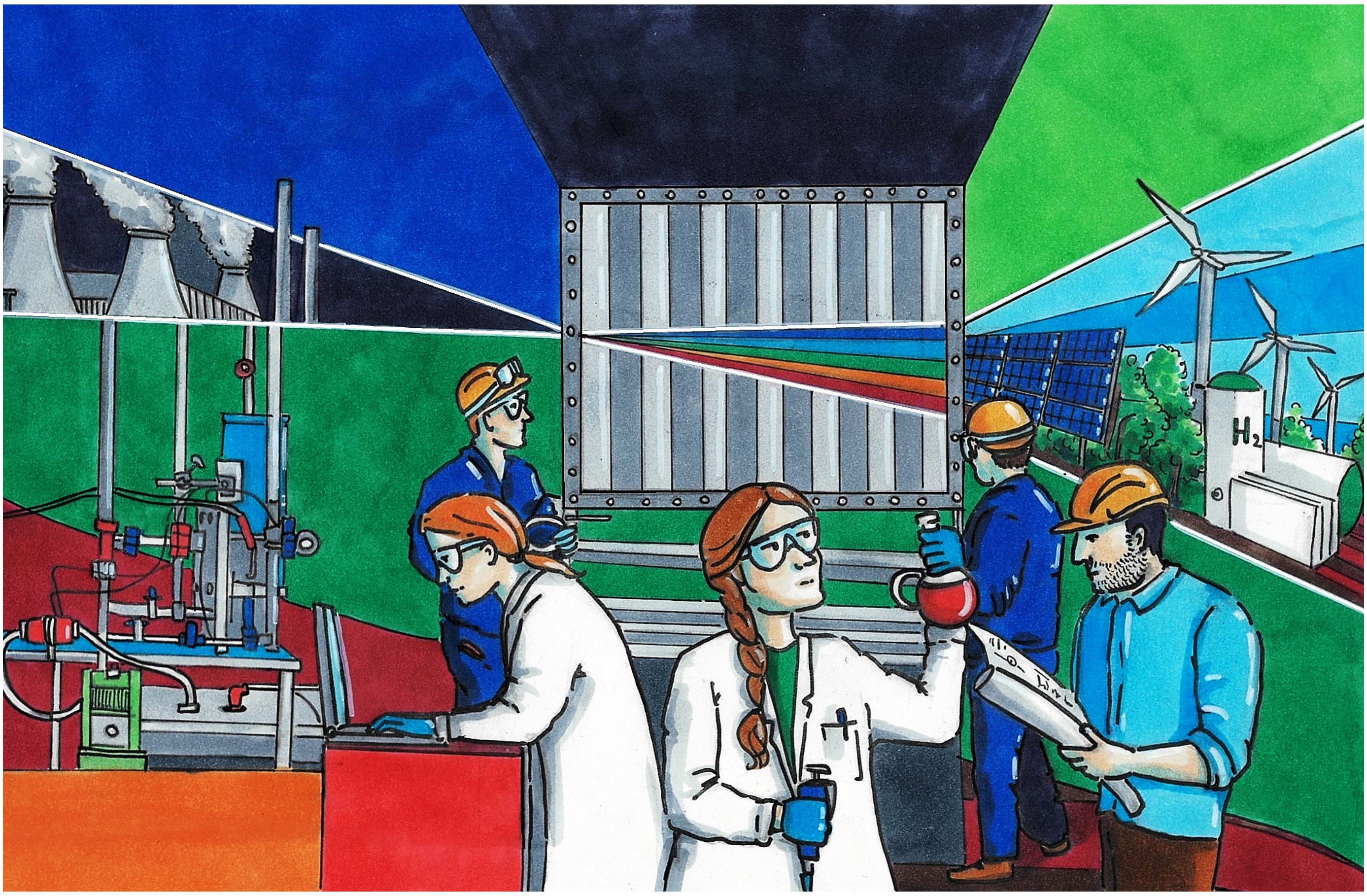
2020
ANNUAL REPORT



DE NORA

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We are

EXCITING

SUSTAINABILITY

PARTNER OF CHOICE

CONTINUAL IMPROVEMENT

DE NORA

Letter to the Shareholders

Paolo Dellachà – CEO De Nora

Dear Shareholders,

We are submitting the consolidated financial statements of De Nora Group at 31 December 2020.

This report reflects the Group's position and its business performance during 2020, and also presents the outlook for the coming year.

2020 was a unique year, due to the dramatic effects of the pandemic, but also in the history of De Nora, for the impacts on our business (not necessarily negative in some cases), for change in the way of working, and for the events that occurred during the year, including the entry of a new minority shareholder, Snam, an Italian industrial partner that finalised the process to acquire the shares previously held by Blackstone in early January 2021.

The collaboration with De Nora will allow Snam to increase its exposure to the megatrends of energy transition, especially in the market of technologies for the production of green hydrogen and for water treatment. In recent years, De Nora has been able to position itself in an optimal way to maximise the opportunities in the market linked to the decarbonisation process. De Nora is committed to achieve the most ambitious objectives that will be able to ensure ethical and sustainable growth for the Group, contributing with its technologies to improve the conditions of the planet, in line with the sustainability objectives identified by the United Nations.

Despite the pandemic and the resulting global economic crisis, De Nora has proven to be extremely resilient and solid. 2020 confirmed revenues overall in line with 2019, reaching almost €500 million, while EBITDA, also thanks to the cost *saving* measures undertaken, was significantly better than 2019, exceeding €80 million, almost 5 million better than 2019.2020 closed with a net result for the year of over €32 million, higher than that of 2019 (+€3 million).

Despite the operational difficulties associated with the spread of the pandemic, many important projects and initiatives have been completed:

- in Japan, the "One Company" project led to the merger of the three local legal entities into a single company, De Nora Permelec, an important milestone for the Group, with increased efficiency, reduced costs and the creation of a single team in those departments with existing overlaps;

- in the United States, the companies of the Water Technologies segment were merged into a single legal entity (with the exception of the *Marine business* which was contributed into a newly established company De Nora Marine Technologies LLC), with the aim of supporting the entire US Hub in streamlining processes and exploiting other synergies for future growth;

- a new company, De Nora Water Technologies Free Zone Establishment (FZE), was founded in Dubai to drive growth in the Middle East, to be closer to customers and more responsive to their needs. The company's operations started at the beginning of 2021.

In 2020, the parent company Industrie De Nora S.p.A., acting as Holding Company and playing a central coordinating role for the Group, continued to promote several strategic value creating initiatives described later in this report.

The joint venture with ThyssenKrupp (tkUCE) continues to bring positive results and will also be an important driver for the development of future programmes together with new shareholder Snam.

The Group's expectations for 2021 are ambitious, with good evidence of growth potential in both business segments, in terms of volumes, profitability and cash generation.

DE NORA IN NUMBERS

€ 500 million
Revenue
(-1% compared to 2019)

€ 80 million
EBITDA
(+6% compared to 2019)

79% men

21% women

1.633
people

104 individual trademarks

registered in different countries

(including Europe, USA, Brazil, Chile, Russian Federation, UAE, China, Japan)

9 new patents

registered in 2020

(for a total of 347 patent families and more than 3,500 geographic areas covered)

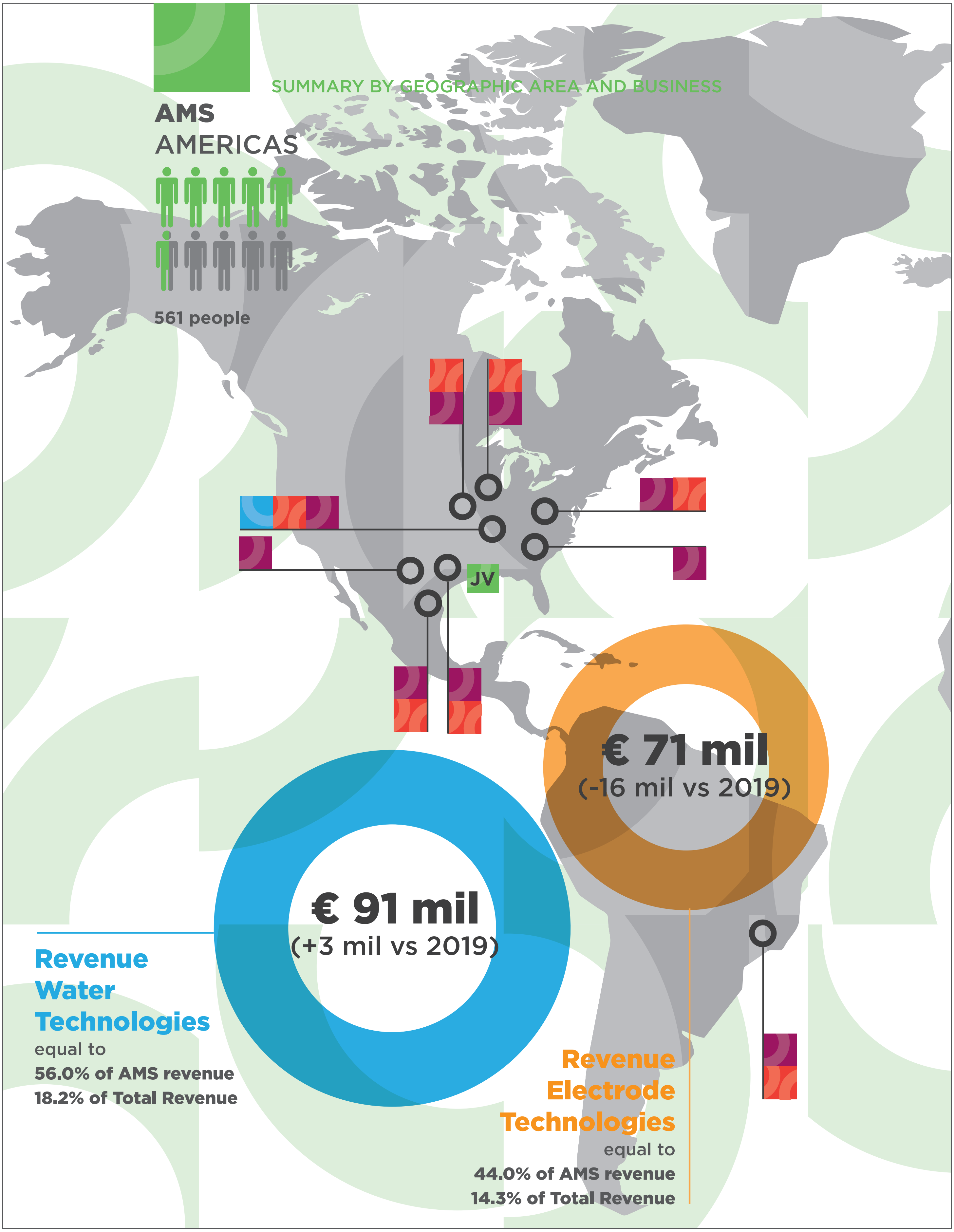
24 sites on 3 continents

production plants, research centres, commercial offices

Production plants

Commercial offices

Research centres

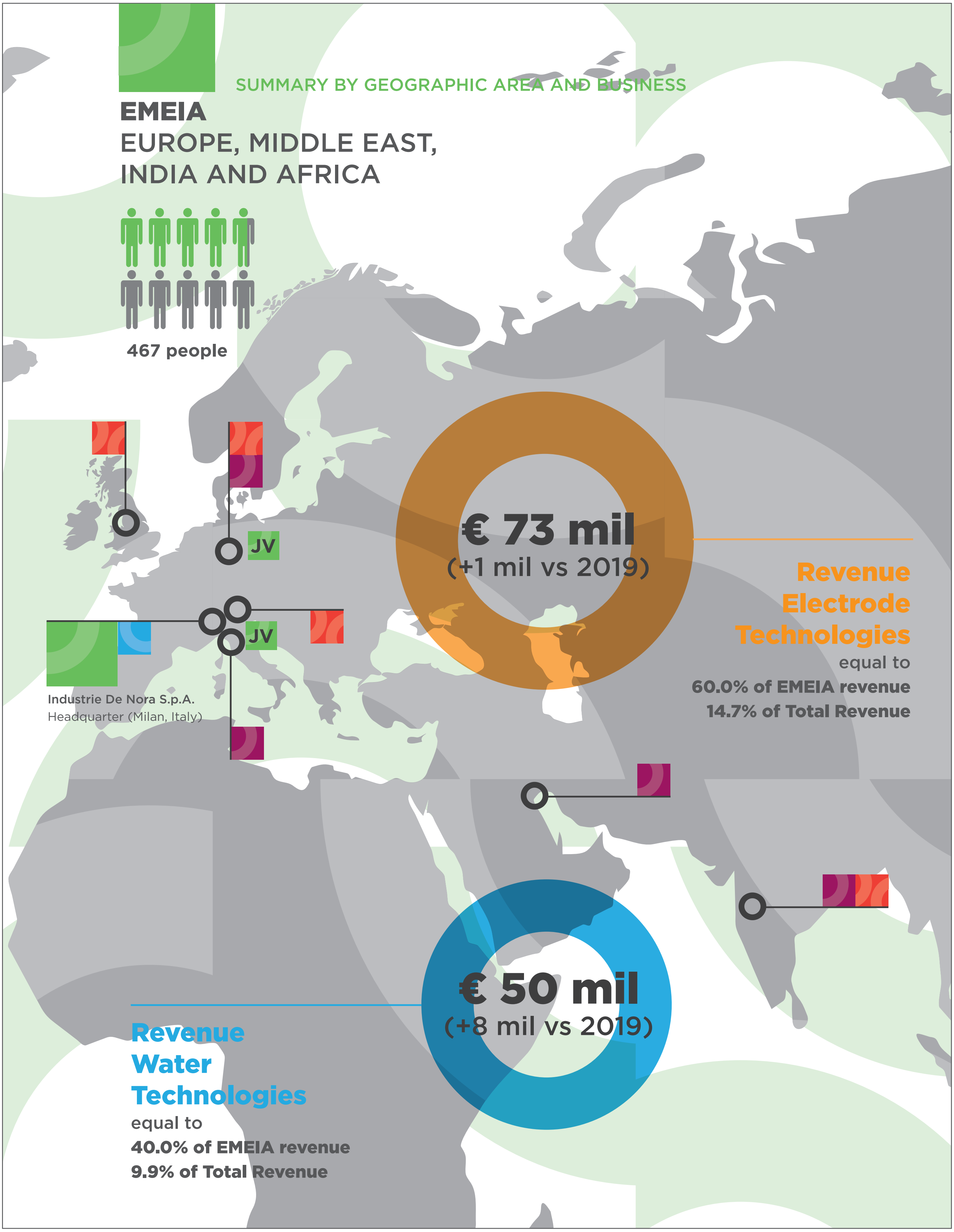


Production plants
Commercial offices
Research centres

SUMMARY BY GEOGRAPHIC AREA AND BUSINESS

EMEIA
EUROPE, MIDDLE EAST, INDIA AND AFRICA

467 people



€ 73 mil
(+1 mil vs 2019)

