows at an interest rate that is equal to that of high-quality corporate bonds issued in the currency in which the liability is to be settled and which takes into account the term of the related pension plan. Actuarial gains or losses resulting from these adjustments are shown in the statement of comprehensive income as a component of such income. The Group manages solely one defined-benefit plan, which is the fund for employee severance indemnities (or "TFR"). This fund, which is a form of deferred remuneration, is mandatory for Italian companies in accordance with Article 2120 of the Italian Civil Code and is correlated to the length of employment and the salary received throughout the period of service. On January 1, 2007, Italian law no. 296 of December 27, 2006 ("2007 Financial Law"), and subsequent law decrees and regulations introduced significant changes as to how this fund is to be handled, including the right for employees to choose whether their benefit is accumulated in a supplemental pension fund or in the "treasury fund" managed by INPS. As a result, the obligation toward INPS and the contributions to supplementary pension funds have, in accordance with IAS 19 – Employee Benefits, become defined-contribution plans, whereas the amounts contributed to the TFR fund as at January 1, 2007 maintain their status as defined-benefit plans.

Provisions for risks and charges

Provisions for risks and charges are recognized for certain or probable losses and other charges of a given nature, but for which the amount and/or timing cannot be determined. The provision for agency termination represents amounts that could be due as a result of the termination of agency relationships in effect at the reporting date.

Provisions are recognized only when there is a present obligation (legal or constructive) for a future outflow of economic resources that has arisen as a result of past events and when it is probable that such outflow will be required to settle the obligation. The amount allocated represents the best estimate of the amount required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

Where the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provisions are measured at the present value of the outflow expected using a rate that reflects current market conditions, the change in the time value of money, and the risks specific to the liability.

Any increases in value of the provision attributable to changes in the time value of money are recognized as interest expense.

Risks for which a liability is only possible are disclosed as contingent liabilities, and no provision is allocated for them.

Recognition of revenues

Sales revenues

Sales revenues are recognized when the control over the good is transferred to the customer, which normally coincides with the sending or delivery of the good and receipt of it by the customer. The good has been transferred when the customer obtains control over it, i.e. when the customer has the capacity to make decisions about the use of the asset and to obtain benefits from it.

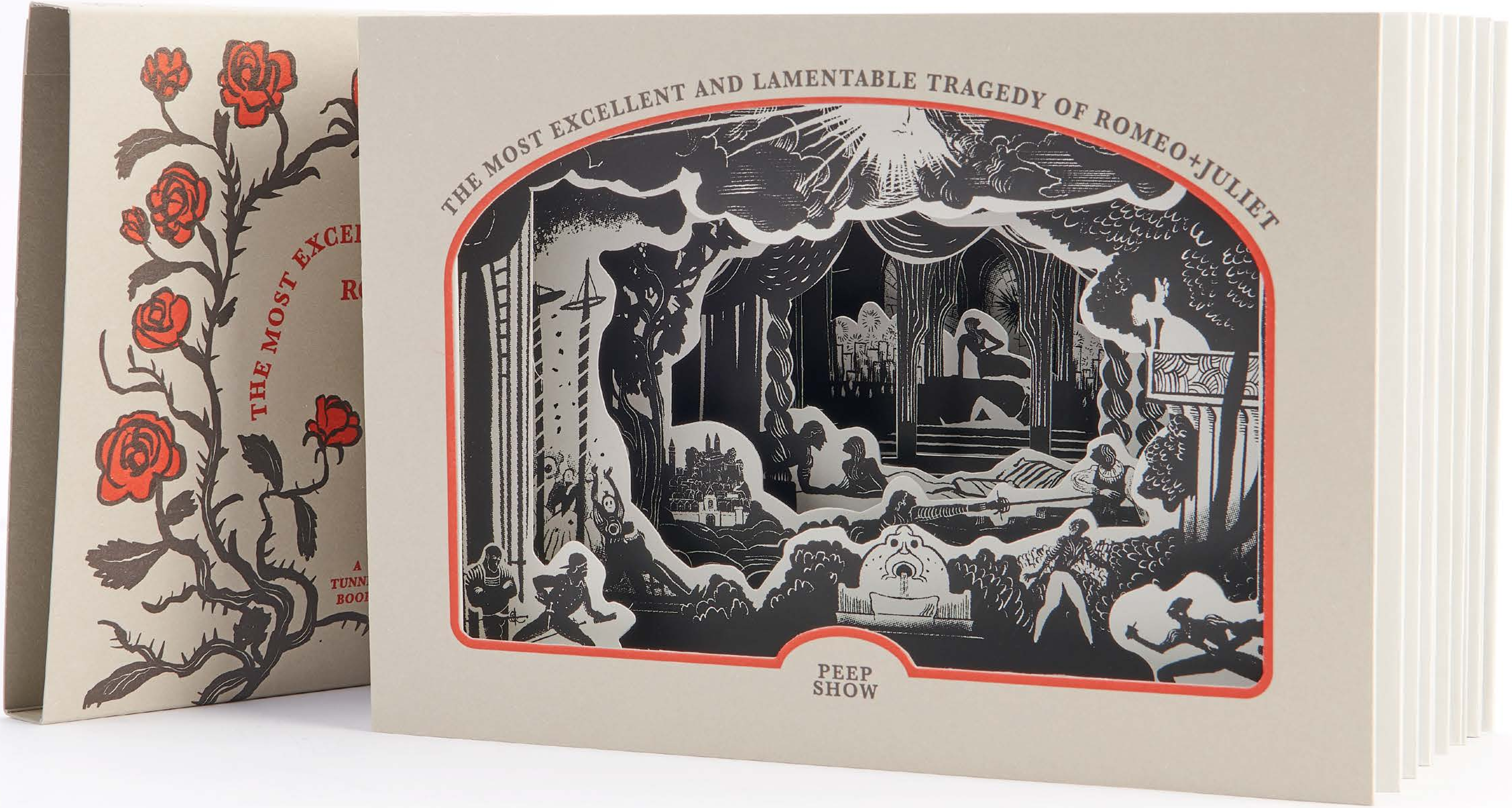
Within this framework, sales revenues and the costs for purchasing goods are measured at the fair value of the consideration received or due, taking into account any returns, rebates, sales discounts and quantity premiums.

The Group grants discounts to some customers when the product quantities they purchase during the period exceed the threshold established in the contract. Only when the threshold is exceeded, the discount is granted and accounted for as a reduction of the revenues.

In accordance with IFRS 15, the Group checks whether there are any contractual terms that represent separate performance obligations to which the transaction price must be allocated (such as guarantees), and effects deriving from the presence of variable consideration, significant financing components or non-monetary exchanges that must be paid to the customer.

Interest income

Interest income is recognized in the consolidated income statement based on the effective rate of return. It refers primarily to interest earned on bank accounts.


THE MOST EXCELLENT AND LAMENTABLE TRAGEDY OF ROMEO+JULIET
PEEP
SHOW

Government grants

When formally authorized and when the right to their disbursement is deemed definitive based on reasonable certainty that the Group will meet the underlying conditions and that the grants will be received, government grants are recognized based on the matching concept of income and expenses.

Grants relating to assets

Government grants relating to fixed assets are recognized as deferred income among "other liabilities", either current for short-term portions or non-current for long-term portions. Deferred income is recognized in the income statement as "other operating income" on a straight-line basis over the useful life of the asset for which the grant is received.

Grants for operating expenses

Grants other than those relating to assets are recognized on the income statement under "other operating income".

Recognition of expenses

Expenses are recognized when relating to goods or services acquired or consumed during the period or when systematically allocated.

Income taxes

Current income taxes are calculated based on the taxable income for the period at the tax rates in effect on the reporting date.

Deferred taxes are calculated for differences emerging between the tax base of an asset or liability and its related carrying value, with the exception of goodwill and differences related to investments in subsidiaries when the timing of such differences is subject to control by the Group and it is probable that they will not be recovered in a reasonably foreseeable time frame. Deferred tax assets, including those concerning accumulated tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent to which it is probable that there will be sufficient future taxable earnings to recover the deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates expected to apply in the period in which the differences will be realized or settled.

Current and deferred taxes are recognized in the income statement under "income taxes", excluding those related to items shown in the consolidated statement of comprehensive income other than net profits and items recognized directly in equity. In the latter cases, deferred taxes are recognized under "income taxes related to other comprehensive income" in the consolidated statement of comprehensive income and directly in equity. Income taxes are offset when they are assessed by the same fiscal authority, there is a legal right to such offsetting, and the net balance is expected to be settled.

Other taxes unrelated to income, such as indirect taxes and other duties, are included with "other costs".

Earnings per share

- *Earnings per share - basic*
  Basic earnings per share is calculated by dividing the Group's net profit (from continuing operations and discontinued operations) by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares.
- *Earnings per share - diluted*
  Diluted earnings per share is calculated by dividing the Group's net profit (from continuing operations and discontinued operations) by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted-average number of shares in circulation is adjusted by assuming the exercising of all rights that could potentially have a dilutive effect, and the Group's net profit is adjusted to take into account any effect, net of taxes, of exercising such rights.

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Recently issued accounting standards

Adoption of the following accounting standards and amendments to accounting standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union has become mandatory for annual periods beginning on or after January 1, 2020:

- **Amendments to IAS 1 and IAS 8 (Definition of Material)**
  On October 31, 2018 the IASB published "Amendments to IAS 1 and IAS 8: Definition of Material". The document introduced a change to the definition of "material" contained in IAS 1 – Presentation of Financial Statements, and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The purpose of the amendments is to make the definition of "material" more specific, and they have added the concept of "obscuring information" to the concepts of omitted or misstated information previously included in the two standards. The amendments clarify that information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.
  The adoption of the amendments did not have any effect on the Group's consolidated financial statements.

- **Amendments to "References to the Conceptual Framework in IFRS Standards"**
  On March 29, 2018, the IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods beginning on or after January 1, 2020, but earlier application is permitted.
  The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the IASB in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.
  The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.
  The adoption of the amendment did not have any effect on the Group's consolidated financial statements.

- **Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, and IFRS 7 - Financial Instruments: Disclosures - Interest Rate Benchmark Reform**
  On September 26, 2019, the IASB published "Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform*". The document amends IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, and IFRS 7 - Financial Instruments: Disclosures. The amendments modify some specific hedge accounting requirements, by giving temporary exemptions to provide relief from potential effects of the uncertainty caused by IBOR reform on future cash flows in the period preceding its completion. They also require companies to provide additional financial disclosures about their hedging relationships that are directly affected by these uncertainties. The adoption of the amendments did not have any effect on the Group's consolidated financial statements.

- **Amendments to IFRS 3 (Business Combinations)**
  On October 22, 2018 the IASB published "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business for the purpose of applying IFRS 3 correctly. More specifically, the amendments clarify that although businesses usually have outputs, outputs are not strictly required for an integrated set of activities and assets to qualify as a business. However, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. For this reason, the IASB replaced the wording "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of inputs and processes needed to create output. The amendments introduced an optional test (the concentration test) to permit the exclusion of the presence of a business if the price paid refers substantially to a single asset or group assets. The amendments apply to all business combinations and acquisitions of assets occurring after January 1, 2020, but earlier application is permitted. The adoption of the amendments did not have any effect on the Group's consolidated financial statements.

- **Amendments to IFRS 16 - Leases: Covid-19-Related Rent Concessions**
  On May 28, 2020 the IASB issued "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification as defined by IFRS 16. Lessees that use such exemption can account for the effects of the rent concession in profit or loss of the period in which the concession becomes effective.
  The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and is to be applied retrospectively. Earlier application is permitted.
  The adoption of the amendment did not affect the Group's consolidated financial statements because it was not applied.

Accounting standards, amendments, and interpretations endorsed by the European Union, not effective yet and not applied in advance by the Group

Adoption of the following accounting standards and amendments to accounting standards endorsed by the European Union will become mandatory for annual periods beginning on or after January 1, 2021:

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

  All the amendments take effect on January 1, 2021.

The Directors are currently evaluating the potential effects of adopting this amendment on the Group's consolidated financial statements.

IFRS Accounting standards, amendments, and interpretations not yet endorsed by the European Union

As of this writing, the European Union authorities have not yet completed the endorsement process needed for the adoption of the following amendments and standards.

- On January 23, 2020, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document intends to clarify whether to classify payables and other liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023; earlier application is permitted. The Directors are currently evaluating the potential effects of adopting this amendment on the Group's consolidated financial statements.

- On May 14, 2020 the IASB published the following amendments:
  - *Amendments to IFRS 3 Business Combinations*: the amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced during the testing phase of the asset. Instead, such sales proceeds and related costs are to be recognized in profit or loss.
  - Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that the estimated cost of fulfilling a contract must comprise all costs that relate directly to the contract. Therefore, the estimated cost of fulfilling a contract includes not only incremental costs (for example, the cost of materials directly used), but also all other costs that cannot be avoided due to the stipulation of the contract (for example the share of the cost of personnel and the depreciation charge of the machines used in fulfilling the contract).
  - Annual Improvements 2018-2020: amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples accompanying IFRS 16 Leases.

All the amendments will become effective on January 1, 2022.

The Directors are currently evaluating the possible effects of the introduction of the amendments on the Group's consolidated financial statements.

3. Financial risk management

The Group's business is exposed to various types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through the use of derivatives.

Risk management is centralized with the Treasury Management function, which identifies, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and ways to invest excess cash.

3.1 Market risk

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, foreign exchange rates, and cellulose assets and natural gas prices.

To contain such risk within the risk management limits defined at the start of the year, derivatives are stipulated for interest and foreign exchange risks.

Interest rate risk

As a result of the debt refinancing transaction concluded in May and July 2018, whereby two previous bridge facilities were repaid, and the acquisition of the Ritrama Group, the Group's financial structure uses variable borrowing rates based on the issuance of "Floating Rate Notes", subscribed for a total nominal amount of Euro 805 million. The yield of the Notes is linked to the three-month Euribor rate (with a 0.00% floor), plus a 4.125% contractually set spread.

For the purpose of reducing the market interest rate risk on the Floating Rate Notes, the Group stipulated Interest Rate Swaps (for a nominal amount of Euro 305 million) maturing on August 31, 2022, applying a partial term hedge.

To demonstrate the effects of changes in interest rates on the consolidated income statement and equity, below are the results of a sensitivity analysis, in line with IFRS 7, applying positive and parallel shifts to the zero curve of market interest rates. The shifts of the zero curve were equal to +/- 50 basis points.

(in thousands of Euros)	December 31 2020		December 31 2019	
	-0.500%	0.500%	-0.500%	0.500%
Changes to Income Statement	-	(122)	-	(316)
Changes to Equity	(10)	937	(158)	2,377

Foreign exchange risk

The Group conducts business on an international level, so it is exposed to the foreign exchange risk deriving from the different currencies in which the Group operates (prevalently the U.S. Dollar, British Pound Sterling and Brazilian Real).

The foreign exchange risk originates from sales transactions that have not occurred yet and from assets and liabilities that are already recognized in the financial statements in different currencies from the functional currency of the individual entities.

To hedge against risks associated with assets and liabilities already recognized in the financial statements in currencies other than the Company's functional currency, in some instances currency forwards are used. The currency forward contracts usually have a maximum term of twelve months.

Price risk

The Group is exposed to price risk primarily on its cellulose and energy procurement, whose costs are subject to market volatility.

The Group controls the exposure to raw material and energy commodity price changes mainly by monitoring the costs incurred against the budget, with activities aimed to reduce costs and volatility risk through negotiations with suppliers, whenever possible.

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Accounting for derivatives

The Group holds derivatives exclusively for hedging purposes.

However, although some derivatives are designated to hedge interest rate risk and foreign exchange risk, they are embedded with optional components that make them ineligible for hedge accounting: therefore, the changes in fair value of these derivatives follow the general rule observed for trading derivatives, i.e. they are recognized directly in profit and loss and affect the result for the period.

The tables below set forth the notional amounts of the derivatives at December 31, 2020 and December 31, 2019, according to their type.

(in thousands of Euros)	December 31	
	2020	2019
USD forward purchase	29,800	18,100
GBP forward purchase	-	3,600
USD forward sale	5,500	447
GBP forward sale	5,200	6,807

The tables below set forth the fair values of the derivatives according to their type.

(in thousands of Euros)	December 31		December 31	
	2020		2019	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
Commodity derivatives	-	614	-	41
Interest rate derivatives	1,467	-	2,202	-
Currency derivatives	1,532	990	177	42
Total	**2,999**	**1,604**	**2,379**	**83**

Sensitivity analysis

A sensitivity analysis is set forth below, in which the impact of an increase/decrease in the exchange rates of the currencies in which the Group primarily operates on the profit or loss for the period is presented:

(in thousands of Euros)	Year ended December 31, 2020											
	USD		GBP		JPY		CNY		BRL		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
Trade receivables	2,947	(3,601)	922	(1,127)	-	-	683	(835)	1,146	(1,400)	1,304	(1,594)
Trade payables	(4,023)	4,918	(236)	288	(22)	27	(367)	449	(606)	741	(641)	784
Financial receivables	-	-	6	(7)	-	-	-	-	-	-	-	-
Financial payables	(144)	176	-	-	-	-	(320)	391	-	-	(99)	121
Cash and cash equivalents	3,423	(4,184)	1,259	(1,538)	13	(16)	151	(185)	291	(356)	110	(135)
Currency derivatives	(3,640)	2,173	(521)	649	-	-	-	-	-	-	-	-
Total	**(1,437)**	**(518)**	**1,430**	**(1,735)**	**(9)**	**11**	**147**	**(180)**	**831**	**(1,015)**	**674**	**(824)**

(in thousands of Euros)	Year ended December 31, 2019											
	USD		GBP		JPY		CNY		BRL		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
Trade receivables	2,580	(3,153)	432	(528)	-	-	-	-	662	(809)	416	(509)
Trade payables	(5,160)	6,306	(27)	32	(56)	68	(5)	6	(903)	1,104	(7)	9
Financial receivables	-	-	-	-	-	-	-	-	-	-	-	-
Financial payables	-	-	-	-	-	-	-	-	-	-	-	-
Currency derivatives	(1,800)	1,653	(1,174)	1,298	-	-	-	-	-	-	-	-
Total	**(4,380)**	**4,806**	**(769)**	**802**	**(56)**	**68**	**(5)**	**6**	**(241)**	**295**	**409**	**(500)**

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3.2 Credit risk

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates. The Group has no significant concentration of credit risk and no customers that alone account for more than 1.47% of the Group's sales revenues.

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past; moreover, insurance policies are stipulated to cover any unexpected losses. The Group also checks constantly its outstanding receivables and monitors their collection within the established time limits.

- The parties that handle cash and financial resource management are restricted to high-profile, reliable partners. There are two stages for recognizing expected credit losses ("ECLs"):
- Where the credit risk has not increased significantly since initial recognition, the expected credit losses are recognized on the basis of the estimated risk of default over the next twelve months ("12-month ECL").

Where the credit risk has increased significantly since initial recognition, the expected credit losses are recognized on the basis of the remaining life of the past-due receivable regardless of the time at which default is expected to occur ("Lifetime ECL").
For trade receivables and contract assets, the Group uses a simplified approach to calculate expected losses; the Group monitors changes in credit risk as it relates to these assets using a simplified approach based on brackets of shared credit risk characteristics and past due days. Therefore, the Group discloses the full amount of expected credit losses at each reporting date.
The Group has defined a provision matrix based on historical experience, adjusted for forward-looking information about specific types of debtors and their economic environment, as a tool for determining expected credit losses.

The Group uses non-recourse assignments of trade receivables. As a result of such assignments, which provide for the substantially total and unconditional transfer to the purchaser of the risks and rewards of the receivables transferred, such receivables are derecognized.
The following table sets forth an aging analysis of the trade receivables at December 31, 2020 and December 31, 2019, stating separately the provision for doubtful debts:

	Balance at December 31, 2020						
		Past-due (n. of days)					
(in thousands of Euros)	**Falling due**	**0-30**	**31-60**	**61-90**	**more than 90**	**Provision for doubtful debts**	**Total**
Trade receivables	128,045	21,024	10,548	6,234	12,124	(10,935)	167,040
Total	**128,045**	**21,024**	**10,548**	**6,234**	**12,124**	**(10,935)**	**167,040**

	Balance at December 31, 2019						
		Past-due (n. of days)					
(in thousands of Euros)	**Falling due**	**0-30**	**31-60**	**61-90**	**more than 90**	**Provision for doubtful debts**	**Total**
Trade receivables	139,751	29,636	15,746	5,592	9,228	(11,777)	188,176
Total	**139,751**	**29,636**	**15,746**	**5,592**	**9,228**	**(11,777)**	**188,176**

3.3 Liquidity risk

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines in order to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the projections of cash turnover, including undrawn credit lines, and available cash and cash equivalents, on the basis of expected cash flows.
At December 31, 2020, the Group had stipulated committed credit lines of Euro 315,534 thousand, of which Euro 309,695 thousand was undrawn.

The following tables set forth a maturity analysis of the financial liabilities at December 31, 2020 and December 31, 2019. The maturities are based on the period from the reporting date to the contractual maturity date of the obligations.

(in thousands of Euros)	At December 31, 2020					
	On demand	Within 1 year	In 1 to 5 years	Due after 5 years	Total	Total recognized
Currency derivatives – net balance	-	(542)	-	-	(542)	(542)
Interest rate derivatives – net balance	-	-	(1,467)	-	(1,467)	(1,467)
Lease liability	-	(10,891)	(27,133)	(10,722)	(48,746)	(48,746)
Other financing	-	(43,281)	(140)	-	(43,421)	(43,421)
Notes issued	-	(2,820)	(563,757)	(216,735)	(783,312)	(783,312)
Trade payables	-	(311,033)	-	-	(311,033)	(311,033)
Total	**-**	**(368,567)**	**(592,497)**	**(227,457)**	**(1,188,521)**	**(1,188,521)**

(in thousands of Euros)	At December 31, 2019					
	On demand	Within 1 year	In 1 to 5 years	Due after 5 years	Total	Total recognized
Currency derivatives – net balance	-	(135)	-	-	(135)	(135)
Interest rate derivatives – net balance	-	-	-	(2,202)	(2,202)	(2,202)
Lease liability	-	(6,744)	(16,142)	(7,560)	(30,446)	(30,446)
Other financing	-	(6)	-	-	(6)	(6)
Notes issued	-	(2,029)	(560,052)	-	(562,081)	(562,081)
Trade payables	-	(240,837)	-	-	(240,837)	(240,837)
Total	**-**	**(249,751)**	**(576,194)**	**(9,762)**	**(835,707)**	**(835,707)**

3.4 Equity risk

The Group's objective in the area of equity risk management is primarily to maintain the going concern status in order to assure returns to shareholders and benefits to other stakeholders. The Group also has the objective of maintaining an optimal capital structure in order to reduce the cost of debt.

Net invested capital is calculated as the sum of equity attributable to the shareholders and net financial debt.

Below is the breakdown of the Group's net financial debt at December 31, 2020, determined in accordance with Committee of European Securities Regulators (CESR) Recommendation no. 05/054b, Paragraph 127, for implementation of EC Regulation no. 809/2004, and the gearing ratios at December 31, 2020:

	(in thousands of Euros)	December 31	
		2020	2019
A	Cash holdings	235	144
B	Other current holdings	273,077	145,042
C	Securities held for trading	30	-
D	**Cash and cash equivalents (A+B+C)**	**273,342**	**145,186**
E	**Non-current financial receivables**	**-**	**-**
F	**Current financial receivables**	**1,604**	**83**
G	Current financial debt	(6,875)	(934)
H	Current portion of non-current financial debt	(50,117)	(8,779)
I	Other current financial debt	(1,532)	(177)
J	**Current financial indebtedness (G+H+I)**	**(58,524)**	**(9,890)**
K	**Net current financial indebtedness**	**216,422**	**135,379**
L	Non-current financial debt	(37,995)	(23,702)
M	Bonds issued	(780,492)	(560,052)
N	Other non-current financial debt	(1,467)	(2,202)
O	**Non-current financial indebtedness (L+M+N)**	**(819,954)**	**(585,956)**
P	**Net financial indebtedness (K+O)**	**(603,532)**	**(450,577)**
	Net invested working capital	793,936	665,273
	Gearing ratio	76.02%	67.73%

3.5 Financial assets and financial liabilities by category

The following table presents the financial assets and liabilities aggregated by category with their fair values stated.

(in thousands of Euros)	At December 31, 2020		
	Fair value through profit or loss	**Fair value through other comprehensive income**	**Amortized cost**
Financial assets	-	-	-
Non-current assets	-	-	-
Trade receivables	-	-	167,040
Other current assets	-	-	11,288
Financial assets	-	-	-
Cash and cash equivalents	-	-	273,342
Current derivatives	1,604	-	-
Current assets	**1,604**	-	**451,670**
Non-current amounts due to banks and other lenders	-	-	818,487
Non-current derivatives	-	1,467	-
Non-current liabilities	-	**1,467**	**818,487**
Trade payables	-	-	311,033
Other current liabilities	-	-	49,641
Current amounts due to banks and other lenders	-	-	56,992
Current derivatives	1,532	-	-
Current liabilities	**1,532**	-	**417,666**

(in thousands of Euros)	At December 31, 2019		
	Fair value through profit or loss	**Fair value through other comprehensive income**	**Amortized cost**
Financial assets	-	-	-
Non-current assets	-	-	-
Trade receivables	-	-	188,176
Other current assets	-	-	12,073
Financial assets	-	-	-
Cash and cash equivalents	-	-	145,186
Current derivatives	83	-	-
Current assets	**83**	-	**345,435**
Non-current amounts due to banks and other lenders	-	-	583,754
Non-current derivatives	-	2,202	-
Non-current liabilities	-	**2,202**	**583,754**
Trade payables	-	-	240,837
Other current liabilities	-	-	43,468
Current amounts due to banks and other lenders	-	-	9,713
Current derivatives	177	-	-
Current liabilities	**177**	-	**294,018**

The fair value of the derivatives was determined using valuation techniques based on observable inputs in active markets (Level 2).

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4. Use of estimates and assumptions

The preparation of financial statements requires management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved. Application of such estimates and assumptions affects the figures reported in the Consolidated Financial Statements, including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the related explanatory notes. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the financial statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based.

In this regard, the estimates made at December 31, 2020 reflect the consequences of possible developments related to the current domestic and international scenario characterized by the Covid-19 outbreak and any new restrictive measures for its containment imposed by the public authorities of the affected countries.

The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the consolidated financial information.

(a) Provision for inventory obsolescence

The provision for inventory obsolescence reflects management's best prudent estimate of the losses expected by the Group, determined on the basis of past experience, past trends and expected market trends.

Slow-moving raw materials and finished products are analyzed regularly on the basis of past statistics and the possibility to sell them at a lower price than that in a normal market transaction. If the analysis results in the need to write down the inventory value, an inventory provision is recognized.

(b) Provision for warranty claims

The provision recognized for product warranty claims represents management's best estimate at the reporting date. The estimate entails making assumptions that depend on factors that may vary over time and may have a significant impact with respect to the current estimates made by management for the preparation of the Group's financial statements.

(c) Goodwill and fixed assets

Goodwill and fixed assets recognized in the Consolidated Financial Statements are tested for impairment by calculating the value in use of the cash generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, the Group conducted testing in which goodwill was allocated to a group of CGU that benefit from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80).

The CGU/groups of CGU were identified, consistently with the Group's organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them; the structures were grouped together at a regional level to identify the benefits deriving from the synergies.

Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes.

The Discounted Cash Flow (DCF) model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate. More information on the methodology used is reported in Note 7.

The business plan prepared by the Group's management on the basis of projections of the 2021 financial performance prepared by the subsidiaries' management and approved by the Group's management, used for the impairment testing, is based on variables controllable by the Group's management and theoretical changes in exogenous variables not directly controllable or manageable by the Group's management.

If the main estimates and assumptions used to prepare the business plans should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, the Group is not able to assure that the assets disclosed in the financial statements at December 31, 2020 will not suffer an impairment loss in the future.

5. Segment reporting

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into segments for reporting purposes corresponds to the structure of the reports periodically examined by the key management as defined in Note 36.

The Group's operations are split into two dedicated segments: the Paper and Security Segment, and Pressure Sensitive Labels (PSL) Segment. The Group's management evaluates the performance of these segments, using the following as indicators:

- adjusted EBITDA;
- revenues by segment, on the basis of where the products are sold, not where the billing company's office is located;
- investments in property, plant and equipment.

The following tables break down adjusted EBITDA by segment, reconciled with the Group net profit.

(*) Adjusted EBITDA is defined by the Group as net profit before net loss from discontinued operations, income taxes, financial income and costs, the share of income from equity-accounted investments, depreciation, amortization, impairment losses, and any non-recurring income and costs. Adjusted EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance. The Company believes that Adjusted EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

2020:

(in thousands of Euros)

	Year ended December 31, 2020				
	Paper and Security	**PSL**	**Intercompany eliminations**	**Other**	**Total**
Revenues from sales					
to third parties	540,465	774,777	-	-	1,315,242
to other Group companies	29,610	2,183	(31,793)	-	-
Total sales revenues	570,075	776,960	(31,793)		1,315,242
Other operating income	11,823	2,370	(1,048)	-	13,145
Operating expenses	(507,214)	(692,320)	32,844	(42,680)	(1,209,370)
Transformation costs	-	-	-	40,306	40,306
Other non-recurring expenses / income	6,206	822	-	-	7,028
Adjusted EBITDA (*)	**80,890**	**87,832**	**3**	**(2,374)**	**166,351**
Other non-recurring (expenses) / income	(6,206)	(822)	-	-	(7,028)
Transformation costs	-	-	-	(40,306)	(40,306)
Depreciation, amortization and impairment losses					(73,661)
Operating income					**45,356**
Income from equity-accounted investments in associates					39
Financial income					22,188
Finance costs					(76,203)
Profit/(loss) before tax					**(8,620)**
Income taxes					34,884
Net profit from continuing operations					26,264
Net loss from discontinued operations					(25,992)
Net profit					**272**

2019:

(in thousands of Euros)

	Year ended December 31, Restated 2019				
	Paper and Security	**PSL**	**Intercompany eliminations**	**Other**	**Total**
Revenues from sales					
to third parties	726,432	388,615	-		1,115,047
to other Group companies	27,340	2,321	(29,661)		-
Total sales revenues	753,772	390,936	(29,661)		1,115,047
Other operating income	9,863	1,763	(1,792)	-	9,834
Operating expenses	(645,755)	(349,581)	31,447	(40,230)	(1,004,119)
Transformation costs				35,825	35,825
Other non-recurring expenses / income	(2,520)	-	-	-	(2,520)
Adjusted EBITDA (*)	**115,360**	**43,118**	**(6)**	**(4,405)**	**154,067**
Other non-recurring expenses / income	2,520	-	-	-	2,520
Transformation costs	-	-	-	(35,825)	(35,825)
Depreciation, amortization and impairment losses					(55,017)
Operating income					**65,745**
Income from equity-accounted investments in associates					37
Financial income					9,491
Finance costs					(41,646)
Profit/(loss) before tax					**33,627**
Income taxes					(15,537)
Net profit from continuing operations					18,090
Net loss from discontinued operations					(3,430)
Net profit					**14,660**

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The shared unallocated costs ("other") are a marginal amount referring to the Group's operation and they relate largely to corporate activities. Each Segment has a complete and independent structure, able to fulfill its own functions. Most eliminations ("intercompany eliminations" in the tables above) refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length.

The item, reflected in "other non-recurring expenses/income", includes the loss of Euro 6,433 thousand deriving from the 2020 sale of cogeneration turbines.

"Transformation costs", included in caption "Cost of services", refer to the total costs incurred for consulting services or other clearly identified costs primarily instrumental in transforming the new Group. The costs regarded the continuance of projects intended to create a new organizational structure capable of attracting new talent and optimizing the pre-existing departments (financial, operational, purchasing, sales) or are attributable to extraordinary merger and acquisition transactions intended to determine the Group's structure. The new organization aims to accelerate the Group's growth and create operating efficiency.

Below is the breakdown by Segment of the investments in property, plant and equipment:

(in thousands of Euros)	Year ended December 31	
	2020	2019
Paper and Security Segment	44,463	36,625
Pressure Sensitive Labels Segment	11,615	5,850
Total	**56,078**	**42,475**

Revenues are broken down below by geographical area:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Italy	325,596	332,342
Rest of Europe	645,365	479,937
Rest of world	344,281	302,768
Total	**1,315,242**	**1,115,047**

No single customer accounts for more than 10% of total revenues, and no single country besides Italy accounts for more than 10% of total revenues.

The non-current assets (excluding deferred tax assets) are broken down below by geographical area:

(in thousands of Euros)	Year ended December 31	
	2020	2019
Italy	652,414	477,988
Rest of Europe	44,126	39,990
Rest of world	62,074	97,212
Total	**758,614**	**615,190**


LIBECCIATA
IPA
BIRRIFICIO SUL MARE
CRAFT BEER
LAMPARA
American Pale Ale
MANTA
Dry Stout
GRANCHIO BIANCO
Italian Grape Ale
BALENA BIANCA
Blanche

6. Property, plant and equipment

The changes in this item are detailed below.