Revenue Electrode Technologies
equal to
60.0% of EMEIA revenue
14.7% of Total Revenue

€ 50 mil
(+8 mil vs 2019)

Revenue Water Technologies
equal to
40.0% of EMEIA revenue
9.9% of Total Revenue

Production plants

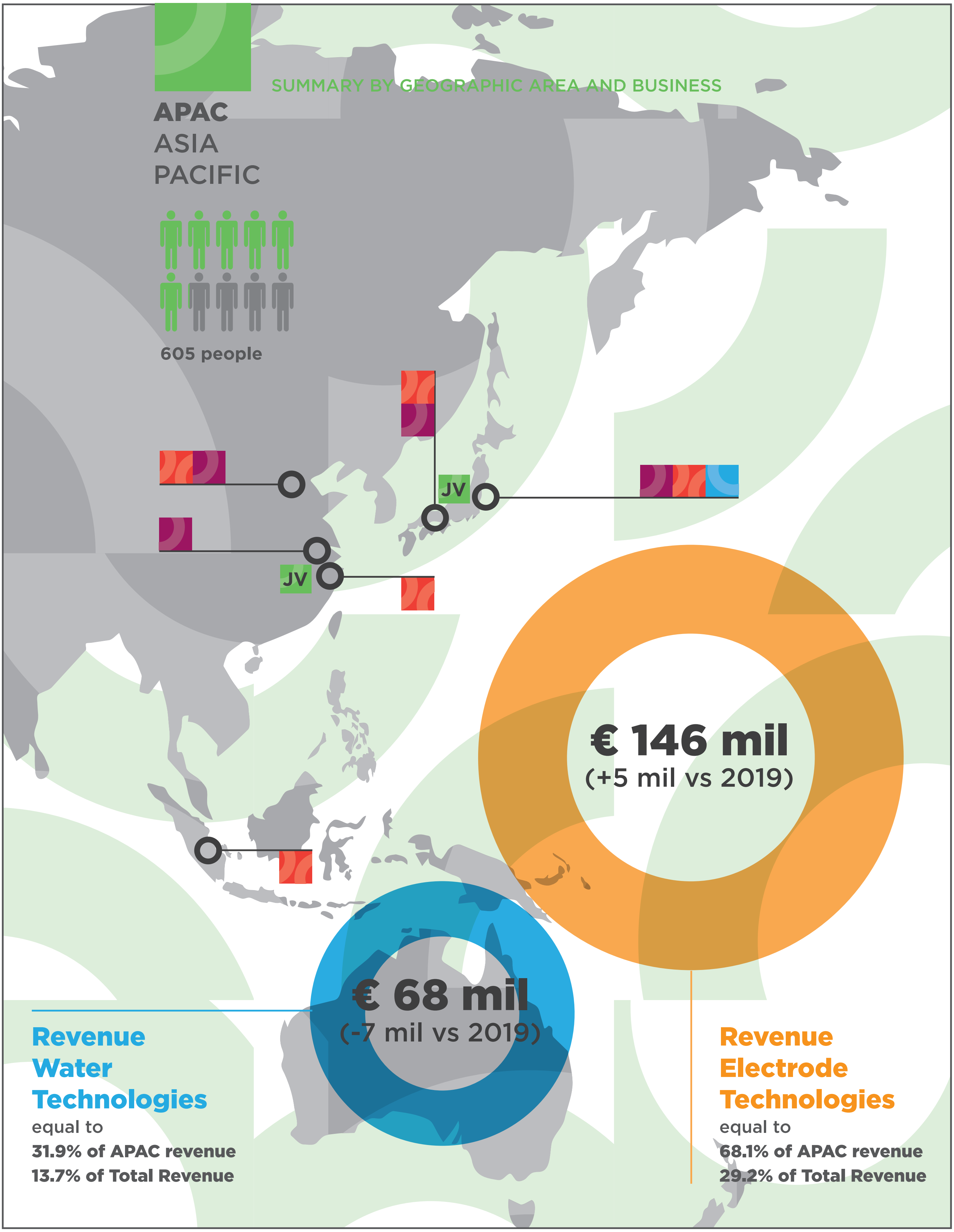
Commercial offices

Research centres

SUMMARY BY GEOGRAPHIC AREA AND BUSINESS

APAC
ASIA PACIFIC

605 people



€ 146 mil
(+5 mil vs 2019)

€ 68 mil
(-7 mil vs 2019)

Revenue Water Technologies

equal to
31.9% of APAC revenue
13.7% of Total Revenue

Revenue Electrode Technologies

equal to
68.1% of APAC revenue
29.2% of Total Revenue

BOARD OF DIRECTORS

Following the sale of the stakes held by the shareholders *BTO Feather Holdings S.à rl, BTO Feather Holdings ESC (Mauritius) Ltd.* and *Cordusio Joint Stock Trust Company* to Asset Company 10 S.r.l. (a Snam Group company), the new shareholder structure of Industrie De Nora S.p.A. as of 8 January 2021 is as follows:

- **FEDERICO DE NORA S.p.A**
  91,125,100 class A shares;

- **NORFIN S.p.A. 12,433,540**
  class A shares;

- **Mr. FEDERICO DE NORA**
  6,619,560 class A shares;

- **Asset Company 10 S.r.l.**
  66,015,567 class B shares.

The Blackstone Group's sale of its equity investments resulted in the simultaneous resignation of representatives Andrea Valeri and Philippe Meyer and the appointment of three new directors representing the new shareholder Asset Company 10 S.r.l., Mr. Marco Alverà, Mr. Cosma Panzacchi and Ms. Alessandra Pasini.

The new appointments, effective from 8 January 2021, will follow the end of the term of the rest of the Board of Directors, in office until the approval of the financial statements at 31 December 2021.

President

Federico De Nora

Grandson of the Company founder,
president of Federico De Nora S.p.A.
and of the Oronzio and Niccolò
De Nora foundation.

Chief Executive Officer

Paolo Dellachà

Joined the Group in 2009,
appointed CEO in 2010.
Also Chairman of the shareholder board of
ThyssenKrupp Uhde Chlorine Engineers GmbH.

Chief Financial Officer

Matteo Lodrini

Joined the Group in 2004,
also member of the shareholder
board of ThyssenKrupp
Uhde Chlorine Engineers GmbH.

Non-executive director

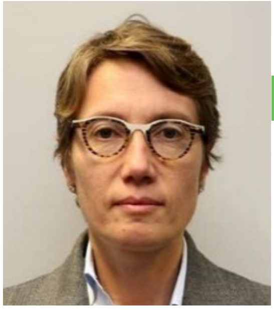
Marco Alverà

CEO of Snam and
Vice President of Fondazione Snam;
member since January 2021.

Non-executive director

Cosma Panzacchi

Executive Vice President
for Hydrogen at Snam;
member since January 2021.



Non-executive director

Alessandra Pasini

Chief Financial Officer and
Chief International & Business Development Officer
at Snam; member since January 2021.

Non-executive director

Simone Arnaboldi

Founder, Founding Partner
and Chief Executive Officer at Arcadia SGR S.p.A.;
member of the board since 2017.

Independent Director

Mario Cesari

Executive Vice President
Head of Strategy and MA at TBG;
member of the board since 2012.

Non-executive director

Michelangelo Mantero

founding partner and sole director
of GenCap Advisory;
member of the board since 2012.

Non-executive director

Giovanni Toffoli

CEO of Adriatica Spa and K-Logistica; President
of Agroalimentare Sud and of Assofertilizzanti –
Federchimica; member of the board since 2020.

DE NORA GROUP ORGANISATIONAL STRUCTURE

INDUSTRIE DE NORA S.p.A.
HOLDING COMPANY

AFC, ICT and Legal	Human Resources, Organization & Int. Communication	Research & Development, Intellectual Property, Production Technologies	Marketing, Business Development and Product Management	Global Operations and Innovation	Global Procurement	M&A

AMS
(North and Latin Americas)

- De Nora Tech LLC
- De Nora Water Technologies LLC
- De Nora Nepture LLC
- De Nora Marine Technologies LLC
- De Nora Brasil Ltda

EMEIA
(Europe, Middle East, Africa and India)

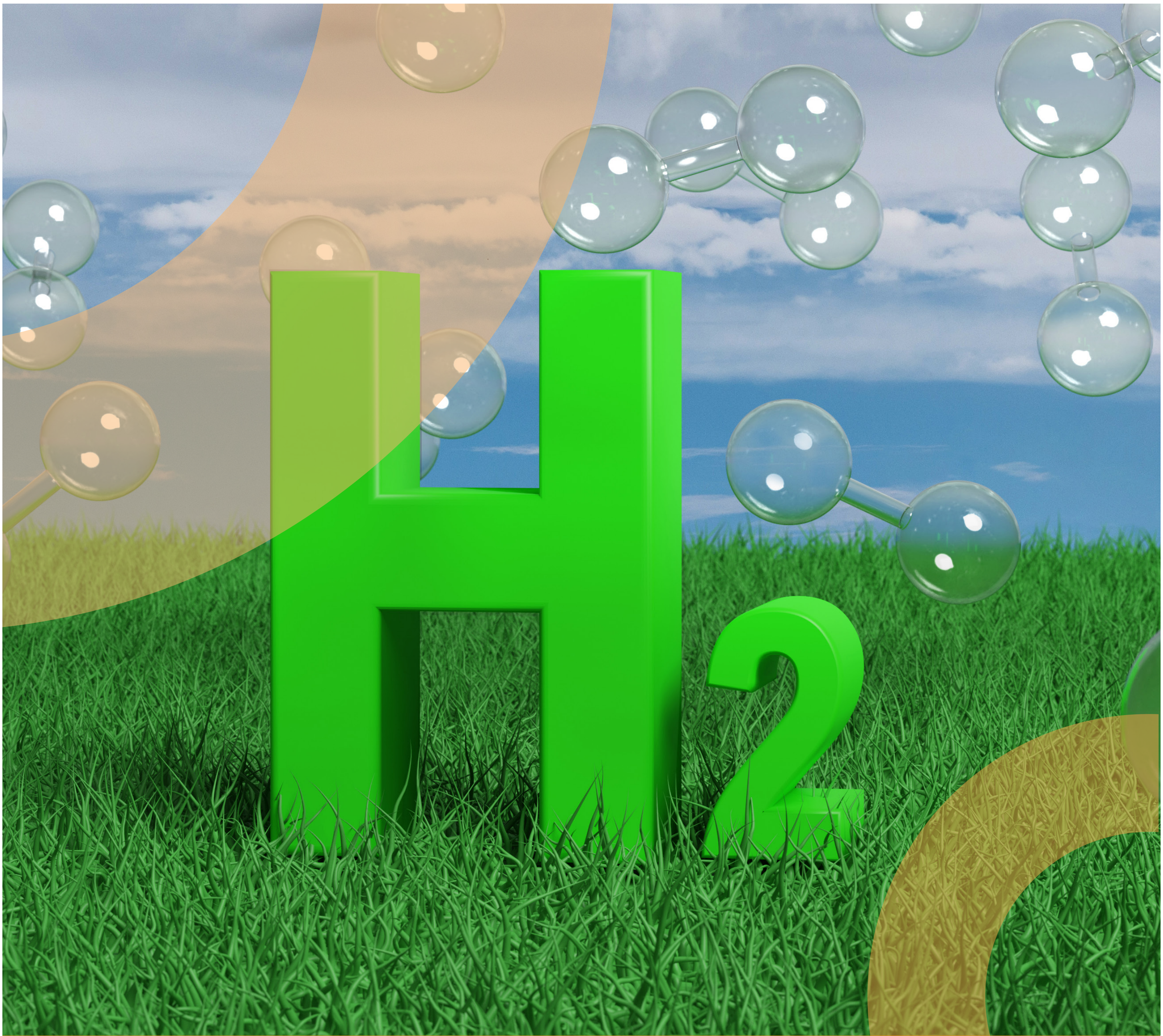
- De Nora Italy S.r.l.
- De Nora Water Technologies Italy S.r.l.
- De Nora Deutschland GmbH
- De Nora Water Technologies Inc. Abu Dhabi Branch
- De Nora Water Technologies UK Service Limited
- De Nora India Ltd.
- De Nora Water Technologies FZE

APAC
(Asia and South Pacific)

- De Nora Permelec Ltd.
- De Nora Hong Kong Ltd.
- De Nora Elettrodi (Suzhou) Ltd.
- De Nora China - Jinan Co Ltd.
- De Nora Elettrodi (Suzhou) Ltd. Shanghai Pudong Branch
- De Nora Italy S.r.l. Singapore Branch
- De Nora Water Technologies LLC Singapore Branch
- De Nora Glory (Shanghai) Co., Ltd.
- De Nora Water Technologies (Shanghai) Ltd
- De Nora Water Technologies (Shanghai) Co. Ltd.

DIRECTORS' REPORT ON BUSINESS PERFORMANCE FOR THE YEAR 2020

DE NORA



De Nora Business in the worldwide competitive scenario

Trends in the Global Economy

Following the health and economic crisis caused by COVID-19, the global economy seems to be emerging from one of its deepest recessions, with the beginning of a weak recovery. The approvals of the various vaccines and the launch of vaccination plans have raised hope for an ever-nearing end to the pandemic. That said, in 2021 global Gross Domestic Product is expected to grow between 4 and 5.5%, although it will still remain significantly below the pre-pandemic projections. The recovery in the second half of 2020, weakened by a resurgence of COVID-19 cases, will is forecasted to strengthen, as confidence, consumption and trade gradually improve, in connection with vaccination coverage and availability. However, the risks of a low estimate is still very likely, as a consequence of the possible further increase in the spread of the virus, delays in the supply and distribution of vaccines, the more serious and lasting effects of the pandemic on production, and the financial stress triggered by high levels of debt in conjunction with weak growth.

Although all geographic areas of the world are expected to grow over the course of 2021, the speed of the recovery will not be uniform, with greater weakness in countries with larger outbreaks or with greater exposure to the fallout in sectors severely impacted by the pandemic such as tourism and exports of industrial raw materials:

- the decline in activity in the **United States** in the first half of 2020 was almost three times higher than the negative peak during the financial crisis of 2009. US production is estimated to have decreased by 3.6% and has the potential to resume activity levels of 2019 in the second half of 2021;

- Following the pandemic-induced collapse in **Europe**, the rebound in economic activity in the third quarter of last year was interrupted by a sharp resurgence of COVID-19, which prompted many EU member countries to reintroduce severe lockdown measures. Overall, following the strong contraction in 2020 (-7.4%), growth in 2021 is expected to be around 3.5%, supported by better management of the effects of the pandemic, the launch of vaccination plans and the increase in external demand, especially from China;

- **Japan's** early and effective management of COVID-19, coupled with unprecedented fiscal support, limited the contraction to 5.3% in 2020. Growth in 2021 is expected to be around 2.5%, supported by the implementation of further fiscal stimuli and the gradual easing of pandemic control measures;

- in **China**, growth slowed to around 2% in 2020, the slowest pace since 1976, supported by effective pandemic control and a stimulus from public investment. Growth is expected to rise to 7.9% in 2021;

- although new infections and deaths remain high in **Brazil**, the economy has started to recover in several sectors. Gross domestic product growth is expected to be 2.5% in 2021, but activity will still remain below pre-pandemic levels until the end of 2022.