(in thousands of Euros)	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Right-of-use asset	Total
Balance at January 1, 2019							
Historical cost	265,142	777,628	20,543	21,630	12,565	35,866	1,133,374
Accumulated depreciation	(108,765)	(591,122)	(15,860)	(18,135)		(853)	(734,735)
Net value	**156,377**	**186,506**	**4,683**	**3,495**	**12,565**	**35,013**	**398,639**
Investments	2,028	18,290	362	585	18,120	3,090	42,475
Disposals	-	(939)	-	(7)	(45)	(382)	(1,373)
Depreciation	(7,644)	(31,382)	(1,300)	(916)	-	(7,327)	(48,569)
Impairment	-	(109)	-		(4,745)	-	(4,854)
Exchange differences	(179)	(251)	(1)	3	(27)	249	(206)
Reclassifications	-	5,291	31	108	(5,455)	-	(25)
Other changes	1	10	(1)	(21)	(6)	(2)	(19)
Balance at December 31, 2019	**150,583**	**177,416**	**3,774**	**3,247**	**20,407**	**30,641**	**386,068**
Of which:							
Historical cost	266,929	797,749	20,899	22,156	20,407	38,822	1,166,962
Accumulated depreciation	(116,346)	(620,333)	(17,125)	(18,909)	-	(8,181)	(780,894)
Balance at January 1, 2020							
Historical cost	266,929	797,749	20,899	22,156	20,407	38,822	1,166,962
Accumulated depreciation	(116,346)	(620,333)	(17,125)	(18,909)	-	(8,181)	(780,894)
Net value	**150,583**	**177,416**	**3,774**	**3,247**	**20,407**	**30,641**	**386,068**
Business combinations	17,758	17,873	4,136	1,821	495	22,363	64,446
Investments	4,619	26,777	591	821	6,328	16,942	56,078
Disposals	(110)	(5,701)	14	(114)	(2,180)	(2,064)	(10,155)
Depreciation	(8,726)	(30,089)	(2,120)	(1,124)	-	(12,426)	(54,485)
Impairment	(0)						(0)
Exchange differences	(4,085)	(7,969)	(283)	(266)	(639)	(1,293)	(14,535)
Reclassifications	4,233	13,717	140	113	(14,296)	(4,197)	(290)
Other changes	-	(408)	(11)	(25)	-	95	(349)
Area change	(5,418)	(15,417)	(28)	(324)	(1,256)	(156)	(22,599)
Balance at December 31, 2020	**158,854**	**176,199**	**6,213**	**4,149**	**8,859**	**49,905**	**404,179**
Of which:							
Historical cost	290,142	832,067	32,663	24,655	8,859	113,243	1,301,629
Accumulated depreciation	(131,288)	(655,868)	(26,450)	(20,506)	-	(63,338)	(897,450)

The following table presents the changes in the right-of-use asset in leases at the respective reporting dates:

(in thousands of Euros)	Right to use land and buildings	Right to use plant and machinery	Right to use equipment	Right to use other fixed assets	Total
Balance at January 1, 2019					
Historical cost	30,351	-	-	5,515	35,866
Accumulated depreciation	(853)	-	-		(853)
Net value	**29,498**	**-**	**-**	**5,515**	**35,013**
Investments	1,654	-	-	1,436	3,090
Disposals	(252)	-	-	(130)	(382)
Depreciation	(5,243)	-	-	(2,084)	(7,327)
Exchange differences	244	-	-	3	247
Balance at December 31, 2019	**25,901**	**-**	**-**	**4,740**	**30,641**
Of which:					
Historical cost	31,998	-	-	6,824	38,822
Accumulated depreciation	(6,097)	-	-	(2,084)	(8,181)
Balance at January 1, 2020					
Historical cost	31,998	-	-	6,824	38,822
Accumulated depreciation	(6,097)	-	-	(2,084)	(8,181)
Net value	**25,902**	**-**	**-**	**4,740**	**30,641**
Business combinations	16,911	3,038	-	2,414	22,363
Investments	10,985	7	242	5,708	16,942
Disposals	(1,041)	(977)	-	(46)	(2,064)
Depreciation	(8,005)	(534)	(78)	(3,809)	(12,426)
Exchange differences	(1,224)		5	(74)	(1,293)
Reclassifications	(4,197)	-	-		(4,197)
Other changes	(42)	-	-	137	95
Area change		-	-	(156)	(156)
Balance at December 31, 2020	**39,288**	**1,534**	**169**	**8,914**	**49,905**
Of which:					
Historical cost	66,539	32,013	242	14,449	113,243
Accumulated depreciation	(27,251)	(30,479)	(73)	(5,535)	(63,338)

With respect to the main items contributing to the change in property, plant and equipment, "business combinations" reflects the increase in tangible assets due to the 2020 acquisitions of the Ritrama Group, for Euro 62,655 thousand, and the IP Venus Group, for Euro 1,791 thousand, and "area change" shows a decrease in tangible assets as a result of the disposal on October 28, 2020 of the Brazilian affiliate, Fedrigoni Brasil Papéis Ltda.

The capital expenditures ("investments") of Euro 56,078 thousand for the year ended December 31, 2020 refer largely to the completion of energy efficiency projects, and they were incurred to install a new cogeneration system at the Arco (Trento) plant and to overhaul all three cogeneration turbines previously installed at the Verona and Fabriano plants. Additional substantial capital expenditures regarded the completion of the new industrial wastewater treatment system of the Verona plant, the technological adaptation of cutters at the Rocchetta plant and the completion of a new industrial humidification and cooling system at the Jundiaì plant in Brazil. The right-of-use assets regard mainly the capital expenditures incurred for new business offices in Verona and Milan.

Moreover, the plans intended to maintain and improve the flexibility and efficiency of existing plant and equipment and to maintain and improve safety continued to be implemented at all the facilities. At December 31, 2020, excluding the assets under leases, no property, plant or equipment was put up as collateral on loans received by the Group.

7. Intangible assets

The changes in this item are detailed below.

(in thousands of Euros)	**Develop-ment costs**	**Patent and intellectual property rights**	**Concessions, licenses and trademarks**	**Other intangible assets**	**Goodwill**	**Work in progress and advances**	**Total**
Balance at January 1, 2019		**2,153**	**78,962**	**65,702**	**72,608**	**903**	**220,327**
Investments	106	4,150	165	-	-	228	4,649
Disposals	-	-	(14)	-	-	-	(14)
Amortization	(53)	(1,470)	(1,840)	(9,649)	-	-	(13,012)
Exchange differences	-	2	71	217	-	-	290
Reclassifications	-	928	-	-	-	(902)	26
Other changes	-	(1)	12	-	-	-	11
Balance at December 31, 2019	**53**	**5,762**	**77,356**	**56,270**	**72,608**	**228**	**212,277**
Balance at January 1, 2020	**53**	**5,762**	**77,356**	**56,270**	**72,608**	**228**	**212,277**
Business combinations	-	443	9,463	89,498	40,907	44	140,355
Investments	707	1,912	218	(2)	122	6,647	9,604
Disposals	-	(18)	-	-	-	1	(17)
Amortization	(429)	(2,192)	(2,748)	(13,767)	-	(2)	(19,138)
Exchange differences	0	(14)	(751)	(1,172)	-	(1)	(1,938)
Reclassifications	290	129	68	69		(266)	290
Area change	-	59	(981)	(1,587)	-	-	(2,509)
Balance at December 31, 2020	**621**	**6,081**	**82,625**	**129,309**	**113,637**	**6,651**	**338,924**

As explained in Note 6, "business combinations" reflects an increase in intangible assets due to the 2020 acquisitions of the Ritrama Group for Euro 125,779 thousand and the IP Venus Group for Euro 14,576 thousand. The item also includes the result of the related purchase price allocation process.

"Area change" reflects a decrease in intangible assets as a result of the disposal on October 28, 2020 of the Brazilian affiliate, Fedrigoni Brasil Papéis Ltda.

The investments made in intangible assets in the year ended December 31, 2020 amount to Euro 9,604 thousand, and consist mostly of external costs incurred to purchase software and costs incurred to customize the software.

The goodwill allocated is set forth below by business segment:

(in thousands of Euros)	Year ended December 31,		Year ended December 31,	
	2020		2019	
***Cash Generating Unit* (CGU)**				
Europe Paper and Security	12,783		12,661	
Cordenons Paper and Security	27,889		27,889	
USA Paper and Security	741		741	
Total Paper and Security	***41,413***	***36%***	***41,291***	***47%***
Italy Pressure Sensitive Labels	6,772		6,772	
Spain Pressure Sensitive Labels	23,183		23,183	
USA Pressure Sensitive Labels	1,362		1,362	
Ritrama Europe and other countries Pressure Sensitive Labels	35,236		-	
Ritrama Americas Pressure Sensitive Labels	5,671		-	
Total Pressure Sensitive Labels	***72,224***	***64%***	***31,317***	***43%***
Total	**113,637**	**100%**	**72,608**	**100%**

Impairment testing

As required by IAS 36, the Fedrigoni Group tested the carrying amounts of the tangible and intangible assets recognized in its Consolidated Financial Statements at December 31, 2020 with respect to their recoverable amounts. Goodwill and trademarks with an indefinite useful life are tested for impairment at least annually, even when no indications of impairment losses are present.

In accordance with IAS 36, the Fedrigoni Group identified the CGU representing the smallest identifiable group of assets able to generate largely independent cash inflows within the Consolidated Financial Statements. CGU were identified by taking into account the organizational structure, the type of business and the methods with which control is exercised over the operation of the CGU.

The CGU identified by the Group to monitor goodwill operate and/or coincide with the legal entities to which the goodwill was allocated upon acquisition.

The CGU in which goodwill is recognized/allocated, on which the impairment testing was based, are as follows:

- Fedrigoni S.p.A. and distribution companies – Europe Paper and Security CGU;
- Cordenons S.p.A. Group – Cordenons Paper and Security CGU;
- Arconvert S.p.A. – Italy Pressure Sensitive Labels CGU;
- Arconvert S.A.U. – Spain Pressure Sensitive Labels CGU;
- GPA Holding Inc C&S – USA Paper and Security CGU;
- GPA Holding Inc Pressure Sensitive Labels – USA Pressure Sensitive Labels CGU;
- Ritrama companies in Europe and Asia – Ritrama PSL CGU in Europe and other countries;
- Ritrama in the Americas – Ritrama PSL CGU in the Americas.

The assets were tested for impairment by comparing the carrying amount attributed to the CGU, including goodwill, with its recoverable amount (value in use). The value in use is the present value of the estimated future cash flows to be derived from continuing use of the assets referring to the cash generating units and the terminal value allocated to them.

In conducting the impairment test, the Fedrigoni Group used the most recent forecasts for the financial and business performance envisioned in the 2021–2023 Business Plan ("Business Plan") approved by the Board of Directors of Fedrigoni S.p.A. on December 17, 2020.

The terminal value was calculated by using a growth (G) rate in line with the average inflation expected in the long term (2025) for the main countries where the CGU operate, weighted with the respective revenues (2020). The discount rate used (WACC) reflects current market assessments of the time value of money and the risks specific to the asset. Below are the details:

CGU	G rate	Pre-tax WACC	Post-tax WACC
Europe Paper and Security	2.3	7.3	6.9
Cordenons Paper and Security	1.9	7.1	6.8
Italy Pressure Sensitive Labels	1.9	7.1	6.8
Spain Pressure Sensitive Labels	1.9	6.4	6.0
USA Paper and Security	2.2	6.4	6.0
USA Pressure Sensitive Labels	2.2	6.4	6.0
Ritrama Europe and other countries Pressure Sensitive Labels	2.2	7.0	6.7
Ritrama Americas Pressure Sensitive Labels	2.8	10.5	10.0

No impairment loss emerged from the impairment test conducted.

Since the recoverable amount is determined on the basis of estimates, the Group is not able to assure that goodwill will not suffer an impairment loss in future periods.

The operating cash flow estimate was taken from the 2021-2023 Business Plan. The estimated cash flows are based on the Directors' assumptions, which are cohesive with the Group's strategy in each business unit and market where it operates, and they depend on exogenous variables beyond management's control, such as the performance of currency exchange and interest rates, the infrastructural investments of the countries where the Group operates, and macro-policy or social factors having a local or global impact. In accordance with IAS 36, such exogenous variables were estimated on the basis of information known when the business plans were drawn up and examined, and consider the effects of the global spread of Covid-19, which however are currently difficult to quantify.

In addition, the Group performed a first-scenario sensitivity analysis using deteriorated variables of the impairment test, WACC and G rate. The discount rate was raised by one percent, and the g rate of the terminal value was reduced by one percent. No impairment loss emerged, even in deteriorating market conditions, from the sensitivity analysis conducted for the CGU tested except for the Paper and Security CGU, which would suffer impairment in the event of a combined 0.5% worsening of the WACC and G rate. The post-tax WACC of indifference, i.e. the discount rate that reduces the headroom to zero for each CGU, is reported in the following table:

CGU	Post-tax WACC of indifference
Europe Paper and Security	7.8
Cordenons Paper and Security	9.1
Italy Pressure Sensitive Labels	19.5
Spain Pressure Sensitive Labels	36.0
USA Paper and Security	14.4
USA Pressure Sensitive Labels	20.5
Ritrama Europe and other countries Pressure Sensitive Labels	> 50.0
Ritrama Americas Pressure Sensitive Labels	29.2

In a second scenario, sensitivity analysis was carried out on the margins of each CGU with respect to the 2021-2023 Business Plan, to identify the decrease rate that would cause a substantial correlation between the carrying amount of each CGU and the recoverable amount. In this case, with reference to the CGU with less headroom a decrease in the Adjusted EBITDA (as defined in Note 5) exceeding 7.9%, for all the years of the Business Plan, would lead to a substantial alignment of the carrying amount with the recoverable amount of the assets for some CGU.

Allocation of goodwill from business acquisitions

As noted, in January 2020 and December 2020 the Fedrigoni Group completed the full acquisitions of the Ritrama Group and the IP Venus Group, respectively, which are presented as business combinations in accordance with IFRS 3 - "Business Combinations".

For the purpose of identifying the fair value of the assets acquired, liabilities assumed and goodwill, the Ritrama Group purchase price allocation process was completed with the assistance of external advisors.

The excess of the purchase price over the fair value of the net assets and liabilities acquired was recognized as goodwill and was quantified as Euro 40,907 thousand. During the PPA process, the non-controlling interests were measured as a pro-quota fair value of the net assets acquired.

The contribution of the Ritrama Group, since the acquisition date, to the Fedrigoni Group sales revenues in the PSL Segment for the year ended December 31, 2020 amounted to Euro 347,399 thousand.

As mentioned in Note 2.3, with respect to the recent acquisition of the IP Venus Group, at the acquisition date the difference between the consideration paid to acquire control and the carrying amount of the net assets acquired was allocated provisionally to the customer list, since based on the information available that classification was deemed the most reasonable at that date. In fact, under IFRS 3, if the initial accounting for a business combination cannot be definitively determined by the end of the first reporting period, because the fair values to be assigned to the assets and liabilities can be determined only provisionally, the accounting must use provisional amounts, and within 12 months from the acquisition date the adjustments to the provisional amounts must be recognized, effective retrospectively, thus determining the definitive balances of the acquisition.

The valuation of the fair value of the assets and liabilities acquired (excluding the deferred tax assets and liabilities, employee benefits and non-current assets held for sale, recognized in accordance with the applicable accounting standards) and the price are set forth below:

(in thousands of Euros)	Ritrama Group	IP Venus Group (provisional data)	Total
Non-current assets			
Property, plant and equipment	62,655	1,791	64,446
Intangible assets	84,871	14,576	99,448
Tax receivables	99		99
Deferred tax assets	3,717	848	4,565
Other non-current assets	11,327	65	11,392
Total non-current assets	**162,669**	**17,281**	**179,950**
Current assets			
Inventories	75,726	2,906	78,632
Trade receivables	105,613	4,230	109,843
Tax receivables	5,876	541	6,417
Other current assets	7,981	462	8,443
Cash and cash equivalents	10,831	590	11,421
Total current assets	**206,027**	**8,729**	**214,756**
Total assets (A)	**368,696**	**26,010**	**394,706**
Non-current liabilities			
Due to banks and other lenders	15,828	5,006	20,834
Employee benefits	5,663		5,663
Provisions for risks and charges	5,684	2,195	7,879
Deferred taxes	23,415	4,373	27,788
Other non-current liabilities	7,294		7,294
Total non-current liabilities	**57,884**	**11,574**	**69,458**
Current liabilities			
Due to banks and other lenders	104,350		104,350
Trade payables	81,502	3,323	84,825
Current tax liabilities	3,655	226	3,881
Other current liabilities	7,653	940	8,593
Derivatives	8		8
Total current liabilities	**197,168**	**4,489**	**201,657**
Total liabilities (B)	**255,052**	**16,063**	**270,115**
Price paid for the acquisition (C)	153,820	9,947	163,767
Fair value of net assets acquired (D=A-B)	113,644	9,947	123,591
Non-controlling interests (E)	731		731
Goodwill (C-D+E)	**40,907**		**40,907**

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8. Investment property

The changes in this item are detailed below.

(in thousands of Euros)	**Land and buildings**
Balance at January 1, 2019	
Historical cost	1,014
Accumulated depreciation	(655)
Net value	**359**
Depreciation	(38)
Balance at December 31, 2019	**321**
Of which:	
Historical cost	1,014
Accumulated depreciation	(693)
Balance at January 1, 2020	
Historical cost	1,014
Accumulated depreciation	(693)
Net value	**321**
Depreciation	(38)
Balance at December 31, 2020	**283**
Of which:	
Historical cost	1,014
Accumulated depreciation	(731)

9. Equity-accounted investments in associates

This item, amounting to Euro 2,043 thousand (Euro 2,402 thousand in 2019), represents the investment in Consorzio Canale Industriale G. Camuzzoni S.c.ar.l. in Verona, an entity that produces hydroelectric power, in which the Group owns a 25% stake. Pursuant to the acquisition of the Ritrama Group, the item includes Euro 811 thousand referring to the investment in Rimark S.A. de C.V., a company operating in the cutting and distribution of adhesive products, in which the Group owns a 30% stake. At the time of preparation of the Consolidated Financial Statements, the financial statements of Consorzio Canale Industriale G. Camuzzoni S.c.a.r.l. and of Rimark S.A. de C.V. for the year ended December 31, 2020 had not yet been approved at their General Meeting.

The key data of the approved financial statements at December 31, 2019 is set forth below:

	Consorzio Canale Camuzzoni S.c.a.r.l.	
(in thousands of Euros)	**December 31, 2019**	**December 31, 2018**
Assets	14,094	15,068
Equity	10,521	10,486
Liabilities	3,573	4,582
Revenues	3,317	3,225
Net profit	35	29

	Rimark S.A. de C.V.	
(in thousands of Euros)	**December 31, 2019**	**December 31, 2018**
Assets	5,436	5,486
Equity	2,702	2,592
Liabilities	2,734	2,849
Revenues	7,327	7,434
Net profit/(loss)	110	(124)

10. Tax receivables

This item is detailed below:

(in thousands of Euros)	At December 31, 2020			At December 31, 2019		
	Non-current	Current	Total	Non-current	Current	Total
Tax receivables	11,005	7,696	18,701	1,476	774	2,250
Total	**11,005**	**7,696**	**18,701**	**1,476**	**774**	**2,250**

The non-current tax receivables of Euro 11,005 thousand refer mainly to the recognition in Fedrigoni S.p.A.'s separate financial statements of the tax receivables arising on the tax relief, under Decree Law 185/2008, for the excess values regarding intangible assets (goodwill and customer list) recognized in the consolidated financial statements.

The current tax receivables result primarily from the excess of advance tax payments over the taxes due for the year ended December 31, 2020.

11. Deferred tax assets and liabilities

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	2019
Deferred tax assets		
Deferred tax assets	48,381	31,962
Total deferred tax assets	**48,381**	**31,962**
Deferred tax liabilities		
Deferred tax liabilities	(42,462)	(63,455)
Total deferred tax liabilities	**(42,462)**	**(63,455)**
Total net deferred tax assets/ (liabilities)	**5,919**	**(31,493)**

The composition of these balances is shown below:

(in thousands of Euros)	**Dec. 31, 2019**	**Effect on Income Statement**	**Effect of exchange rates**	**Business combination**	**Variation of Area**	**Effect on Statement of Comprehensive Income**	**Reclassifications**	**Dec. 31, 2020**
Elimination of capital gains on intercompany sales of trademarks and land	1,640	500	-	-	-	-	-	2,140
Inventory valuation	7,572	347	-	751	(363)	-	-	8,307
Valuation of trade receivables	2,117	15	-	338	(107)	-	-	2,363
Writedown of property, plant and equipment	1,356	-	-	-	-	-	-	1,356
Provisions for risks	9,502	(2,225)	(61)	70	(585)	-	-	6,701
Difference between fiscal and statutory values of tangible and intangible assets	1,811	5,378	-	427	(199)	-	-	7,417
PPA amortization	979	12,864	(2)	43	-	-	-	13,884
Derivative fair values	649	-	-	34	-	-	(248)	435
Foreign exchange and other differences	22	69	-	5	-	-	616	712
Actualization of employee benefits	559	230	-	15	-	-	140	944
Tax losses	2,612	(447)	-	1,625	(883)	-	-	2,907
IFRS 16	151	(300)	-	26	-	-	123	-
Other	2,992	(381)	(59)	441	(2,289)	-	511	1,215
Total deferred tax assets	**31,962**	**16,050**	**(122)**	**3,775**	**(4,426)**	**-**	**1,142**	**48,381**

(in thousands of Euros)	**Dec. 31, 2019**	**Effect on Income Statement**	**Effect of exchange rates**	**Business combination**	**Variation of Area**	**Effect on Statement of Comprehensive Income**	**Reclassifications**	**Dec. 31, 2020**
Valuation of tangible and intangible assets	13,227	(2,642)	(338)	289	(5,364)	-	-	5,172
Effect of leaseback transaction	7,377	(383)	-	1,181	-	-	-	8,175
Provisions for risks	77	7	-	56	-	-	-	140
Recognition of leases	1,897	(52)	-	595	-	-	-	2,440
Actualization of employee benefits	-	-	-	-	-	(140)	140	-
Actualization of social security liabilities	0	-	-	-	-	-	-	0
Foreign exchange and other differences	-	(619)	-	3	-	-	616	-
Derivative fair values	-	29	-	2	-	217	(248)	-
IFRS 16	-	-	-	-	-	-	123	123
PPA amortization	40,877	(39,268)	(58)	24,861	-	-	-	26,412
Other	-	-	(2)	37	(546)	-	511	-
Total deferred tax liabilities	**63,455**	**(42,928)**	**(398)**	**27,024**	**(5,910)**	**77**	**1,142**	**42,462**

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12. Inventories

This item is detailed below:

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
Raw materials	111,483	81,993
Work in progress and semi-finished goods	65,651	34,199
Finished products	116,120	105,937
Total	**293,254**	**222,129**

The increase in inventories is largely the result of the inclusion of the Ritrama Group in the consolidation scope. Without considering the business combinations, the value of inventories shows an increase in the value of raw materials due to a temporary overstock intended to minimize the risk associated with supply interruptions caused by the Covid-19 pandemic.

Inventories are shown net of the provision for inventory obsolescence as detailed below:

(in thousands of Euros)	Provision for raw material obsolescence	Provision for finished product and work in progress obsolescence	Total
Balance at January 1, 2019	**7,450**	**14,352**	**21,802**
Area change	(44)	44	0
Charge	774	3,122	3,896
Use	(1,927)	(1,513)	(3,440)
Exchange differences	(18)	(19)	(37)
Other changes	(116)	(233)	(349)
Balance at December 31, 2019	**6,119**	**15,753**	**21,872**
Balance at January 1, 2020	**6,119**	**15,753**	**21,872**
Business combinations	327	4,443	4,770
Charge	462	3,662	4,124
Use	(820)	(2,592)	(3,412)
Exchange differences	(157)	(445)	(602)
Other changes	(0)	(27)	(27)
Area change	(163)	(416)	(579)
Balance at December 31, 2020	**5,768**	**20,378**	**26,146**

No inventories were put up as collateral to guarantee loans received by the Group.

13. Other assets

The other assets are stated in the financial statements net of the related provisions:

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
Other assets - gross	28,284	37,837
Provision for other doubtful debts	(1,061)	(2,428)
Other assets - net	**27,223**	**35,409**

The item is detailed below:

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
- Sundry receivables	4,927	6,405
- Sundry tax credits	3,465	909
- Prepaid expenses and accrued income	5,372	3,441
- VAT credit	7,116	18,984
- Grants receivable	3,989	1,318
- Security deposits	1,056	3,569
- Due from social security entities	491	189
- Due from employees	826	594
Total other assets	**27,242**	**35,409**
Of which: non-current	1,369	12,646

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The largest amount among sundry receivables is the Euro 3,302 thousand due for white certificates of Fedrigoni S.p.A. A white certificate is granted by competent authorities to a company for achieving a minimum percentage of energy savings. A white certificate is a tradable asset which provides evidence that a certain percentage of energy savings
has been achieved.

The increase in prepaid expenses and accrued income is attributable primarily to the inclusion of the Ritrama Group in the consolidation scope in 2020.

The decrease in VAT credit, offset in part by the increase attributable to the inclusion of the Ritrama Group in the consolidation scope, regards mainly Fedrigoni Brasil Papéis Ltda (Euro 16,911 thousand at December 31, 2019), which was sold during 2020 and therefore left the consolidation scope.

The increase in the amount due from social security entities is attributable mainly to the inclusion of the Ritrama Group in the consolidation scope. The amount due from employees consists largely of loans and advances given to employees and agents. The table below presents the changes in the provision for other doubtful debts:

(in thousands of Euros)	Provision for other doubtful debts
Balance at January 1, 2019	**2,631**
Use	(178)
Exchange differences	(25)
Balance at December 31, 2019	**2,428**
Balance at January 1, 2020	**2,428**
Business combinations	198
Exchange differences	(456)
Area change	(1,109)
Balance at December 31, 2020	**1,061**

14. Trade receivables

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
Gross trade receivables	177,975	199,953
Provision for doubtful debts	(10,935)	(11,777)
Net trade receivables	**167,040**	**188,176**

The decrease in trade receivables is attributable to a project focused on optimization of trade working capital that resulted in the non-recourse assignment of some receivables.

The table below presents the changes in the provision for doubtful debts:

(in thousands of Euros)	Provision for doubtful debts
Balance at January 1, 2019	**13,786**
Charge	2,719
Use	(4,105)
Exchange differences	(20)
Other changes	(604)
Balance at December 31, 2019	**11,777**
Balance at January 1, 2020	**11,777**
Business combinations	2,801
Charge	1,507
Use	(1,946)
Exchange differences	(603)
Other changes	(2,251)
Area change	(350)
Balance at December 31, 2020	**10,935**

As explained in Notes 6 and 7, "business combinations" reflects the effects of the 2020 acquisitions of the Ritrama Group and the IP Venus Group, and "area change" reflects the disposal on October 28, 2020 of the Brazilian affiliate, Fedrigoni Brasil Papéis Ltda.

The other changes refer primarily to the release of provisions of Euro 2,270 thousand deemed in excess given the situation of the receivables accounts analyzed for the purpose of these financial statements and the expected developments thereof.

15. Cash and cash equivalents

This item is detailed below:

(in thousands of Euros)	**At December 31, 2020**	**At December 31, 2019**
Bank deposits	273,077	145,042
Checks outstanding	30	-
Cash and cash equivalents on hand	235	144
Total	**273,342**	**145,186**

At December 31, 2020, the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others, were secured by a pledge over some of Fedrigoni S.p.A.'s bank accounts.

16. Derivatives

The balance derives from the fair value measurement of Interest Rate Swaps (IRS) stipulated by the Group to manage interest rate risk on part of the notes issued and hedging derivatives on exchange rates.

In August 2018 the Company entered into two fixed-for-floating IRS, with HSBC Bank PLC and BNP Paribas, for a total notional value of Euro 305 million and with a maturity date of August 31, 2022.

- At December 31, 2020 the net debt regarding the derivatives used by the Company was Euro 1,395 thousand (Euro 2,296 thousand in 2019), attributable to:
- Euro 1,604 thousand allocated to current assets (Euro 83 thousand in 2019), referring to the fair value change of foreign exchange derivatives recognized directly in profit or loss;
- Euro 1,532 thousand allocated to current liabilities (Euro 177 thousand in 2019), referring to the fair value change of foreign exchange derivatives recognized directly in profit or loss;
- Euro 1,467 thousand classified as non-current liabilities (Euro 2,202 thousand in 2019), referring to the fair value change recognized directly in equity in “other reserves” and presented in the statement of comprehensive income among items that will be reclassified subsequently to profit and loss.

17. Equity

The equity of the Group at December 31, 2020 and December 31, 2019 is set forth below:

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
Share capital	40,000	1,000
Share premium reserve	60,242	194,461
Legal reserve	8,000	200
Other reserves	81,599	4,377
Profit/(loss) for the year	563	14,658
Equity	**190,404**	**214,696**

The share capital at December 31, 2020 was Euro 40,000 thousand, consisting of 80,001,286 ordinary shares with a par value of Euro 0.50 per share.

The change in share capital, share premium reserve, legal reserve and other reserves is mainly attributable to the effects of the reverse merger with the parent company Fabric (BC) S.p.A., as described in the paragraph "*Significant changes in the current reporting period*".

18. Due to banks and other lenders

This item is detailed below:

(in thousands of Euros)	At December 31, 2020							
	Interest rate		Portion due after 12 months		Portion due after 12 months			Total
			2022	2023	2024	2025	Afterward	
Current financial debt	Variable	43,281	-	-	-	-	-	**43,281**
Non-current financial debt	Variable	-	11	-	-	-	-	**11**
Lease liability	Variable	10,891	9,431	7,100	5,763	4,839	10,722	**48,746**
Notes issued - principal portion	Variable	-	-	-	563,757	-	216,735	**780,492**
Notes issued - interest portion	Variable	2,820	-	-	-	-	-	**2,820**
Other financing	Variable	-	129	-	-	-	-	**129**
Total		**56,992**	**9,571**	**7,100**	569,520	4,839	227,457	875,479

(in thousands of Euros)	At December 31, 2019							
	Interest rate		Portion due after 12 months		Portion due after 12 months			Total
			2021	2022	2023	2024	Afterward	
Current financial debt	Variable	934	-	-	-	-	-	**934**
Lease liability	Variable	6,744	5,490	4,549	3,371	2,732	7,560	**30,446**
Notes issued - principal portion	Variable	-	-	-	-	560,052	-	**560,052**
Notes issued - interest portion	Variable	2,029	-	-	-	-	-	**2,029**
Other financing	Variable	6	-	-	-	-	-	**6**
Total		**9,713**	**5,490**	**4,549**	**3,371**	**562,784**	**7,560**	**593,467**

Current financial debt

The "current financial debt" of Euro 43,281 thousand at December 31, 2020 refers primarily to the recognition of the recourse portion regarding a plan to optimize trade working capital. It also includes bank overdrafts, financial instruments used by Group companies to manage short-term working capital requirements, and the interest expense accrued on Interest Rate Swaps (IRS) at the reporting date of these financial statements.

Lease liability

The Euro 48,746 thousand at December 31, 2020 is the remaining balance on leases stipulated by the Group.

Non-convertible note issuance

"Notes issued - principal portion" at December 31, 2020 has a balance of Euro 780,492 thousand and refers to the Company's issuance of notes for an aggregate nominal amount of Euro 580,000 thousand (ISIN XS1816220674 and XS1816220328), subscribed in two tranches, and of notes for an aggregate nominal amount of Euro 225,000 thousand (ISIN XS2115093507 and XS2115092285).

On May 11, 2018 the first tranche of unsubordinated, non-convertible notes for an aggregate principal amount of Euro 455 million was issued, the "€455,000,000.00 Senior Secured Floating Rate Notes due 2024", which provided the Company with the funding needed to repay the short-term bridge financing of the same amount used to pay part of the price for the investment in Fedrigoni S.p.A. not covered by equity. The second tranche, subscribed as an increase of the first one, was a tap issue of non-convertible, unsubordinated senior secured notes in an aggregate principal amount of Euro 125 million, the "€125,000,000.00 Floating Rate Senior Secured Notes due 2024", with a maximum term of six years, which enabled to repay the short-term bridge facility of the same amount used indirectly (through the subsidiary, Bianco) to acquire the Cordenons S.p.A. Group.

Both note issuances are listed on the multilateral trading facility of the Irish Stock Exchange and have a maturity date of November 30, 2024 and a variable interest rate calculated on the three-month Euribor (subject to a 0% floor) plus a spread of 412.5 basis points, with quarterly interest payments.

On February 12, 2020 a second set of unsubordinated, non-convertible notes for an aggregate principal amount of Euro 225 million was issued, the "€225,000,000.00 Senior Secured Floating Rate Notes due 2026", which provided the Company with the funding needed to repay the bridge financing used to acquire the Ritrama Group.

The issuance was listed on the multilateral trading facility of the Irish Stock Exchange with a maturity date of August 26, 2026 and a variable interest rate calculated on the three-month Euribor (subject to a 0% floor) plus a spread of 412.5 basis points, with quarterly interest payments. The notes were subscribed only by "qualified institutional buyers", thus excluding placement with the general public and in exemption from the relevant European Union and Italian rules for public offerings in each country. The costs incurred for issuing the Floating Rate Notes are accounted for as Financing Fees deducted from the nominal debt, under the amortized cost method. "Notes issued - interest portion" at December 31, 2020 has a balance of Euro 2,820 thousand and refers to the interest expense accrued on the bond notes, paid in February 2021.

19. Employee benefits

The changes in this item are presented below:

(in thousands of Euros)	Employee benefits
Balance at January 1, 2019	**18,188**
Finance costs	267
Actuarial gains/(losses)	863
Use	(1,986)
Charge	11
Balance at December 31, 2019	**17,343**
Balance at January 1, 2020	**17,343**
Business combinations	5,663
Finance costs	132
Actuarial gains/(losses)	909
Use	(2,359)
Charge	12
Exchange differences	(145)
Other changes	40
Balance at December 31, 2020	**21,595**

The actuarial assumptions used to determine the obligation for employee benefits are detailed below:

(in thousands of Euros)	December 31	
	2020	2019
Economic assumptions		
Inflation rate	1.0%	1.0%
Discount rate	0.2%	0.4%
Salary increment	1.3%	3.0%
"TFR" (provision for severance indemnities) rate of increase	2.3%	2.6%
Demographic assumptions		
Probability of resignations/ dismissals	6.6%	5.5%
Probability of advance payouts	3.0%	3.0%

20. Provisions for risks and charges

This item is detailed below:

(in thousands of Euros)	December 31	
	2020	2019
Provision for agency termination	3,815	3,722
Provision for environmental risks	3,694	3,038
Provision for sundry risks	27,659	31,684
Total	**35,168**	**38,444**

The changes in this item are presented below:

(in thousands of Euros)	December 31	
	2020	2019
Opening balance	**38,444**	**44,354**
Business combinations	7,879	
Increases	3,295	5,046
Use	(4,423)	(8,566)
Exchange differences and other changes	(7,727)	(2,390)
Area change	(2,300)	
Closing balance	**35,168**	**38,444**

(in thousands of Euros)	**Provisions for agency termination**	**Provisions for environmental risks**	**Provisions for litigation risks**	**Provisions for warranty claims**	**Provision for exit incentives**	**Other provisions**	**Total**
Balance at January 1, 2019	**3,380**	**3,268**	**3,434**	**22,291**	**137**	**11,845**	**44,354**
Charge	638		131	1,246	1,450	1,581	5,046
Use	(315)	(143)	(63)	(1,972)	(137)	(5,936)	(8,566)
Exchange differences						(85)	(85)
Other changes	19	(87)	0	0		(2,237)	(2,305)
Balance at December 31, 2019	**3,722**	**3,038**	**3,502**	**21,564**	**1,450**	**5,168**	**38,444**
Balance at January 1, 2020	**3,722**	**3,038**	**3,502**	**21,564**	**1,450**	**5,168**	**38,444**
Business combinations	293	1,355	100		67	6,064	7,879
Charge	321		1,649		169	1,156	3,295
Use	(489)		(149)	(675)	(1,459)	(1,651)	(4,423)
Exchange differences					(6)	(1,116)	(1,122)
Other changes	(32)	(699)		(5,865)	16	(25)	(6,605)
Area change						(2,300)	(2,300)
Balance at December 31, 2020	**3,815**	**3,694**	**5,102**	**15,024**	**237**	**7,296**	**35,168**

The provision for agency termination is the estimated liability due for agency severance benefits.

The provision for environmental risks refers to outlays that the Group estimates could be incurred to clean up some of the land it owns. The 2020 increase is attributable to the provisions allocated during the purchase price allocation process regarding the acquisition of the Ritrama Group. The 2020 decrease is due to the release, by Fedrigoni S.p.A., of Euro 699 thousand of the accrual for the accidental mineral oil spill in the Camuzzoni Canal, for which the proceedings with the competent authorities have concluded.

The decrease in provisions for sundry risks is attributable largely to the release of part of the provision for product warranty claims, offset only in part by the recognition of the fair value of liabilities measured in the PPA process following the acquisition of the Ritrama Group.

The provision for sundry risks consists of the following:

- The provision for warranty claims (Euro 15,024 thousand) consists of costs that could be incurred in the event of claims regarding supplies of banknotes, security products and other paper products. The provision decreased by Euro 675 thousand for the period due to the settlement of some claims regarding previous periods. In addition to covering specific issues, for which negotiations to settle claims are in progress, the provision serves to cover costs that are reasonably expected to be incurred, on the basis of past experience, to satisfy the warranty obligations. The remaining Euro 5,865 thousand decrease refers to the difference between new risks and the cessation of risks of previous periods, so that the provision is likely to represent the estimated amount of risk. Risky situations relate particularly to the sales volume of security products realized in recent years, whose segment features greater product complexity and warranty terms that are longer than those for normal paper products.
- The provision for litigation risks (Euro 5,102 thousand) and other provisions (Euro 7,296 thousand) refer to liabilities that could ensue from pending lawsuits, disputes, business arrangements entered into by the Group and other risks, and represent a best estimate appreciation of the cost estimated at the end of the year. The 2020 increase in "other provisions" is attributable to the addition of the Ritrama Group and the IP Venus Group to the consolidation scope.
 During the period, Euro 149 thousand of the provision for litigation risks was used to settle previous litigation cases.
- The other provisions reflect the risk associated with the refund of the amount of white certificates sales received in previous periods. Even if the white certificates, which are recognized for an innovative investment program from which energy savings may derive, are initially considered qualified to produce such savings and are accounted for with inclusion of the energy efficiency title ("TEE") payments, they can be submitted to review while they are in effect. The provision accounts for the risk on those projects for which the relevant authorities have reconsidered the previously assigned qualification.

Fedrigoni has a long-standing dispute pending with the Italian tax authorities concerning diverging application and payment criteria for electricity consumption taxes.

With respect to the dispute regarding years 1993 to 1997, since the Fedrigoni S.p.A. considers the tax claims to be unjustified both on their merits and by law, it filed an appeal with the Italian Supreme Court to overturn the Ancona Appellate Court's decision with which the lower court denied the previous appeal. Pursuant to that decision, the contested amount of Euro 511 thousand was paid. On February 28, 2019 the Italian Supreme Court rebutted the appeal, ruling in favor of the Ministry of Finance Customs Department and the Ancona technical office for direct taxes.

The Italian tax authorities, which by then considered the tax payment criteria to be definite, served a notice of payment for years 2008 to 2013 regarding electricity consumption at the Rocchetto plant, and another notice of payment for years 2008 to 2012 regarding electricity consumption at the Castelraimondo plant. Fedrigoni, which continues to maintain its position based on the groundlessness and illegitimacy of the claims, filed appeals at the Ancona and Macerata Provincial Tax Commissions. The Commissions met with each other, and although the Macerata Provincial Tax Commission fully accepted the appeal, the Ancona Provincial Tax Commission accepted only part of it and reduced the penalties imposed considerably, but denied the grounds regarding the calculation of the taxes. Fedrigoni filed for appeal and opposed the demands of the other party.

The Italian tax authorities, encouraged by the new ruling, served notices of payment for 2014, 2015 and 2016 limited however to the portion of consumption of the plant located in the Province of Ancona. Fedrigoni lodged appeals against these claims as well at the Ancona Provincial Tax Commission. With respect to the 2014 and 2015 disputes, the Commissions were joined with results clearly similar to the previous ones. In 2019, in view of a possible statute of limitations for issuing measures, the authorities served payment notices for the 2013 electricity consumption at the Castelraimondo plant. Payment notices have not been served yet for the years 2017, 2018 and 2019. Fedrigoni, conscious of the validity of its arguments, which are also backed up by opinions of external consultants, will lodge appeals and oppose the demands of the other party.

The risk associated with the dispute is covered sufficiently in the provision.

The provision also covers other marginal situations involving risk due to the termination of employment contracts.

A request for compensation was submitted by a distributor outside Europe for an alleged breach of a sales distribution agreement. The proceedings are at the preliminary stage. The cost for the risk of compensation of damages is reflected in "other provisions".

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21. Trade payables and other liabilities

This item is detailed below:

(in thousands of Euros)	At December 31, 2020	At December 31, 2019
Trade payables	**311,033**	**240,837**
Other liabilities:		
- Due to employees	25,878	22,093
- Accrued expenses and deferred income	4,293	1,623
- Social security	10,769	10,359
- Withholding taxes	6,230	5,166
- Sundry payables	10,000	5,900
- Due to supplementary pension fund	1,817	1,770
- Advances	1,068	2,643
- VAT due	4,194	1,830
- Due to Directors and Statutory Auditors	110	703
- Sundry tax liabilities	3,147	380
Other liabilities	**67,506**	**52,467**
Total	**378,539**	**293,304**
Of which: non-current	4,233	1,773

The increases in "trade payables" and "other liabilities" relate primarily to the consolidation of the Ritrama Group. The directors consider that the carrying amount of trade payables approximates to their fair value.

22. Current tax liabilities

This item amounts to Euro 28,847 thousand at December 31, 2020 (Euro 3,136 thousand at December 31, 2019) and Euro 23,497 thousand refers to the tax payables entered during the period in Fedrigoni S.p.A.'s separate financial statements following the decision to apply tax relief, under Decree Law 185/2008, through the payment of a 10% substitute tax, to values regarding intangible assets recognized in the consolidated financial statements. The item also includes tax payables entered during the year in the separate financial statements of the Italian subsidiaries Arconvert S.p.A., the Cordenons S.p.A. Group and Ritrama S.p.A. pursuant to the decision to use the possibility of realigning the tax bases to the higher values of the goods that are recognized in the related financial statements, or to revalue tangible and intangible assets through the payment of a 3% substitute tax, under Decree Law 104/2020.

The increase in the item, which also includes the total payables due for corporate income tax (IRES) and regional business tax (IRAP) accrued by the Group companies for the year, is also a result of the consolidation of the Ritrama Group.


Teatro Académic
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Notes to the Income Statement

23. Sales revenues

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Revenues from sales of products	1,320,292	1,118,645
Awards for customers	(8,887)	(6,292)
Other sales revenues	3,837	2,694
Total	**1,315,242**	**1,115,047**

24. Other operating

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Other revenues	8,705	6,114
Sundry non-financial income	3,263	1,945
Contingent gains and unrealized costs	468	1,462
Grants for operating expenses	429	274
Other	280	39
Total	**13,145**	**9,834**

"Other revenues" derive primarily from the sale of electricity by the manufacturing companies and the sale of white certificates (Euro 7,624 thousand in 2020 and Euro 5,786 thousand in 2019).

25. Cost of materials

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Raw material purchases	735,262	546,809
Purchases of ancillary materials and consumables	6,928	1,648
Change in raw material inventories	(9,844)	39,510
Total	**732,346**	**587,967**

The 2020 "raw material purchases" show a higher amount due to the inclusion of the Ritrama Group in the consolidation scope and its impact on the annual reporting period ended December 31, 2020. The increase was offset in part by the decrease in the cost of materials for the Paper and Security Segment as a result of lower finished product sales volumes and by the reduction of raw material costs, particularly of pulp. The total cost of raw materials also benefited in 2020 from the new organization of the procurement process, which led to better average purchasing conditions.

26. Cost of services

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Freight	87,898	71,815
Natural gas	33,831	36,118
Commissions paid	18,431	19,472
Maintenance	13,606	11,225
Use of third-party assets	6,392	8,828
Electricity	9,966	6,100
Consulting services (administrative, legal, tax, technical)	39,614	33,235
Advertising and publicity	4,015	5,420
Outsourced production	5,888	5,261
Insurance	6,211	5,104
Travel expenses	2,789	5,589
Waste disposal	6,032	3,883
Outsourced labor	6,729	5,716
Telephone expenses	1,289	1,004
Water	335	186
Directors and Statutory Auditors	1,929	2,261
Other services	18,081	12,126
Total	**263,036**	**233,343**

The cost of services increased largely as a result of the 2020 consolidation of the Ritrama Group. On a comparable consolidation basis, costs for services fell as a result of the impact of the pandemic on the sales performance, which led to a reduction of royalties from the production of security items, accounted for as "use of third-party assets". The "third-party assets" also include payments under short-term and low-value leases, which increased from Euro 2,799 thousand in 2019 to Euro 3,578 thousand in 2020. The costs for services also fell as a result of a decrease in costs for trade fairs and similar promotional events, a decrease in business travel expenses and a decrease in energy costs due to the production shutdowns.

Those decreases were offset in part by an increase in freight costs caused mainly by the Covid-19 pandemic, which led to an increase in unit costs and an increase in consulting costs regarding both the transformation plans that the Group is developing and the acquisition of the Ritrama Group.

27. Cost of personnel

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Wages and salaries	154,605	117,870
Social security contributions	41,068	34,457
Annual accrual for defined contribution and defined benefit plans	8,751	7,063
Other personnel costs	4,165	4,732
Total	**208,589**	**164,122**

The increase in personnel cost relates largely to the 2020 consolidation of the Ritrama Group. On a comparable consolidation basis, the difference refers to the increase in costs for the reinforcement of the Group's management with new competencies, in keeping with the new strategic objectives.

The increase in these costs was offset only in part by initiatives intended to contain the financial effects of the pandemic, such as the planning of some production shutdowns at some factories, and by the reorganization and streamlining of the Group's production structure initiated in the prior year.

The Group's employee headcount numbers are shown below:

	Year ended December 31	
	2020	Restated 2019
Management	132	60
White-collar employees	1,375	910
Blue-collar employees	2,243	1,627
Total	**3,750**	**2,597**

28. Other costs

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Writedowns of receivables and other assets	74	2,384
Contingent losses and unrealized income	1,687	261
Indirect taxes	4,115	2,889
Membership dues	887	733
Allowances/(releases) of provisions	(6,333)	(74)
Other costs	10,541	4,776
Total	**10,971**	**10,969**

"Indirect taxes" include Euro 2,739 thousand in property taxes on buildings owned (Euro 1,853 thousand in 2019).

"Allowances/(releases) of provisions" comprise mainly amounts charged during the period net of the amounts released from risk provisions, of which Euro 5,865 thousand refers to the release of the provision for warranty claims and Euro 699 thousand to the release of the provision for environmental risks.

"Other costs" consist prevalently of the loss generated by the sale of cogeneration turbines (Euro 6,433 thousand), recognized previously among property, plant and equipment and sold after the new equipment was installed.

29. Depreciation and amortization

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Depreciation of property, plant and equipment	54,485	43,261
Amortization of intangible assets	19,138	11,718
Depreciation of investment property	38	38
Total	**73,661**	**55,017**

Depreciation and amortization include the additional amounts originating from the new, higher values allocated to assets in the purchase price allocation process, of Euro 2,826 thousand and Euro 13,793 thousand, respectively (Euro 3,086 thousand and Euro 8,269 thousand in 2019), and the Euro 12,426 thousand depreciation of the right-of-use assets under leases pursuant to IFRS 16.

30. Net financial income/ (costs)

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Interest income	531	160
Foreign exchange gains	20,789	9,210
Fair value measurement of derivatives	796	83
Other financial income	72	38
Total financial income	**22,188**	**9,491**
Bank interest expense	(2,330)	(137)
Interest expense on leases	(2,519)	(1,514)
Foreign exchange losses	(29,490)	(8,970)
Derivative fair value measurement costs	(702)	(206)
Interest costs on employee benefits	(132)	(267)
Other finance costs	(41,030)	(30,552)
Total finance costs	**(76,203)**	**(41,646)**
Total	**(54,015)**	**(32,155)**

"Other finance costs" include Euro 32,204 thousand (Euro 23,925 thousand in 2019) in interest expense on the bond notes, Euro 4,807 thousand (Euro 3,521 thousand in 2019) for the amortized cost related to the bond notes and Euro 606 thousand (Euro 1,084 thousand in 2019) in fees on the revolving credit facility.

31. Income taxes

This item is detailed below:

(in thousands of Euros)	Year ended December 31	
	2020	Restated 2019
Current taxes	24,094	19,727
Deferred taxes	(58,978)	(4,190)
Total	**(34,884)**	**15,537**

The table below presents the reconciliation of the theoretical tax rate (the 24% corporate income tax or "IRES" rate currently in force in Italy) and the effective tax rate:

	Year ended December 31	
(in thousands of Euros)	2020	Restated 2019
Profit before tax	(8,620)	33,626
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes	**(2,069)**	**8,070**
Profits not subject to taxes	(2,041)	(2,461)
Use of tax losses carried forward	(26)	-
Non-deductible taxes	1,864	4,022
Non-deductible interests expenses	16,061	6,755
Other decreases	(48,250)	(7,306)
IRAP allocated by the Italian companies	1,389	1,748
Tax effects of foreign subsidiaries and other differences	(1,812)	4,710
Effective income taxes	**(34,884)**	**15,537**

Other decreases are mainly related to the reversal of deferred tax liabilities due to the realignment of the tax bases of the assets recognized in the financial statements, under Decree Law 104/2020, Article 110, paragraphs 8 and 8 *bis* and under Decree Law 185/2008.

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32. Net loss from discontinued operations

Within the context of an increasing focus on the production of special paper and products pertaining to the Pressure Sensitive Labels Segment, in September 2020 the Group decided to discontinue the Paper business unit operated by Fedrigoni Brasil Papéis Ltda.

The loss recognized includes a loss on disposal of Euro 19,050 thousand.

The net loss from discontinued operations included in the Consolidated Income Statement for the year ended December 31, 2020 is detailed below:

	December 31	
(in thousands of Euros)	2020	2019
Sales revenues	34,922	56,389
Other operating income	54	98
Cost of materials	(16,839)	(23,089)
Cost of services	(6,385)	(11,616)
Cost of personnel	(6,207)	(11,604)
Other costs	(397)	258
Depreciation, amortization and impairment losses	(3,586)	(6,602)
Change in inventories of work in progress, semi-finished goods and finished products	1,740	(2,814)
Operating income	**3,302**	**1,020**
Financial income	2,034	8,837
Finance costs	(11,811)	(11,187)
Net financial income/(costs)	**(9,777)**	**(2,350)**
Loss before taxes	**(6,475)**	**(1,329)**
Income taxes	(467)	(2,101)
Net loss	**(6,942)**	**(3,430)**
Loss on disposals of assets	(19,050)	
Net loss from discontinued operations	**(25,992)**	**(3,430)**

33. Earnings per share

Earnings per share was calculated by dividing: i) the profit or loss attributable to ordinary equity holders by ii) the number of ordinary shares.

There are no anti-dilutive shares, so the diluted earnings per share is the same as the basic earnings per share.

	Year ended December 31	
(in thousands of Euros)	2020	Restated 2019 (*)
Net profit attributable to owners of the Parent	563	14,658
Weighted average of shares (in thousand)	80,001	80,001
Basic earnings per share (in Euros)	**0.00**	**0.18**
Diluted earnings per share (in Euros)	**0.00**	**0.18**

(*) For comparative purposes, the weighted average of shares related to 2019 has been restated in order to consider the number of shares resulting from the legal reverse merger occurred in 2020.

34. Contingent liabilities

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to management, none of these proceedings can result in significant liabilities for which provisions do not already exist in the Consolidated Financial Statements.

35. Commitments

(a) Commitments to purchase property, plant and equipment
The contractual commitments undertaken with third parties at December 31, 2020 regarding investments in property, plant and machinery not yet recognized in the financial statements amount to Euro 11,227 thousand.

(b) Other commitments
The following collateral has been put up:
- pledge over Fedrigoni S.p.A. shares granted originally by Fabric (BC) S.p.A. (now absorbed by Fedrigoni S.p.A.) on April 16, 2018, as subsequently confirmed and last extended on January 11, 2021 by Fedrigoni Holding Limited, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- security assignment over the receivables originating from an intercompany loan stipulated originally by Fabric (BC) S.p.A. (now absorbed by Fedrigoni S.p.A.), as lender, and Bianco (BC) S.p.A. (now absorbed by the Cordenons S.p.A. Group), as borrower, granted originally by Fabric (BC) S.p.A. on July 10, 2018, as subsequently confirmed and last extended on January 11, 2021 by Fedrigoni S.p.A., to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over Cordenons S.p.A. Group shares granted originally by Fabric (BC) S.p.A. (now absorbed by Fedrigoni S.p.A.) on July 11, 2018, as subsequently confirmed and last extended on January 11, 2021 by Fedrigoni S.p.A., to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over the material bank accounts of the Cordenons S.p.A. Group granted by the Cordenons S.p.A. Group on May 10, 2019, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, Revolving Credit Facility subscribed on April 11, 2018 and Hedging Arrangements, among others;
- pledge over Arconvert S.p.A. shares granted by Fedrigoni S.p.A. on December 16, 2019, as subsequently confirmed and extended on January 11, 2021, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;

- pledge over Arconvert S.A.U.'s share capital granted originally by Fedrigoni S.p.A. and Arconvert S.p.A. on December 16, 2019, as subsequently confirmed and extended on January 11, 2021, by Ritrama S.p.A., to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over the material bank accounts of Fedrigoni S.p.A. granted by Fedrigoni S.p.A. on December 16, 2019, as subsequently confirmed and extended on January 11, 2021, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over the receivables originating from an intercompany loan stipulated by Fedrigoni S.p.A., as lender, and Ritrama S.p.A., as borrower, granted by Fedrigoni S.p.A. on February 21, 2020, as subsequently confirmed and extended on January 11, 2021, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over Ritrama S.p.A. shares granted by Fedrigoni S.p.A. on February 21, 2020, as subsequently confirmed and extended on January 11, 2021, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over the material bank accounts of Arconvert S.A. granted by Arconvert S.A.U. on March 10, 2020, to secure the payment obligations deriving from the Original Note Issue, Tap Note Issue, New Note Issue, Revolving Credit Facility and Hedging Arrangements, among others;
- pledge over the material bank accounts of Arconvert S.p.A. granted by Arconvert S.p.A. on March 10, 2020, to secure the payment obligations deriving from the Revolving Credit Facility, among others;
- pledge over the material bank accounts of Ritrama S.p.A. granted by Ritrama S.p.A. on March 10, 2020, to secure the payment obligations deriving from the Revolving Credit Facility, among others; and
- special lien granted by Fedrigoni S.p.A. on January 11, 2021, to secure the payment obligations deriving from the Revolving Credit Facility, among others.

36. Related-party transactions

The following tables set forth the transactions and balances of the Group with related parties for the years ended December 31, 2020 and December 31, 2019.

Statement of Financial Position balances

	At December 31, 2020					
	Assets			Liabilities		
(in thousands of Euros)	Financial receivables	Trade receivables	Tax receivables	Tax liabilities	Trade payables	Financial payables
Bain Capital Private Equity, LP	-		-	-	24	-
Fedrigoni Holding Ltd	150	-	-	-	62	-
Nerea S.p.A.	-	-	-	-	-	-
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	-	1,294	-	-	-	-
Rimark S.A. de C.V.	-	-	-	-	-	-
Total	**150**	**1,294**	**-**	**-**	**86**	**-**
As a % of F/S item	0.6%	0.8%	0.0%	0.0%	0.0%	0.0%

	At December 31, 2019					
	Assets			Liabilities		
(in thousands of Euros)	Financial receivables	Trade receivables	Tax receivables	Tax liabilities	Trade payables	Financial payables
Bain Capital Private Equity, LP	-	-	-	-	206	-
Fedrigoni Holding Ltd	-	40	-	-	65	-
Nerea S.p.A.	-	-	-	-	-	-
Machiavelli 38 S.r.l.	-	-	-	-	-	-
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	-	-	-	-	-	-
Total	**-**	**40**	**-**	**-**	**271**	**-**
As a % of F/S item	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%

Income Statement balances

	At December 31, 2020				
	Income			Expenses	
(in thousands of Euros)	**Sales revenues**	**Other revenues**	**Interest income**	**Cost of services**	**Interest expense**
Bain Capital Private Equity, LP	-	-	-	1,683	-
Fedrigoni Holding Ltd				391	
Nerea S.p.A.	-	-	-	-	-
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	-	-	-	214	-
Rimark S.A. de C.V.	-	-	-	-	-
Total	**-**	**-**	**-**	**2,294**	**-**
As a % of F/S item	0.0%	0.0%	0.0%	1.0%	0.0%

	At December 31, 2019				
	Income			Expenses	
(in thousands of Euros)	**Sales revenues**	**Other revenues**	**Interest income**	**Cost of services**	**Interest expense**
Bain Capital Private Equity, LP	-	-	-	3,551	-
Fedrigoni Holding Ltd				344	
Nerea S.p.A.	-	-	-	365	-
Machiavelli 38 S.r.l.	-	-	-	-	-
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	-	-	-	-	-
Total	**-**	**-**	**-**	**4,260**	**-**
As a % of F/S item	0.0%	0.0%	0.0%	1.74%	0.0%

Description of the Group's related parties

Bain Capital Private Equity LP

The Group has a Consulting Service Agreement in effect with Bain Capital Private Equity LP, originally stipulated on April 16, 2018 by Fabric, Fedrigoni Holding Ltd and Bain Capital Private Equity LP.

Fedrigoni Holding Ltd

The Group incurred some costs with Fedrigoni Holding Ltd, Fedrigoni S.p.A.'s parent company, for the recharging of some marketing costs.

Nerea S.p.A.

Nerea S.p.A. is a real estate agency considered a related party because it is controlled by a shareholder of the Parent company.

The Group had a lease in effect with Nerea S.p.A. for the building in Verona in which the Parent company's headquarters were previously located and the adjoining parking lot.

Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.

Consorzio Canale Industriale G. Camuzzoni S.c.ar.l. in Verona is a 25%-owned company, and thus an associate, which operates in the power generation industry.

Rimark S.A. de C.V.

Rimark S.A. de C.V., based in Mexico, is a 30%-owned company, and thus an associate, which operates in the Pressure Sensitive Labels industry.

Key management personnel compensation

The following positions are considered to comprise the Group's key management personnel: i) Group Chief Executive Officer; ii) General Manager of Pressure Sensitive Labels division; iii) Group Chief Procurement Officer; iv) Corporate Development Director; v) Group Chief Human Resources Officer; vi) Group Chief Financial Officer; vii) Group Chief Sustainability and Communication Officer; viii) Group Technology Infrastructure Director.

The gross compensation paid to the key management personnel in 2020 totaled Euro 2,071 thousand.

37. Subsequent events

By the date of this report, the Group is in the process of potentially disposing a company branch related to the security business unit. In this regard, there are no elements that could affect the consolidated financial statements as at 31 December 2020.

ANNEX 1

List of subsidiaries and associates

Name	Headquarters	Group's ownership
Directly controlled subsidiaries		**At December 31, 2020**
Arconvert-Ritrama do Brasil Ltda	Jundiaí - Brazil	100.00%
Gruppo Cordenons S.p.A.	Milan (MI) - Italy	100.00%
RITRAMA S.p.A.	Caponago (MB) - Italy	100.00%
Arconvert S.p.A.	Arco (TN) - Italy	100.00%
Fedrigoni Deutschland Gmbh	Munich - Germany	100.00%
Fedrigoni Espana SL	Madrid - Spain	100.00%
Fedrigoni France Sarl	Paris - France	100.00%
Fedrigoni UK Ltd	Northampton - United Kingdom	100.00%
Cartamano Deutschland Gmbh	Munich - Germany	100.00%
Miliani Immobiliare S.r.l.	Verona (VR) - Italy	100.00%
Fedrigoni Austria GmbH	Vienna - Austria	100.00%
Fedrigoni Benelux B.V.	Brussels - Belgium	100.00%
Fedrigoni Asia Ltd	Hong Kong - China	100.00%
Concept Couleurs Sàrl	Geneva - Switzerland	100.00%
GPA Holding Company Inc	McCook, Illinois - U.S.A.	100.00%
Magnani 1404 S.r.l.	Massa e Cozzile (PT) - Italy	100.00%
Indirectly controlled subsidiaries		
Arconvert S.A.U.	Sarrià del Ter Gerona - Spain	100.00%
Fedrigoni Trading (Shanghai) Company Limited	Shanghai - China	100.00%
POLIFIBRA 2011 S.p.A.	Agrate Brianza (MB) - Italy	100.00%
Ritrama (Hefei) Pressure Sensitive Coated Materials Co.Limited	Hefei - China	100.00%
RITRAMA UK Ltd	Dukinfield - United Kingdom	100.00%
INVERSIONES SAN AURELIO Srl	Santo Domingo - Dominican Republic	100.00%
RITRAMA CONVERTING (PTY) LTD	Durban - South Africa	100.00%
Ritrama A.G.	Bremgarten - Switzerland	100.00%
RITRAMA S.A. CHILE	Curauma, Valparaíso - Chile	100.00%
RITRAMA AUTOADESIVOS Ltda	Jundiaí - Brazil	100.00%
DISTRIBUIDORA RITRAMA ECUADOR DISRITREC S.A.	Quito - Ecuador	100.00%
RITRAMA PERU' SAC	Lima - Peru	100.00%
RITRAMA Caribe Srl	Santo Domingo - Dominican Republic	100.00%
CD Design GmbH.	Velbert - Germany	100.00%
RITRAMA S.A.S	La Estrella, Antioquia - Colombia	86.00%
RITRAMA Costa Rica S.A.	Heredia - Costa Rica	60.00%
RITRAMA Guatemala S.A.	Ofibodega - Guatemala	60.00%
Venus America S.A. de C.V.	Tlalnepantla - Mexico	100.00%
Servicios de Personal Rolosa S.A. de C.V.	Tlalnepantla - Mexico	100.00%
Industrial Papelera Venus S.A. de C.V.	Tlalnepantla - Mexico	100.00%
Associates		
Rimark S.A. de C.V.	Mexico City - Mexico	30.00%
Consorzio Canale Industriale G. Camuzzoni S.c.ar.l.	Verona (VR) - Italy	25.00%

Deloitte.

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www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Fedrigoni S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Fedrigoni S.p.A. and its subsidiaries (the "Fedrigoni Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Fedrigoni Group as at December 31, 2020, and of its consolidated financial performance and its consolidated 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 Fedrigoni S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Fedrigoni Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence

Auditor's Report on the Consolidated Financial Statement

of the conditions for the liquidation of Fedrigoni S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Fedrigoni Group's financial reporting process.

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 the 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 Fedrigoni Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's 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 Fedrigoni 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 consolidated financial statements or, if such disclosures are inadequate, to modify 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 Fedrigoni Group to cease to continue as a going concern.

- Evaluate 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fedrigoni Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fedrigoni Group audit. We remain solely responsible for our audit opinion.

We communicate 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 OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/2010

The Directors of Fedrigoni S.p.A. are responsible for the preparation of the report on operations of the Fedrigoni Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of the Fedrigoni Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of the Fedrigoni Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/2010, made on the basis of the knowledge and understanding of the Fedrigoni Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Pier Valter Azzoni
Partner

Verona, Italy
April 30, 2021

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

Sustainability Report

Methodological Note

This document is the first edition of the Fedrigoni Group's Sustainability Report, through which the Group intends to inform its stakeholders about the approach and results of the sustainability process it has conducted, highlighting its main initiatives and performance as well as its goals for the future. A key factor in the document is the new sustainability strategy, which will be used as a guideline for Fedrigoni's actions from now until 2030, more fully integrating environmental, social and governance issues (ESG) into the Group's approach.

It was therefore decided to include the Sustainability Report in the Group's consolidated financial statements (as has been the case for years with the environmental report).

The acquisition of Ritrama S.p.A., Coating Ricofin S.p.A., Eurotac S.p.A. and the respective holdings (the Ritrama Group) was completed on 31 January 2020. The Ritrama Group is an Italian multinational corporation that manufactures self-adhesive products, with operating production sites in Italy, Spain, the United Kingdom, Chile and China. In order to obtain a useful baseline to define the Group's sustainability strategy, this Report also includes environmental data referring to 2019 when the Ritrama Group companies did not yet belong to the Fedrigoni Group.

The economic, environmental and social data and information provided in this document refer to all companies in the Fedrigoni Group included in the Consolidated Financial Statements and are related to the period from 1 January 2020 to 31 December 2020.

The data recorded in the Environment chapter referring to emissions, energy consumption, water consumption and waste, are presented with reference to each business unit (Self-Adhesives; Paper & Security) for greater transparency, because of the very specific environmental impact due to the heterogeneity of the activities carried out.

This Report has been drawn up according to GRI's Reporting Standards: Core option. The Sustainability Report has not been subject to external assurance.

The list of indicators can be found in the "GRI Content Index" section at the end of the document.

In accordance with GRI's requirements, the most relevant and reportable issues and indicators were identified through a materiality analysis in order to identify and pool the standpoints of the internal and external stakeholders.

In addition, the reporting is based on the principles of Stakeholder Inclusivity and Completeness and presents the sustainability context in which the material issues are included.

The Report can be viewed and downloaded at:
www.fedrigoni.com

For clarification and further information, please contact:
Isabella Bussi
Head of Sustainability
isabella.bussi@fedrigoni.com

Scenario 2020

The pandemic accelerated a trend towards sustainability that had already been seen in recent years, moving institutions and companies towards "decarbonisation" of the economy.

Plans such as the European Green New Deal, the corresponding US plan and China's commitment to become carbon neutral by 2060 are precisely moving in this direction: towards a more sustainable economy, conscientious about the use of natural resources based on renewable energies and with an increasingly circular production system.

With the support of customers and suppliers, the paper industry can play a role in anticipating new trends through product innovation.

In addition, paper can play a leading role from the standpoint of the circular economy: after its use, paper is easily recyclable and pulp fibre is not only a material of natural origin but also renewable.

While the paper sector has intrinsic circularity features, the label sector is placed in a more complicated position, requiring the help of innovation and technology along with strategic partnerships. Precisely for these reasons, CELAB was set up in 2020, a global consortium for the implementation of circular economy models in the self-adhesive label sector, of which Fedrigoni is a co-founder for the European region. Thanks to the network created, linking the various production processes and recycling capacities of the different markets, innovative solutions can be found not only for the recovery and reuse of materials but also dialogue and interaction can be created among all the players in the supply chain, institutions and the public.

Highlights 2020

21 logistics and production sites

13 slitting and distribution centres

25 countries where we operate

132 countries where we sell our products

approx. 4,000 employees

264.5 ktons CO_2 emissions

50% ESG approved suppliers

90% clean water returned to the environment and zero cases of non-compliance

75% recycled waste

20% women in managerial positions

105 injuries (-40% compared with 2019)

100% FSC certified pulp purchased (Chain of Custody + Controlled Wood)

0.3% of added value allocated to communities

Our sustainability strategy

1.1 The path to sustainability

Our sustainability strategy

For Fedrigoni, sustainability is an integral part of the way we work and that is why we are involved in an important acceleration process that began more than 20 years ago. Over the next decade, we aim to achieve an ambitious transformation in every area of our company: from product development to production and logistics, procurement and finance. This will be carried out in collaboration with and for our people.

2020 was an important time for us to take stock of our activities and understand how we can play a role in managing the impact related to ESG issues in our industry more effectively. The result was a renewed, enhanced sustainability strategy that aims to make Fedrigoni an international leader in the field of specialty papers, labels and self-adhesive premium materials in terms of understanding and managing the sustainability issues related to our business.