Governments, households and businesses must consider the radically changed economic landscape. Policies allowing a transformation in capital, jobs, skills and innovation are needed in order to build a greener and stronger post-COVID economic environment. It will be crucial to boost resilience by protecting health and education, giving priority to investments in digital technologies and green infrastructures. Global cooperation will be key to address many of these challenges.

Aggressive central bank policies supported the financial system in 2020. However, this disguised the increase in underlying vulnerabilities, including higher debt levels and weakened bank balance sheets. Furthermore, contingent liabilities arising from the sharp rise in private debt could occur, in addition to an already high government debt.

Global trade collapsed in 2020, when border closures and supply difficulties disrupted the international supply of goods and services. Investment growth is expected to resume in 2021, but it will not be enough to reverse the 2020 decline.

Most commodity prices rebounded in the second half of 2020; however, the recovery in oil prices has lagged behind the broader recovery in commodity prices due to the extended impact of the pandemic on global oil demand. Crude oil prices averaged 41 USD per barrel in 2020, down 34% from 2019. The recent rise in prices to around 60 USD has created technical resistance to the lower price which is expected to remain unchanged in the short term. Base metal prices were broadly stable in 2020, as sharp declines in the first half of the year were followed by a strong recovery in the second half due to increased demand from China.

Currencies

The following table summarises the main reference foreign currencies of the De Nora Group (trade transaction currency or functional currencies of foreign entities belonging to the Group) and the relative foreign exchange rates:

Currency	Average exchange rate 2020	Average exchange rate 2019	Year end exchange rate 31.12.2020	Year end exchange rate 31.12.2019
US Dollar	1.1422	1.1195	1.2271	1.1234
Japanese Yen	121.8458	122.0058	126.4900	121.9400
Indian Rupee	84.6392	78.8361	89.6605	80.1870
Chinese Yuan (Renminbi)	7.8747	7.7355	8.0225	7.8205
Brazilian Real	5.8943	4.4134	6.3735	4.5157
GB Pound	0.8897	0.8778	0.8990	0.8508

In addition to the Euro, the most important currencies for the Group are the US Dollar and the Japanese Yen: both currencies recorded a devaluation in 2020, more significant for the US Dollar (-9.2%), more limited for the Yen (-3.7%). The significant depreciation of the Brazilian real and the Indian rupee also had an impact, albeit smaller.

Management of the COVID-19 emergency

During 2020, all the Group companies faced the emergency caused by the spread of COVID-19. All the basic health measures needed to face the pandemic have been implemented, from the extension of *Smart Working* to the readjustment of spaces, with the installation of temperature sensors at the entrance and hand disinfection systems, as well as the creation of paths to avoid gatherings. The main common actions that allowed the Group to successfully deal with the emergency were:

- continuous communication between Corporate and Local management, thanks also to the new corporate communication channels (e.g. MS Teams group, etc.);

- establishment of local crisis committees, with the aim of protecting the safety of employees while trying to ensure the continuity of company activities as much as possible;

- the *Together we care* campaign, which made systems available for the on-site production of disinfectant (sodium hypochlorite) in order to support local communities in preventing and limiting the spread of the pandemic in Italy, Brazil and the United States, activities that also had good coverage in the local media;

- the *Response to COVID-19* Survey, to receive feedback from employees on the extraordinary measures adopted.

From a business point of view, the international presence and organisation of the Group made it possible to guarantee uninterrupted supply to customers, accelerating some transformation processes and allowing the company to achieve significant results even in an extraordinary year like 2020.

The pandemic situation has further strengthened the attention already paid to ensuring a *resilient supply chain* capable of guaranteeing continuous supply and production of the various Group companies; the goal was achieved thanks to the broad number of suppliers developed over the years in a "glocal" logic, i.e. by carefully balancing local needs with coordination at central level.

The strictness imposed by the lockdown, and the restrictions to travel and visit customers and partners, have forced the company to rethink its Marketing & Communication strategy, quickly adapting it to the new situation. The results were a major acceleration of digital transformation, and initiatives aimed at social media, supported by the adoption of new marketing methodologies and related software.

Business continuity was also made possible thanks to the intense and effective work of Information and Communications Technology (ICT) personnel, connectivity and productivity tools, and *cloud* infrastructures. Within a few days, it was possible to guarantee all the personnel worldwide that they could operate remotely, quickly defining new company standards. Operations were also ensured for companies that have experienced the transfer of their headquarters (De Nora Water Technologies LLC - Singapore Branch) and for the new Group companies set up in 2020 (De Nora Marine Technologies LLC and De Nora Water Technologies Free Zone Establishment Dubai).

Finally, some initiatives implemented by the Group companies are reported below:

- Brazil: an agreement was signed to provide tests at special conditions to employees, also applicable to their family members. A sodium hypochlorite generator was donated to Sorocaba hospital;

- China: periodic disinfections took place in offices and work spaces; WeChat platform was used to communicate in a timely manner with employees;

- Germany: an ad hoc area was set up with additional preventive measures for the delivery of goods, in order to further safeguard employees from contact with outsiders;

- India: preventative tests were carried out on all employees to avoid the spread of the infection; sanitation of work spaces took place regularly;

- Italy: some colleagues prepared hypochlorite solutions, made available to all employees; the seats in the canteen were separated and shift booking established; an agreement was signed for employees and their families to book serological tests and molecular swabs. Unlimited and flexible *Smart Working* was established, depending on the employees duties: much of the flexibility was also confirmed following the total *lockdown*. Four machines for the production of hypochlorite on site were delivered to the Italian Civil Protection;

- Singapore: employees were divided into two groups with alternating working weeks in the office; in collaboration with local institutions, disinfection systems were donated to some dormitories;

- United States: an agreement was established with three local sites that carry out COVID tests at discounted rates for employees.

In short, human resources, consolidated relationships, flexibility, effective implementation of the manufacturing strategy and investment policies, have allowed the Group to face 2020 with positive results.

Global Strategic Initiatives

De Nora aims to be a primary player in markets that are expected to grow rapidly in the coming years, supporting its commitment in the field of energy transition, environmental protection and the circular economy. At the same time, De Nora targets to confirm its leading position in the sector of electrodes for electrochemical processes, and of strengthening growth in the water segment.

The main strategic initiatives pursued in 2020 are listed below.

Business Development activities were implemented to promote growth in turnover in the electrodes sector focusing on developing new business opportunities in the energy (hydrogen economy) and metal refining sectors. During 2020, the Group consolidated partnerships and collaborations with major international companies, ensuring design, development and testing agreements, and strengthening its positioning within the hydrogen value chain. Collaboration with the tkUCE JV has also increased in synergistically pursuing large multi-year projects in the renewable energy market.
Furthermore, the Group is exploring growth opportunities deriving from the Circular Economy and in particular from carbon dioxide reduction processes, to reuse the CO2 in other production cycles.

The innovation and revitalisation of the product portfolio are confirmed as strategic activities to support the growth of the Group and the protection of its competitive positioning. In 2020, initiatives to reduce product costs continued, aimed at protecting or improving the profitability of the business segments, as well as initiatives aimed at guaranteeing an increasingly efficient execution of orders and projects, seizing the opportunities offered in the field of industrial automation and paying increasing attention to digital transformation.

Close collaboration between research, engineering, business and regulatory affairs ensures that new products fully meet the legal requirements of their reference markets.

In order to further promote the **Innovation** process, in 2020 it was decided to combine the efforts of the Open Innovation and Innovation teams, giving rise to a new Corporate department which acts as a practical and methodological guide for the Group.

After a decline in the first months attributable to the pandemic, the number of ideas submitted by employees during the year exceeded 350 proposals. This success was certainly facilitated by the internal development of a digital platform for sharing and managing ideas (Galileo). In addition, various initiatives were promoted to encourage internal communication and employee training, creating specific content, made accessible on the corporate e-learning platform (*De Nora Academy*). Still in the field of innovation, the company has structured a *gamification* system, in which employees from all over the world participate, implementation of which is scheduled for 2021.

Open Innovation activities continued within the new Innovation department to promote innovation and the generation of ideas through external resources and skills. Cooperation continues with external bodies such as universities, industrial consortia for technological innovation, start-ups, consultants, and research centres. The main initiatives focused on creating an ecosystem that supports the company in product and process technological innovation. A constant effort was dedicated to the issue of *digital transformation*, seeking opportunities that support the creation of value through digital technologies.

Together with the consolidation of the **Central Procurement** department, the central reference for the purchase and management of raw materials, the evolution of the **Global Procurement** department continues, whereby it is assuming an increasingly strategic role for the Group, and in 2020 was engaged primarily in guaranteeing sustainable business growth in the Energy Storage and Water Treatment segments.
This transformation, aimed at evolving the function to a "proactive centre of innovation and profit", has resulted in the *early involvement* of procurement in the processes of *innovation design* and product review. Its involvement in the initial stages of design, definition of the production process and of the marketing logics, is proving to be effective in combining functional and production needs with market availability in the best possible way, with a view to optimise the costs and quality of the final product.

De Nora's commitment to the following remains unchanged:

- control and reduction of costs maintaining quality and meeting delivery terms;

- enhancement of titanium scrap and the recovery of noble metals in support of the circular economy and business, activities of significant added value especially in a market characterised, during the year, by strong volatility in commodity prices.

Furthermore, an activity has begun to assess the benefits of a digitalisation of low added value processes through the implementation of Business Intelligence software, and exploring new technological solutions.

Operations - The main companies of the Group continue to take forward their action plans, aimed at the constant improvement of productivity and careful optimisation of costs, with the support of the Corporate departments. In particular, in 2020 the Hoshin Kanri project was launched to refine the Operations strategy, which aims to reach levels of excellence in all the Group's plants within three years.
During the year, De Nora continued to invest and push towards the creation of a corporate culture focused on continuous improvement through staff training and the adoption of *Lean* tools. *Lean Transformation* activities have begun in Cologno, Rodenbach, Colmar and Sugarland plants as well as in the EMEA Water division. Noteworthy results have been achieved, in particular the increase in the plant utilisation rate.
In the area of *Sales and Operation Planning (S&OP) and Data Driven Culture*, a *Supply Chain Transformation* project was launched which in about three years will lead the company to have an *Integrated Business Plan* (IBP) process in all the Group's plants. At the same time, the activities for monitoring and improving the quality of the data contained in the ERP system were strengthened. The ERP will constitute the database from which the new IBP system will make projections of production capacity, plan the purchases of raw materials and plan production.

The Group continues to invest in activities related to the environment, health and safety (EH&S). Specifically, during 2020:

- *"Work safely"* campaigns were launched on work permits, electrical systems, filling out of *near-miss reports*;

- a check list was developed to assess the maturity of the EHS management system in each individual site, creating structured and periodically monitored improvement plans;

- specific trainings were held on the use of *structured problem solving* methods for accident or *near-miss analysis*;

- a common metric was introduced to be used in the monthly reporting of the main Q-EHS and production data of the individual plants;

- the collection and sharing of injuries and *near-misses* was implemented, to promote rethinking and improvement projects;

- quarterly meetings were coordinated by the parent company to share *best practices* and discuss ideas for improvement.

In 2020, major strategic milestones were achieved in the area of **Information and Communications Technology (ICT)**. In fact, despite the situation imposed by the pandemic, De Nora Group has managed to carry out international projects without interruption, showing great flexibility and a collaboration spirit.

The introduction of new communication and collaboration tools aimed at encouraging virtual work (chat, teleconferencing, content sharing) was accelerated. The adoption of these tools, perfectly integrated with the application systems already in use, and the close collaboration between the personnel responsible for the systems and the personnel involved in the applications, made it possible to manage major projects remotely, respecting their timelines.
In particular, De Nora Group has completed the go-live of the new SAP S/4HANA solution within its American companies of the Water Technologies segment, in the offices in Colmar, Pittsburgh, Sugar Land and for the newly established De Nora Marine Technologies LLC.

Among the various **Marketing & Communication** initiatives that affected 2020, the main ones were:

- the launch of the new website and the adoption of a new digital platform (*Hubspot*) for the Water division, which exploits inbound marketing methodology to create new business opportunities and allows them to be managed in a CRM-integrated way.

- the optimisation of the positioning of the Group on social media, in particular on LinkedIn, which led to increase its number of followers to 19,000 (+ 36% compared to the previous year).

- interactions with customers and with the various sales channels were strengthened through the offer of on-line seminars and the creation of a blog. In addition, specific promotion and training campaigns were carried out aimed at representatives and distributors;

- in the after-sales area of the Water segment, a visual assistance platform was created to guarantee, remotely, the support of engineers and specialised technicians to customers (DE NORA VIA ™).

- various campaigns were carried out aimed at promoting De Nora's collaboration with local communities and businesses in response to the pandemic (*#TogetherWeCare*), and for the commercial launch of electrochemical systems for disinfecting surfaces (generation of chlorine-based solutions).

In addition, a communication model based on the new *Visual Identity* and on the creation of an *open booth* was finalized to guarantee De Nora's virtual presence at events and fairs, which is expected to be launched in 2021.

In the **M&A** area, although no acquisitions were completed during the year, the Group continues to proactively screen the market for opportunities to acquire technology and business companies in the *Water Technologies* area in order to broaden its product portfolio and extend its offer to customers.
The integration projects, the project to harmonise business processes and the implementation of the ERP platform continued without interruption also in 2020.

Business Performance

Revenues by Business Line

€m	2020	2020 at constant exch.rates	2019	Δ 2020 vs 2019	Δ 2020 vs 2019 at constant exch.rates
Chlorine & Caustic	204.8	209.6	221.7	-16.9	-12.2
Electronics & Surface Finishing	58.7	58.8	46.1	12.5	12.7
Specialties & New Applications	26.9	27.6	31.3	-4.4	-3.7
Total ET segment	**290.4**	**296.0**	**299.1**	**-8.7**	**-3.1**

€m	2020	2020 at constant exch.rates	2019	Δ 2020 vs 2019	Δ 2020 vs 2019 at constant exch.rates
Pools & Other Electrodes	65.3	66.5	51.9	13.3	14.6
Electrochlorination	61.6	62.9	67.8	-6.2	-4.9
Filtration	44.8	45.6	51.2	-6.4	-5.5
Marine Technologies	8.1	8.2	4.9	3.1	3.3
Disinfection	29.4	29.8	30.4	-1.0	-0.6
Total WT segment	**209.1**	**213.1**	**206.2**	**2.8**	**6.9**
Total	**499.5**	**509.1**	**505.4**	**-5.9**	**3.7**

At a consolidated level, revenues reached €499.5 million of which €290.4 million in the Electrode Technologies segment and €209.1 million in the Water Technologies segment. In particular, total revenues were down by €5.9 million, with a negative exchange rate effect of €9.6 million. At constant exchange rates, the Group's revenues in 2020 increased by €3.7 million compared to the previous year.