We believe that commitment to social and environmental issues goes hand in hand with increasing the margin and profitability of our business. Both factors are not contradictory but are instead complementary, especially when viewed from a long-term perspective. It takes the full commitment of the entire management and the various company departments to make ESG part of the company's daily focus and coincide with its business priorities. Finally, we are aware of how a firm commitment to social, environmental, and corporate governance issues has become one of the key factors for new generations when choosing a company to work for. We also want to undertake a commitment to this path of sustainability and responsibility in order to attract more and more talent who choose to join the Fedrigoni family not only because they are passionate about our business but also because they share our distinctive approach to business.

This is how **ESG Blueprint 2030** came about, the sustainability strategy involving all Fedrigoni's people from now until 2030. ESG Blueprint 2030 includes **4 pillars:**

- **Environment**
  We want to become a leader in our industry in reducing the emissions we produce, the waste we generate and the way we use and return water in our manufacturing processes. Therefore, we intend to closely monitor our own and our suppliers' environmental performance and are committed to an increasingly responsible and sustainable supplier base.

- **Product Development**
  Our customers demand products that are as sustainable as possible, both in terms of the manufacturing processes and the possibility of downstream recycling, and we respond with products where sustainability leads to innovation. In the Paper & Security Unit, we aim to play a leading role in the global "Plastic to Paper" challenge by developing solutions with performance that is similar to that of plastic but using renewable raw materials that are fully recyclable downstream. In the Self-Adhesives Unit, we intend to increase our range of environmentally friendly self-adhesive solutions, increasing our market share as a global leader, particularly in the Wine & Spirits segment.

- **Social and Governance**
  We strive to attract, develop and retain the best talent, adopting the best possible practices related to diversity and inclusion, working conditions, social dialogue, career path management, active employee engagement and occupational health and safety. In the area of Corporate Governance, we aim to adopt best practices on Anti-bribery, Anti-trust, GDPR and personal data management.

- **Transparency and Endorsement**
  The more we involve all of our people and the various company departments, the more achievable Fedrigoni's sustainability objectives will be. For this purpose, sustainability will be an essential part of individual performance assessments. We are also committed to full transparency, ensuring constant visibility of the defined targets, relevant initiatives and results achieved for all our stakeholders.

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Our goals for 2030

In line with the strategy we have defined, we have set ourselves clear and challenging goals for the next 10 years to be achieved through a structured series of initiatives and investments:

Pillar 1 Environment	Emissions	Waste	Suppliers	Water
	-30%	**100% Industrial waste recovery**	**+45% ESG approved suppliers**	**95%**
	We will reduce carbon dioxide emissions (Scope 1 and 2) by 30%. From ~330 to ~240 ktons CO_2	We aim to stop waste being dumped in landfills, creating possibilities for reuse and a higher value in the production processes of other industries	From 50% to 95% of our procurement spending assessed from the additional standpoint of ESG criteria	We aim to return 95% of clean water to the environment with no cases of non-compliance
	(compared to base year 2019)	(compared to base year 2019)	(compared to base year 2020)	(compared to base year 2020)

Pillar 2 Product Development	Paper & Security Business Unit	Self-Adhesives Business Unit
	from 20% to 40%	**from 35% to70%**
	Growth from 20% to 40% in volumes of advanced ESG solutions in our product portfolio, with a strong focus on replacing plastic applications with paper-based solutions	Growth from 35% to 70% in the volume of advanced solutions in terms of ESG in our product portfolio
	(compared to base year 2019)	(compared to base year 2019)

Climate change requires that everyone must change their pace in their commitment to reducing environmental impact and greenhouse gas emissions.

We have chosen to work on a rigorous and scientific basis for what is the most challenging goal: The reduction of emissions into the atmosphere, in particular CO_2. Science Based Targets is the institute and the methodology we have chosen to follow and that confirm our efforts.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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Pillar 3 Social and Governance	Health and safety	Equal opportunities	Talent development	NPS employees	Code of Ethics
	-67%	**+50%**	**100%**	**60**	**100%**
	Accident rate, frequency rate/TRIF (Total Recordable Injury Frequency) from ~21 to ~7	From 20% to 30% of women in managerial positions	Employees involved in performance and individual development interviews	Obtaining 60+ of an NPS (net promoter score, i.e. anonymous evaluation provided by employees about the enjoyment of their work experience)	Of our employees trained in the new Group Code of Ethics
	(compared to base year 2020)	(compared to base year 2020)	(compared to base year 2020 = 10%)	(compared to base year 2020 = 50)	

Pillar 4 Transparency and Endorsement	Including ESG as a KPI for individual performance evaluation	Reporting	Endorsement	
		Compliance with the GRI standard for Social, Environmental and Governance Reporting since the 2020 financial statements	Becoming a member of the UN Global Compact from 2021	Obtaining an annual ESG rating from an internationally accredited external party (Ecovadis in 2021)


4. PINACEÆ
4.5.11. Pinus sylvestris L.
100
Fondation Cartier
pour l'art contemporain
L'ARCHITECTURE
DES ARBRES
Cesare Leonardi
Franca Stagi
MÈTRES
4. PINACEÆ
4.6.1. Pseudotsuga douglasii var. pendula
101

Materiality

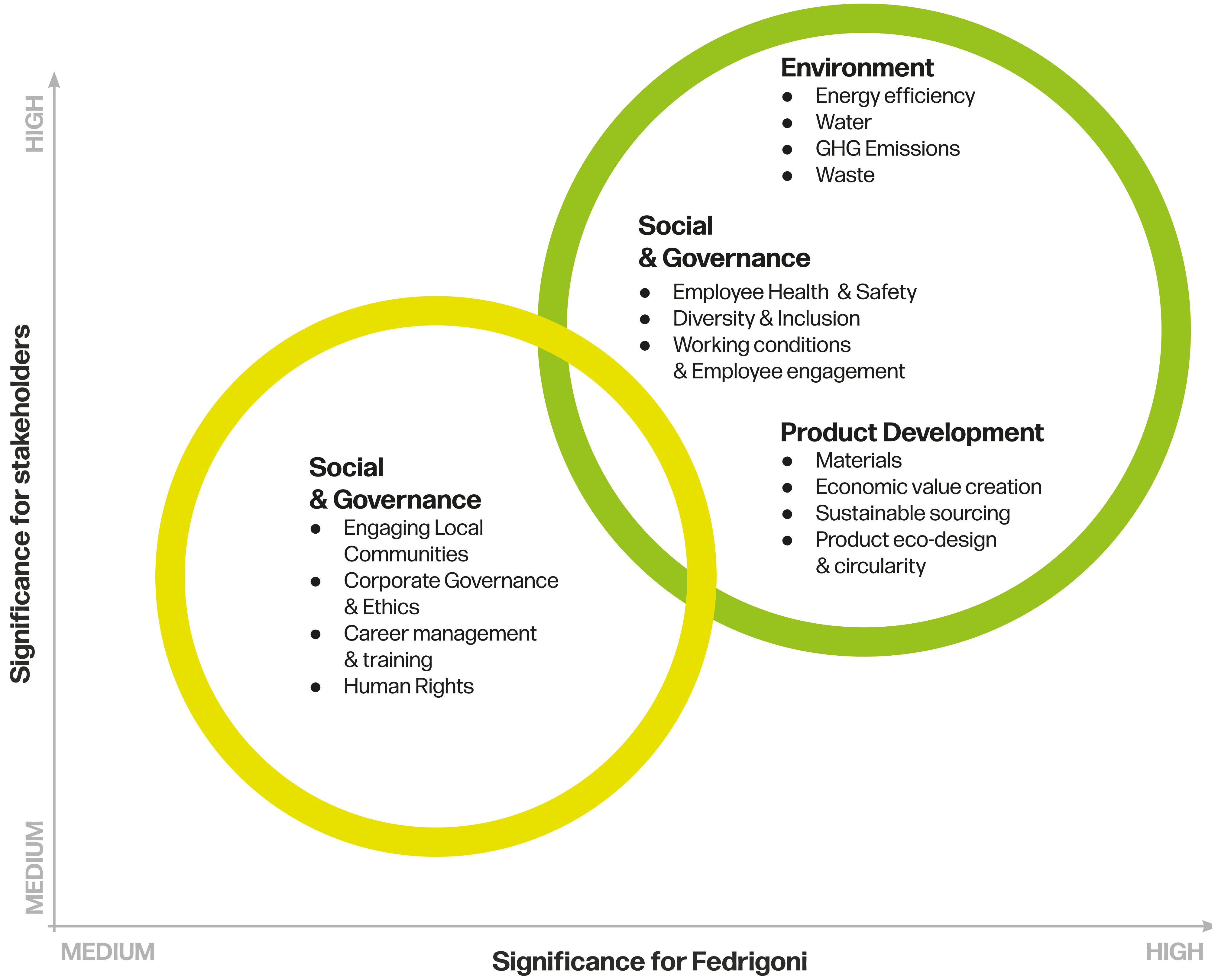
The most significant issues for us and our stakeholders have become fields of action in our ESG Blueprint 2030, the intervention strategies of which are described in this document: goals, milestones and actions (achieved, in progress, planned) that intensely involve every department of our company, from product development to production and logistics, from procurement to finance and human resources.

SDG

The Sustainable Development Goals–SDGs–are 17 goals adopted in September 2015 by the governments of the 193 member countries of the United Nations General Assembly and imply an agenda known as the 2030 Agenda for Sustainable Development. The 2030 Agenda recognises the need to build peaceful, fair and inclusive societies based on the rule of law, providing equitable access to justice and based on respect for human rights, including the right to development and empowerment of women and girls, good governance at all levels and responsible, effective and transparent institutions. These Goals are universal and apply equally to developed and developing countries. For further information: https://www.un.org/sustainabledevelopment/development-agenda

We have identified the SDGs where we can make a difference as Fedrigoni and in the coming years we will report the progress made in the various targets we have set.

Materiality Matrix



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Sustainability governance

Each department in the company has an ESG contact person who is responsible for managing operations from the standpoint of sustainability, with the aim, on the one hand, of focusing attention on the acceleration issues specified in the ESG Blueprint 2030 and, on the other hand, identifying any further ideas for improving corporate sustainability performance. Similarly, a department has been identified for each of the topics dealt with in the ESG Blueprint 2030 that is responsible for implementing the initiatives needed to achieve the specific goals. The Group ESG Steering Group has hence been created across-the-board for the Group's various Business Units and that is responsible for coordinating the 2030 strategy and defining future strategies.
In addition, in 2020 the position of Chief Sustainability and Communication Officer was created. This person directly reports to the CEO, which means that the ESG issue is directly submitted to the Executive Committee. The team will then be strengthened in Q1 2021 with the position of a Head of Sustainability, with the task of coordinating the activities envisaged in the ESG Blueprint 2030 throughout the whole Group.

In order to assist the representatives at the various levels, Fedrigoni has defined specific Key Performance Indicators to support those of an economic nature, guaranteeing a complete and accurate interpretation of the Group's performance. These indicators, which are specified in this report, are important tools for measuring and evaluating our activities.

The main initiatives implemented and planned in 2020
In addition to drawing up the ESG Blueprint 2030, in 2020 Fedrigoni paid particular attention to updating its Code of Ethics, which has been applied by the Group since 1998, at the same time it adopted an updated version of its Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01.

Updating the aforementioned Code became necessary due to the intense developments taking place in the Group after the Group's recent change of ownership. The review includes the contribution of the various departments of the company in order to better adapt them to the company's specific situation and is aimed at ensuring there is a document that represents the corporate culture applicable to all the companies in the Group.

The Code determines the principles and duties of conduct that Fedrigoni considers essential for the correct management of its activities, also related to the provisions in Italian Legislative Decree 231/01 and the guidelines issued by trade associations.
In particular, the principles set out in the Code of Ethics are related to the following:
- Respect for persons, honesty, safety and loyalty;
- Integrity, correctness and transparency;
- Equality and impartiality;
- Compliance with laws and standards;
- Confidentiality of the processes, operations and personal data;
- The Group's reputation.

Policies & Procedures have been developed in the areas of anti-corruption, third party due diligence and whistleblowing due to us always being attentive to preventing any risks that could compromise the responsible and sustainable management of our departments.

In 2021, the Fedrigoni Group will set up a department to deal with strengthening and managing compliance and audit issues by appointing a Group Compliance Officer & Chief Internal Auditor. In coordination with the others, this department will contribute to supporting the activities of the Group ESG Steering Group. Training and awareness-raising activities for employees on the recently updated Code of Ethics will also continue.

Lastly, in order to highlight the Group's commitment to sustainability, in 2021 Fedrigoni will officially join the United Nations Global Compact, an initiative created to encourage companies around the world to adopt sustainable policies in compliance with corporate social responsibility and to publish the results of the actions they carry out.

The stakeholders

Fedrigoni recognises the importance of building and maintaining relationships of trust with its relevant stakeholders. The aim of the stakeholder engagement is to facilitate these interactions so that they become opportunities for mutual growth and enrichment.

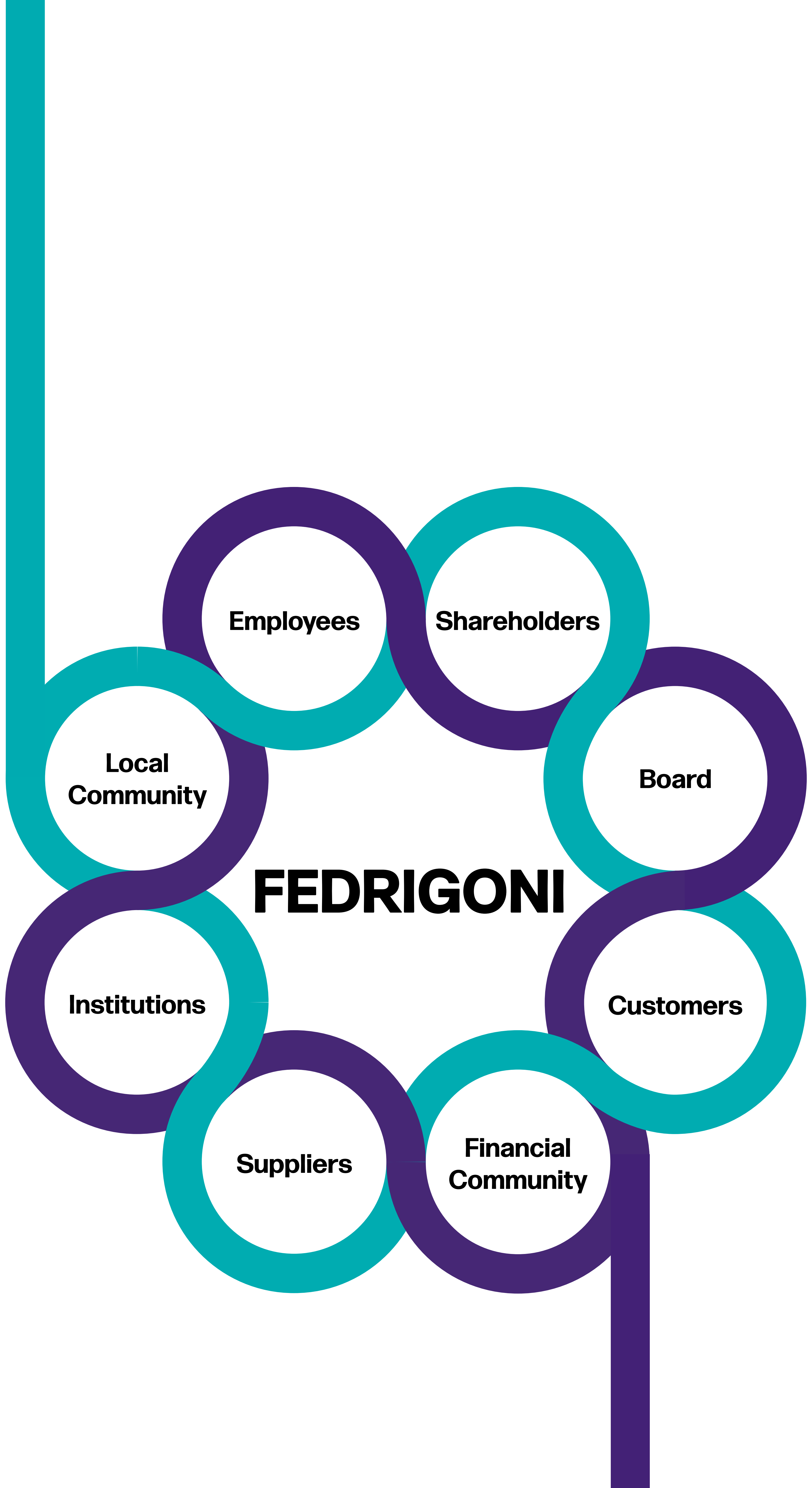
The **employees** are our most important stakeholders and we are proud of them. They are the stakeholders closest to the company and are ambassadors of the Fedrigoni name in their communities.

The other internal stakeholders are the **Shareholders and the Board**. At Fedrigoni, this means an ideal mix of skills and backgrounds. The financial and family shareholders. Long- and medium-term as an investment horizon. Tradition and expertise in products, quality and industry and the most advanced global level of managerial administration and international growth. A Board that is strongly European, but accustomed to dealing with the world in general.

Among our external stakeholders, the most important are certainly our **Customers**, to whom we are linked by a mutually stimulating relationship to achieve our common goals (for example, by sharing the importance of maintaining maximum recyclability of products downstream from Fedrigoni).

The financial community, which also helps in the ongoing improvement of all our KPIs, including the environmental ones, and our Suppliers, who are very important for obtaining a solid and innovative *value chain* result.

All the foregoing without overlooking the social fabric in which we operate: the **institutions and local communities** where we have our roots are for us both a regulatory context to be respected and an environment for exchange to which we actively contribute.



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1.2 Allotment of added value

The added value created by the Fedrigoni Group was €344,502,000 in 2020, calculated as the difference between the economic value generated and the Group's operating costs. This value was allotted among the various company stakeholders as follows:

- Value allotted to employees, equivalent to €208,589,000 (+ 4.9 p.p. compared to 2019)
- Value allotted to capital providers, equivalent to €76,203,000 (+ 8 p.p. compared to 2019)
- Value allotted to the public authorities, equivalent to €24,094,000 (+ 0.3 p.p. compared to 2019)
- Value allotted to the shareholders, equivalent to €4,500,000 (+ 1.3 p.p. compared to 2019)
- Value allotted to the community, equivalent to €1,002,000 (similar to the value allotted in 2019)
- Value retained in the company, equivalent to €30,114,000 (-14.6 p.p. compared to 2019)

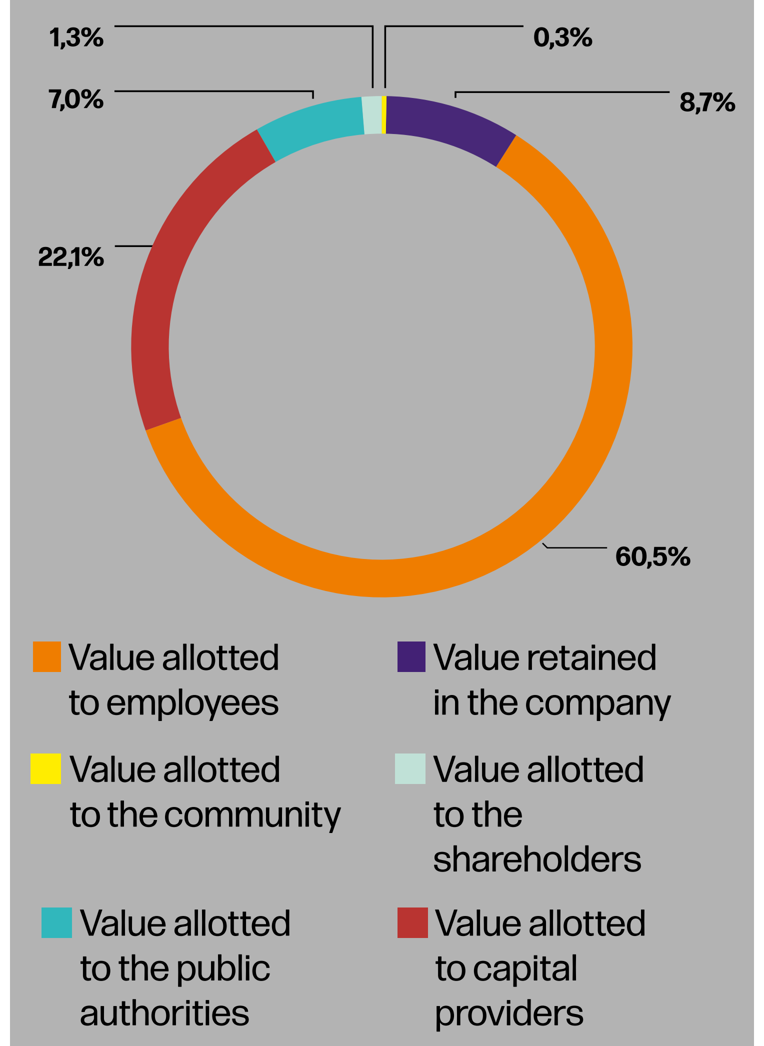
In particular, we allotted 60.5% of the economic value to our employees, through wages and salaries, pension contributions and benefits. 22.1% was allotted to capital providers, due to payables for interest on loans, leases and bonds and some foreign exchange losses.

7% was allotted to the public authorities through taxes and rates, while 1.3% was allotted to the shareholders through payment of dividends.

Finally, 8.7% was retained in the company and 0.3% was allocated to the local community through donations and association contributions.

For further details on the Group's economic and financial dimension, please refer to the Fedrigoni Group Consolidated Financial Statements at the beginning of this document.

Allotment of added value 2020



Our business

Our priority is to create high-performing and sustainable products, which is the key to our success on the market.

Aspects that are important to us

- The quality, performance and sustainability of our products and our customers' satisfaction.
- The sustainability of our supply chain
- The sustainability of our production processes

We are working to ensure that Fedrigoni can truly be an industry champion in all these areas, which are the central points of our corporate culture and important for our stakeholders.

The targets for 2030

We are committed to reducing the environmental impact of our products, avoiding the use of plastics whenever possible and favouring the recycling and reuse of materials, with the same product quality and performance that our customers demand.

We aim to use sustainable raw materials as far as possible from responsibly managed renewable sources (certified by external bodies) and alternative fibres of organic origin, as well as materials from internal recycling or process waste. We are committed to reducing the quantity of raw materials used, but ensuring the high performance of our products.

We believe that collaboration with approved suppliers is essential in order to find solutions that share our philosophy.

2030

Paper & Security Business Unit

Growth of 20% to 40% in the volume of advanced solutions in terms of ESG in our product portfolio, with a strong focus on *Plastic to Paper*, i.e. whenever possible developing solutions that provide similar performance to plastic but using renewable raw materials and with full recyclability downstream.

Self-Adhesives Business Unit

Growth from 35% to 70% in the volume of advanced solutions in terms of ESG in our product portfolio.

Suppliers

+45% ESG approved suppliers We will increase our procurement spending from 50% to 95% assessed according to ESG criteria.

Our products

With a background and experience of more than 750 years, the Fedrigoni Group now directly operates in 25 countries, with its own plants or sales networks and in 132 countries counting the distribution networks of third parties. We are a leading player in the production and sale of paper for packaging, printing, graphics and art as well as self-adhesive products, in particular with an offer that includes the premium category.

The Fedrigoni Group consists of two core bodies, the Paper & Security Business Unit and the Self-Adhesives Business Unit, which work together to provide our customers with the best products and the most extensive experience available on the market: the integration between paper and self-adhesive materials, between innovation and sustainability, between different industries and materials, enabling us to offer advanced, customised solutions to our many customers.

The Paper & Security Business Unit deals with the vast world of Fedrigoni paper: from specialty graphic papers for packaging to art and design papers; from natural and coated papers to security papers for banknotes.

The Self-Adhesive Business Unit produces and sells self-adhesive papers and films for the wine, food, pharmaceutical, chemical and cosmetic industries.

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Specialty papers

Paper is in our DNA.

We have always produced it with the utmost care, so that we can offer our customers the best possible, most interesting and innovative products every day.

With more than 3000 products in our catalogue, we have high quality papers in all grammages and colours. Uncoated, coated and specialty papers: our job is to help our customers find the best solution for their project or to develop it together with them.

Luxury packaging Paper

Printing & Publishing Paper

Technical Paper

Tailor-Made Paper

Fabriano

Seven centuries ago, Fabriano, a small inland city in the Marche region of Italy close to the port of Ancona, was already famous for its production of beautiful art and writing papers.

This was the start of a long tradition of craftsmen, master papermakers who, right from the very beginning, worked on inventing, reinventing and revolutionising the way paper is made.

Fabriano is one of the older, perhaps the oldest, paper producer; the only one that, even today, can say it works according to the three historical processes: hand-made papers, mould-made papers and Fourdrinier-made papers.

Our master papermakers are trained for five years so that they can learn the art of making hand-made and Fourdrinier-made papers. We are the only company in the world that still produces paper in all these three ways. This is mastery that continues to perpetuate a timeless craft, an all-Italian production, characterised by 750 years of innovation.

Art and drawing

Stationery

Office

Security

Since the invention of the watermark in the late 1200s, the first tool for brand protection, we have always worked to help our customers distinguish what is valuable for them, and we still do.

Fabriano Security's experience offers papers and security solutions for banknotes and security papers, with security features ranging from standard to completely tailor-made.

Ongoing research into new anti-counterfeiting systems has enabled us to create some of the most innovative and popular patents for security papers available today.

By managing the entire paper production process directly ourselves we can insert anti-counterfeiting elements such as watermarks, security threads, fibres, tiny-dots, pigments and sensitizers directly into the paper during the production process or apply further security features such as holographic foil and silk-screen stripes to the surface.

Banknotes

Security papers

Security features

Self-adhesive materials

The Fedrigoni business unit, involved in the design and production of self-adhesive materials, was created from the merger of some of the leading companies in the sector, Ritrama, Arconvert and Manter.

With 10 production plants, 17 production lines, 1,535 million square metres of material, we serve almost all the markets, from labels for food, pharmaceuticals and the visual communication world to fully tailor-made projects.

Our job is to provide our customers with the right support: the right type of paper or material for their self-adhesive projects, which encompass labels for wine and spirits, food and cosmetics through to design and specialty papers labels.

Self-adhesive labels

Visual communication

Tailor-made products

The industries we serve

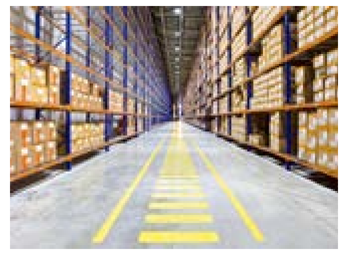
At Fedrigoni, every day we put all our efforts into being the first choice for so many brands, printers, designers and converters. We do this through innovation, quality and providing increasingly sustainable solutions for our customers.

Food & Beverage
Packaging, labels and seals accompany these products for their whole lives. We accompany our customers with versatile products in terms of type and performance.

Wine & Spirits
Labels in paper and film for red, white and sparkling wines, packaging for spirits and craft beers.

Fashion & Luxury
From watches to hi-tech products, we know how to add value with the highest aesthetic standards.

Art & Drawing
From sketching papers to high-end watercolour papers we offer a range of colours, weight and surfaces to respond to students up to the most demanding artist needs.



Logistics
Self-adhesive solutions to manage your logistics operations perfectly.

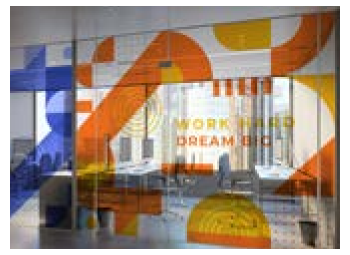
Office
Starting from our reams of paper all the way to our self-adhesive solutions for any archive, our range of products for the everyday working needs.

Stationery
Handcrafted notepads and notebooks Made in Italy and designed by Fabriano, using the very best materials.

Corporate Branding
With our solutions for brand identity as well as projects of wider breadth and impact, we can offer the right answer to the needs of any brand.

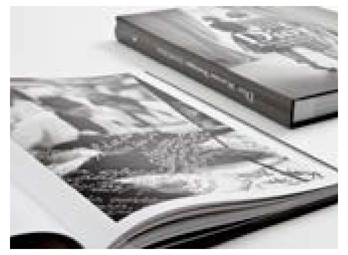
Retail
We can offer varied solutions for the retail industry's different shopping experiences, from store fronts to products, as well as sales materials.

Beauty, Personal & Home Care
We can dress up any home and personal cosmetic care products, from labels to the complete packaging.



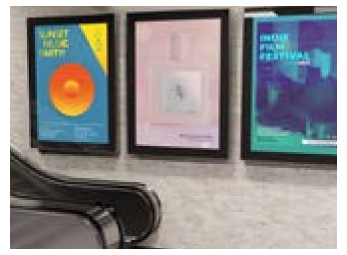
Architecture & Design
From interiors to exteriors, from walls to floors, all the way to the most beautiful catalogues, our self-adhesives solutions to help brands in making their mark.

Industrial
We offer the correct solution for any product, need or industry, including all the most advanced technical papers.

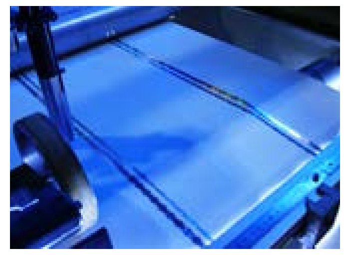


Publishing
Papers for exhibition catalogues and art publications, brochures, and much more.

Automotive
Solutions for customising the exterior and internal details of any mean of transport, with tailor-made designs for every possible decorative, protective or informative use.



Advertising & Promotion
Paper for posters, folders and invitations and anything that brings a brand to life, indoors or outdoors.



Brand protection & Security
From our anti-counterfeiting systems to self-adhesive solutions for protection.

Pharmaceutical
Technical experience, compliance with regulations, safety for patients and a global presence.


For those who like their tea dark, strong and ideally with a biscuit, this pack's yours.
T2
English Breakfast
T2
New York Breakfast
T2
T2
Chai
T2
Chai / English Breakfast / French Earl Grey / Melbourne Breakfast / New York Breakfast
Black
T2
T2
Melbourne Breakfast
LOOSE LEAF FLAVOURED BLACK TEA
Net Wt. 30g / 1oz
T2
T2
French Earl Grey

Focus on customers
Fedrigoni's primary goal is to support our customers' creativity and design in order to enhance their brand, more than traditional customer satisfaction, which is already challenging. The nature of the relationship is based on listening and the utmost collaboration in order to correctly interpret their expressed and unexpressed needs and to respond promptly and effectively. This allows the Group to guarantee product development and supply a product that always meets their expectations.

Expertise and tradition
The tradition, skill, specialisation and expertise gained over the years, made even stronger by the cohesion and high moral calibre of all the Group's employees, are strategic levers for maintaining and improving our competitive edge on the global market.

The sustainable approach of the Paper & Security Business Unit

Our company is characterised by a strong tradition in which sustainability has a long history. The Year 2020 was the time for us to make a real change in the way we approach and include sustainability in our business strategy.

The focus on increasingly sustainable solutions is part of the way we operate. Sustainability is becoming increasingly strategic in some of the sectors we serve; examples include luxury and fashion goods, where even the consumers are increasingly requiring that the players in the sector act responsibly and consider the environmental and social impact of their activities.

With our product portfolio, we aim to offer solutions to this growing demand for sustainable solutions by brands and end-consumers, with the same product performance. Our goal for the future is to increase our range of sustainable products and to support the transition towards a greener economy. Together with our customers, we aim to strengthen the packaging value chain, but not only that.

For us, being sustainable innovators also means seeking solutions that promote the use of paper as a high-performing and more sustainable alternative to the use of plastic. We are aware of the fact that during its production paper can undergo alterations that could jeopardise its intrinsic eco-friendly properties: its journey is very long; it starts from the trees and ends by being used in various ways, but several steps characterise its life cycle, in which numerous activities, if not taken care of in the best possible way, affect the quality of this raw material at the end of its life. The ability to keep paper a "pure" material that can easily be returned to the environment from where it came is crucial for us.

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Increasing the use of recycled materials, developing coated and uncoated alternatives with a high content of recycled material, also that obtained from waste, maintaining as much as possible the characteristics and performance of the product regarding the final use when this approach is feasible.

Using, when appropriate, alternative fibres to replace pulp (our main raw material), either natural fibres, such as cotton, hemp, etc. or selected recycled fibres as by-products from our production processes and from our closest neighbours in the value chain, from the standpoint of the circular economy.

Seeking packaging solutions that convey a sense of naturalness, minimising processing and sophistication (coloured, unbleached and uncoated cellulose, with a rough feel and visible fibres).

Replacing plastic with paper products, offering solutions such as the following:
- Scratch-resistant paper to avoid the use of plastic wrapping and lamination;
- Translucent paper, as a substitute for plastic;
- High-grammage paper for strong, environmentally-friendly gift wrapping;
- Weather-resistant paper to replace plastic posters;
- Paper with anti-mould treatment to replace primary plastic wrapping;
- Certified paper for food use.

There are many possible uses: envelopes, gift boxes, food boxes, make-up boxes, translucent windows, loyalty cards, posters, book covers, etc.

The main initiatives implemented and planned in 2020

Special projects: Innovation for sustainability Innovation at the service of cosmetics

The project concerns the world of cosmetics: We participated in a supply chain project for the production of 100% recyclable powder make-up palettes made entirely of paper. The palettes are entirely produced in Italy, a new approach for the world of cosmetics that usually entrusts the production of packaging to Asian countries: a shorter supply chain also reduces the environmental impact related to shipment. The project has been shared with the main cosmetics producers: More than 250 customers have been directly involved and the feedback received has been very positive.

High Barrier Technology for Plant Labels in the Gardening Sector

Plastics (polypropylene and polystyrene) are predominant in the garden label industry. The market is seeking materials that are sustainable but that can also resist moisture. We therefore developed technology that allows us to make moisture-resistant paper solutions without lamination and shared our project with 25 potential customers in the sector.

Weather-resistant paper for luxury shopping bags

We have offered customers who normally laminate paper, our product that doesn't need to be laminated, which guarantees strength and weather resistance. This special treatment is the result of extensive research and development.

Plastic-free books

We offer a specific range of uncoated papers to enable publishers and graphic designers to produce books without the use of lamination for book covers while guaranteeing the same resistance. Lamination is commonly used in the production of book covers and prevents the recyclability of books in the paper recycling chain. Thanks to the embossing and surface treatment in the machine that we provide, they are naturally scratch-resistant, resistant to fingerprints and even to contact with bactericidal gels, enabling our customers to avoid lamination.

Fabriano: The Fabriano Copy project

Fabriano's new Copy range of white papers for digital printing is increasingly sustainable: in 2020 we further developed the solutions, which now include the following:

- **Natural paper**
  Produced with 100% pure E.C.F. pulp. (Elemental Chlorine Free) certified FSC® pulp. Acid Free with alkaline to guarantee Long Life (ISO 9706).
- **Obtaining the EU ECOLABEL**
  The EU Ecolabel guarantees that the product complies with ecological and quality criteria that take into account its entire life cycle.
- **More than 50% of the Copy range is FSC® certified**
  It is produced entirely with wood pulp from responsibly managed forests, safeguarding the environment, the people and the local economy.
- **Plastic Free Packaging**
  Copy paper is packaged with a rewrap made from a combination of paper and polythene, a plastic that forms a barrier to moisture, which is known to be the enemy of paper. All new Fabriano Copy papers are recyclable and biodegradable since they are plastic-free. The glossy-coated surface ensures high quality printing and creates a moisture-resistant barrier without the use of fluorochemical compounds. As a result, 9 tons less polythene will be released into the environment and more than 400 tons of paper, which are currently disposed of as unsorted waste, can be recycled back into paper products each year.

The Fabriano Copy offer will meet the needs of customers who include sustainability among their procurement criteria as well as the demands of customers who care about protecting the planet. The results of the project, which was launched in 2020, will be clearer in 2021, when the new range will be launched on the market.

The sustainable approach of the Self-Adhesives Business Unit

Labels are a fundamental part of the packaging industry, being an essential means of communication between brands and consumers. Sustainability is becoming an important driver in consumers' purchasing decisions, resulting in brands and packaging manufacturers demanding sustainable components for their products now based on the design and selection of raw materials.

Based on responsible material procurement policies and an environmentally-friendly production process, we can offer our customers a product range that meets the growing demand for sustainability.

The objective of the current product offer and the products we will develop in the future is to guarantee the same performance of aesthetically unique products, ensuring that the components or the production process are sustainable and circular.

This is why we study and try to anticipate market trends, relying on our most important asset: strong integration with our paper mills, with their biodegradable, compostable and recyclable materials.

We try to mainly use paper for the self-adhesive faces and backings and we only use plastic when necessary.

We have a high content of raw materials from bio-based sources in our products, including our films, which contain a high percentage of recycled materials. In the future, we aim to further increase our offer of sustainable and innovative products (recycled, recyclable, wash-off, linerless and compostable).

We belong to **CELAB**, an association that works on finding a final management solution for the recovery and recycling of the waste produced so that even self-adhesive products can become more "circular". The goal is ambitious: i.e. to achieve 75% recycling and reuse of liners by 2025.

Using recycled materials as much as possible and reducing materials that are difficult to recycle, increasing the use of recyclable and compostable packaging and placing a priority on materials made from recycled or alternative content.

Reducing the thickness of our solutions: Thinner self-adhesive structures require fewer raw materials and less energy during production and, in the case of label rolls, this also means more labels on each roll.

Producing (always) innovative labels, experimenting with new solutions combining recycled materials with highly efficient wash-off adhesives and recycled PET coatings.

Using new raw materials: We have the widest FSC product range and alternative products to pulp (cotton, sugar cane bagasse and grass). We are working on the use of films made with high recycled content and non-fossil derived materials.


LOEWE
TOMATO LEAVES
LOEWE
BEETROOT
LOEWE
CORIANDER

Our main sustainable self-adhesive solutions

Core linerless solutions®: This is our state-of-the-art technology that reduces waste by 90%. It is also available in wash-off version for glass bottles. Core Linerless Solutions® is a waste-free labelling process that turns coating waste into a resource (laminating film), in line with EU Directive 2018/852, which places a priority on waste prevention at source. Our linerless solutions enable our customers to effectively eliminate process waste and scrap.

RIMove: This is our self-adhesive paper and film materials designed for sustainable labelling for both PET and glass containers. RI-MOVE GLASS is the solution that promotes the reuse of glass containers. The RI-MOVE Glass series ensures that the label can be quickly washed off the bottle without leaving any residue.

RI-MOVE PET enables the virtuous and certified recycling of PET. The label is completely removed from PET containers and can be recycled from the standpoint of circular economy. RI-Move Pet has obtained certification of the recyclability of packaging components from the German Cyclos Institute, HTP.

Thermal papers: This is thermal printing of labels with variable information without coating and therefore with no waste. The Direct Thermal Linerless products reduce the environmental impact of the product, improving the productivity rate in the application stage.

Direct Thermal Linerless labels optimise the use of rolls. The printer only uses the quantity of paper needed to print the information, creating labels of variable lengths.

Globalflex is our polyethylene that is 40% lighter and 40% thinner than standard polyethylene, which means less environmental impact and more labels per roll.

The main initiatives implemented and planned in 2020

Life cycle assessment of our products (LCA)

We carried out a Life Cycle Assessment (LCA) to evaluate the environmental footprint of our products throughout their life cycle. This allowed us to find out the real environmental impact of our self-adhesive products and to define targeted actions for improvement.

By the end of 2021, our customers will be provided with data about CO_2 emissions and water consumption for the products in the catalogue, together with technical performance data for each product.

FSC certification

All Arconvert sites are FSC (Forest Stewardship Council) certified. Thanks to this achievement, all the Group's sites are now 100% FSC certified, except for Ritrama, where only 66% of the sites are certified.

EPBP certification (European PET Bottle Platform)

Some of our self-adhesive products have obtained EPBP certification.

EPBP is a voluntary European initiative that provides guidelines for PET recyclability and identifies types of packaging and labelling that can help in bottle recycling to achieve an increasingly circular economy.

Elimination of Substances of Very High Concern (SVHC)[1] from our products to avoid adverse health effects

We have eliminated bisphenol A (BPA) from all our thermal papers and alkylphenol ethoxylate (APEO) from our adhesives. In addition, an external laboratory has verified the food contact conformity (ISEGA) of the main adhesives and conducted approval tests for products in contact with foodstuffs. Some of our graphic products have been certified as fire resistant (EN-13501).

1 According to the ECHA – European Chemicals Agency

The procurement process

Our approach

In 2020, we defined a new ***Sourcing Policy*** applicable to the whole Group, with the aim of including specific sustainability requirements in our procurement process from 2021. This is in addition to the FSC supply chain processes for pulp, which we have been working on for many years with good results in our sector.

The policy has been designed according to ESG best practices, including an assessment of environmental, social and governance aspects in our sourcing choices.

In addition to confirming the importance we place on the creation of a sustainable supply chain and the use of certified fibrous raw materials (pulp, paper and cotton), the Policy also defines how we will ensure the sustainability of our supply chain.

We will first ask our suppliers to adhere to the **Suppliers' Code of Conduct**, also drawn up in 2020, which summarises Fedrigoni's expectations in terms of the correct conduct when performing our business and with regard to compliance with the best sustainability regulations, policies and initiatives.

The Code, which has been developed taking into account the principles expressed in the UN Global Compact, requires that suppliers act as partners in the process of improving our sustainability performance and also undertake the following commitments:
- To adopt an environmental, social and governance performance management system;
- To respect human and workers' rights;
- To respect environmental and worker safety conditions in the workplace;
- To minimise the environmental impact of the business;
- To conduct business in an ethical manner.

Our aim is to develop joint improvement plans with our suppliers to increase the sustainability of the whole supply chain.

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In 2021, the Code will be distributed to all our suppliers who, by adhering to it, will take part in the new assessment process we have outlined, in which there will be an assessment of "ESG merit", in addition to the more traditional assessment systems.

The assessment of ESG requirements will be conducted on the basis of the rating that the supplier will obtain when joining the Ecovadis Platform.

In 2021, we will implement the following two forms from the Ecovadis Platform:
- "CSR ratings", which will enable a third-party assessment of a supplier's "ESG merit", highlighting its strengths and weaknesses in order to jointly define possible improvement plans;
- "IQ", which will allow us to assess the supplier's ESG risk in relation to the country and specific sector and then define the overall risk, also taking into account the supplier's strategic role within our company.

These requirements will influence the choice of products and services to be purchased: the higher the rating, the more likely Fedrigoni will be to purchase its provisions from the supplier.

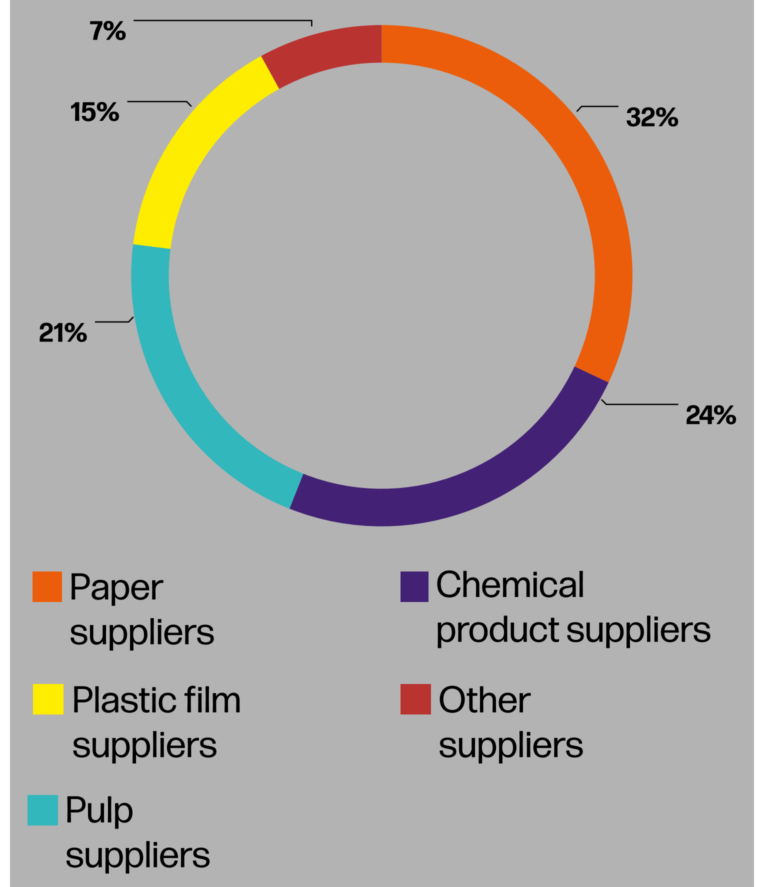
After the activation of both platforms, we also plan to proceed with on-site audits of our suppliers to verify ESG compliance and define corrective measures, if needed.

The Supplier Relationship system we are creating will allow us to segment suppliers according to strategic and critical issues and then to define a specific plan of action and monitoring of ESG performance by category of supplier and hence constantly monitor our ESG performance throughout the supply chain.

In order to effectively implement our strategy, we have provided specific training on ESG issues and sustainability in the supply chain. Through the use of an e-learning platform, Fedrigoni's buyers and the entire procurement staff took specific courses to raise awareness and skills on these issues; 50 people took part in the training, consisting of three modules of about three hours. Training will continue in 2021 thanks to the support of Ecovadis, which will help us implement the platform; our goal is that our buyers are aware of, trained in and sensitive about ESG issues and the risks and benefits related to them.

We have set ourselves the following challenging but specific goals to be achieved in 2021:
- To reach 70% of approved expenditure;
- To successfully implement the Ecovadis Procurement Platform;
- To continue with our buyers' ESG training initiatives.

Expenditure per supplier 2020



The production processes

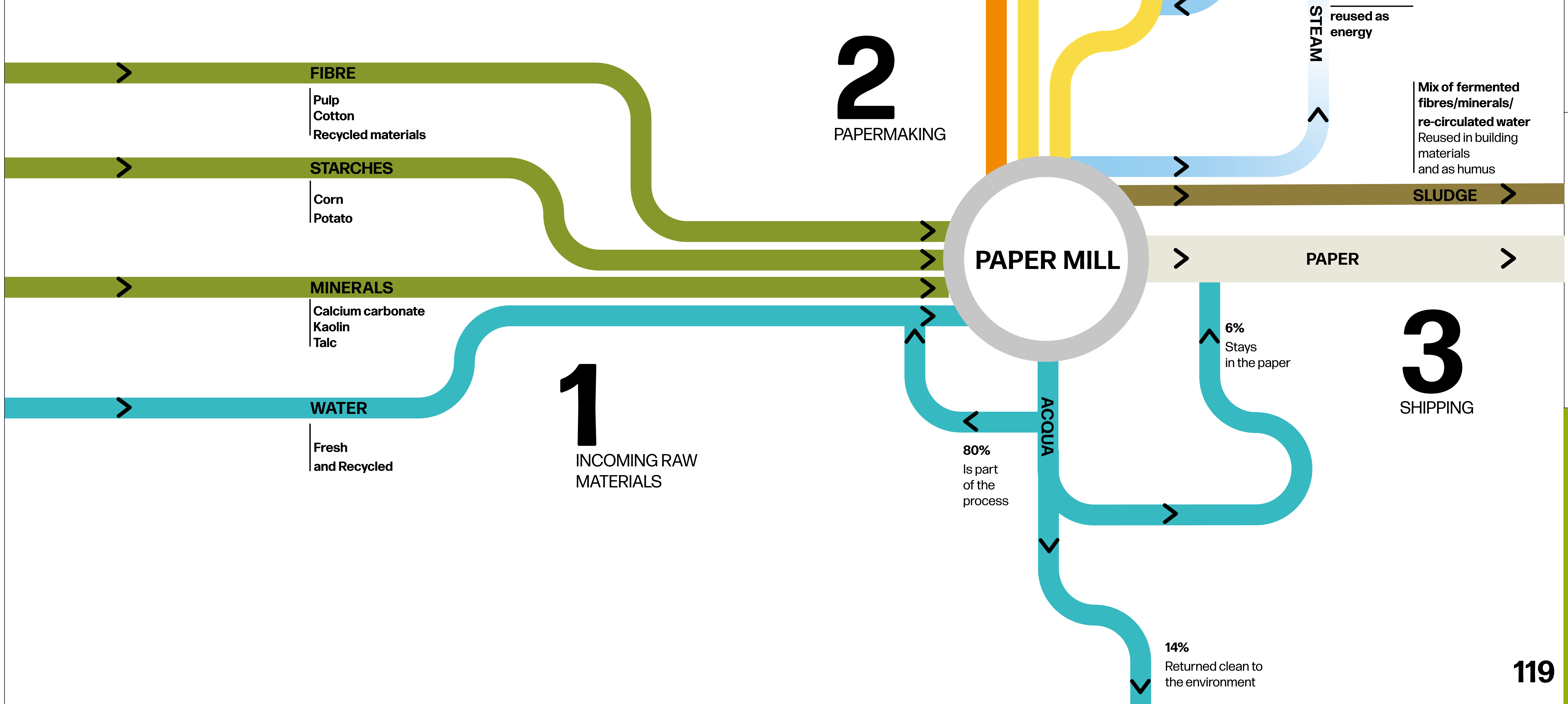
The paper-making process

The paper-making process is highly complex and affected by several factors, depending on the type of product manufactured. Processing takes place on a large-scale continuous paper machine, extremely complicated from a technical and technological standpoint.

The paper-making process begins by combining a series of raw materials dispersed in water (pulp, fillers and additives), which are used in different quantities depending on the type of paper produced.

The mixture is then conveyed to a flat table where a machine (the headbox) distributes it evenly over the entire fabric, forming the structure of the paper. Through subsequent draining and drying actions, a strip of paper is obtained, wound on large reels, which can weigh several tons.

After this, the paper can be further processed using machines for surface treatment, thermal treatment, mechanical treatment, coating, embossing or laminating to other papers and so on.




A MONOGRAPH ON
THE STATE OF BEING MORE
ISSUE 02 / TRILOGY 01
20 EURO
A MONOGRAPH ON
THE STATE OF BEING MORE
ISSUE 01 / TRILOGY 01
20 EURO
Line

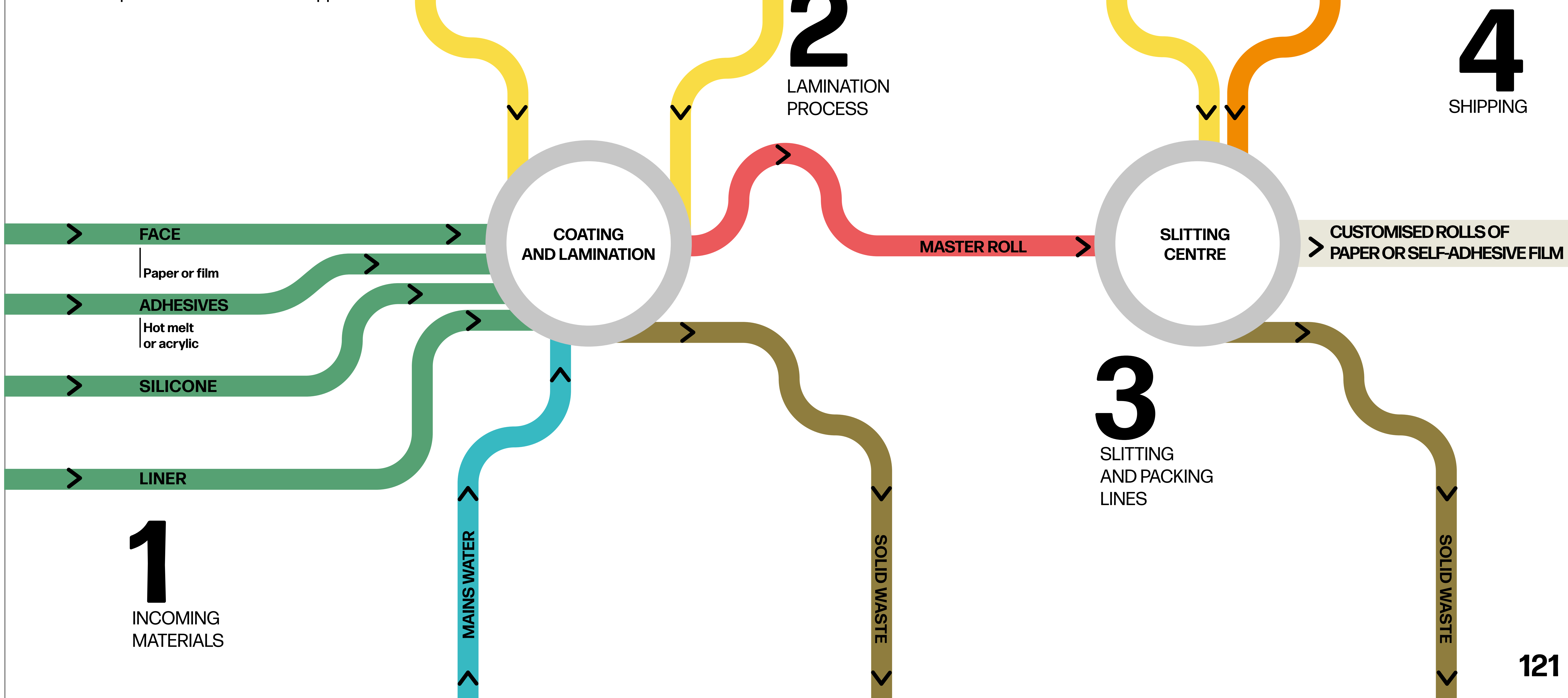
The self-adhesive materials production process

The self-adhesive materials production process, unlike the process for paper, uses paper reels and polymeric films as raw materials.

The processing stages involve the application of highly sophisticated surface treatments from a technical and quality standpoint.

There are essentially the following two processing methods:

- *Silicone coating*, by applying an extremely thin layer of silicone or protective plastic film onto paper media. For over 20 years, all our production centres have applied a solventless silicone treatment that involves the exclusive use of toxic solvent-free raw materials. This ensures low environmental impact for the production process while also protecting the health of our employees and end-consumers;
- *Adhesivation*, through the application of adhesive to the silicone-coated support and then transferring it to the frontal material (the label).




GIN
Last Colony
G.M.F.
ALBUM DI FAMIGLIA
GIN
Last Colony
G.M.F.

The virtuous production circle
We undertake a commitment to ensure the resources needed to achieve all our qualitative, quantitative, environmental, safety, health and risk minimisation improvement goals. This aim is an integral part of our routine operations and is expressed through a strategic commitment concerning more general purposes including adoption of the best available technologies. All Group operations are conducted and managed in accordance with sustainability criteria with a twofold objective: On the one hand, to ensure product and service quality, environmental protection, including through the recoverability of our products, and the protection of people's health and safety and, on the other hand, to ensure the profitability and integrity of the company's assets.

Our product and process certifications

Nowadays, the market demands and expects products and production processes that are increasingly more sustainable and have less of an impact on the environment and people's health throughout their life cycle.

We provide our customers with more sustainable, internationally recognised and third-party verified products and production processes.

Our Group operates in accordance with these standards, some of them being applied since 1993.

FSC - For the protection and preservation of forest heritage
FSC guarantees that the pulp used to produce paper does not come from deforestation but from forestry programs. In addition, part of the revenue from the sale of the wood is reinvested locally where the forests are located. 100% of production sites are certified.

PEFC – Programme for the Endorsement of Forest Certification

EU Ecolabel - European Union Ecolabel
This label distinguishes products and services that, while ensuring high performance standards, are characterised by having a low environmental impact throughout their life cycle.

BRC – Global Standard for the safety of packaging and packaging materials in the food sector

WWFEnv – Paper Company Index – Volunteer participant in the WWF Environmental Paper Company Index since 2013ISO 9001 - Quality Management Systems
100% of production sites are certified.

ISO 14001 - Environmental Management Systems
100% of production sites will be certified by 2021.

ISO 45001 - Occupational Health and Safety Management Systems
100% of production sites will be certified by 2021.

ISO 50001 - Energy Management Systems

UNE 166002 - Management system for technological research, development and innovation

ISO 22000 for the quality of products for food use.

ISCC PLUS - specific certification for plastic film products

We have set the following challenging but specific targets to be achieved in 2021:

- To certify all European production sites with ISCC;
- To certify all sites worldwide with FSC and ISO 14001;
- To extend the EU Ecolabel certification to Copy Tinta and Multipaper digital printing papers and drawing papers;
- To continue increasing the sales volume of sustainable products;
- To make the results of the analysis of the environmental impact (LCA) of the whole range of our products available to all our customers.

Environment

We consider protecting the environment and natural resources to be an ongoing commitment.

Nowadays, and for the next few years, we have undertaken a commitment to take a clear and challenging path towards reducing atmospheric emissions, improving our waste management and returning an increasing percentage of fresh water to the environment.

Aspects that are important to us

- Raw materials
- Water
- Energy and emissions
- Waste

We are working to ensure that we are recognised for applying best practices in all these areas, which are central to our corporate culture and important to our stakeholders.

The targets for 2030

We have undertaken a commitment to reduce the environmental impact of our processes. We start with raw materials that are renewable and sustainable by nature: pulp (and ours comes entirely from controlled plantations). We add water, a large part of which we return clean and at the right temperature to the environmental system downstream from our paper mills. We use energy as little as possible and from the cleanest sources possible.

We make a part of our papers adhesive, along with other materials, trying to choose the most easily recyclable ones, working with our customers and suppliers to improve the sustainability of the whole supply chain.

2030

Emissions

We will reduce carbon dioxide emissions by 30%. From ~330 to ~240 ktons CO_2

Waste

100% recovery of Industrial Waste. We aim to stop waste being dumped in landfills, creating possibilities for reuse and a higher value in the production processes of other industries.

Water

We aim to return 95% of clean water to the environment with no cases of non-compliance.

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Raw materials

Raw materials have always been a key issue for every company and will be even more so in the coming years. On the one hand, there is a need to find safe, reliable and economical sources of supply to guarantee the production processes and margins and, on the other hand, there is a growing need to do this sustainably.

We place a particular focus on the sustainability of the raw materials we use in production and we seek to achieve this by increasingly improving our production processes, reducing waste and scrap and, whenever possible, recycling and reusing them in our own and other supply chains.

The following are the main raw materials we use to manufacture our products:

Pulp

Is the basic raw material used for making paper.

The 3 main types used in different mixes of paper, depending on the final features of the paper, are:
- Softwoods;
- Hardwood;
- Mixed fibres.

The pulp material also includes a small percentage of cotton used for banknotes and art paper.

Paper

Is the “finished” paper purchased by the Self-Adhesive Business Unit that cannot currently be produced by the Paper & Security Business Unit for various reasons.

The two main sub-categories are as follows:
- Liner papers: These are the paper-based backings used as the backs to make the self-adhesive sandwich for labels, which is the non-functional part that is later removed and discarded by the end-user. It is commonly called glassine;
- Face papers: These are the paper-based facings used as the “front faces” to make the self-adhesive sandwich for labels, which is the part that is later printed and used by the end-customer. There are different types of face papers, such as coated papers, thermal papers and specialty papers, used for high added value labels in the wine industry.

Chemical products

Are all the chemical products used by both the Paper Business Unit and the Self-Adhesive Business Unit. The main sub-categories are as follows:
- Adhesives: These are the adhesives used as “glue” for the self-adhesive sandwich and they represent the key know-how of the Self-Adhesive Business Unit. There are different types: permanent, removable, wash-off, for paper, film and foil. They are bought as bulk components and “readapted” in the group’s plants using specific coating technologies;
- Vegetable starches: These are used both in the pulp and on the surface as binders to make paper and surface coatings, mainly obtained from maize and potatoes;
- Dyes and pigments: These are used both in the pulp (the main body of the paper) and on the surface for specialty papers coatings. They are one of the characteristic elements of specialty papers and are used to give the various colour and pearlescent effects to the paper;
- Carbonates and kaolins: These are used for the coatings. They are one of the key components to ensure the correct application of the coating on the paper.

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Plastic Films

Are used in the Self-Adhesives Business Unit both as face and backing materials.

- Liner films: These are the plastic-based backings used as the backs to make the self-adhesive sandwich for labels, which is the non-functional part that is later removed and discarded by the end-user. It is usually either ‘new’ or recycled PET;
- Face films: These are the plastic-based film faces used as the “front faces” to make the self-adhesive labels; it is the part that is later printed and used by the end-customer. They are mainly made of polypropylene and polyethylene and there are various types with different surface finishes (matt, glossy, metallic, etc.).

Others

These are the different minor categories used by both the Paper & Security Business Unit and the Self-Adhesives Business Unit, the main sub-categories are:

- Security elements: These are the raw materials used to create the security features (both for paper and self-adhesive material), among the most relevant are pigments, inks, holograms, etc.;
- Packaging: This means all the elements used to package the papers and self-adhesive material, the main ones being pallets, boxes, crates and films.

Volumes of materials used

Type	Volume/Weight 2020
Pulp	298,578
Chemical products	218,765
Paper	193,546
Plastic films	35,943

HONEY HINTED RUM FRESH FROM THE HIVE
Save the Queen
50 CL rum 40% VOL
AND YOU'LL SAVE THE PLANET
HONEY HINTED ELDER-FLOWER LIQUEUR FRESH FROM THE HIVE
Save the Queen
50 CL elderflower 18% VOL
AND YOU'LL SAVE THE PLANET
HONEY HINTED GIN FRESH FROM THE HIVE
Save the Queen
50 CL gin 46% VOL
AND YOU'LL SAVE THE PLANET

Raw materials from forestry sources
The paper industry is playing an increasingly important role in the renewal and expansion of the world's forests.

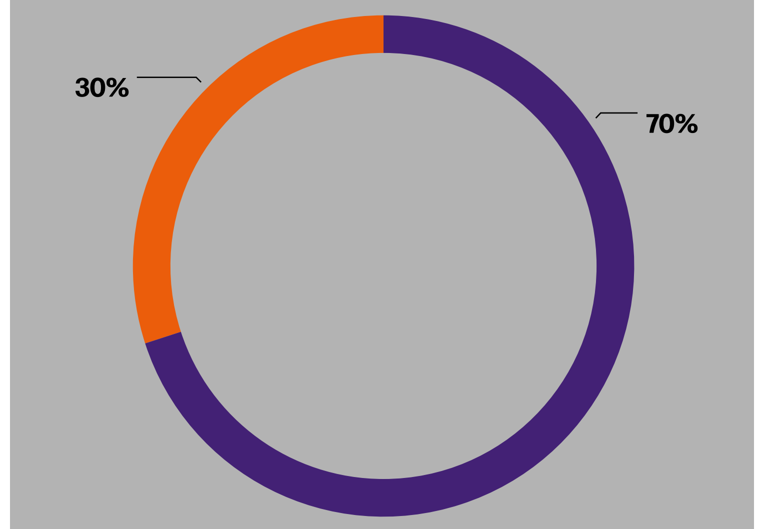
In the West, the sector now only uses pulp from sustainably managed forests certified under international forestry protection schemes. Almost all of the wood used to make pulp comes from waste obtained from the timber industry and from forest clearance actions that are required to maintain healthy forests.

The Group has always been a firm believer in forest sustainability, formally adopting and disseminating the principles of the FSC® forestry scheme since 2005 by publishing a dedicated company policy in which it has made a **formal commitment not to use pulp from any of the following sources:**
- Illegal logging;
- Logging in areas where public or traditional rights are violated;
- High Value Conservation Forests that are threatened by the management and operations of the forestry unit;
- Areas converted from forests or other woodland ecosystems to annual plantations or other non-forestry uses;
- Forests in which genetically modified trees are planted.

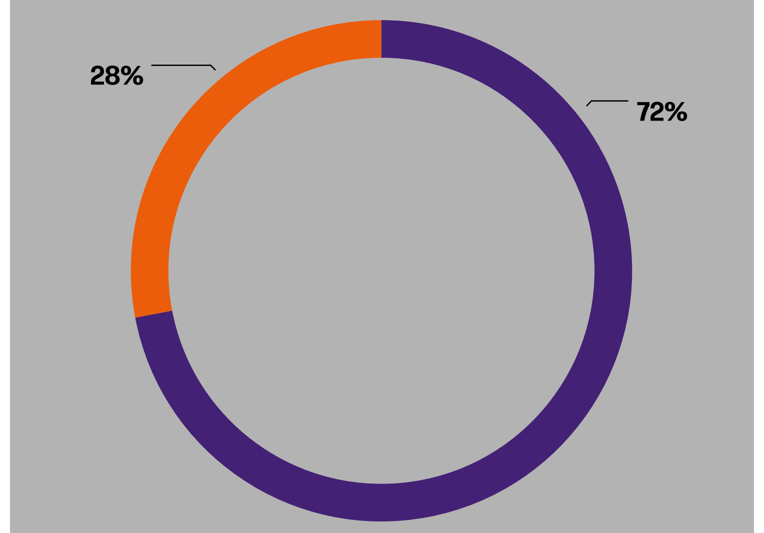
All our pulp comes from controlled plantations (Fedrigoni does not own any forests or have direct access to cellulose; it is all sourced from certified suppliers). Over the years, we have increasingly switched to wood-based raw materials that comply with the principles of these standards. In fact, since 2014, we have only been using both Chain of Custody (COC) and Controlled Wood (CW) FSC® pulp.

In 2021, we plan to further increase the use of COC-FSC® type pulp to 87% of the total pulp we use and we aim to extend the use of FSC paper to new references.

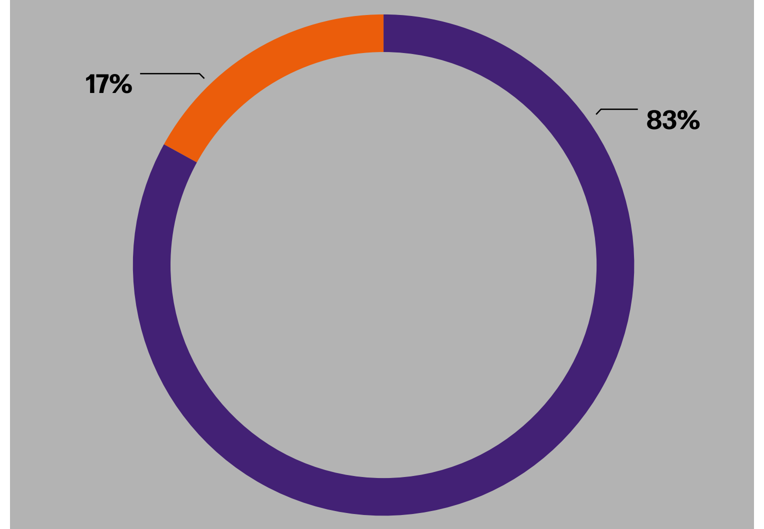
Pulp 2018



Pulp 2019



Pulp 2020



CW-FSC® type pulp
COC-FSC® type pulp

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The pandemic's influence on the environmental impacts of our Paper & Security production processes

Our performance for the year 2020 was affected by the pandemic situation, which resulted in numerous operations being shut down and an approximate 18% drop in production compared to 2019. The use of resources, e.g. energy, in our production cycles is not in proportion to the quantity of products we manufacture. In other words, a decrease in production does not correspond to a reduction in the use of resources since some of our consumption cannot be "written off" by producing a lower quantity of finished products, due to the way the production process of our plants needs to be structured. In fact, our plants continue to require the same quantity of resources to be able to function regardless of the quantity of products manufactured: our specific loads are linked to our production capacity and do not depend on what we actually manufacture. Therefore, since production decreased in 2020, some of our specific consumption (the quantity of resources used to produce one unit of product, e.g. one ton of paper) increased, which meant we were unable to reach performance that was in line with the improvements achieved in previous years.