Below is the Group turnover broken down by Sales and Aftermarket Services:

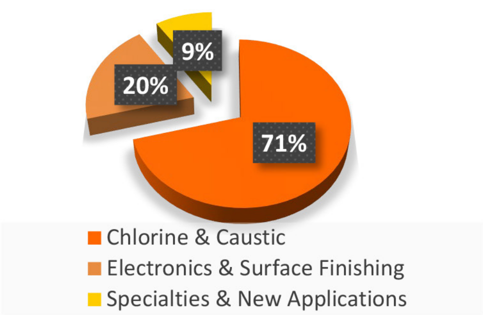
€m	2020	%	2020 at constant exch.rates	%	2019	%
New Sales	302.2	60.5%	306.3	60.2%	306.6	60.7%
variance year-on-year	*-1.4%*		*-0.1%*			
Aftermarket	197.3	39.5%	202.8	39.8%	198.8	39.3%
variance year-on-year	*-0.7%*		*2.0%*			
Total	**499.5**	**100%**	**509.1**	**100%**	**505.4**	**100%**

Electrode Technologies Business

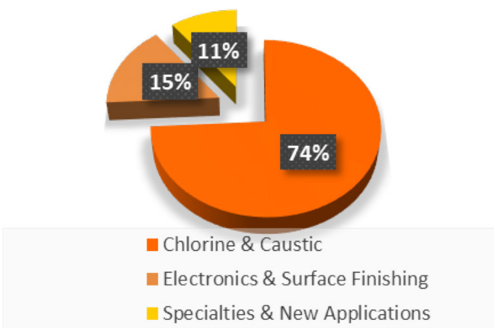
€m	2020	2020 at constant exch.rates	2019
Chlorine & Caustic	204.8	209.6	221.7
variance year-on-year	*-7.6%*	*-5.5%*	
Electronics & Surface Finishing	58.7	58.8	46.1
variance year-on-year	*27.2%*	*27.5%*	
Specialties & New Applications	26.9	27.6	31.3
variance year-on-year	*-14.1%*	*-11.8%*	
Total	**290.4**	**296.0**	**299.1**
variance year-on-year	***-2.9%***	***-1.1%***	

The reduction in revenues of the Electrode Technologies business is attributable primarily to the exchange rate effect.

2020 Electrode Tech at 2019 exch.rates



2019 Electrode Tech.



Revenues from the **Chlorine & Caustic** business line fell by 5.5% at constant exchange rates (€-12.1 million), a reduction linked to the Membrane product line (€-13.1 million at constant exchange rates) mainly due to lower revenues from tkUCE in De Nora Permelec - Japan.

The Electrodes business line for the **Electronics & Surface Finishing** improved by approximately 28% with a variation of €12.7 million at constant exchange rates (mainly in De Nora Permelec - Japan), driven by the development of 5G technologies in ASIA and the strong demand for electronic devices such as smartphones.

The **Specialities and New Applications line** presented a sharp decrease in sales at constant exchange rates (-12%) with a decrease of €3.7 million. The negative change is mainly due to the *Electrowinning* product line, which alone recorded a -€3.3 million decrease (primarily in the United States). Other reductions have characterised the *Cathodic Protection* production line (-€1.2 M), whereas the *Systems and Equipment* product line increased by €1.1 million at constant exchange rates. The other product lines show a generally stable trend.

Below are the revenues from Sales and Aftermarket services of the Electrode Technologies achieved during the two periods considered.

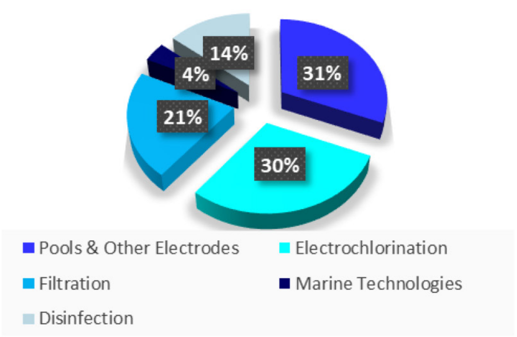
€m	2020	%	2020 at constant exch.rates	%	2019	%
New Sales	141.6	48.8%	142.9	48.3%	149.5	50.0%
variance year-on-year	*-5.3%*		*-4.4%*			
Aftermarket	148.8	51.2%	153.1	51.7%	149.7	50.0%
variance year-on-year	*-0.6%*		*2.3%*			
Total	**290.4**	**100%**	**296.0**	**100%**	**299.1**	**100%**

In 2020 there was a slight increase in the ratio of Aftermarket revenues.

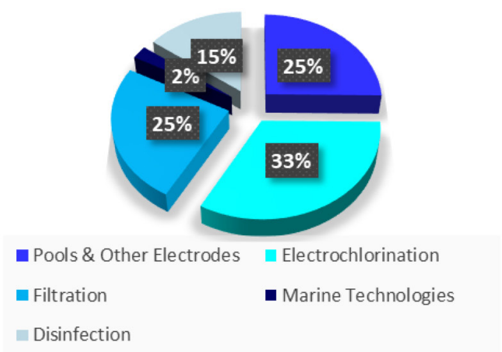
Water Technologies Business

€m	*2019*	*2020 at constant exch.rates*	*2019*
Pools & Other Electrodes	65.3	66.5	51.9
variance year-on-year	*25.6%*	*28.0%*	
Electrochlorination	61.6	62.9	67.8
variance year-on-year	*-9.2%*	*-7.3%*	
Filtration	44.8	45.6	51.2
variance year-on-year	*-12.5%*	*-10.8%*	
Marine Technologies	8.1	8.2	4.9
variance year-on-year	*63.8%*	*67.1%*	
Disinfection	29.4	29.8	30.4
variance year-on-year	*-3.3%*	*-1.8%*	
Total	**209.1**	**213.1**	**206.2**
variance year-on-year	***1.4%***	***3.3%***	***0%***

2020 Water Tech at 2019 exch.rates



2019 Water Tech.



Revenues from the **Swimming Pool** line reached almost €65 million in 2020, with an increase of €14.6 million, +28%, at constant exchange rates. The growth is mainly attributable to higher sales in De Nora Tech - US, which benefited from the increase in demand linked to the "Staycation" effect in relation to the COVID-19 pandemic, and De Nora Italy.

The revenue from the **Electro-chlorination** line amounted to €61.6 million (€62.9 million at constant exchange rates), a decrease (-7.3% at constant exchange rates) compared with the previous year. The change is mainly due to the reduction in sales of Electrochlorination (IEM) plants in De Nora Permelec (€-5.8 million), in relation to the postponement of an important project in Brazil to 2021. *The Fracking* product line (plants for the treatment of water recovered from hydraulic fracturing) shows a reduction of €2.5 million impacted by the crisis in the oil sector, offset by an increase of €2.9 million in the *Electrochlorination Systems (OSHG) product line*.

The **Filtration Systems** line achieved revenues of €44.8 million (€45.6 million at constant exchange rates), with a reduction of approximately 11% at constant exchange rates compared to the previous year, primarily in the sale of new filtration systems.

The **Marine Technologies** line showed a significant increase in sales (€3.3 million, approximately + 67% at constant exchange rates) thanks to the acquisition of major contracts driven by greater demand for ship ballast water treatment plants (Ballast Water Treatments).

The **Disinfection** product line generated €29.4 million in revenues (€29.8 million at constant exchange rates), with a slight decrease at constant exchange rates.

Below are the revenues from Sales and Aftermarket services of the Water Technologies segment recorded during the two periods being analysed:

€m	2020	%	2020 at constant exch.rates	%	2019	%
New Sales	160.6	76.8%	163.5	76.7%	157.1	76.2%
variance year-on-year	*2.2%*		*4.0%*			
Aftermarket	48.5	23.2%	49.6	23.3%	49.1	23.8%
variance year-on-year	*-1.2%*		*1.1%*			
Total	**209.1**	**100%**	**213.1**	**100%**	**206.2**	**100%**

The overall growth in the revenues of the Water Technologies business is attributable to both new sales and aftermarket revenues, which remained stable as a percentage of total segment revenues.

Financial performance of the companies of the Group

The parent company Industrie De Nora S.p.A., the Group's Holding Company, does not generate business revenues. The company closed the year with a positive operating result of approximately €10.4 million, a pre-tax result of €23.1 million, thanks to the dividends received from its subsidiaries and associates, and a net result for the year of €19.6 million, after having recognised the tax effects according to the national tax consolidation agreement in place with the other Italian subsidiaries and the parent company Federico De Nora S.p.A. In the absence of industrial activity, the company's income derives essentially from the services provided by the Corporate departments - Administration, Finance and Control, ICT, Human Resources, Global Procurement, Production Technology, Marketing, Business Development, Product Management and Global Operations, and from the licenses to subsidiaries to use the patent property, trademarks and know-how (*intellectual property*).

De Nora Permelec Ltd. (Japan) in 2020 recorded revenues (third-party share only) of €105 million, down by approximately 9 million compared to 2019.

De Nora Tech Inc. (USA) also made a significant contribution to the Group's result this year thanks to revenues of €110.4 million, down compared to €114.1 million in 2019, also due to a negative exchange rate effect of over €2 million.

De Nora Deutschland GmbH (Germany), instead, recorded a good progress in revenues compared to the previous year, reaching €60 million, with an increase of €7 million compared to 2019.

De Nora Water Technologies LLC. (USA), a company resulting from the merger of the US operating companies De Nora Water Technologies Inc., De Nora Water Technologies Texas LLC and De Nora Miox, achieved total revenues from third parties of €57 million in 2020, compared to €69 million in 2019; for an equal comparison, however, it is necessary to add to the 2020 revenues those generated by the newly formed De Nora Marine Technologies, LLC, a company to which the *Marine business* previously managed within De Nora Water Technologies Texas was contributed (€6.3 million). Furthermore, a negative exchange rate effect of over €1 million has an impact on the overall reduction in revenues.

The Chinese subsidiaries De Nora China Suzhou and De Nora Jinan, operating in the Electrode Technologies business, generated joint total revenues of almost €35 million, with an increase of over €4 million compared to 2019, despite the negative exchange rate effect of €0.6 million. While the Chinese companies operating in the Water Technologies business substantially confirmed the trend of the previous year, with revenues of €31 million in 2020, compared to €32.6 million in 2019, but also in this case discounting a negative exchange rate effect of €0.6 million showing an important consolidation of *performance* after two years of significant growth.

In Italy, De Nora Italy S.r.l., established in 2018 from the separation of the industrial activities of Industrie De Nora S.p.A, achieved turnover from third parties of almost €24 million, as in 2019, while the Italian company in the Water Technologies segment (De Nora Water Technologies Italy S.r.l.) suffered a decline in revenues in the year of the pandemic, from the €18.6 million of 2019 to the current €13.4 million.

The Brazilian company De Nora do Brasil Ltda recorded good growth in revenues from third parties in local currency (+ 23%); however, the significant depreciation of the Brazilian real led to a drop in revenues once converted into Euro (€13.1 million in 2020 compared to €14.1 million in 2019); the negative exchange effect that strongly affected the performance amounts to €4.4 million euros.

The Singapore branch operating in the Electrode Technologies business achieved significant revenue growth in 2020, exceeding €17 million, well above the €12.8 million of the previous year, as did the Singapore branch operating in the Water Technologies business, which generated €12.4 million in revenues in 2020, compared to €8.3 million in 2019.

De Nora Water Technologies UK Services Limited confirmed revenues in 2020 of around €6 million.

De Nora India Ltd recorded a decrease in revenues compared to the previous year: in 2020 they totalled €3 million, compared to €4.3 million in 2019, with a negative exchange rate effect of €0.2 million.

The US company De Nora Neptune, acquired in April 2019, despite the difficulties in the oil sector that impacted the *Fracking* product line (water treatment plants recovered from hydraulic fracturing) in which it operates, still achieved revenues of €3.7 million, compared to 2.1 million in the 9 months of activity in 2019.

In the United Arab Emirates, the revenues of the Abu Dhabi branch almost doubled in 2020 (€2 million, compared to €1.1 million in 2019), while only from 2021 will it begin to benefit from the contributions of the newly formed De Nora Water Technologies Free Zone Establishment in Dubai.