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Water

Our approach

Water is an essential element for producing paper and our Group has always been concerned about the correct and responsible use of this important resource.

Current trends already show that the ecosystems are under pressure and that avoiding water wastage is crucial to ensuring everyone has access to this common asset. Therefore, responsible use of water resources, together with the concept of resource exhaustibility, is one of the aspects on which our sustainability policy is based.

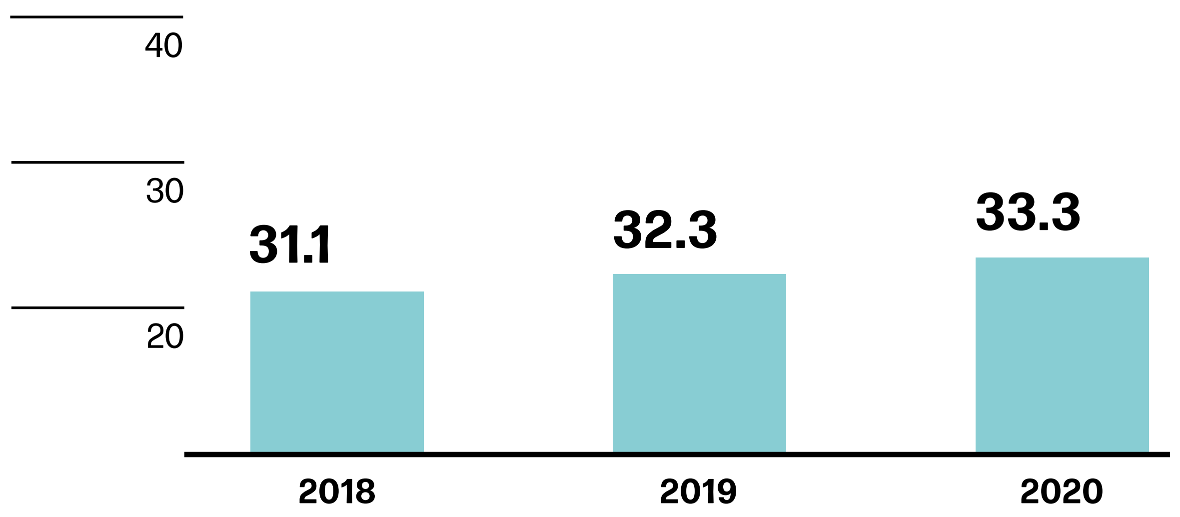
To avoid waste in our production processes:

- We use substances and preparations with low fresh water consumption such as a solvent or dispersant;
- We adopt a rational approach to production scheduling in order to reduce manufacturing changes as much as possible;
- We constantly monitor water consumption, taking action whenever there is waste;
- We use cold recycled water whenever possible;
- We optimise fibre recovery treatments at every stage of the process in order to obtain purified water that can be reused in the production cycle.

Water is an important raw material for the paper production process both upstream, in terms of collection, and downstream, in terms of returning perfectly purified water to the environment.

In 2020, we used 33.3 m^3 of fresh water to produce one ton of paper (gross production) (+ 1 m^3 of water compared to 2019, corresponding to just over 3%).

m^3 fresh water/Tons of paper



Water treatment and return

After a specific purification treatment, the water used in the processes is returned to the environment. We use two types of purification plants: a primary chemical-physical plant and a secondary biological plant, depending on the quality of the water to be treated. Both these plants produce sludge, which is our main waste from the processes.

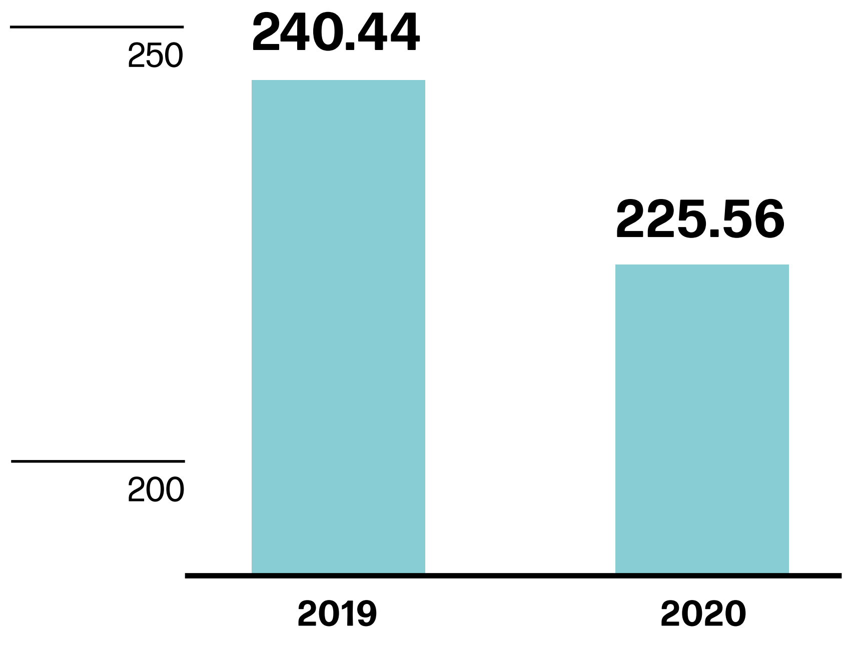
The chemical-physical and biological treatments we carry out guarantee compliance with the limits stipulated by law and in the standards. Through constant control of pollutants, which is carried out by means of daily laboratory analyses, or even several times a day, we conduct in-depth monitoring of our purification capacity.

The water quality is monitored at each stage of the process in order to assess, if need be, its return to circulation in order to lighten the pollutant load before it reaches the treatment plant.
The quality of the water we return to the environment also depends on the careful selection of raw and auxiliary materials, which we always try to choose from those with the lowest pollutant load; attention being paid to avoid losses of fibres, additives and fillers in the paper during the production cycle, the closure of the water cycles, compatible with the expected quality of the paper.

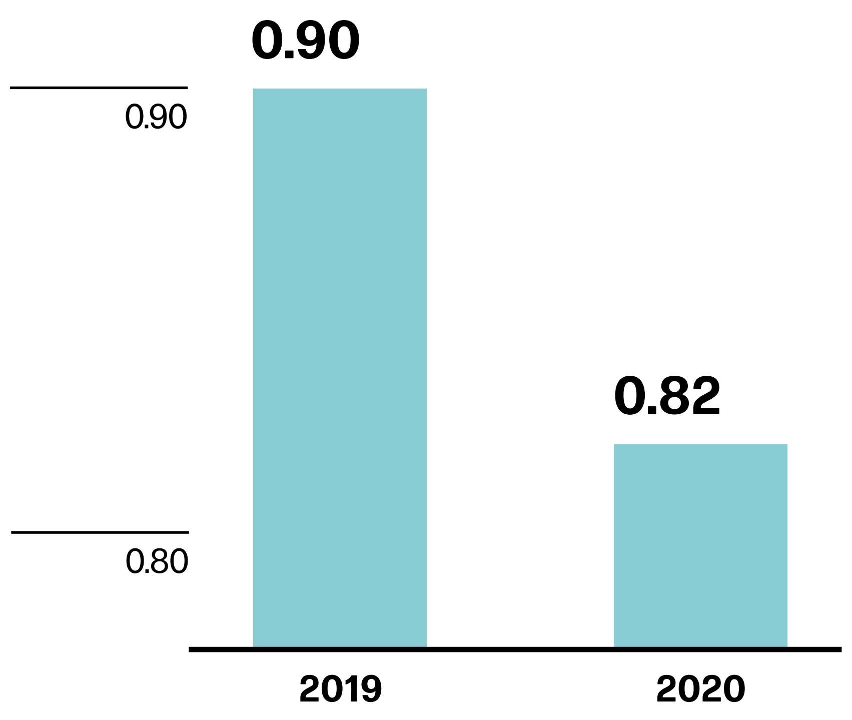
Water consumption in the Self-Adhesive sector is less important in terms of impact than in paper production. Water is mainly used in the washing stages of the cycles.

In 2020, we achieved good results in this area, with a reduction of 6.2% in fresh water consumption and an 8.8% reduction in specific water consumption per ton of adhesive material/film produced (compared to 2019), and no cases of non-compliance were detected at any of the Group's 22 plants.

Fresh water consumption (m^3/1,000) in the Paper & Security Business Unit



Fresh water consumption (m^3/Ton) in the Self-Adhesives Business Unit



The main initiatives implemented and planned in 2020

In 2020, we carried out the following work to improve our purification capacity at the Verona plant:

- A new biological purification plant was set up to supplement the purification capacity of the chemical-physical plant;
- A project was developed to build a plant for the treatment of paper broke i.e. paper from technical and quality waste in the various production stages, with the aim of reducing the levels of Chemical Oxygen Demand.

We carried out a project at Fabriano to install a new headbox in the paper machine that improves fibre retention and thus reduces the pollutant load in the process water.

In Pioraco, a new solid/liquid separator for fibres was commissioned, which significantly reduces the proportion of fibres released in the process and then conveyed to the purification plant, thus achieving a reduction in both the pollutant load and the quantity of sludge produced in the purification stage.

In addition, the project to install meters to measure water consumption at the individual process stages was extended to all the plants of the Paper & Security Business Unit, with the aim of achieving increasingly precise monitoring of the various flows.

A major expansion of the existing biological water treatment plant will be built at the Arco plant in 2021.

For 2021, a recovery target of 95% has been set for all incoming water used in the processes.

235/176
249/176
Half Bowl Component
240/160
245/160
267/150
217/150
233/151
252/151
267/128
217/122
233/122
252/117
240/106
231/93
255/91
244/80
217/72
233/61
267/64
255/62
-44°
267/25
217/25
233/24
252/24
240/15
245/15
Half Bowl Component
235/0
249/0
MAKE IT BIG!
THE ART OF FLAVOUR
A COOK'S COMPENDIUM
CONDIMENT FOR ALL REASONS
GARNISH WITH JALAPEÑO
KNOW HOW TO USE THEM
½ TABLESPOON
SEASONED COOKINGS
COOK AND DRINK
ABCDEFGHIJKLMNOPQRSTUVWXYZ

Energy and emissions: Energy

Our approach

Energy is the third most important element in the paper production process after pulp and water.

The energy issue is closely linked to that of emissions. Our Group has undertaken a commitment to reduce its emissions and make a specific contribution to the global challenge of achieving full carbon neutrality by 2050.

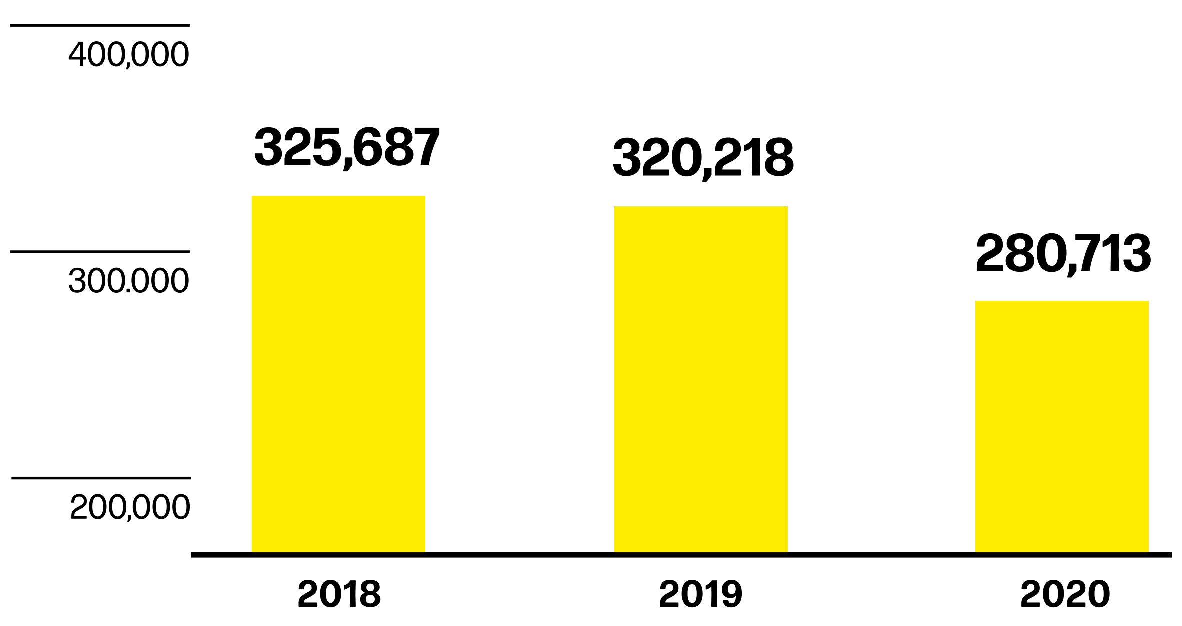
The approach to energy saving and efficiency has also been outlined by the European Union, which has stipulated that energy audits should be conducted every four years on companies with high energy consumption, on the basis of which improvement plans should be drawn up.

Our responses to the challenge of climate change are as follows: Increasing energy efficiency, reducing consumption and using renewable sources. For more than 30 years, the Group has equipped its main plants with methane gas turbine cogeneration systems, making them almost autonomous in terms of energy production.

The benefits obtained in terms of reduced consumption and improvements are related to both energy and environmental components. From an energy standpoint, they allow us to achieve a net savings of up to 40% in primary energy (compared to the consumption we would have of the same quantities of electrical and thermal energy if they were produced separately) and a reduction in transmission and distribution losses of electrical energy (compared to the supply from large external plants that are generally located a long distance away from the plants). From an environmental standpoint, thanks to the use of natural gas/methane, we obtain a higher caloric power and avoid emissions of pollutants, ash and fine dust with a resulting reduction in CO_2 emissions.

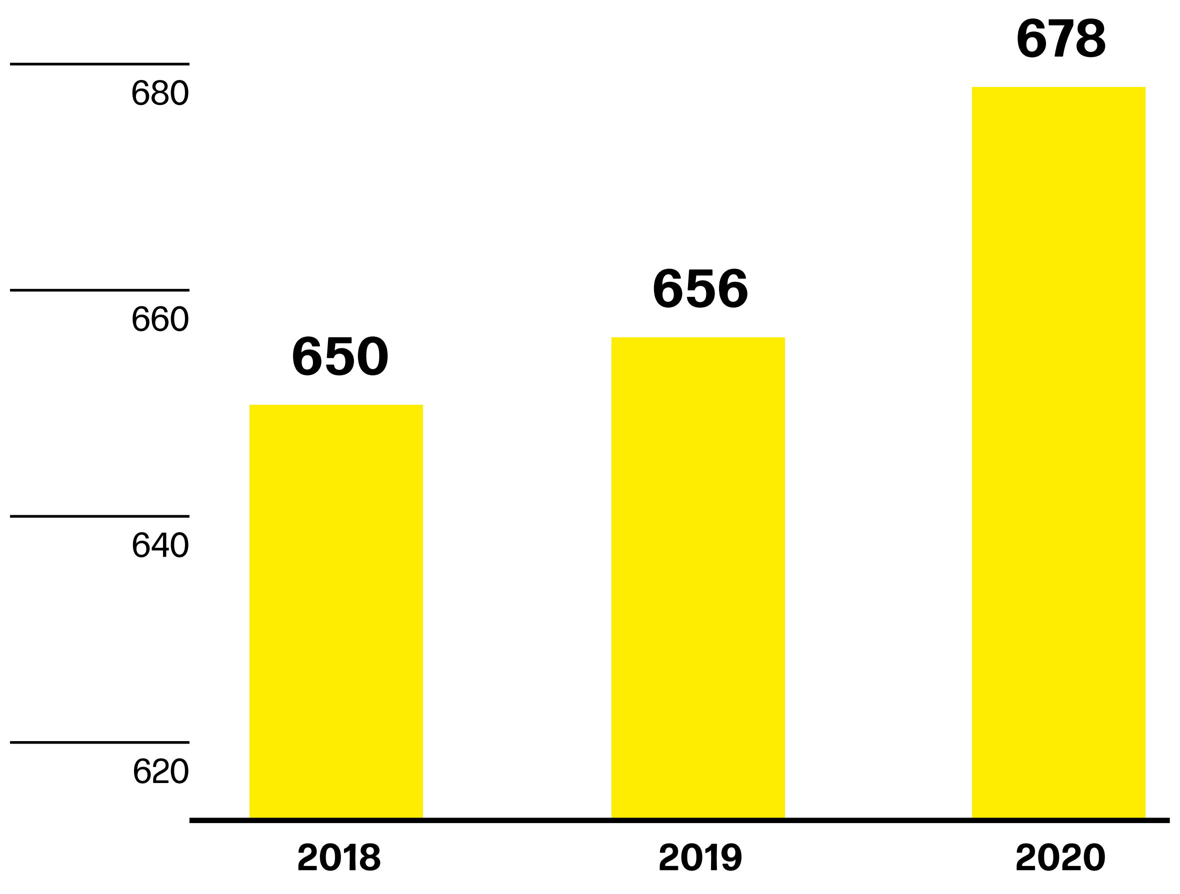
In addition to the cogeneration plants, some of the Group's factories have small turbines for the production of hydroelectric energy that, by using the available water, contribute about 5% to the energy requirements.

Electric energy consumption in the Paper & Security Business Unit
Electricity consumption (kkWh/1000)



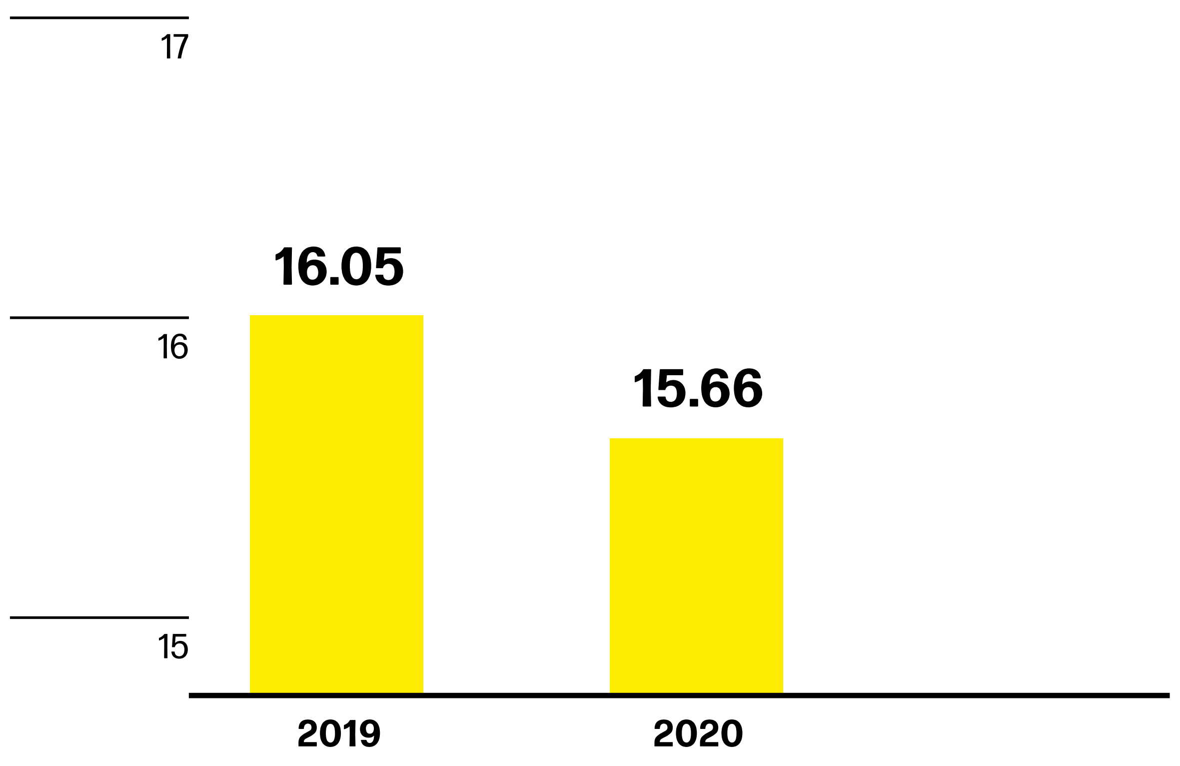
We achieved a 14.6% reduction in total electric energy consumption compared to 2019.

Energy consumption to produce one ton of paper
Electricity consumption (kkWh/1000)



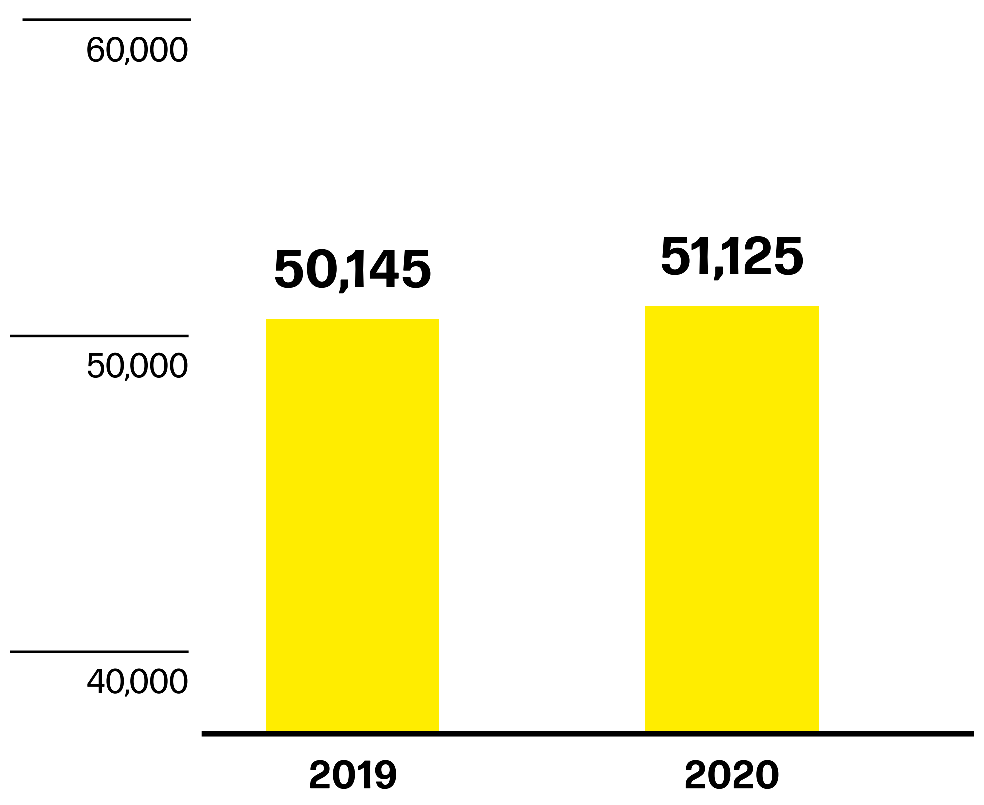
However, our specific electric energy consumption increased slightly last year (+3.6%). The reason for this increase can be found, as mentioned above, in the decrease of production caused by Covid-19 (-18%): due to the way our production process is structured, electricity consumption cannot be “written off” by manufacturing a lower quantity of finished products.

Energy consumption to produce one square metre of adhesive material
Including the slitting and coating stage | Kwh/m2



The specific electric energy consumption to produce one square metre of adhesive material decreased by 2.4% compared to 2019.

Electric energy consumption in the Self-Adhesives Business Unit
Electricity consumption (kkWh/1000)



The Self-Adhesive Business Unit’s electric energy consumption increased by 1.9% last year, mainly due to an increase in production capacity.

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The main initiatives implemented and planned in 2020

In 2020, many initiatives were implemented or launched, the effects of which will be seen in the medium- and long-term.

We have carried out numerous improvements in our plants, both in Italy and worldwide, aimed at optimising electric energy consumption.

At the Cordenons plant, we have optimised the cogeneration system through the use of specific software that will enable us to reduce annual emissions by about 3 kTons CO_2; improvement projects have been launched for the steam plant and refining plant, with the aim of significantly reducing thermal and electric energy consumption respectively.

A new high-efficiency cogeneration plant has been built in Arco, which not only has more efficient energy performance, but also saves energy by consuming less methane.

A project to build a new thickener is planned for the Scurelle plant.

At the Basiano plant, the external lighting lamps were replaced with lower energy consumption lamps.

We have established a project to modernise the cogeneration plants at the Fabriano and Verona plants, which will be implemented in 2021.

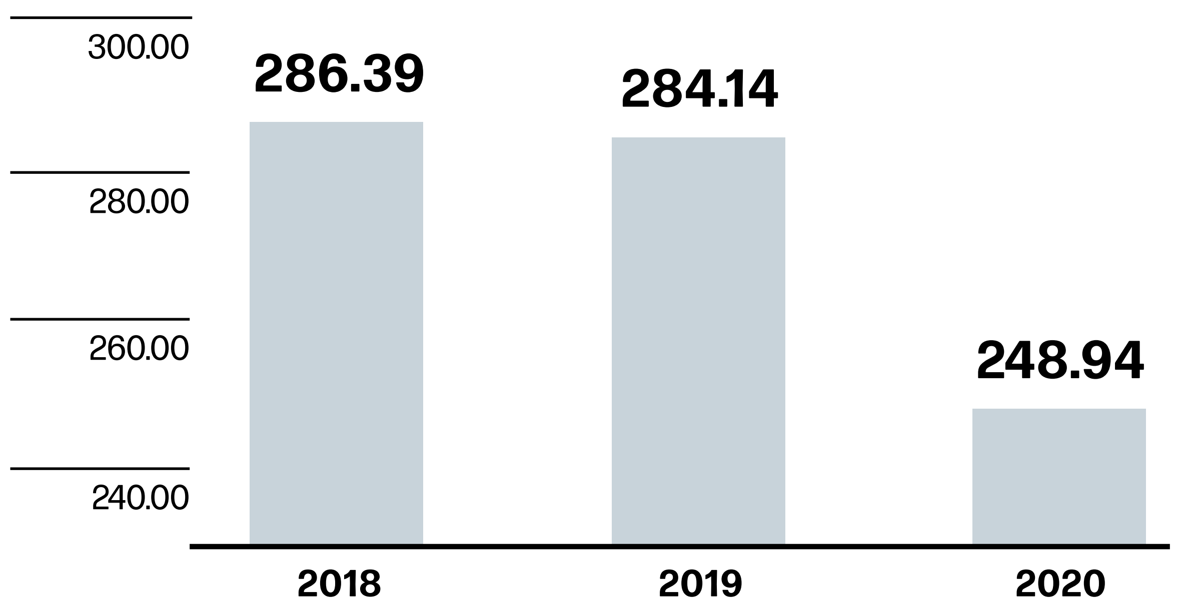
Green Sourcing initiatives have been implemented for the procurement of energy produced from renewable sources.

A specific Energy Efficiency programme has been developed with different initiatives for each plant of the Self-Adhesive Business Unit aimed at improving energy efficiency. Significant investments have been planned for the Varone and Verona plants to improve the energy performance of these sites.

Emissions

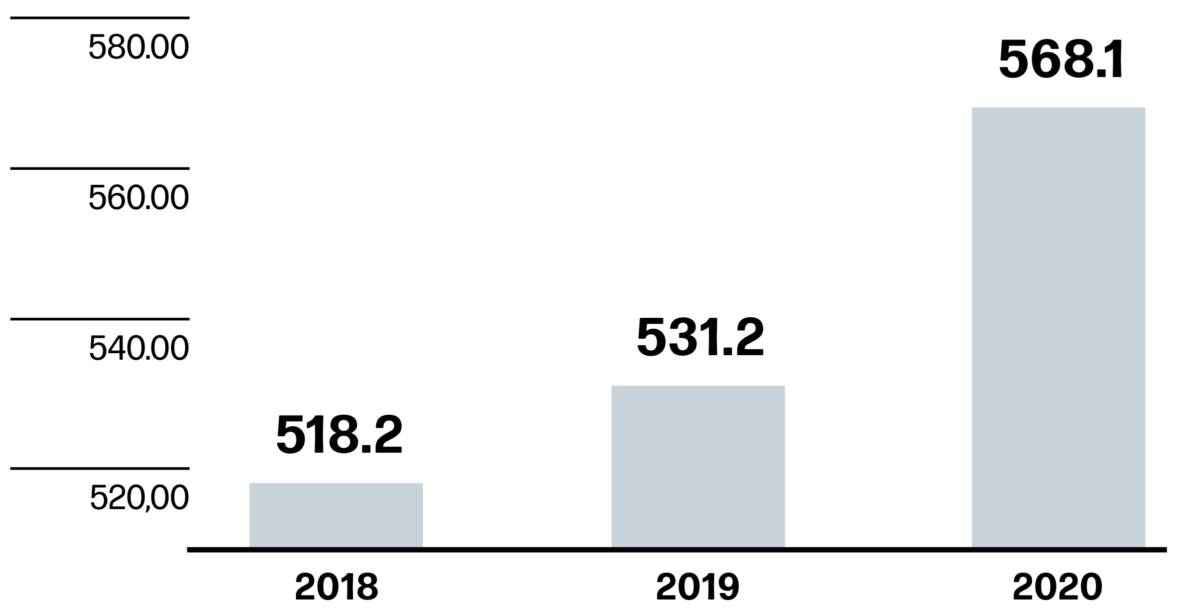
We have undertaken a commitment for a multi-year plan to reduce greenhouse gas emissions in the atmosphere by 30% by 2030.

Paper & Security Business Unit emissions
Paper NOx emissions (tons/year)



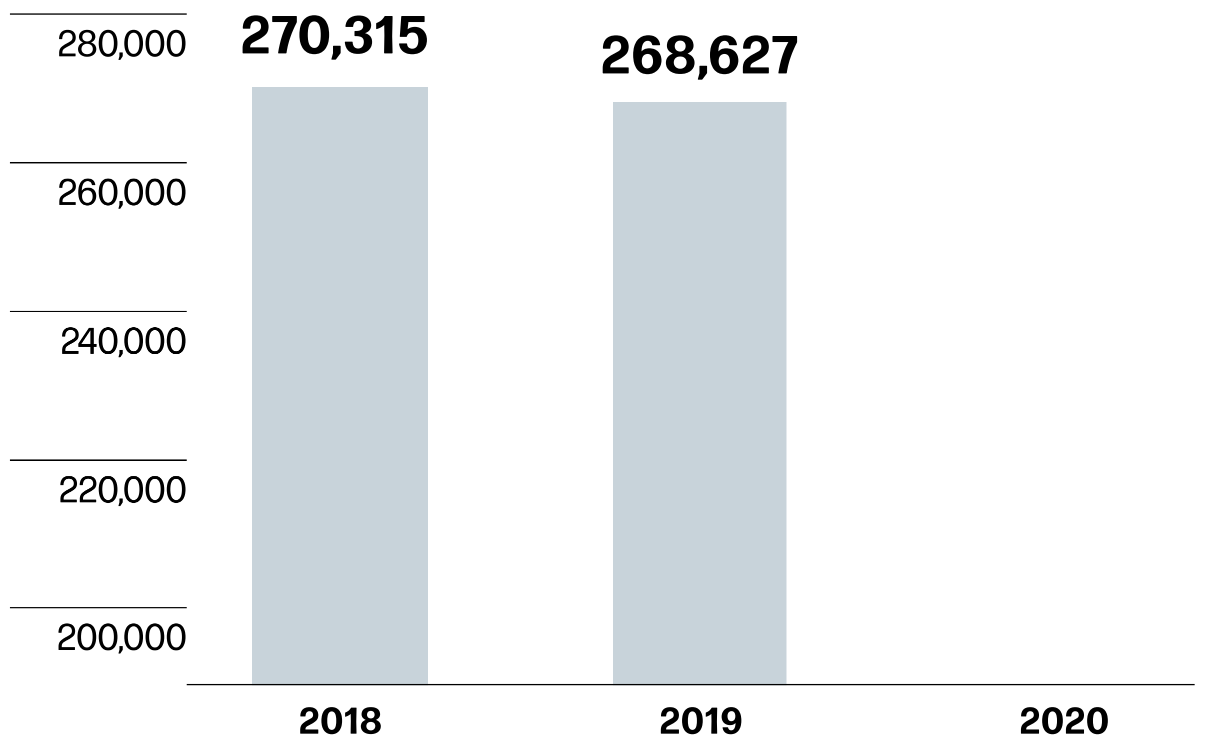
Thanks to our actions and commitment, we have achieved a 13% reduction in NOx emissions compared to 2018.

Paper CO_2 emissions (kilo tons CO_2 equivalent/year)



The Paper & Security Business Unit's CO_2 emissions have decreased by 10% over the last three years.

Specific emissions from the Paper & Security Business Unit
Paper: tons CO_2/tons paper



Regarding the CO_2 emissions/ ton ratio of paper produced, our performance over the last year has deteriorated slightly (+7%). The reason for this increase can be found, as mentioned above, in the decrease of production caused by Covid-19 (-18%): due to the way our production process is structured, consumption cannot be "written off" by manufacturing a lower quantity of finished products.