Consolidated Income Statement

€'000	2020		2019	
Revenue	499,454	97.1%	505,364	96.5%
Change in inventory of finished goods and work in progress	8,038	1.6%	(1,245)	-0.2%
Other income	6,840	1.3%	19,777	3.8%
VALUE OF PRODUCTION	**514,332**	**100.0%**	**523,896**	**100.0%**
Consumption of materials	(216,217)	-42.0%	(207,257)	-39.6%
Personnel expenses	(106,586)	-20.7%	(108,783)	-20.8%
External services	(99,370)	-19.3%	(122,043)	-23.3%
Other expenses	(11,586)	-2.3%	(10,128)	-1.9%
EBITDA	**80,572**	**15.7%**	**75,685**	**14.4%**
Amortisation of intangible assets	(10,703)	-2.1%	(10,843)	-2.1%
Depreciation of property, plant and equipment	(15,772)	-3.1%	(16,207)	-3.1%
Write-downs and Provisions for risks and charges	628	0.1%	(989)	-0.2%
Impairments	798	0.2%	145	0.0%
Operating result (EBIT)	**55,523**	**10.8%**	**47,791**	**9.1%**
Share of profit of equity-accounted investees	3,991	0.8%	5,067	1.0%
Financial income	8,626	1.7%	7,163	1.4%
Financial expenses	(23,886)	-4.6%	(19,215)	-3.7%
Profit before taxes	**44,254**	**8.6%**	**40,806**	**7.8%**
Income taxes	(11,491)	-2.2%	(11,853)	-2.3%
Profit from continuing operations	**32,763**	**6.4%**	**28,953**	**5.5%**
Profit (loss) from assets held for sale	-	0.0%	-	0.0%
Profit for the period	**32,763**	**6.4%**	**28,953**	**5.5%**
Attributable to:				
Owners of the parent	**32,634**	**6.3%**	**29,015**	**5.5%**
Non-controlling interests	**129**	**0.0%**	**(62)**	**0.0%**

Consolidated Statement of Financial Position

€'000	31 Dec 2020		31 Dec 2019	
		%		%
Trade receivables	90,905		92,975	
Trade payables	(46,879)		(53,678)	
Inventory	116,182		121,460	
Construction contracts, net of progress payments and advances	7,594		18,004	
Other current assets / (liabilities)	(37,202)		(29,520)	
Operating working capital	**130,600**	**25.7**	**149,241**	**27.3**
Goodwill and Intangible assets	131,081		143,647	
Property, plant and equipment	153,896		156,046	
Equity-accounted investees	111,572		125,541	
Non current assets	**396,549**	**78.1**	**425,234**	**77.9**
Employee benefits	(27,180)	(5.4)	(33,990)	(6.2)
Provisions for risks and charges	(10,740)	(2.1)	(11,427)	(2.1)
Deferred tax assets / (liabilities)	(197)	(0.0)	(1,169)	(0.2)
Other non current assets / (liabilities)	18,857	3.7	18,163	3.3
NET INVESTED CAPITAL	**507,889**	**100.0**	**546,052**	**100.0**
Covered by:				
Medium/long term financial debt	(154,755)		(344,763)	
Short-term financial debt	(17,274)		(996)	
Financial assets and derivatives	1,600		3,493	
Cash and cash equivalents	75,658		55,589	
NET FINANCIAL POSITION	**(94,771)**	**(18.7)**	**(286,677)**	**(52.5)**
Equity attributable to non controlling interests	(3,546)	(0.7)	(3,798)	(0.7)
Equity attributable to the Parent	(409,572)	(80.6)	(255,577)	(46.8)
TOTAL EQUITY AND MINORITY INTERESTS	**(507,889)**	**(100.0)**	**(546,052)**	**(100.0)**

Comments on the economic and financial results of the Group

Revenues were close to €500 million (of which €290.4 million attributable to the Electrode Technologies segment and €209.1 million to the Water Technologies segment), slightly lower (approximately 1%) with respect to the €505 million of 2019, but only because of the exchange rate effect. At a constant exchange rate, the revenue of the Group increased by €3.7 million.

EBITDA exceeded €80 million, compared with €75.7 million in 2019; approximately €54 million (+€1 million compared to 2019) is attributable to the Electrode Technologies segment, €13 million to the Water Technologies (+€5 compared to 2019) segment and the remaining part (€13 million approximately) to the Corporate activities of the Parent Company.

The operating result, equal to €55.5 million, recorded the sharpest increase compared to the previous year (+€7.7 million, + 16%), thanks to slightly lower depreciation, and a better balance between releases and accruals in risk provisions line.
The improved operating result is also influenced by a positive impact on personnel costs, following the remodelling of the "pension plans" relating to the Japanese company's personnel, with the recognition of a *one-off* net income of €4.3 million. In addition, the operating result benefits from the major cost reduction actions implemented, also aimed at mitigating the negative impacts of the pandemic.

The share of profit of equity accounted investees, referring to the 34% stake in ThyssenKrupp (tkUCE), amounted to €4 million, approximately €1 million less than in the previous year.

Financial income and charges show a net charges amount of €15.3 million, compared to €12 million in 2019; this performance was affected by the losses on exchange rates in the year just ended.
After current and deferred income taxes, which together totalled €11.5 million (compared with €11.9 million in 2019), the year closed with a net profit (portion pertaining to the Parent Company) of €32.6 million compared with the €29 million of the comparison year.

On the balance sheet side, net invested capital of €508 million is covered by (-€38 million compared to the end of 2019), equity for €413 million (€154 million more compared to 31 December 2019) and by net financial indebtedness of €95 million (a reduction of €192 million compared to the end of 2019).
The increase in equity and corresponding improvement in net financial position benefited from the cancellation at the end of 2020 of the financial liability recorded against the Parent Company's obligation to redeem the class B shares if their holders should opt to exercise their withdrawal right from 9 August 2022. Following the sale by the Blackstone Group of its stake in Industrie De Nora S.p.A., formally completed on 8 January 2021 but whose conditions precedent became effective before the end of the 2020 financial year, the financial liability (€140.3 million) was reclassified to equity.

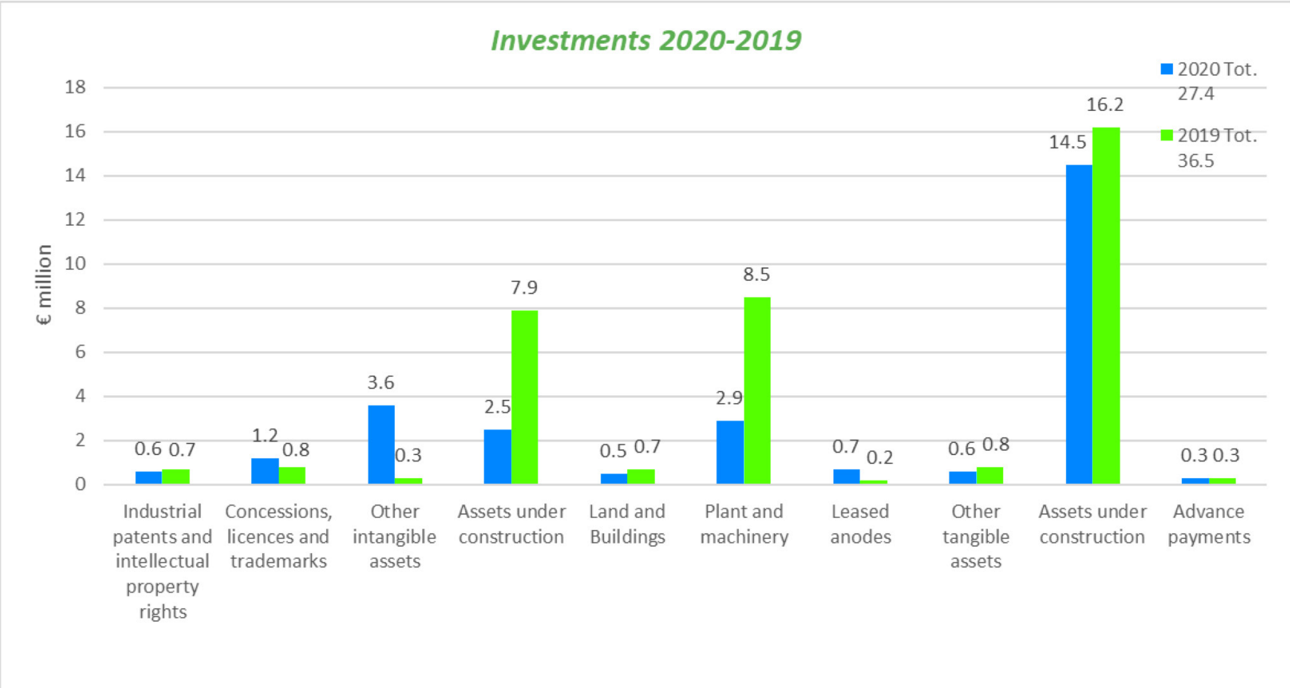
Operating activities generated cash for around €90 million, partially absorbed by the financial charges paid and the tax payments made (in total, approximately €21 million) and by investments net of disposals (€27 million in 2020). In addition, dividends of €1.8 million were collected from associate ThyssenKrupp, which also repaid €15 million of shareholder contributions made at the time the *joint venture* was set up, as originally envisaged in the agreements between the parties.

Industrial Investments

In 2020, the Group invested a total of €27.4 million in tangible and intangible assets, approximately 9 million less than in the previous year.

Investments in property, plant and equipment, amounting to €19.4 million, refer primarily to tangible assets under construction (€14.5 million) as well as plant and equipment (€2.9 million). Tangible assets under construction include approximately €5.8 million for leased anodes, €3.9 million for land and buildings, almost all related to the new De Nora Tech LLC plant in the United States, where there are plans for an expansion of the production site to produce PMXs on a broader scale, and €4 million for plant and machinery.

Investments in intangible assets, equal to approximately €8 million, refer to investments made by the Parent Company in rights to use patents and intellectual property, to ICT investments, mainly in SAP, and to the capitalisation of development costs, partly recognised as an increase in intangible assets in progress.



Organisation and Human Resources

Organisation and Human Resources

As of 31 December 2020, the Group's workforce amounted to 1,633 people, one less than the previous year, but with a reduction in the workforce in US companies due to COVID-19, offset by an increase in the Asian region.
In detail, the situation by professional macro-family can be broken down as follows:

Macro-Family	31/12/2020
Manufacturing	897
Engineering	138
Sales & Tech. Assistance	211
G&A	297
R&D and PTM	91
TOTAL	**1.633**

The most significant organisational changes in 2020, in addition to the merger of the three Japanese companies, the unification of the US companies in the Water segment, the set-up of a new company (DNWT Free Zone Establishment) in Dubai, all already mentioned earlier, were:

- the creation of a Water North America Regional Hub within the matrix structure, with a single *General Manager* coordinating common functions (G&A, Operations, Engineering/PM and Sales) to the Electro Chlorination and Dinsinfection & Filtration Global Business Units;

- the inclusion of key figures for the expansion of the business in Asia, both in *Hub Water* and in De Nora Permelec (Electrodes);

- the creation of a completely new management team in Water EMEIA (including GM, Director of Sales, Director of Engineering/PM, and others);

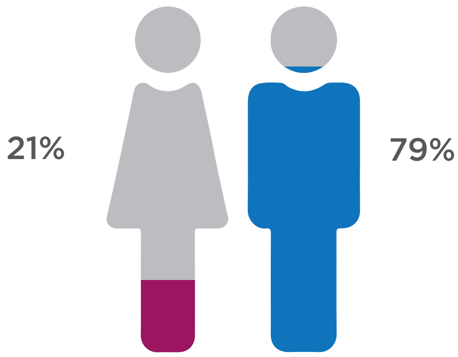
- the creation within the Industrial Controlling & Financial Planning department of two focal points for the global coordination of the Electrode Technologies and Water Technologies controllers, respectively, and the hiring of a *Financial Controller* and a *Project Finance Controller* in Water US.

- the consolidation of the Marketing and Business Development structure at Corporate and local level, with a focus on Product Management and Digital Marketing;

- the strengthening of staff functions to support the global coordination of Water (Digital Transformation, Strategic Sales and Partner Management, Global Sourcing and NA Operations).

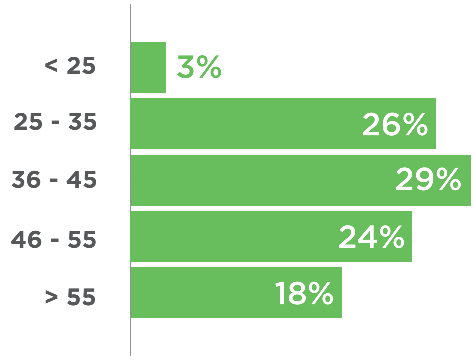
Group workforce demographics as of 31 December 2020

Gender Distribution



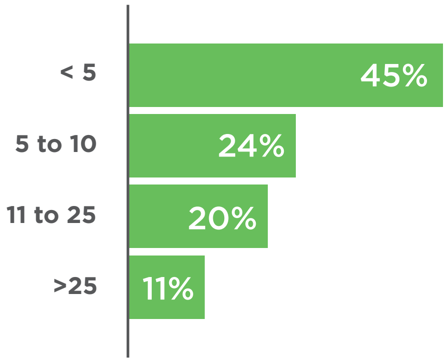
21% of the personnel is female, in line with previous years.

Age Distribution



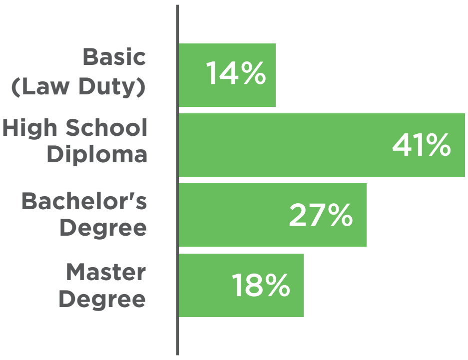
Considering the maturity of our main countries of activity, De Nora confirms itself as a "young" business, with almost 60% of its personnel under the age of 45. The distribution by age group was also constant: the 36-45 age group remains the biggest, with a slight increase (from 27% to 29%) compared to the previous year.

Seniority



The *seniority* of the Group is low, and has fallen lower than the previous year: 45% of the staff have been with De Nora for less than 5 years while just over 30% have been with it for over 10 years.

Education



De Nora remains a Group with an excellent education level: 41% of employees have a high school diploma while 45% have at least one degree (first degree, graduate degree or doctorate).

In 2020, the Human Resources (HR) department stimulated and lead a rethinking of *leadership* style, necessary to effectively lead remote work, and of the processes and priorities of projects that impact on people. Among other things, the *"De Nora's Way"* Manager's Ten Commandments were defined, and work started on the redefinition of the 2021-2023 *People Strategy*.

The main organisational activities are as follows

Processes:

- *Target Assignment* and *Performance Assessment* extended to *blue collar personnel*, renamed *industrial technicians*;

- the *Recruiting* preparation phase was consolidated, with new KPIs and *policy* updates;

- The development of the *Technical Career Ladders*, aimed at guaranteeing development paths also for people belonging to professional families with specific technical contents: the R&D and ICT ladders have been reviewed, and the Technical Assistance one is being relaunched.

- continuous monitoring of recruitment and employment costs (*Budget & Forecast*) was strengthened.

Digitisation

- extension of the *Success Factors Tool*: with the addition of the MBO and *Remuneration* modules/processes, for the execution of the *Salary Review*;

- release of forms for the *Onboarding* and *Exit Interview* processes;

- further enhancement of the e-learning platform, *De Nora Academy - DNA*;

- improvement of internal communication through the use of *Microsoft Teams*, and the publication of three editions of the Global *Newsletter*.

Development and Management of Human Resources

The main initiatives that took place in the area of Human Resources development were:

- establishment of a committee to promote *Diversity, Equality and Inclusion (DEI)*, chaired by the CHRO and the CEO of WT. The first De Nora *DEI Survey* was conducted during the year to support the definition of an inclusion masterplan;

- launch of the *"Leadership De Nora's Way 2020 edition: Strength Management"* training with the pilot class of *Corporate Chief Officers*. The purpose of the training is to make managers aware of the management and enhancement of talents, in line with the *People Strategy* and *Vision* of the company (particularly important issue in times of pandemic);

- definition and launch of the new *"Manager De Nora's Way"* training, which provides expectations, mission, perimeter and operational tools to De Nora Managers to effectively assume the manager role. The training is closely related to the release of the De Nora Manager's Ten Commandments, to support the definition of a *leadership* style suitable for the difficult situation linked to the pandemic;

- definition of the *People Development Framework,* which defines the typical actions to support the development needs of employees, based on the stage in their career, with the aim of guaranteeing to each employee a *life-long learning*;

- further development of contents available on the *De Nora Academy (DNA) e-learning* platform, with the addition of 26 courses compared to last year;

- rollout throughout the Group of a *Recruiting* Platform *"Easy Recrue"* portal that collects and filters the applications on our open positions, with *assessments* and "killer questions" that make the *customer experience* better and allow HR to identify the candidates more quickly;

- start of the definition of a *Job Rotation* strategy to enrich the range of skills and knowledge and reduce the barriers to communication and inter-functional understanding;

- monitoring the *Individual Development Plans* (IDPs) defined during the *Competence Assessment* process carried out at the end of 2019;

- definition of the *Visual* campaign of the communication *policy*;

- analysis of the *Reputation* of the business, and consequent identification of possible actions to enhance it.

Human Resources and Social Commitment Initiatives

De Nora has confirmed that it is attentive to the health and psychological and physical well-being of employees this year like never before, when it has had to face the common challenge of COVID-19.
Here are the most relevant initiatives of 2020:

- *Smart Working*, already implemented widely, it was promptly and heavily adopted right from the first signs of the health emergency;

- in Italy, Germany and Brazil, administration of hard-to-find flu vaccines was guaranteed;

- in the United States, a health care plan including incentives for employee health was also introduced for companies in the Water segment;

- in Japan, at the Fujisawa headquarters, the annual neighbourhood summer festival was sponsored, to support local economic and commercial activities;

- in Germany:
    - psychological support is provided to employees, with the possibility of a free monthly meeting with a local therapist, also remotely;

    - a "virtual" run was held. The total number of steps was converted into Euros and donated to a local charity, and a car was purchased for a local elderly care centre.

Although the pandemic did not permit many opportunities for gatherings:

- *team building* activities took place in Germany and China;

- in China, "Round Tables" are periodically organised with the purpose to promote inter-departmental communication and create opportunities for employees to share ideas within the company;

- in Italy, Germany and the United Kingdom, all employees received gift packages and/or shopping vouchers, in place of the usual party, which wasn't held. In Brazil, a surprise Christmas lunch was organised for the employees who were on site while a gift was sent to the employees who were working from home at the time.

De Nora, despite the pandemic, continued to collaborate with schools and institutes. The company organised an online *workshop* for graduates of a local Technical Industrial high school, which was followed by the hiring of one of them in the field of technical assistance.

FONDAZIONE
Oronzio e Niccolò
DE NORA

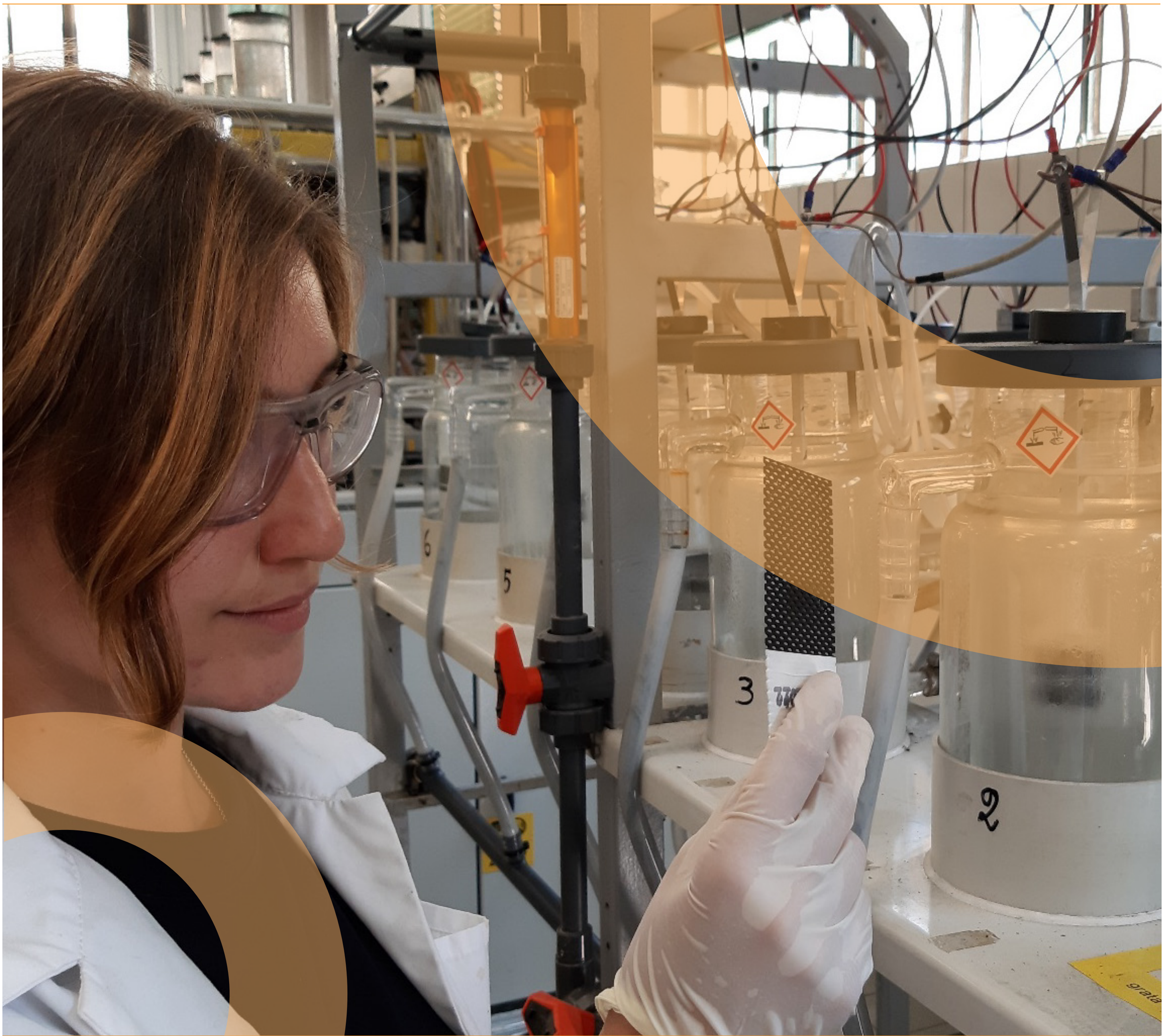
Among other initiatives in the field of electro-chemicals, the Oronzio and Niccolò De Nora Foundation provided a grant worth 48 thousand Euro to an Italian researcher for the most brilliant project in applied electro-chemistry, chosen from applications from all over the world.

In these historic times, De Nora has contributed to the support of local communities and people in conditions of greater difficulty, supporting:

- canteens that provide meals to those most in need;

- associations committed to the inclusion of people with disabilities and immigrants.

Also this year the support for cultural heritage continued with the usual contribution to the FAI (Italy's equivalent of the National Trust).



Research and Development and Patents

Research and Development

Excellence in Research and Development is one of the main levers used by De Nora to boost organic and sustainable growth. The Group is focused on the development of innovative and technologically advanced solutions designed to meet the needs of the markets in order to maintain its competitive edge, defend its margins and market shares.

To support its business strategy, the Group keeps on investing in new projects to feed the innovation *pipeline*. At the same time, the activities for the improvement of the products continue and the objective of providing electro-chemical solutions to the circular economy is constantly being pursued. The allocation of resources takes place through the management of the project portfolio which aims, in accordance with the Strategic Business Objectives, to maximize the value of the portfolio itself, to balance the projects to develop new products or technologies in order to cover the different business lines and comply with the commercial launch roadmap in the short, medium and long term.

To implement the "Product Innovation Strategy" even more incisively, the "R&D Excellence" Project was also launched in 2020, aimed at improving the Group's Product Creation (PCP) process by enhancing the previously proven "Stage & Gate ® Process" with the Agile methodology.

The current organisation of Research and Development includes:

- the **New Application Research** unit, with sites in Italy, the United States and Japan, aimed to seek to broaden the product portfolio in the new business areas identified as *strategic*, through research, testing and technical validation of innovative solutions.

- the **Electrodes & Engineering Technologies** unit, with research programmes conducted at the Milan, Okayama and Fujisawa centres, focused on the creation of new products and the continuous improvement of existing ones.

During 2020, approximately 45% of the resources were used to create a "continuous" *pipeline* of medium-long term projects (including a share of new ideas at medium-low Technology Readiness Level (TRL) to be introduced in the PCP in the coming years); about 40% of the resources were engaged in the design, development and testing phases of new products (electrodes and electrolytic systems) that will be launched on the market in the next 3 years and about 15% of the resources were used for support services to production, sales and technical assistance.

The research programmes are effectively integrated at several sites and coordinated at a central level. The main research initiatives by business area are listed below:

- recently developed anodes and cathodes for chloralkali and chlorate have completed (or are in the process of being completed) the qualification phase in the field and started the phase of introduction on the market. In this business, new development projects have started targeting low energy consumption coatings, innovative electrode structures (anodic and cathodic) and the optimisation of raw materials for electrodes; for these projects, the manufacturing of the first industrial prototypes is expected between the end of 2021 and the beginning of 2022;

- the coatings developed for the "electronics" business have moved towards the commercial launch phase, in particular those for the lithium battery market;

- in the "mining" business, the qualification of the new "SCASA" titanium anodes for the electroextraction of copper (electrowinning) has achieved satisfactory results and new demonstration cells will be put into operation in 2021. The validation tests of new solutions for the electrodeposition of almost all metals in the "non-ferrous" category also continue. For all the aforementioned applications, programmes to reduce the cost of the product also continue;

- in the "Water treatment" business the development of new coatings for swimming pools through highly selective internal protocols is still ongoing with the aim of moving to on-site validation within a short time. Collaborations with the Water division are underway to optimise the performance and costs of seawater chlorination systems. Advanced coatings are being validated for some of these systems. A new coating for the disinfection of fresh water without added salt is at an advanced stage of development and the industrial prototype expected in 2021;

- the commitment in the "Energy" sector continued in 2020 with projects carried out in synergy between the New Application Research and Electrodes and Engineering units, with over 60% of the resources allocated:

    - in the field of Alkaline Water Electrolysis, the main objectives of the activities were: a) the completion of the qualification, for the ThyssenKrupp Uhde Chlorine Engineers joint venture, of anodic and cathode coatings in an industrial plant, b) the enlargement of the potential users of De Nora solutions, c) the development of new electrodes for operations strongly linked to renewable energy sources;

    - in the field of Water Electrolysis with Polymer Electrolyte Membrane Electrolysis (PEM) technology, De Nora has been awarded a project in the USA funded by the Department of Energy (DoE) with the aim of developing and industrialising innovative components for the PEM stack;

- in the Fuel Cells business, the following activities should be mentioned: a) the consolidation of the partnership with AFC Energy Ltd., a UK manufacturer active in the development of an innovative product for electric vehicles, which continued with the qualification of electrodes developed by De Nora; b) the opening of new projects participated by industrial partners for the development of electrodes and electrode assemblies for PEM Fuel Cells; c) the completion and positioning of the product portfolio in the area of supported catalysts for Fuel Cells;

- since 2020, the Basic Research activities in the "Energy" sector have been complemented by the study of processes for the electro-chemical conversion of CO2 into chemical compounds with high added value, with a view to a circular economy and industrial sustainability.

With regard to business development activities, the European project called "Djewels" kicked off; this is part of the Horizon 2020 funding which sees De Nora participating in a consortium led by Nouryon and Gasunie, with the aim of supplying the electrode pack, the *core technology* of the system, for a 20 megawatt (MW) electrolyser that will be operated in the Netherlands for the production of bio-methanol. This project is a large-scale demonstration of Alkaline Water Electrolysis technology, the first of its kind to date.

In addition to its participation in the European projects "Elcorel", in the field of water electrolysis, and "Select CO2", for the conversion and enhancement of carbon dioxide through electrochemical processes, which had already started, in 2018 and 2019 respectively, De Nora is active in Japan with its participation in a Water Elecrolysis project financed by NEDO (a Japanese agency for the development of technologies in the energy and industrial fields), with the aim of conducting component testing activities.

De Nora intends to participate in hydrogen initiatives at national level, with funds from the Recovery Fund and with the IPCEI (Important Projects of Common European Interest) initiative in the hydrogen sector, in its third edition, after its launch in the "Microelectronics" and "Batteries" sectors. In Europe, in 2020, De Nora applied to join a national project organised by the German Ministry of Education (BMBF) with the ThyssenKrupp Uhde Chlorine Engineers joint venture. Also noteworthy is the decision to participate in a European industrial development project as part of the last call of Horizon 2020 called "Green New Deal" for the industrial demonstration of a 100 MW alkaline water electrolysis plant. In addition to providing access to European funding, participation in these projects allows the Group to gain visibility and access to specific skills and resources for the development of complex solutions.

Patents

Intellectual Property (IP), a Corporate function with offices in Italy (Milan) and in Japan (Fujisawa), manages the intellectual property of the entire Group, including that related to the tkUCE joint venture. Managing the Group's intellectual property means, in addition to the creation and management of the patent and brand portfolio, carrying out a whole series of activities aimed at supporting the Group's strategy and protecting and making the most of intangible assets. These activities include desk research of patents and scientific literature as well as the formulation of Freedom To Operate opinions (to ensure that the results of the research projects may be exploited commercially), support to the drafting of confidentiality agreements with third parties, the production of due diligence on intellectual property in support of the M&A function, the evaluation of patents and patent portfolios for trading purposes, as well as the on-going monitoring of third party rights and the enforcement of ownership rights.
Pursuing the objective of continuous improvement, in 2020 the second phase of the Group's "Protection and Management of Trade Secrets" project was completed (in compliance with Directive EU 2016/943) with the achievement of the main milestones identified during the analysis of "maturity" carried out in 2019. Furthermore, again in connection with the aforementioned project, in December 2020 a first diagnosis phase began at the De Nora subsidiary in China, where the phase of implementation of the improvement measures will begin in 2021.

During 2020, 9 new patent applications were filed, in the field of water electrolysis, chloroalkali, mining and for the *Water Technologies* segment. Lastly, the patent portfolio revision exercises regarding the patents relating to the chloroalkali group, mining and the patents acquired in 2019 were completed.

Risk Management, Related Parties Transactions and Other Information

Management of Risks and Uncertainties

See the Notes to the Consolidated Financial Statements of Industrie De Nora S.p.A..

Related Parties Transactions

See the Notes to the Consolidated Financial Statements of Industrie De Nora S.p.A.

Other Information

As regards the list of secondary offices and the main corporate information of the legal entities that make up the Group, please refer to the section on the Consolidation area included in the Explanatory Notes to the Consolidated Financial Statements.

As at 31 December 2020, the Parent Company does not hold directly or through trustees or nominees, any treasury shares or shares of other parent companies, nor has it acquired or sold such shares or quotas during the year.