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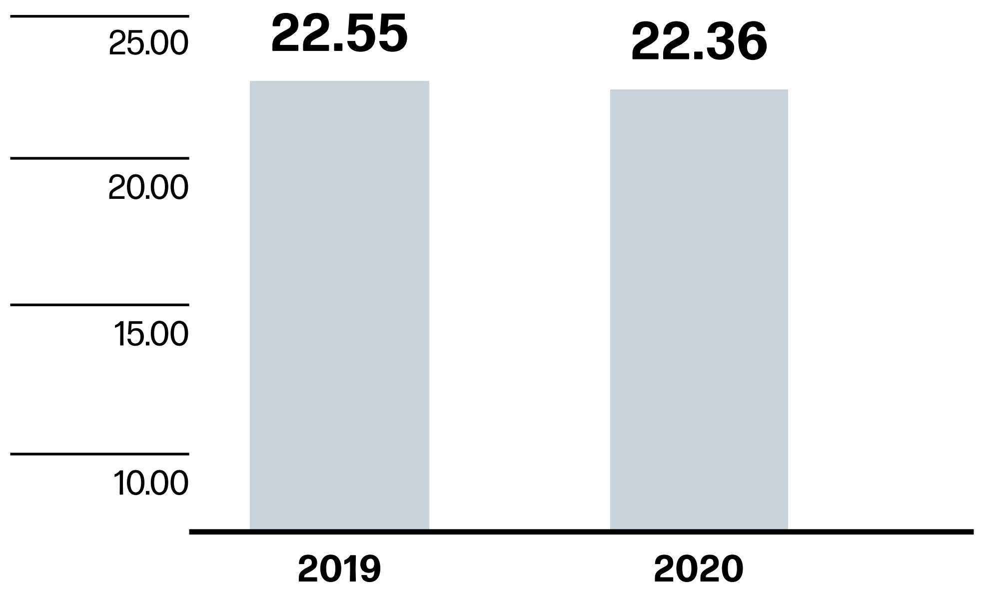
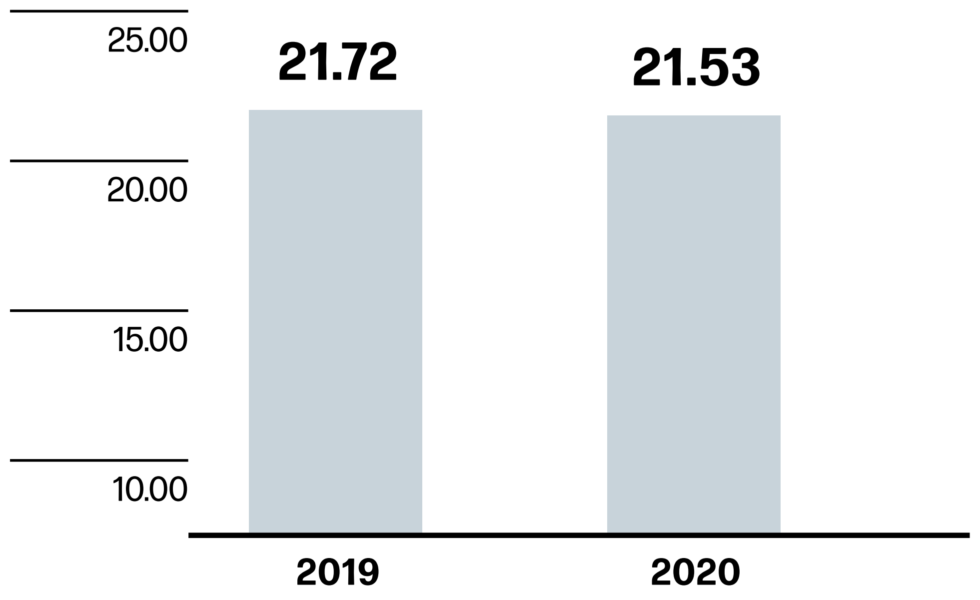
Emissions from the Self-Adhesive Business Unit

NOx emissions (tons/year)



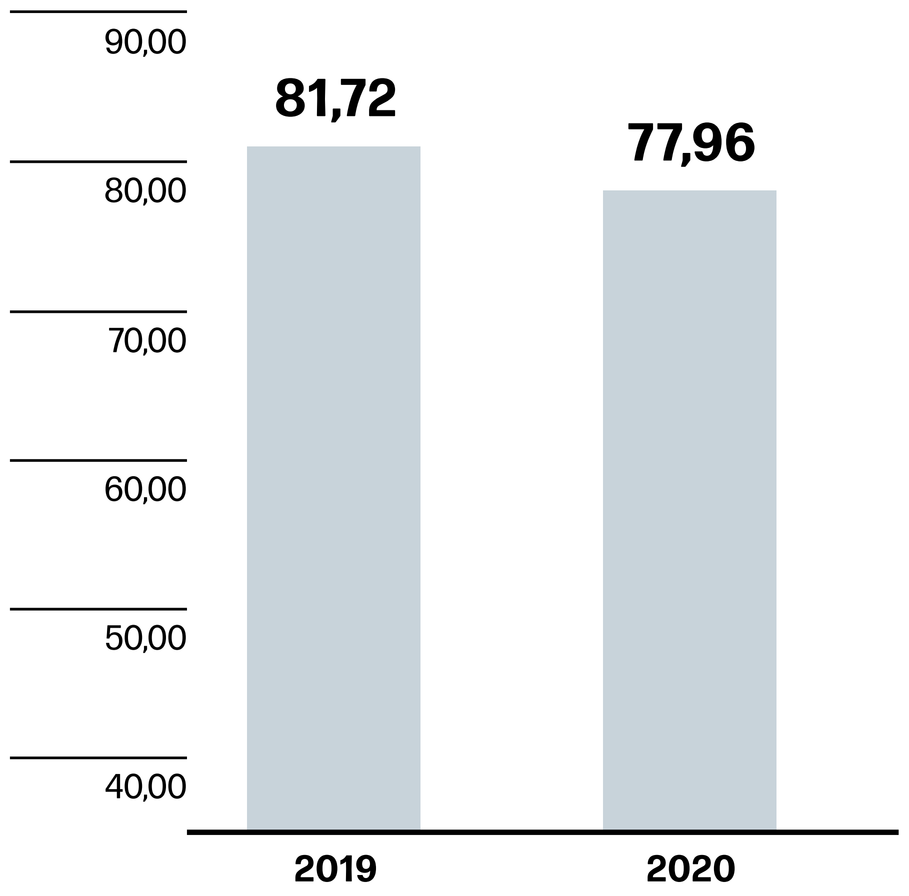
The Self-Adhesive Business Unit's NOx emissions decreased by 0.8% over the past year.

CO_2 emissions (kilo tons CO_2 equivalent)



The CO_2 emissions of the Self-Adhesives Business Unit decreased by 0.9% last year.

Paper: tons CO_2/tons paper



Specific emissions per ton of product also decreased compared to 2019, achieving a reduction of 4.6%.

The main initiatives implemented and planned in 2020

The main initiatives launched in 2020 and the effects of which will be seen in the medium- and long-term include the following:

- We have launched a pilot project at the Fabriano plant to directly measure CO_2 emissions which will allow us to obtain a real, exact calculation of the emissions produced;
- Calculation of the Group's Carbon Footprint. This challenging work, which started in the second half of 2020 and will be completed in 2021, will not only calculate Scope 1 and Scope 2 emissions but also Scope 3 emissions;
- Project adherence to the Science Based Target (SBT) methodology, aimed at precisely calculating the entire process, including upstream and downstream of our specific production, in order to reduce CO_2 emissions with specific targets for 2030 for the level of emissions for Scope 1, Scope 2 and Scope 3.

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ARMATORE
ARMATORE
BOTTARGA
DI TONNO
ROSSO
COLATURA DI ALICI
CETARA RISERVA
ARMATORE
COLATURA
DI ALICI
DI CETARA
RISERVA 2017
EST 1973
FILETTI DI
ALICI
IN OLIO DI OLIVA
CETARA
CETARA
AMALFI COAST
ALICI
SOTTO SALE
CETARA

Waste

Our approach

Our main waste management goals are to reduce the overall quantity and hazardous impact of waste products and to increase the percentage of waste sent for recycling and recovery.

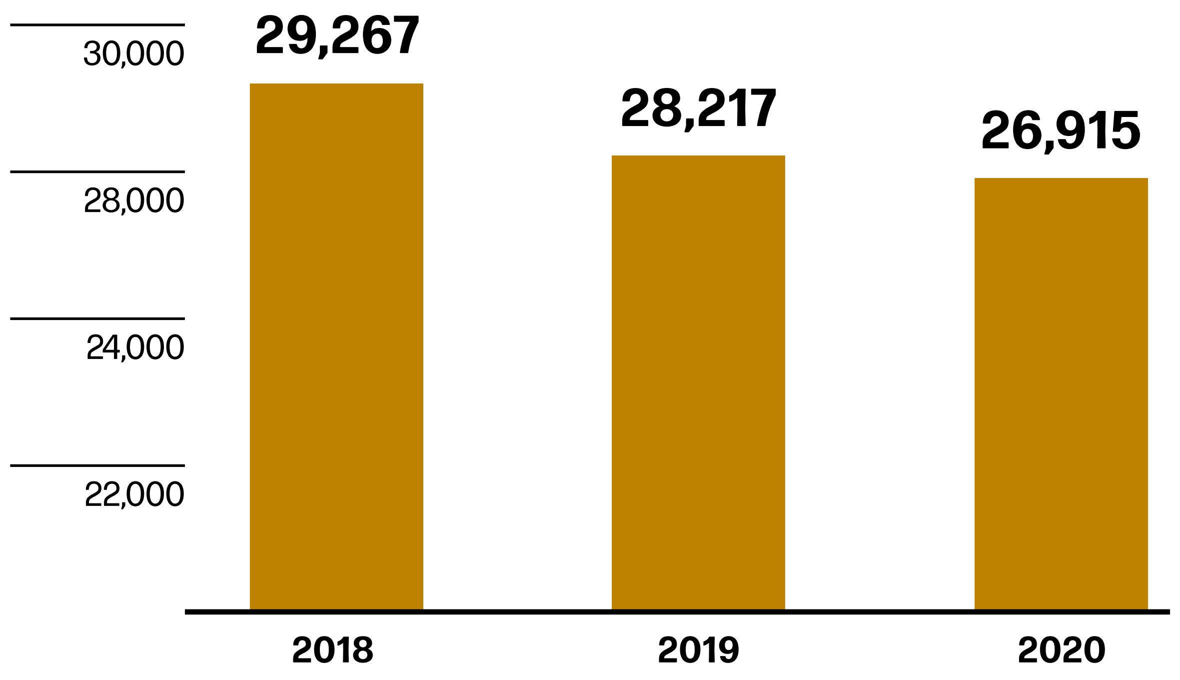
We are adopting this approach not only for our production processes, but also with specific reference to the products as such, which must be increasingly sustainable, with a high content of recycled and easily recyclable and reusable materials.

The waste products normally produced in the Group are: mixed packaging, wood, plastics, production waste containing silicones, solutions/dispersions/emulsions of substances derived from machine washing, waste oil, iron, electrical equipment and sludge from water purification. Among these, hazardous waste represents a very small proportion of our total production, below 5%.

We carry out the following actions in order to reduce the quantity and increase the recoverability of our waste:

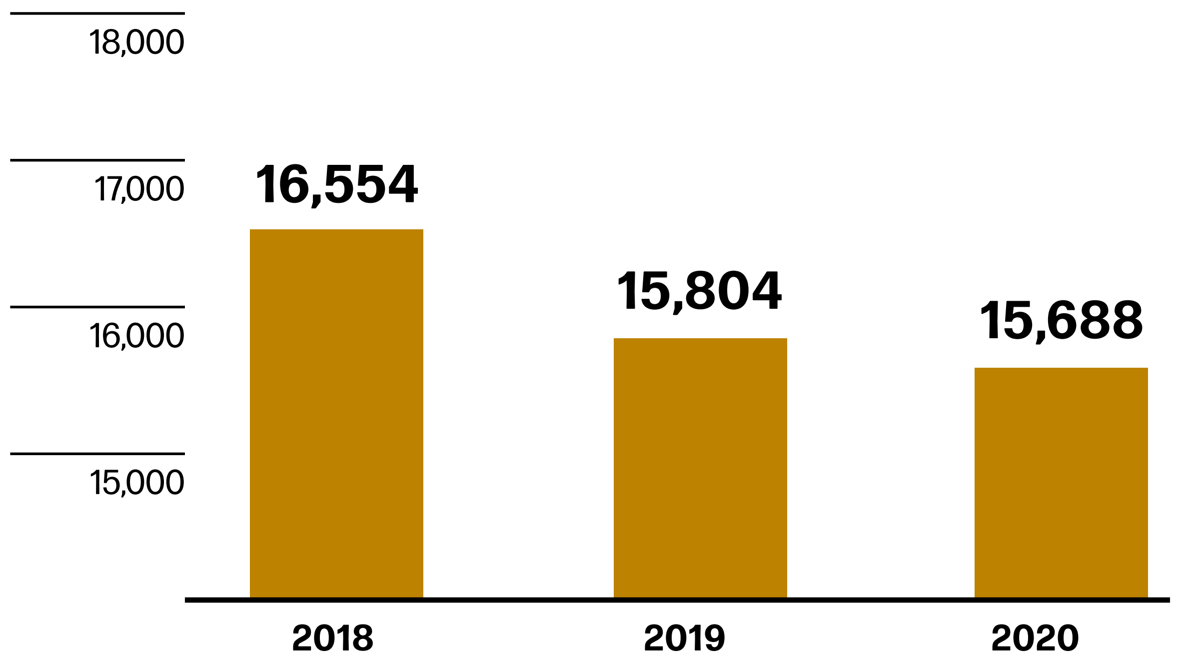
- Structured activities for separate collection, improving circularity;
- Actions to reduce the amount of sewage sludge, which is our main waste in the Paper & Security Business Unit;
- Jointly with our suppliers, we have initiatives to reduce packaging in procurement.

Waste production in the Paper & Security Business Unit
Total waste (Tons)



We reduced the total waste produced by 4.6% last year, with 26,915 tons compared to 28,217 in 2019.

Resulting sludge wet weight (Tons)

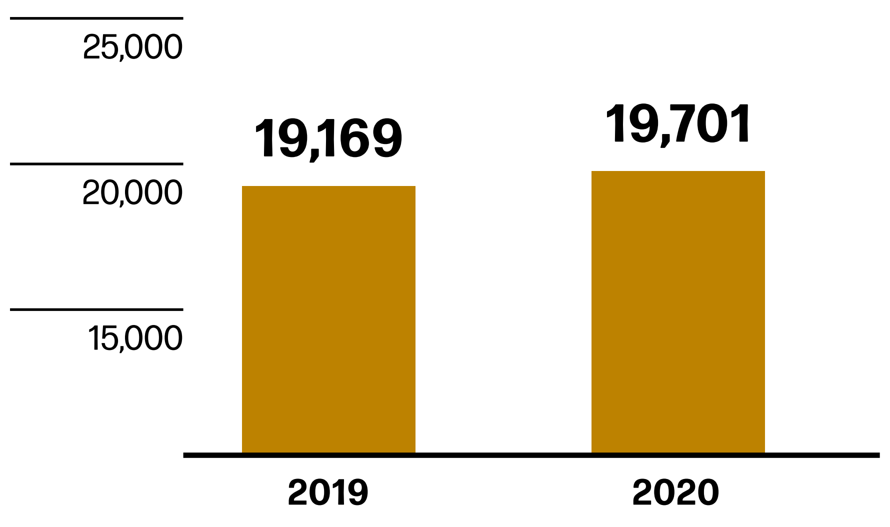


Sludge, which accounts for 58% of the total waste produced, also decreased by approximately 1% in 2020, after a 4.5% reduction already achieved in 2019. In addition, 83% of our waste is earmarked for recovery.

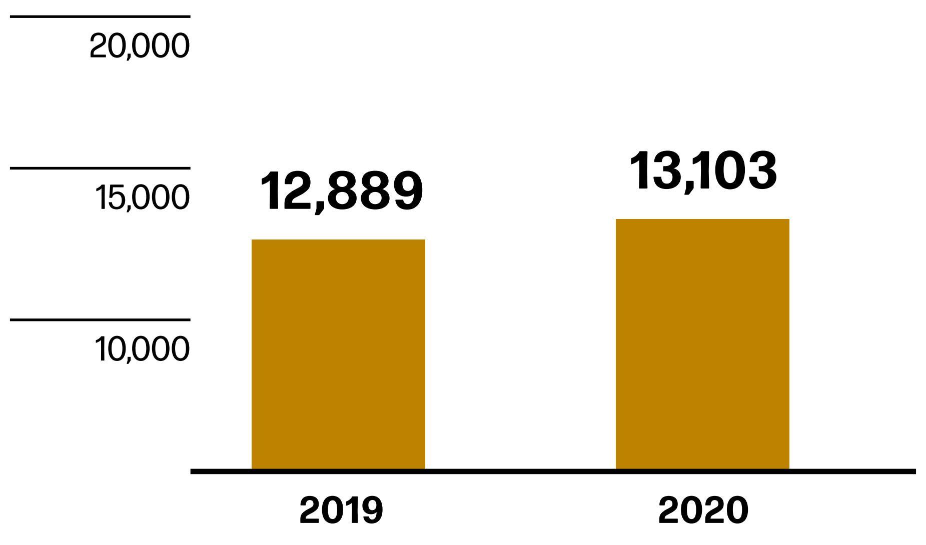
In the Self-Adhesive industry, waste is the aspect with the greatest environmental impact. The main waste products are both water- and solvent-based raw materials/semi-finished products (mixed waste) and wash waters, which are used for cleaning the coating heads.

Waste production in the Self-Adhesives Business Unit

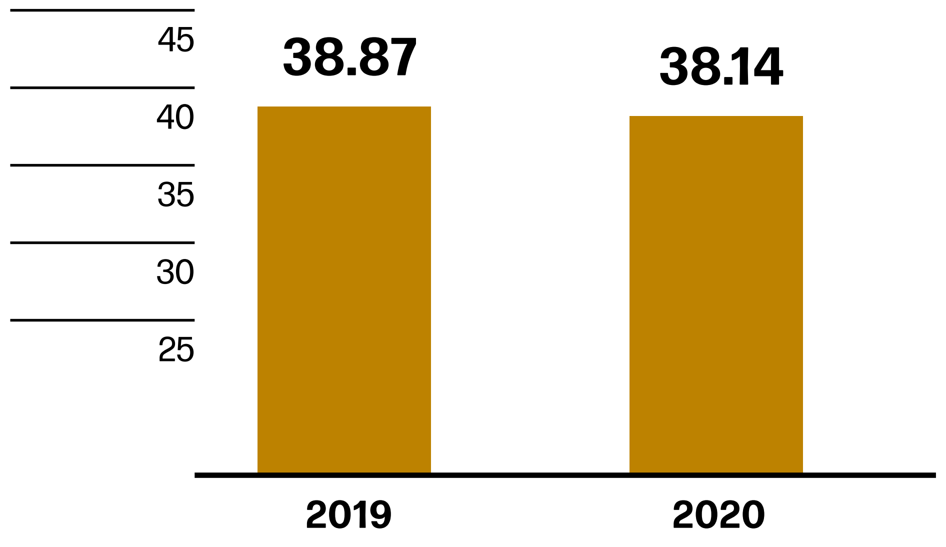
Total waste (Tons)



Mixed waste (Tons)

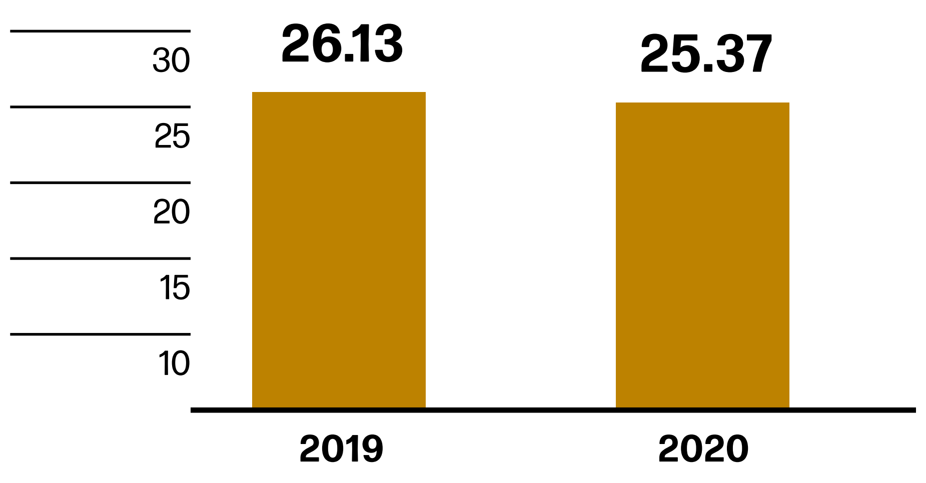


Total waste (Tons) Coating & Slitting Production



The amount of total waste produced increased by 2.7% last year, compared to a 4.6% increase in production. However, our actions have enabled us to be more efficient, reducing waste production per ton of product by 1.9%.

Mixed waste (Tons) Coating & Slitting Production



In greater detail, the quantity of raw materials/semi-finished product waste increased by 1.9% compared to 2019, but waste per ton of product decreased (-2.9% compared to 2019).

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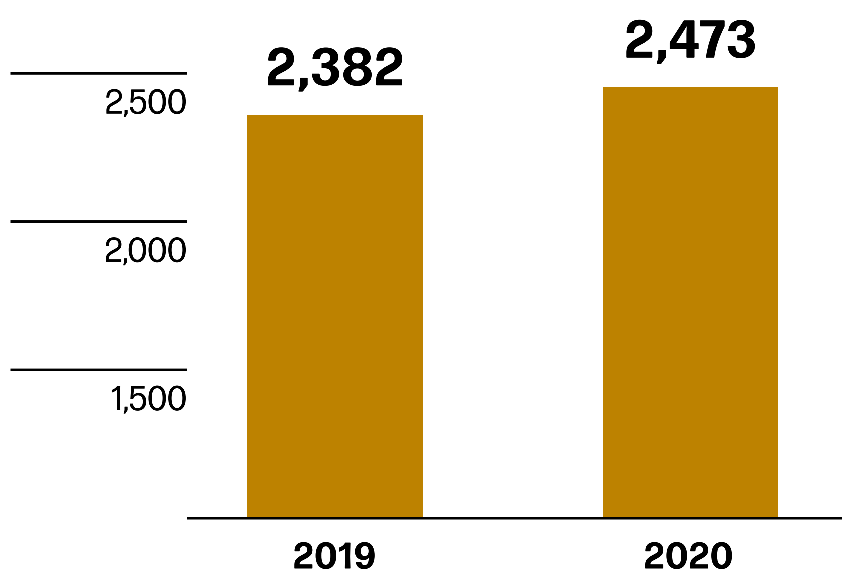
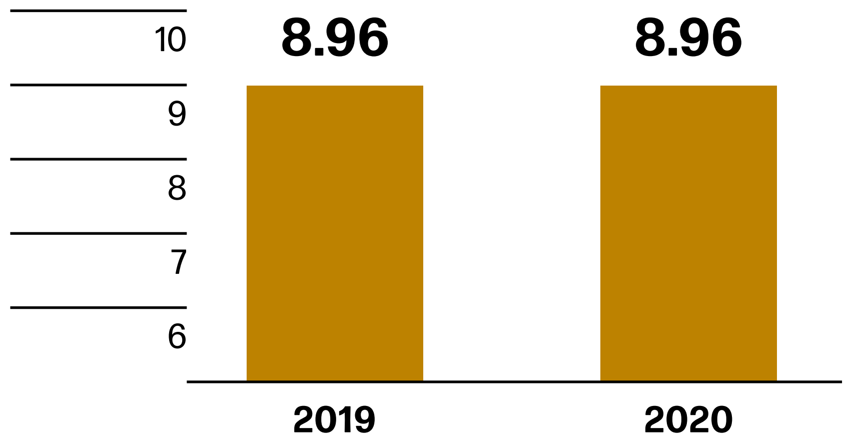
Liquid washing waste (tons)



Liquid washing wastes (tons) coating and slitting



On the other hand, we saw an increase in the quantity of washing water, which increased by a total of 3.8% compared to 2019, but remained unchanged if considered in relation to production. In addition, the quantity of waste sent for recovery reached 66.6% of the total, confirming the improving trend recorded over the last three years.

The main initiatives implemented and planned in 2020

In 2020, a number of initiatives were planned to achieve total recovery of our waste by 2030, including the involvement of our suppliers.

The Verona plant tested the introduction of innovative technology for drying sludge with the aim of reducing the volume of sludge produced and at the same time making it available for recovery in other sectors. The project will subsequently be extended to the Arco and Fabriano plants.

Partnerships were set up for the re-use of the Self-Adhesives Business Unit's waste and sewage sludge in other sectors, converting it from waste into a new product. For example, one possible use could be in the bio-building sector for the construction of partition walls as filler for acoustic insulation.

Differentiation of the components of the products in order to increase the possibilities of reuse, in particular in the Self-Adhesive Business Unit. We have implemented local waste reduction initiatives and, in the coming years, we aim to achieve specific results in the collection and recycling of adhesive waste at a European level, together with other like-minded organisations with which we have founded CELAB (Toward a Circular Economy for LABels).

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Social


VIETATO
DEPOSITARE
OGNI TIPO
DI MATERIALE
IDRANTE
LEBBING

We believe that respect, integrity, transparency, fairness and equality must be the basis for our relationships.

We believe that a work environment that can integrate the contributions of people of different ages, genders, backgrounds and orientations is a strategic asset in order to face an increasingly complex and mobile global scenario.

We believe that human rights must always be protected and defended.

We believe in the importance of acting as one sole Group, with shared principles and goals.

Aspects that are important to us

- The development of our people and their growth
- Inclusion and equality
- The health and safety of the employees at all our Group's sites
- Creating value for the community

We are working to ensure that we are recognised for applying best practices in all these areas, which are central to our corporate culture and important to our stakeholders.

The targets for 2030

We are committed to becoming one of the best workplaces where the health and safety of our 4,000 employees is ensured, where everyone can grow, fulfil their potential and have the chance to make a difference, in an open atmosphere of cooperation and equal opportunities between men and women.

2030

Health and safety
-67% Accident rate, frequency rate/TRIF (Total Recordable Injury Frequency) from ~21 to ~7.
(compared to base year 2020)

Equal opportunities
Increasing the presence of women in managerial positions from ~20% to ~30%.

Talent development
10% to 100% of people involved in performance and individual development interviews.

Employee satisfaction
Obtaining an NPS (net promoter score), i.e. anonymous rating given by employees on their enjoyment of their work experience equivalent to 60.

Code of Ethics
100% of employees trained on the code of ethics by 2022.

People and their growth

Our 4,000 employees in 25 countries around the world are the driving force behind the Group, the first real force that helps us achieve our goals every day by working with passion and integrity.

First and foremost, we have undertaken a commitment to genuinely offer everyone continuous opportunities for professional and personal growth, each in his or her own role and according to his or her own potential and aspirations.

Everyone, with their own personality and uniqueness, can find a place to express and develop their talent in our Group.

We manage staff by providing experience, tools and an environment in which they can improve and deal with everyday challenges; a place where diversity, fairness and inclusion are tangible and recognisable even from an outsider's standpoint. Being recognised as a company that is good to work for and attracting top talent is a great challenge and opportunity for us.

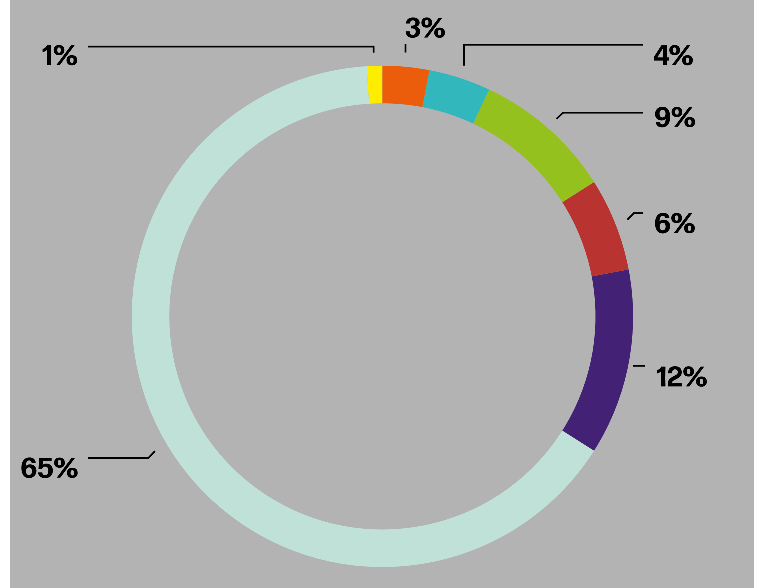
The tools we use to meet our employees' expectations, enhance their skills and promote their growth include from our listening to them to finding managers and supervisors, leaders capable of managing change and guiding us so that we can achieve our goals in an atmosphere of dialogue and strong internal collaboration.

Fedrigoni Group people profile

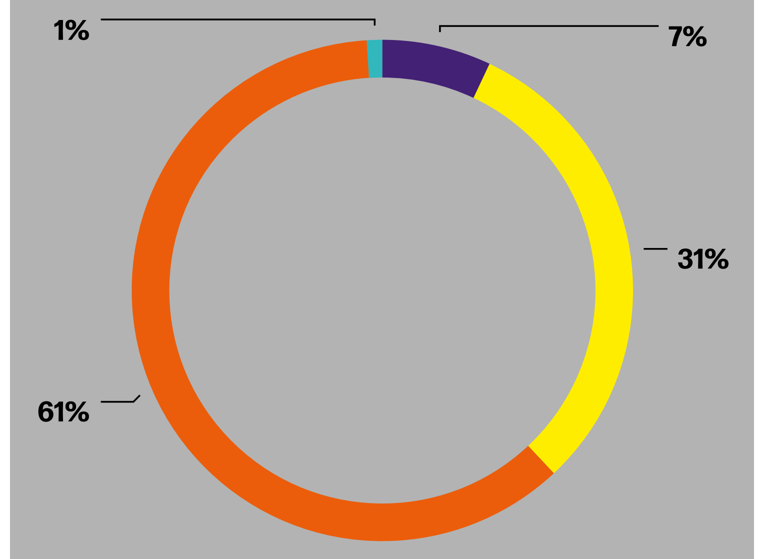
approx. 4.000	81%	43	37%
Employees in 25 countries	Men	Average age	Employees under 40

61%	67%	13%
Plant workers	Of the employees work in Operations	In the Sales and Commercial Departments

Operating in 25 countries worldwide



Professional category



We create jobs

The new 2020 hires are in line with our goals of diversity, inclusion, and merit.

280
new hires, including:

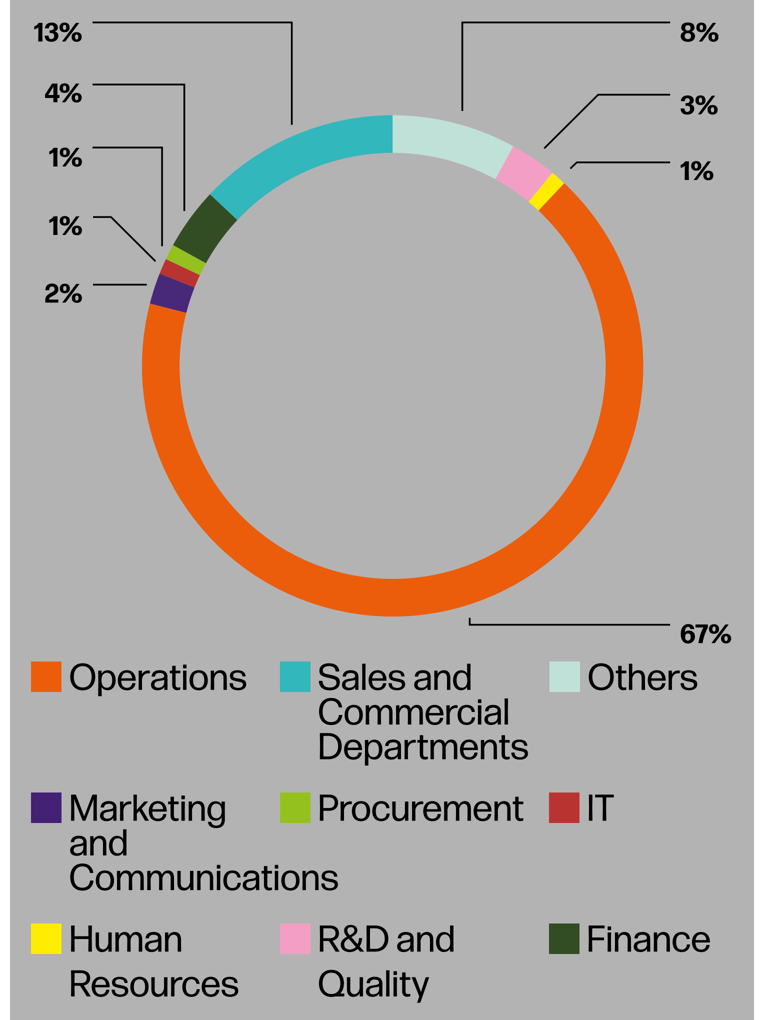
170
Employees and managers

56%
At foreign locations

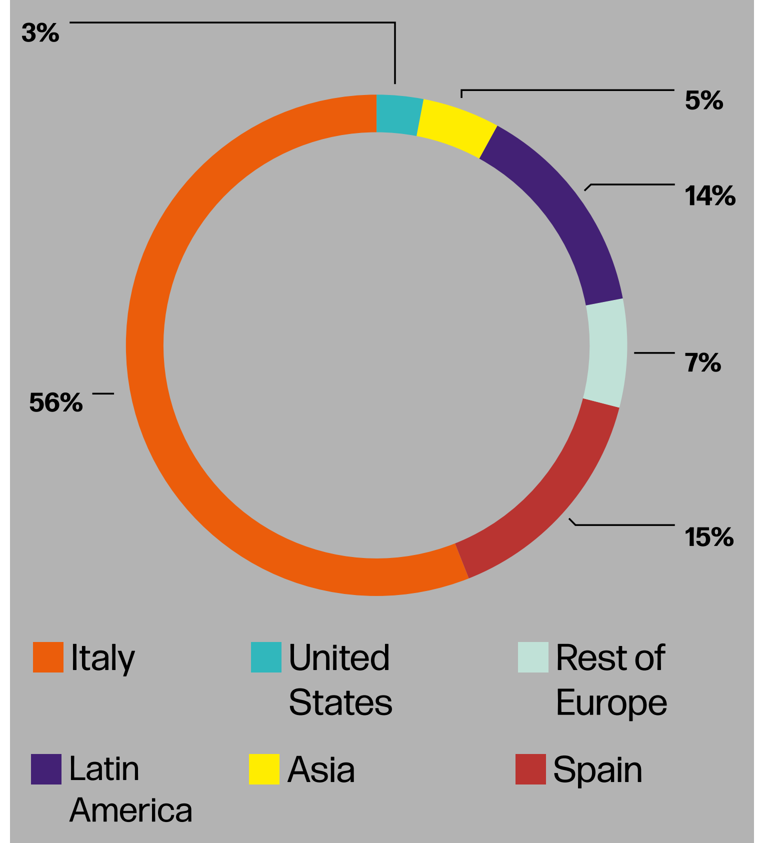
24%
Women

34
Average age (43 Group average)

Work area



New co-workers worldwide



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AQUARIUS
daily hydration

The main initiatives implemented and planned in 2020

In 2020 we implemented several initiatives aimed at enhancing the value of our people.