The employees of the De Nora Group companies are bound by the Code of Ethics, which establishes the ethical and behavioural standards to be followed in the conduct of day-to-day activities.
The Group is committed to maintaining a consistent standard of ethical conduct at a global level, with respect for the cultures and the commercial practices of the countries and communities in which it operates.
Compliance with the Code by directors, managers and employees, as well as by all those who work to achieve the Group's objectives, each within their own area of responsibility, is fundamentally important to De Nora's efficiency, reliability and reputation, factors that play a crucial role in the Group's success.
The principles and guidelines set out in the Code are addressed and analysed in further detail in other policies and business procedures.

Significant events after the year-end and Outlook

Significant events after the year-end

On 8 January 2021, the transaction which brought Snam, through its subsidiary *Asset Company 10 S.r.l.*, into the share ownership structure of Industrie De Nora S.p.A. was closed.

The shareholders *BTO Feather Holdings S.à rl* and *BTO Feather Holdings ESC (Mauritius) Ltd.* have in fact sold their respective stakes (totalling 54,021,800 class B shares) in the share capital of Industrie De Nora S.p.A. to the Italian company called *Asset Company 10 S.r.l.*; as shareholder *Cordusio Fiduciaria S.p.A.* also sold all its shares (1,484,990 class C shares and 9,600 class D shares, for a total of 11,993,767 class B shares following the conversions envisaged by the articles of association of Industrie De Nora S.p.A.) to *Asset Company 10 S.r.l.*

Following this operation, as at 8 January 2021 the share capital of Industrie De Nora S.p.A. totalled €16,569,459, divided into 176,193,767 shares, with no indication of nominal value, of which (i) 110,178,200 class A shares, and (ii) 66,015,567 class B Shares, not represented by share certificates, owned by the following shareholders:

- *FEDERICO DE NORA S.p.A*
  91,125,100 class A shares;
- *NORFIN S.p.A.*
  12,433,540 class A shares;
- *Mr. FEDERICO DE NORA*
  6,619,560 class A shares;
- *Asset Company 10 S.r.l.*
  66,015,567 class B shares.

Outlook

2020 has more than ever confirmed the solidity of the De Nora Group; the crisis opened by the pandemic led at the beginning of the year to the need to carry out sensitivity analyses on the original 2020 budget projections, aimed at assessing the possible impacts on the Group's economic and financial situation deriving from the pandemic, and to undertake relevant action plans to contain costs and mitigate the foreseeable decline in volumes and margins. In this context, , the year closed with results that exceeded expectations and, despite the persistence of uncertainties about the continuation of the pandemic and its inevitable effects on the macroeconomic trend, the Group is ready to face confidently and with great ambitions the near future.

The projections for 2021 confirm the further progression of company *performance*, with expected growth in both business segments, in terms of volumes, profitability and cash generation.

The partnership with Snam is also an important opportunity; De Nora has significant growth prospects thanks to exposure to two mega-trends in energy transition, and specifically, green hydrogen production and water treatment. As for hydrogen, De Nora's strength comes from leadership in the production of electrodes for electrochemical industrial applications.

On behalf of the Board of Directors
The Managing Director
Paolo Enrico Dellachà

CONSOLIDATED FINANCIAL STATEMENTS OF THE DE NORA GROUP AT 31 DECEMBER 2020

DE NORA

Consolidated Statement of Financial Position

€'000

ASSETS	Note	31/12/2020	31/12/2019
Intangible assets	17	131,081	143,647
Property, plant and equipment	18	153,896	156,046
Equity-accounted investees	19	111,572	125,541
Financial assets, including derivatives	20	8,577	7,578
Deferred tax assets	21	25,166	24,447
Trade receivables	25	21	9
Other receivables	26	12,433	11,554
Total non current assets		**442,746**	**468,822**
Inventory	22	116,182	121,460
Financial assets, including derivatives	20	1,600	3,493
Current tax assets	23	11,600	5,248
Construction contracts	24	15,496	18,450
Trade receivables	25	90,905	92,975
Other receivables	26	15,928	21,117
Cash and cash equivalents	27	75,658	55,589
Total current assets		**327,369**	**318,332**
TOTAL ASSETS		**770,115**	**787,154**

LIABILITIES	Note	31/12/2020	31/12/2019
Equity attributable to the Parent		409,572	255,577
Equity attributable to non controlling interests		3,546	3,798
Total Equity	28	**413,118**	**259,375**
Employee benefits	29	27,180	33,990
Provisions for risks and charges	30	2,149	2,071
Deferred tax liabilities	21	25,363	25,616
Financial liabilities	31	154,755	344,763
Trade payables	32	105	57
Income tax payables	33	139	-
Other payables	34	1,930	921
Total non current liabilities		**211,621**	**407,418**
Provisions for risks and charges	30	8,591	9,356
Financial liabilities	31	17,274	996
Construction contracts	24	7,902	285
Trade payables	32	46,879	53,678
Advances on construction contracts	24	-	161
Income tax payables	33	14,221	11,112
Other payables	34	50,509	44,773
Total current liabilities		**145,376**	**120,361**
TOTAL EQUITY AND LIABILITIES		**770,115**	**787,154**

Consolidated Income Statement

€'000	*Note*	*2020*	*2019*
Revenue	4	499,454	505,364
Change in inventory of finished goods and work in progress	5	8,038	(1,245)
Other income	6	6,840	19,777
Raw materials, consumables, supplies and goods	7	(214,376)	(206,228)
Personnel expenses	8	(106,564)	(108,440)
Services	9	(99,151)	(121,816)
Other operating expenses	10	(7,951)	(7,692)
Amortisation and depreciation	17/18	(26,475)	(27,050)
Impairment (losses)/revaluations and Provisions for risks and charges	11	(4,292)	(4,879)
Operating result		**55,523**	**47,791**
Share of profit of equity-accounted investees	12	3,991	5,067
Financial income	13	8,626	7,163
Financial expenses	14	(23,886)	(19,215)
Profit before taxes		**44,254**	**40,806**
Income taxes	15/16	(11,491)	(11,853)
Profit from continuing operations		**32,763**	**28,953**
Attributable to:			
Owners of the parent		***32,634***	***29,015***
Non-controlling interests		***129***	***(62)***
Profit (loss) from assets held for sale		-	-
Profit for the period		**32,763**	**28,953**
Attributable to:			
Owners of the parent		***32,634***	***29,015***
Non-controlling interests		***129***	***(62)***

Consolidated Statement of Comprehensive Income

€'000	*2020*	*2019*
Profit for the period	**32,763**	**28,953**
Items that will not be reclassified to profit or loss:		
Items that will not be reclassified to profit or loss:	664	(2,751)
Tax effect	(171)	823
Total items that will not be reclassified to profit or loss, net of the tax effect (A)	**493**	**(1,928)**
Items that may be reclassified subsequently to profit or loss:		
Effective portion of the change in fair value of financial instruments hedging cash flows	587	(503)
Change in fair value of financial assets	(26)	15
Translation reserve	(20,285)	6,871
Tax effect	(123)	58
Total items that may be reclassified subsequently to profit or loss, net of the tax effect (B)	**(19,847)**	**6,441**
Total other comprehensive income net of the tax effects (A+B)	**(19,354)**	**4,513**
Total other comprehensive income net of the tax effects (A+B)	**13,409**	**33,466**
Attributable to:		
Owners of the parent	***13,689***	***33,545***
Non-controlling interests	***(280)***	***(79)***

Consolidated Statement of Cash Flows

€'000	Note	2020	2019
Cash flows from operating activities			
Profit for the period		32,763	28,953
Adjustments for:			
Depreciation & Amortization	17/18	26,475	27,050
Impairment losses / (reversal)	11	(798)	(145)
Net financial expenses	13/14	15,260	12,052
Share of profit of equity-accounted investees	12	(3,991)	(5,067)
Losses on the sale of property, plant and equipment and intangible assets	6/10	1,143	852
Income taxes	15	11,491	11,853
Change in inventory	22	(1,249)	8,333
Change in trade receivables and construction contracts	24/25	6,490	3,719
Change in trade payables	32	(4,782)	(5,803)
Change in other receivables/payables	26/34	12,986	(3,544)
Change in provisions and employee benefits	29/30	(6,135)	1,144
Cash flows generated by operating activities		**89,653**	**79,397**
Net Interest and Net other financial expense paid		(5,588)	(9,358)
Income taxes paid		(15,343)	(9,102)
Net cash flows generated by operating activities		**68,722**	**60,937**
Cash flows from investing activities			
Sales of property, plant and equipment and intangible assets	17/18	301	187
Investments in property, plant and equipment	18	(19,411)	(26,700)
Investments in intangible assets	17	(7,999)	(9,757)
Acquisitions		-	(4,455)
Dividends collected from Thyssenkrupp	19	1,842	14,425
Shareholders contribution reimbursed by Thyssenkrupp	19	15,000	-
Net cash flows used in investing activities		**(10,267)**	**(26,300)**
Cash flows from financing activities			
Share capital increase	28	-	1,675
New loans/(Repayment) of loans	31	(34,974)	(19,208)
Increase (decrease) in other financial liabilities	31	(1,453)	(1,027)
(Increase) decrease in financial assets	20	1,017	(4,059)
Net cash flows generated by financing activities		**(35,411)**	**(22,619)**
Net increase (decrease) in cash and cash equivalents		**23,044**	**12,018**
Opening cash and cash equivalents	27	55,589	42,892
Exchange rate gains/(losses)		(2,975)	678
Closing cash and cash equivalents	27	**75,658**	**55,589**

Statement of Changes in the Net Consolidated Equity

€'000	Share capital	Legal reserve	Share premium	Retained earnings	Translation reserve	Other reserves	Profit for the period	Equity attributable to the Parent	Equity attributable to non controlling interests	Total Equity
Balance at 31 December 2018	**16,515**	**3,304**	**5,421**	**172,816**	**4,375**	**(7,902)**	**25,828**	**220,357**	**3,338**	**223,695**
Transactions with shareholders:										
Share capital increase	54	-	1,621	-	-	-	-	1,675	-	**1,675**
Allocation of profit for 2018	-	-	-	25,828	-	-	(25,828)	-	-	**-**
Other transactions	-	-	-	-	-	-	-	-	539	**539**
Comprehensive income statement:										
Profit for the period	-	-	-	-	-	-	29,015	29,015	(62)	**28,953**
Actuarial reserve	-	-	-	-	-	(1,933)	-	(1,933)	5	**(1,928)**
Effective portion of the change in fair value of financial instruments hedging cash flows	-	-	-	-	-	(440)	-	(440)	-	**(440)**
Change in fair value of financial assets	-	-	-	-	-	11	-	11	(1)	**10**
Translation reserve	-	-	-	-	6,892	-	-	6,892	(21)	**6,871**
Balance at 31 December 2019	**16,569**	**3,304**	**7,042**	**198,644**	**11,267**	**(10,264)**	**29,015**	**255,577**	**3,798**	**259,375**
Transactions with shareholders:										
Allocation of profit for 2019	-	10	-	29,005	-	-	(29,015)	-	-	**-**
Release Financial liability exit Share B	-	-	-	140,306	-	-	-	140,306	-	**140,306**
Other transactions	-	-	-	-	-	-	-	-	28	**28**
Comprehensive income statement:										
Profit for the period	-	-	-	-	-	-	32,634	32,634	129	**32,763**
Actuarial reserve	-	-	-	-	-	503	-	503	(10)	**493**
Effective portion of the change in fair value of financial instruments hedging cash flows	-	-	-	-	-	456	-	456	-	**456**
Change in fair value of financial assets	-	-	-	-	-	(16)	-	(16)	(2)	**(18)**
Translation reserve	-	-	-	-	(19,888)	-	-	(19,888)	(397)	**(20,285)**
Balance at 31 December 2020	**16,569**	**3,314**	**7,042**	**367,955**	**(8,621)**	**(9,321)**	**32,634**	**409,572**	**3,546**	**413,118**

Notes

Indice

A. GENERAL INFORMATION

1. THE GROUP

Industrie De Nora S.p.A. (hereinafter the “Company” or “IDN S.p.A.” or the "Parent Company") is a company limited by shares. It was set up in Italy and is registered with the Milan register of companies. Its registered office is located at Via Bistolfi 35, Milan. The Company is controlled by Federico De Nora S.p.A., with registered office at Via Bistolfi 35, Milan.
The Group was founded by the engineer Oronzio De Nora and has almost 100 years in the electro-chemical industry. Today it is known as a world leader in the supply of technologies for the production of chlorine and caustic soda and is the largest supplier of electrodes for the electrochemical industry.
These Consolidated Financial Statements at 31 December 2020 have been prepared in Euros, which is the Group’s presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. STATEMENT OF COMPLIANCE

The Consolidated Financial Statements at 31 December 2020 have been prepared in accordance with the International Accounting Standards (IAS) and the *International Financial Reporting Standards (IFRS)* issued by the International Accounting Standards Board (*IASB*) and endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 issued by the European Parliament and the European Council in July 2002 in effect at the reporting date, and the interpretations of the International Financial Reporting Interpretations Committee (*IFRIC*), and of the Standing Interpretations Committee (*SIC*), in effect at the same date.

These consolidated financial statements have also been prepared in compliance with the implementation regulations issued in Article 9 of Legislative Decree no. 38 of 28 February 2005.
The consolidated financial statements comprise the mandatory financial schedules (statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of cash flows, and statement of changes in equity) and are accompanied by these notes. The data in these financial statements are compared with the data in the financial statements of the previous year, which have been drawn up and if necessary restated with the same criteria.

The Consolidated Financial Statements at 31 December 2020 were prepared on a going concern basis, as the Directors verified the absence of financial, management or other indicators that could indicate significant uncertainties about the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.
The assessments made confirm that the Group is able to operate in compliance with the going concern assumption and in compliance with financial covenants.

Changes in accounting policies

1. Accounting standards, amendments and interpretations that came into effect and applied as from 1 January 2020

Pursuant to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS standards in effect from 1 January 2020 are mentioned and briefly described below.

Regulation No. 2019/2104, issued by the European Commission on 29 November 2019, endorsed the amendments to IAS 1 and IAS 8 "Definition of material" (hereinafter amendments to IAS 1 and IAS 8), aimed at clarifying, and making consistent within IFRS and other publications, the definition of "material" with the aim of supporting companies in formulating judgements on the relevance of information. In particular, information should be considered material if it can be reasonably assumed that its concealment, omission or misrepresentation will influence the principal users of the financial statements when making decisions based on them.

Commission Regulation (EU) 2020/34 issued by the European Commission on 15 January 2020 endorsed the amendments to IFRS 9, IAS 39 and IFRS 7 contained in the document "Interest Rate Benchmark Reform" (hereinafter amendments to IFRS 9, IAS 39 and IFRS 7), intended to provide temporary exemptions to the hedge accounting requirements of some provisions on hedge accounting for all hedging relations directly affected by the reform of the benchmark interest rates. The replacement of benchmark interest rates such as LIBOR and other interbank rates ("IBORs") has become a priority for global regulators. Many uncertainties remain, but the roadmap for replacement is becoming clearer.