Engagement Survey

An initiative was launched for the first time in 2020 to listen to our people at a Group level. Managers, clerks, workers and some sales agents were invited to express their opinions by means of the "Fedrigoni Survey". The topics covered ranged from satisfaction with the work environment, professional fulfilment and growth, internal dialogue with managers and colleagues, the clarity of the company's sustainability strategies and goals and the company's ability to handle the Covid health emergency.

We assessed our peoples' satisfaction with the aim of identifying strengths and improving our organisation together through effective, shared initiatives. By involving our people, we have defined specific fields and actions for improvement: meetings, focus groups and cascading sessions have taken place in 6 plants, with over 20 listening and dialogue meetings among the 100 leaders and managers of the various functional departments.

This led to the creation of our Action Plan at a Group Level, which was then developed for each Business Unit and each Department and that places a priority on professional growth, effective working practices and internal communication.

Leadership development: *Being A Team Leader* and *Lead The Momentum* Programmes

The *Being a Team Leader* programme involved our managers on a path to strengthening their team management and development skills to increase internal collaboration and create a network with cross-functional competencies. The training included topics on capacity for delegation, managing time and priorities, setting clear goals, evaluating the results achieved and developing motivation, trust and skills to achieve overall personal growth.

The *Lead the Momentum* Programme was a course designed for members of the Group's Executive Committee and Leadership Team with the aim of strengthening their leadership skills in the organisation, their team and themselves.

Management training - *Being a Team Leader* programme	**70** managers involved **34** hours of training per capita
Leadership development - *Lead the Momentum* programme	**40** Top managers involved **24** hours of training per capita

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Workplace: Digital Social Collaboration platform

Workplace is a digital platform for internal communication and social collaboration that we have created to promote interaction and sharing within our Group. This tool allows us to be effectively and securely connected and reduce distances between colleagues in different countries, working in teams and rapidly circulating information within the Group.

Through Workplace we share ideas, initiatives implemented and results achieved, always aligned at a Group level.

Only 6 months after the launch of the Workplace digital platform:

47% of our staff are registered with Workplace

93% of employees and managers

19% of plant workers

To mark the launch of the Fedrigoni Forest, we set up **"Fedrigoni Blu"** on the Workplace platform, a new communication channel and a real "virtual meeting place" where ESG-related initiatives can be shared that are promoted in all the departments of our company. With simple and immediate posts, our people can explain and find out what we are implementing and take part in the discussions that are held with each comment, creating opportunities for comparison and exchange as well as nurturing our culture.

Knowledge-Sharing, with a focus on sustainability

We provide knowledge and skills, sharing all that enables us to grow within the Group. An example of this is internal sustainability training organised by two colleagues who, after having successfully completed certification in "Business Sustainability Management" at Cambridge University, wanted to share this experience by means of an internal training course involving over 100 people, in particular those from the sales and marketing departments.

The brand new Verona and Milan headquarters

We have redesigned workplaces to assist in collaboration, teamwork and to offer our employees comfortable spaces where they can work.

In 2020 we moved our historic Verona headquarters to a new, bright and functional building and in Milan we unified the Fedrigoni, Fabriano and Cordenons offices into a single new, modern and bright space.
This proves both our interest in our peoples' well-being (common areas, rest areas, green areas in the Verona headquarters) and the attention we pay to the environment, thanks to high technological and energy efficiency standards that, for example, in Verona, increase energy autonomy to 70% thanks to photovoltaic panels, self-switching devices for lighting, etc.

In 2021 we will continue some of the activities we have launched and develop new initiatives for the benefit of our people. abbiamo unificato le sedi Fedrigoni, Fabriano e Cordenons in un unico nuovo spazio, moderno e luminoso. Questo a riprova sia della cura del benessere delle nostre persone (spazi comuni, aree relax, aree verdi nella sede di Verona) sia dell'attenzione verso l'ambiente, grazie a elevati standard tecnologici e di efficienza energetica che ad esempio a Verona, grazie anche ai pannelli fotovoltaici, a dispositivi di autospegnimento dell'illuminazione etc. aumentano l'autonomia energetica elettrica al 70%.

Nel 2021 proseguiremo alcune delle attività avviate e svilupperemo nuove iniziative a favore delle nostre persone.

Listening and involvement will still be our starting point: We will develop more agile ways of obtaining our employees' opinions that will allow us to assess the effectiveness of the initiatives we have put in place over the past year.

We will schedule times for regular meetings that will go beyond verification of the achievement of the goals and will involve the employees' expectations, needs and aspirations for growth.

Training, development and growth programmes

We will continue with the "Lead the Momentum" leadership programme and expand the "Being a Team Leader" management development programme both in terms of the employees involved and the in-depth study of particularly relevant topics. In addition, we will set up a specific course for managers, department heads and assistants in the plants.

In order to support our sales force we will create the "Customer Academy" that will provide effective tools, in particular for the sales department, in order to be increasingly customer-oriented and in line with the needs of a changing market.

We will offer online language courses and ad hoc programmes for the development of specific skills, such as IT and digital skills, to support the development and growth path we have undertaken that is making our Group increasingly global.

Internal promotion

We will promote the growth of our employees within the Group. Internal promotion processes will be held through a talent marketplace and INK, the Workplace group dedicated to internal job postings, will be set up to promote transparent, inclusive selection processes open to everyone.

Fedrigoni Behaviours

We will introduce "Fedrigoni Behaviours" that will act as a guide for our daily relationships and actions and allow us to feel even more like a single Group, aligned in the applicable values, strategies and correct conduct and achievement of the corporate development goals.

MBO will drive sustainability from 2021

Sustainability will become an integral part of the appraisal system for some of the staff, covering a range of around 300 employees. In 2020, we tested this project on 8% of those who will be involved in 2021. Performance will also be assessed in relation to their ability to contribute to the achievement of the Group's targets for employee growth and development, health and safety and the reduction of the environmental impact of our activities. Sustainability will thus be fully integrated into the performance evaluation systems for each of us as well as into the daily management of our operations.

Inclusion and equality

Our approach

Diversity, equality and inclusion are part of our organisational culture on a local and global level; however we aim at improving and achieving excellence.

Our first goal is to work on gender equality, in line with the SDG 5 of the UN 2030 Agenda. Despite the progress made in the last 10 years, women and girls in the world today still do not enjoy equal rights and their potential is not fully exploited as agents of change for Sustainable Development.

Working for gender equality means promoting fairer, more stable and inclusive societies.

For us, the protection of all diversities is a central goal for professional as well as human development. We ensure that all our employees are offered the same opportunities with no discrimination whatsoever (in terms of gender, race, language, religion, political opinions and trade union membership) starting from the staff selection stage, where we have insisted since 2020 with agencies and head-hunters that they present an equal number of candidate CVs for each gender and we have undertaken a commitment to implement forms of incentive and improvement based on fair criteria of merit and skills.

We all have a duty to behave with the utmost respect for our colleagues, recognising and valuing individual contributions and encouraging team work.

The main initiatives implemented and planned in 2020

In 2020, we laid the foundations to make our approach to equality and inclusion tangible and measurable.

For the first time, we have assessed our performance through specific indicators at a Group level and defined an action plan on diversity, equality and inclusion to achieve the goals we have set for 2030.

Our policies have been reviewed and integrated and the Group's Code of Ethics has been updated.

We started by listening to our people: our Fedrigoni Survey included certain aspects related to the perception of fair treatment within the organisation.

At a managerial level, we have been working on issues of inclusion and inclusive leadership.

We have defined a process in our staff recruitment and selection that ensures an equal number of female and male candidates for each position.

In 2021 we will carry out the many initiatives we began planning in 2020.

Development of the Diversity, Equality and Inclusion Policy and awareness-raising

We aim to set down in black and white the Group's approach to the issues of valuing diversity, fairness and inclusion, based on the fundamental principles of non-discrimination, equal opportunities and equal dignity for all forms of diversity, which are at the centre of the Group's conduct. The definition of a Policy that is a point of reference for all our employees and for all those that have a relationship with the Group is the first step towards raising awareness and making everyone aware of the correct behaviour to adopt.

Internal equality survey
We will listen to the opinions of all our employees worldwide on the value of equality within our Group. Their perceptions of our ability to oversee and manage this issue will allow us to identify the best responses to their expectations.

De-biasing of internal promotion and recognition processes
Reducing prejudices, even unconscious ones, which can lead to unfair decisions being adopted in the processes of promotion and development of skills and careers. This is an important goal that we will pursue by developing effective merit-based assessment tools and through intensive awareness-raising and training at all levels of the organisation, starting with the involvement of our managers.

Collaboration with the InspirinGirls project
We will be partnering with the international InspirinGirls project, which is aimed at promoting awareness of talent among young girls, freeing them from gender stereotypes that can hold back their ambitions. The project envisages that women, employed in different sectors and professions, will share their professional and life experiences with young girls between 10 and 15 years old, thus building a specific bridge between school and the working world. In addition, as a Group, we would like to develop our own initiative in collaboration with InspirinGirls and thus contribute to gender equality in the society around us, doing our part in all the countries in the world where the Fedrigoni Group operates.
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LUNA
ETERNA

-40% of injuries in the last three years: This result proves the effectiveness of both our prevention and protection measures and the health and safety training that we give to our employees every year.

24,000 hours, 6 hours of training for each of our 4,000 employees The figures of our health and safety training in 2020.

-33% in frequency and gravity over the last three years: Our progress is the result of the direct involvement of all the workers and a greater awareness of the importance of health and safety protection in all the companies in the Group.

Health and safety

Our approach

We want to ensure the well-being of our employees through meticulous risk prevention and creating a safe working environment.

The Integrated Quality, Environment, Safety and Health Policy, defined at a Group level, determines the principles, guidelines and general objectives for all our production sites.

All Italian sites are ISO 45001 certified. In 2021 all the Group's sites will be certified.

Identifying risks and preventing injuries

Meticulous risk assessment enables us to prevent each of our employees' health and safety from being jeopardised in the workplace.

Therefore, our approach is based on identifying risks in advance and preventing injuries, involving all the workers and raising our employees' awareness so that they take an active role in monitoring and reporting potential hazards.

Thanks to the Near Miss procedure, each employee can report near misses, i.e. any event that could have caused an accident with negative consequences for our people. The "Safety Reports", on the other hand, allow each employee to make structured suggestions on aspects on which action should be taken in order to reduce and prevent injuries.

Ongoing monitoring of the performance of our prevention and protection system, analysis of the causes and context in which injuries occurred and assessment of Near Misses and Safety Reports are powerful tools for improvement that enable us to identify not only the corrective measures to be implemented but also the measures to be adopted in the working environment and organisational context to perfect the results achieved. These results already prove the effectiveness of the training courses given in recent years. Training courses that are structured in accordance with the site managers and carried out on the basis of precise needs analysed have enabled us to spread a culture of health and safety at all levels of the company.

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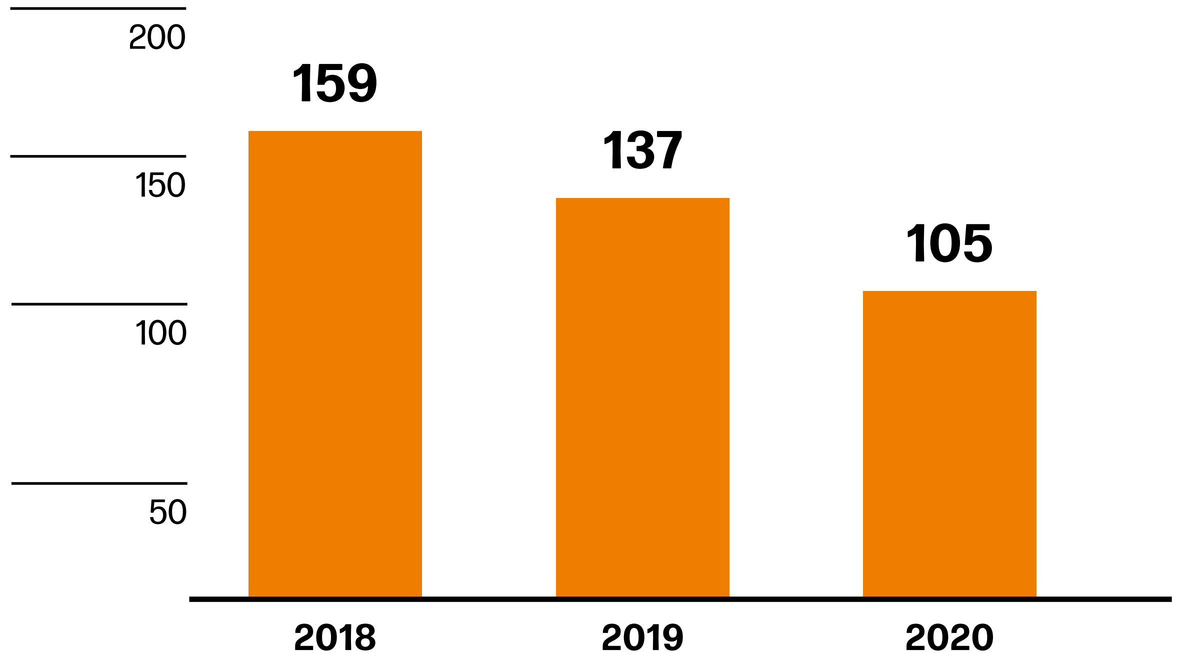
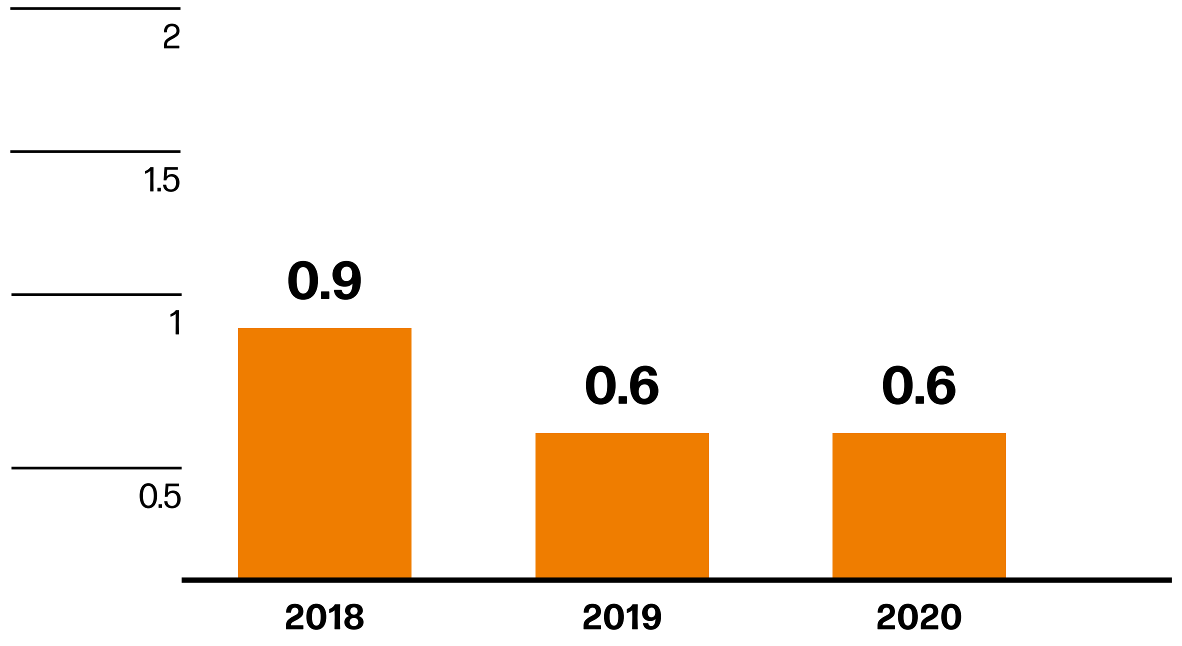
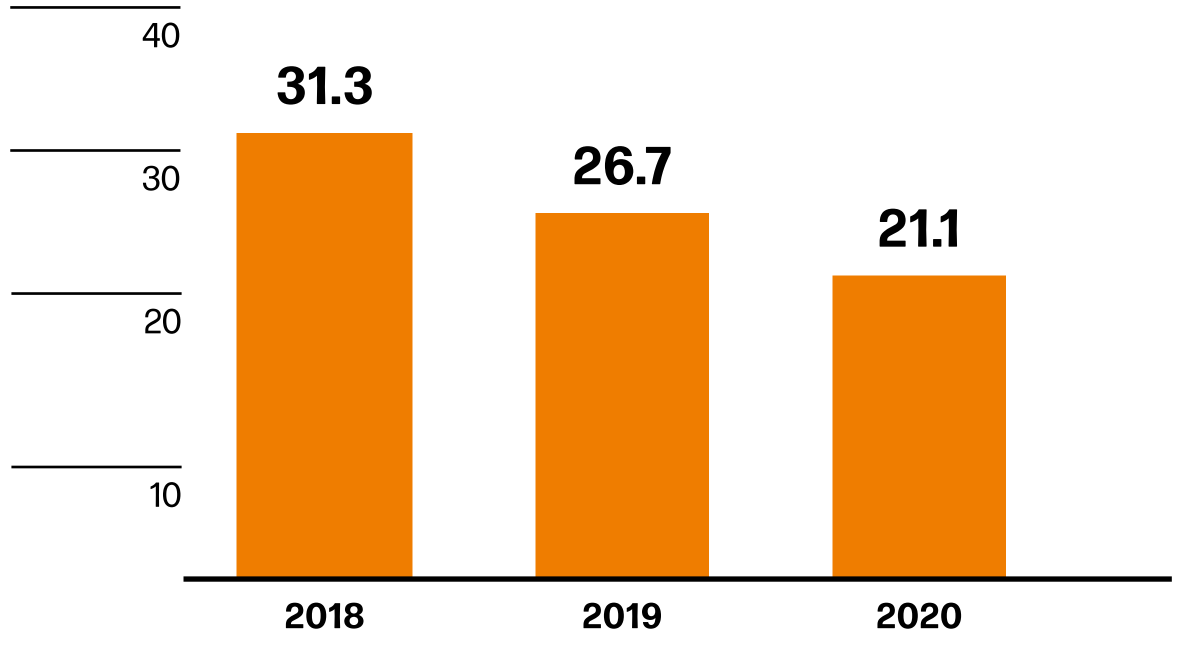
Injuries (no.)



Gravity rate (no.)



Frequency rate (no.)



The main initiatives implemented and planned in 2020

In 2020, we implemented numerous initiatives to continue protecting our employees' safety in the workplace.

In particular, the following three programmes were implemented to increase the safety culture and prevention:

Set the basis for cultural shift - New ways to spread the culture of safety in every working area

In the autumn of 2020, we launched the digital signage project at the Self-Adhesives Business Unit's plants.

A total of 4 monitors were installed in the Milan, Caponago and Basiano plants, for a total audience of 294 employees and a total of 5 monitors in the plants in central and northern Italy, Sassoferrato and Arco, for a total audience of 500 people, with a 24/7 continuously rotating schedule, complete with video and images.

With the posters and monitors we promoted the virtuous behaviour to be adopted to avoid injuries and hazards: through images and videos, the rules and procedures were shared and the same message, in different languages, was given in all the companies of the Group.

Immediate and engaging safety information and training, highly appreciated among the employees, to make everyone aware of the potential risks to themselves and their colleagues, to know the rules, apply the procedures and avoid hazards wherever we work.

Crash Program - Adopting the Near Miss procedure in all the companies in the Group.

The robust system for collecting reports and undertaking Near Miss, which has involved workers at many of our sites for several years, has enabled a model of consolidated procedures to be transferred for detecting and managing potential hazards whenever a structured process has not yet been implemented.

In order to further enhance our accident prevention capacity, we have also introduced a new type of report, the 'Safety Reports', which can be used to indicate aspects that need to be monitored more closely and that, after careful assessment, could require specific improvement.

Tech Assessment – A project for identifying and analysing risks related to machines and production facilities.

The Project includes the creation of summary files for risk assessment, based on homogeneous assessment criteria applicable to all the production sites with the aim of defining action priorities and obtaining a solid basis for making the future investments required to guarantee that our workers benefit from increasingly high safety standards.

After a demanding preparatory stage to define the most effective evaluation method, the project was tested on the production and coating lines at the Cordenons plant with the aim of implementing it in the other 8 plants of the Paper & Security Business Unit identified in the preliminary stage when defining the scope of the project.

A similar activity was launched at the plants of the Self-Adhesives Business Unit: at the end of 2020, we began with the Basiano site with the intention of completing the analysis of the European plants by 2021 and then extending it to non-European plants starting in 2022, with the aim of completing it by 2023.

Once the risk analysis stage had been completed, the project includes the definition of a precise action plan that specifies the initiatives, timeframe for implementation, employees involved and budget required for implementation.

Implementation of the "Workplace" internal communication campaign
We aim to launch a multilingual online communication campaign to share with all the Group sites our commitment to health and safety and the rules we must observe to protect ourselves and our colleagues.

Development of a "We care about our people" external communication campaign
The aim is to inform all our stakeholders of our commitments and goals for our employees' health and safety.

Continuation of the "Set the basis for cultural shift" Programme
Our health and safety performance will be presented at the company meetings and regular monitoring reports will be available in the plants and offices, displaying the key performance indicators.

Continuation of the "Tech Assessment" Programme
A team consisting of the Prevention and Protection Service and Maintenance Managers will be set up at all the facilities to carry out cross-checks of the plant and machinery, detect any problems at an early stage and implement targeted and effective action plans.

Process and Governance
We plan to set up a Health and Safety Committee in each department of all the Group's plants. The Committee will be chaired by the Site Manager and representatives of the office staff will also be involved.

Implementation of the improvement plans defined by each individual plant
Improvement Plans defined by each plant will be implemented in order to reduce the accident frequency rate. Involvement of the staff through Near Miss and Safety Reports will continue.

Creating value for the community

Our approach

We want to create physical and virtual spaces where our stakeholders can meet us and each other.

Places that demonstrate our care for the natural environment and for people.

Places that show our passion for our work and our products.

All the projects we have carried out and will carry out make our aims and values that are the basis for our Group's growth specific and tangible.

The main initiatives implemented and planned in 2020

In 2020 we carried out many initiatives to be close to the communities where we operate.

Support for the Trillion Trees project

For 2020, our Self-Adhesives Business Unit supported 3 reforestation projects in Africa carried out by Trillion Trees, a joint venture of BirdLife International, the Wildlife Conservation Society and WWF, which planted 2,366 new trees in Madagascar, Tanzania and Kenya.

The Fedrigoni Wood: green areas for the community

We believe in supporting green spaces being created in the urbanised areas close to our factories. This is an important commitment: To give the employees and citizens a better, greener and more liveable area.

For this reason, we have created the first Fedrigoni Wood on the border between Caponago and Pessano con Bornago where our Ritrama plant is located, in collaboration with the municipal authorities.

Our first wood is growing in a public area surrounded by warehouses, factories, industries and motorways: 15,000 square metres of land rescued from neglect, where we have planted 1,532 trees including oak, ash, field maples, holm oak, yew and elm trees. As many as 16 native species of the Po Valley selected by the employees together with the local community aimed at increasing and promoting biodiversity.

We will take care of our wood for the first five years of its life and we will do the same for all the other woods we will create, all of which will be located close to our factories in order to maintain strong links with local communities and give them green spaces that can help them enjoy clean air.

Over the next few years, our wood will be able to absorb around 140 tons of CO_2, equivalent to the annual emissions of 50 cars: a natural barrier and filter to the pollution produced by the nearby motorway.

15,000 m²

of green space donated to the community

1,530

trees planted, 16 native species

over 400 tons

of CO_2 absorbed thanks to the growth of the trees planted

The Fabriano Drawing Festival

We have always believed in the importance of drawing in all its forms: Fabriano paper, produced in Italy since 1264, has given and continues to give shape to the creativity of illustrious artists, students and enthusiasts.

With our Fabriano brand, we have been organising the Drawing Festival for the past six years, a travelling event with hundreds of free activities throughout Italy with the aim of helping adults and children rediscover drawing as a form of expression.

Drawing to express emotions, thoughts and ideas: A universal language, a playful activity for children, but also a tool for learning and creativity.

The 2020 edition was obviously special, prudent but courageous: We felt it was important to continue to offer an opportunity for recreation, a moment of encounter in which, through drawing, we could face the present and design the future together.

The 2020 Drawing Festival was also online for the first time, with the five events in the first stage at Milan's Castello Sforzesco broadcast live and streamed to allow everyone to take part. Around 6,000 people took part, once again, in the artists' workshops for the more adult public and creative workshops for the younger ones in this great time of encounter and collective creation.

In six years:

over 60,000
participants

over 800
meetings with illustrators, designers, street artists, neuroscientists, numerous creative workshops for children

over 200
cities involved, large and small, from the north to the south, including the islands

Fabriano sketchbooks donated to families

Another specific sign of our closeness to Italian families with children who were forced to stay home from school because of the pandemic was the donation of 80,000 Fabriano sketchbooks.

Collaboration with three major retail chains and the involvement of hundreds of hypermarkets and superstores throughout Italy enabled us to deliver our sketchbooks to children and young people.

Sketchbooks made of totally environmentally-friendly smooth or rough paper, have been able to reach thousands of children who have been under such severe pressure due to the health emergency, and the books will continue to be part of their daily lives.

80,000
sketchbooks donated to children and young people

3
mass distribution chains involved

230
points of sale throughout Italy

19 Artists versus Covid-19

19 Artists versus COVID-19 is an original Fedrigoni fundraising project for the NHS (the UK National Health Service) that involved working with 19 international artists to produce limited edition posters, 75 copies per work, which were auctioned off and the proceeds fully donated to the *NHS Charities Together programme*.

Each artist was asked to design an A1 poster inspired by the new normal created by the global pandemic, interpreting the rule of social distancing and the message "Stay Home". This universal slogan was the most repeated message by all the governments, an invitation to take a small but significant action to slow down the spread of the virus in the world.

Each poster is unique and explores the emotional dimension triggered by this new situation, which has helped aggravate the effects of loneliness, self-isolation and frustration of social confinement, but has also brought attention back to certain aspects of our daily lives, such as the safety of our homes and work routines. The posters were also aimed at sending a message of hope, with an appreciation for ssential workers and an optimistic view for our future after we have left the pandemic behind. Above all, the project was aimed at showing the strength we can have when we all combine our efforts to become one global community.

The Fedrigoni Blu Group on Workplace
We launched Fedrigoni Blu to coincide with the launch of Fedrigoni Wood, a new communication channel where ESG-related initiatives can be shared that are promoted in all the departments of our company.

In 2021, our commitments to the communities where we operate will continue to pay off.

The Drawing Festival - seventh edition
We will continue to hold the Drawing Festival to offer an opportunity to observe and interpret the world through drawing. We hope that many Italian cities can be places where we can stop on our tour, venues for many activities in which everyone provides spaces and ideas, and Fabriano will contribute its *expertise* and ability in making paper for over 750 years.

The Fedrigoni Wood
We will take care of the Fedrigoni Wood in Caponago, which will also be FSC–Forest Stewardship Council–certified, the certification that attests to correct and responsible forestry management.

We will continue to develop projects to create new woods near our factories to maintain strong links with local communities.

The Fedrigoni Fabriano Foundation's initiatives
2021 will be an important year for the Foundation because it will celebrate its first 10 years. Activities that started in 2020 will continue and new ones will be created in several fields, including the following:
- *Research*: "Dante Alighieri's Divine Comedy and Fabriano's papers";
- *Training*: The 2nd edition of the hands-on workshop at the Fedrigoni Archives in Verona;
- *Conservation*: Restoration of the Augusto Zonghi Album.

In particular, the Foundation's heritage will be further enhanced by making it available online on international circuits, organising study days and seminars, holding events in collaboration with the National Trust of Italy (FAI) and, with the support of Fedrigoni's Marketing Department, we will continue to host artists and creative people in the *Fabriano Paper Pavilion*.

FOCUS The Fabriano Fedrigoni Foundation

History, science and the art of paper

Our aim is to provide information about the history, science and the art of paper and keep it alive as well as to pass on a precious heritage of knowledge and culture to future generations.

Our Foundation was set up in Fabriano on 8 March 2011 and is dedicated to Gianfranco Fedrigoni, one of the most tenacious and enlightened entrepreneurs in the Italian and international paper industry.

The Fedrigoni Fabriano Foundation is committed to enhancing the value of a priceless paper heritage, inherited in 2002 with the acquisition of the historical Cartiere Miliani Fabriano and enriched over the years with other important collections.

A unique heritage in terms of quantity:
- **Over 500 metres of archives and book assets** belonging to the Cartiere Miliani Fabriano Archives, the first "Archive Enterprise" in Italy to be declared of considerable historical interest, with documents dating from 1782;
- **2,213 "Fabriano antique papers"**, a collection of papers dating from 1267 to 1798 by the illustrious filigranologist, Augusto Zonghi (1840-1916), one of the most important in Europe, which was acquired by the Foundation in 2016;
- **2,000 m^2 of Historical Paper Heritage**;
- **10,000 tools for hand and machine papermaking**, commissioned by national and international banks and historical "Made in Italy" companies (FIAT, Liquore Strega, Fernet Branca, Stabilimento Ricordi, etc.).

The projects and initiatives promoted by the Foundation stem from the wish to pass on an ancient and deep-rooted tradition by reviving and returning a historical papermaking heritage to the community that has given work, identity and culture to the territory for over seven hundred years.

A tangible and intangible heritage to be protected and revived by giving new life to the "paper places" and experimenting with new ways of enjoying the tradition and culture of "paper".

The Foundation's main activities are as follows:
- Preserving and enhancing the historical paper heritage;
- Publishing the editorial series "Storia della Carta" (The History of Paper) and "L'Era del Segno" (The Era of the Sign) entirely dedicated to paper;
- Organising conferences, seminars and research projects with experts of national and international prestige, which enable collaboration and cultural exchange with Italian and foreign institutions (universities, academies, museums, libraries, public and private historical archives);
- Providing historical, philological and filigranogical opinions on Fabriano's historical papers for scholars, restorers and auction houses.

In order to carry out its activities, the Foundation can rely on the donations that its founder, Fedrigoni SpA, provides every year.

MISSION
To contribute to promoting studies on the history of paper, filigranology (the study of watermarks) and related disciplines as well as the art of paper in its various forms.

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The Fedrigoni Fabriano Foundation's main 2020 projects

Research

- "Raffaello 2020: le filigrane fabrianesi e il mondo dell'arte" (Raphael 2020: Fabriano watermarks and the art world): research into the relationship between Raphael and Fabriano paper, which revealed the use of Fabriano paper by the artist from the Marche region of Italy.
- "Oltre la Collezione Zonghi: filigrane e patrimonio cartario nell'Archivio Miliani" (In addition to the Zonghi Collection: watermarks and paper heritage in the Miliani Archive": new research on watermarks. After having studied the watermarks in the Augusto Zonghi Collection from 1267 to 1599, the watermarks included in the Cartiere Archive from 1600 up to now were analysed.

Training

- A hands-on workshop related to methods for protecting and enhancing the value of the company's heritage - 1st edition at the Fedrigoni Archives in Verona.

Conservation

The following challenging activities are carried out, already started in previous years:
- Identifying, cataloguing and digitalising the Corpus Chartarum Fabriano;
- Reorganisation, inventory description and filing of tools, watermark matrices, punches and the approximately 80 moulds for producing handmade paper in the Fedrigoni Archives of Verona and designing the new layout for the Archives.

Enhancement

- Support for the candidature of the "Fabriano paper and watermark" as a UNESCO "Intangible Cultural Heritage", initiated by the Pia Università dei Cartai.
- "Tesori nascosti" (Hidden Treasures): Video interviews in which teachers, historians and experts on paper discuss and comment on the "gems from the archives", thus raising awareness of the immense historical, cultural and artistic heritage preserved in the Cartiere Archive and the Historical Cartai Archives, available on the Foundation's website.

Publishing

- The 1st printed edition of the manuscript Album "Segni delle Antiche Cartiere Fabrianesi" (Signs of the Ancient Cartiere Fabriano) by Augusto Zonghi, edited by L. Faggioni – 500 numbered copies.

A unique manuscript, an important reference for research and studies on the history of paper and filigranology, containing 1,887 Fabriano watermarks, finely reproduced in their original size.

Our contribution to the Fedrigoni Fabriano Foundation

2020 | €212,000
2019 | €187,500 + €60,000 for Fabriano Paper Pavilion. A wonderful journey*
2018 | €162,000

*In 2019, we allocated €60,000 to the Foundation at the UNESCO Annual Conference for the creation of the Fabriano Paper Pavilion. A wonderful journey, a permanent pavilion entirely dedicated to paper in the historical Cartiere Miliani complex. Today, the Pavilion is a place for meeting and hospitality, where the historical papermaking heritage coexists with works on paper created by contemporary artists, set designers and designers who use it as a place to express their creativity (Artist Residencies).

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FEDRIGONI

Are part of the Fedrigoni Group:

FEDRIGONI PAPER

FEDRIGONI SELF-ADHESIVES

CordenonS Impressive Papers

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ELEVATING CREATIVITY