On 22 October 2018, the IASB issued amendments to IFRS 3 "Business Combinations", to will be effective for the financial years in which they started on or after 1 January 2020, to provide clarification on the definition of business. For an acquisition to qualify as a business combination, it must include inputs and processes that substantially contribute to obtaining an output. The definition of output has been modified restrictively, as it precisely specifies that any cost savings and other financial benefits cannot be considered outputs.

The adoption of these principles, amendments and interpretations had no impact on the consolidated financial statements as of 31 December 2020.

2. Accounting standards, amendments and interpretations not yet applicable

As required by IAS 8 "Accounting policies, changes in the accounting estimates and errors", following is a list of new standards, interpretations and amendments to those already existing, issued by IASB and IFRIC and transposed by the EU but not yet in effect at the reference date of these financial statements.

Commission Regulation (EU) 2021/25 issued by the European Commission on 13 January 2021 endorsed the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" to introduce practical expedients and temporary exemptions to the application of some of the IFRS standards in the presence of financial instruments valued at amortised cost and/or hedging relationships subject to modification following the reform of the benchmark interest rates. The amendments come into effect for financial years beginning on or after 1 January 2021.

With regard to the accounting standards issued by the IASB and not yet endorsed by the European Commission, the following changes should be noted.
On 18 May 2017, the IASB issued IFRS 17 "Insurance Contracts" (hereinafter IFRS 17), which defines the accounting for insurance contracts issued and reinsurance contracts held. On 25 June 2020, the IASB issued amendments to IFRS 17 "Amendments to IFRS 17" and to IFRS 4 "Extension of Temporary Exemption from Applying IFRS 9", relating to insurance activities, providing, among other things, the deferral of the entry into force of IFRS 17 for two years. Therefore, the provisions of IFRS 17, which supersede those currently set out in IFRS 4 "Insurance Contracts", will be effective for financial years beginning on or after 1 January 2023.

On 23 January 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current", aimed at providing clarifications regarding the classification of liabilities as current or non-current which, due to the deferral defined with the changes made on 15 July 2020 ("Classification of Liabilities as Current or Non-current - Deferral of Effective Date"), will enter into force on or after 1 January 2023.

On 14 May 2020, the IASB issued:

- amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" (hereinafter amendments), aimed at providing clarifications on the methods for determining the cost of a contract. The amendments to IAS 1 will be effective for financial years beginning on or after 1 January 2022;

- amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" (hereinafter the amendments), aimed at defining that the revenues deriving from the sale of goods produced by an asset before it is ready for intended use are charged to the income statement together with the related production costs. The amendments to IAS 1 will be effective for financial years beginning on or after 1 January 2022;

- amendments to IFRS 3 "Reference to the Conceptual Framework" (hereinafter the amendments), to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting contained in the accounting standard; (ii) provide clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and levy liabilities assumed as part of a business combination transaction;

(iii) make it clear that potential assets cannot be recognised as part of a business combination. The amendments to IAS 1 will be effective for financial years beginning on or after 1 January 2022;

- the document "Annual Improvements to IFRS Standards 2018-2020", containing amendments, essentially of a technical and editorial nature, of the international accounting standards. The amendments to accounting policies come into effect for financial years beginning on or after 1 January 2022.

On 12 February 2021, the IASB issued:

- amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" (hereinafter the amendments), aimed at providing clarifications in identifying the relevant accounting policies to be described in the financial statements. amendments will be effective for financial years beginning on or after 1 January 2023;

- amendments to IAS 8 "Definition of Accounting Estimates" (hereinafter the amendments) which introduce the definition of accounting estimates essentially in order to facilitate the distinction between changes in accounting estimates and changes in accounting principles. The amendments will be effective for financial years beginning on or after 1 January 2023.

From the preliminary analyses it emerged that the impacts on the Group's consolidated financial statements deriving from the new standards, amendments and interpretations referred to above are not significant.

Structure and content of the consolidated financial statements

The consolidated financial statements include the financial statements of the Parent Company, Industrie De Nora S.p.A., and all the companies which it directly or indirectly controls, as described below, and the Group's interest in related and jointly controlled companies.

The companies included in the consolidation scope at 31 December 2020 are as follows:

Entity	Location	Currency	Share capital at 31.12.2020		% interest De Nora Group		Consolidation criteria
			in local currency	in Euro	31.12.2020	31.12.2019	
Oronzio De Nora International BV - THE NETHERLAND:	Prins Bernhardplein, 200 - Amsterdam - The Netherland	Euro	4,500,000.00	4,500,000.00	100%	100%	Full
*De Nora Deutschland Gmbh - GERMANY	Industriestrasse 17 63517 Rodenbach-GERMANIA	Euro	100,000.00	100,000.00	100%	100%	Full
*De Nora India Ltd - INDIA	Plot Nos. 184, 185 & 189 Kundaim Industrial Estate Kundaim 403 115, Goa, INDIA	INR	53,086,340.00	592,081.69	53.67%	53.67%	Full
*De Nora Permelec Ltd - JAPAN:	2023-15 Endo, Fujisawa City - Kanagawa Pref. 252 - GIAPPONE	JPY	90,000,000.00	711,518.70	100%	100%	Full
*De Nora Hong Kong Limited - HONG KONG	Unit D-F 25/F YHC Tower 1 Sheung YUET Road Kowllon Bay KL - HONG KONG	HKD	100,000.00	10,510.61	100%	100%	Full
De Nora do Brasil Ltda - BRAZIL	Avenida Jerome Case No. 1959 Eden -CEP 18087-220 - Sorocoba/SP- BRASILE	BRL	9,662,257.00	1,516,004.86	100%	100%	Full
De Nora Elettrodi (Suzhou) Ltd - CHINA:	No. 113 Longtan Road,Suzhou Industrial Park 215126, CINA	USD	25,259,666.00	20,584,847.20	100%	100%	Full
*De Nora China - Jinan Co Ltd - CHINA	Building 3,No.5436,Wenquan Rd.,Lingang Development Zone,Licheng District,Jinan City.Shandong Province PR CINA	CNY	15,000,000.00	1,869,741.35	100%	100%	Full
*De Nora Glory (Shanghai) Co Ltd - CHINA	No.2277 Longyang Rd. Unit 1605 Yongda Int'l Plaza - Shanghai - CINA	CNY	1,000,000.00	124,649.42	80%	80%	Full
De Nora Italy S.r.l. - ITALY	Via L.Bistolfi, 35 - 20134 Milan - ITALIA	Euro	5,000,000.00	5,000,000.00	100%	100%	Full
De Nora Water Technologies Italy S.r.l. - ITALY:	Via L.Bistolfi, 35 - 20134 Milan - ITALIA	Euro	78,000.00	78,000.00	100%	100%	Full
*De Nora Water Technologies FZE – DUBAI	Office No: 614, Le Solarium Tower, Dubai Silicon Oasis - DUBAI	AED	250,000.00	55,475.42	100%	-	Full
De Nora Holding UK Ltd. – ENGLAND:	c/o hackwood Secretaries Limited, One silk Street , London UK, EC2Y8HQ - INGHILTERRA	Euro	19.00	19.00	100%	100%	Full
*De Nora Water Technologies UK Services Ltd. – ENGLAND	De Nora Water Technologies UK Services Ltd Arley Drive, Birch Coppice Business Park; Tamworth, Warwickshire - INGHILTERRA	GBP	7,597,918.00	8,451,521.69	100%	100%	Full
*De Nora Holding US Inc. – US:	7590 Discovery Lane , Concord, OH 4407 - USA	USD	10.00	8.15	100%	100%	Full
*De Nora Tech LLC – US	7590 Discovery Lane , Concord, OH 4407 - USA	USD	no share capital	-	100%	100%	Full
*De Nora Water Technologies LLC (ex De Nora Water Technologies Inc.) - US:	3000 Advance Lane 18915 - Colmar - PA - USA	USD	968,500.19	789,259.38	100%	100%	Full
*De Nora Water Technologies (Shanghai) Co. Ltd - CHINA	2277 Longyang Road, Unit 305 Yongda International Plaza - 201204 - Pudong Shanghai - CINA	CNY	16,780,955.00	2,091,736.37	100%	100%	Full
*Capital Control India Private Ltd. - INDIA	Plot Nos. 184, 185 & 189 Kundaim Industrial Estate 403115 - Kundaim, Goa - INDIA	INR	1.00	0.01	50%	50%	Equity
*De Nora Water Technologies Ltd. - ENGLAND:	c/o hackwood Secretaries Limited, One silk Street , London UK, EC2Y8HQ - INGHILTERRA	GBP	1.00	1.11	100%	100%	Full
*De Nora Water Technologies (Shanghai) Ltd - CHINA	No 96 Street A0201 Lingang Marine Science Park, Pudong New District, Shanghai - CINA	CNY	7,757,786.80	967,003.65	100%	100%	Full
*De Nora Marine Technologies LLC – US	1110 Industrial Blvd., Sugar Land, TX 77478 - USA	USD	no share capital	-	100%	-	Full
*De Nora Neptune LLC – US	305 South Main Street, Fort Stockton, Texas 76735 - USA	USD	no share capital	-	80%	80%	Full
Capannoni S.r.l.- ITALY:	Via L.Bistolfi, 35 - 20134 Milan - ITALIA	Euro	8,500,000.00	8,500,000.00	100%	100%	Full
*Capannoni LLC - US	7590 Discovery Lane , Concord, OH 4407 - USA	USD	3,477,750.00	2,834,121.10	100%	100%	Full
ThyssenKrupp Uhde Chlorine Engeneers GmbH - GERMANY		Euro	10,000,000.00	10,000,000.00	34%	34%	Equity
*ThyssenKrupp Uhde Chlorine Engeneers S.r.l. - ITALY		Euro	1,080,000.00	1,080,000.00	34%	34%	Equity
*ThyssenKrupp Uhde Chlorine Engeneers Ltd - JAPAN		JPY	150,000,000.00	1,185,864.50	34%	34%	Equity
*ThyssenKrupp Uhde Chlorine Engeneers Co Ltd - CHINA		CNY	20,691,437.50	2,579,175.76	34%	34%	Equity
*ThyssenKrupp Uhde Chlorine Electrolysis Inc. - US		USD	700,000.00	570,450.66	34%	34%	Equity

The changes with respect to the previous year are:

- in Japan, the amalgamation of the three local legal entities into a single company, De Nora Permelec Ltd;
- in the United States, with reference to the Water Technologies segment, the incorporation by De Nora Water Technologies Inc. of the companies De Nora Water Technologies Texas LLC, De Nora Water Technologies LLC and De Nora Miox Inc.; De Nora Water Technologies Inc. was at the same time renamed De Nora Water Technologies LLC;
- in the United States, the establishment of the new company De Nora Marine Technologies LLC, to which the Marine business activities previously managed by De Nora Water Technologies Texas LLC have been transferred;
- the establishment of a new company in Dubai, De Nora Water Technologies Free Zone Establishment (FZE), created to boost growth in the Middle East, whose operations were launched at the beginning of 2021.

The reporting date of the consolidated financial statements used coincides with that of the Parent Company, which is the same as all of the consolidated companies, with the exception of:

- De Nora India Ltd (whose financial year closes at 31 March) for which a specific annual interim report was prepared at 31 December 2020;
- ThyssenKrupp (the financial year of the parent company ThyssenKrupp Uhde Chlorine Engineers GmbH closes at 30 September), for which annual interim figures were prepared at 31 December 2020.

Basis of consolidation

The financial statements of the companies in which the Parent Company directly or indirectly has control have been consolidated using the "full consolidation method", through the full assumption of the assets and liabilities and the costs and revenues of the subsidiaries. Companies that are jointly controlled by the Group, in accordance with IFRS 11, and those in which the Group exercises significant influence are measured using the equity method, which foresees the initial recognition of the equity investment at cost and the subsequent adjustment of its carrying amount to reflect the investor's share of the related company's profits or losses after the acquisition date.

Consolidation policies

The Group applies the following consolidation policies:

a) the carrying amount of equity investments in subsidiaries is eliminated against the related portion of equity and with the recognition of all assets and liabilities, revenues and expenses on a line-by-line basis;

b) the carrying amount is eliminated as described above on the basis of values at the date when control was acquired. Any differences arising from such elimination are allocated to the assets and liabilities of the consolidated companies measured at fair value; any excess is recognised in assets under "goodwill".
If, after the remeasurement of assets and liabilities at current values, the Group's share of such assets and liabilities exceeds acquisition cost, such excess is taken to profit or loss;

c) assets, liabilities, revenues and expenses on all transactions between companies included in the consolidation scope are eliminated;

d) unrealised gains and losses on transactions between fully consolidated companies are eliminated; unrealised gains and losses on transactions between subsidiaries or jointly controlled companies are eliminated on the basis of the investment percentage; losses not yet realised are not eliminated if they represent an actual lower amount of the asset sold;

e) assets and liabilities in a currency other than the Euro are translated at the closing exchange rate; revenue and expenses are translated at the average exchange rates of the year, calculated using the official monthly average. Translation differences arising between initial equity translated at the previous closing exchange rates and the profit for the year translated at average exchange rates with that translated at year-end rates are taken directly to consolidated equity under the "Translation reserve". In particular, the exchange rates used to translate the subsidiaries' financial statements into Euro are indicated below:

Currency	Average exchange rate 2020	Average exchange rate 2019	Year end exchange rate 31.12.2020	Year end exchange rate 31.12.2019
US Dollar	1.1422	1.1195	1.2271	1.1234
Japanese Yen	121.8458	122.0058	126.4900	121.9400
Indian Rupee	84.6392	78.8361	89.6605	80.1870
Chinese Yuan (Renminbi)	7.8747	7.7355	8.0225	7.8205
Brazilian Real	5.8943	4.4134	6.3735	4.5157
GB Pound	0.8897	0.8778	0.8990	0.8508

f) dividends distributed by the consolidated companies are eliminated from the income statement and reinstated in equity;

g) non-controlling interests are recognised in liabilities under "Share capital and reserves attributable to non-controlling interests", while the portion of the profit for the year attributable to non-controlling interests is recognised as "Profit/(loss) for the year – Non-controlling interests". Should losses attributable to non-controlling interests exceed the portion of share capital attributable to non-controlling interests, the excess is recognised with the losses attributable to the owners of the parent, unless the non-controlling shareholders have a binding obligation and are able to provide an additional investment to cover the losses, in which case the excess is recognised under assets in the consolidated financial statements.

3. ACCOUNTING POLICIES

Basis of presentation

The historical cost criteria is generally adopted for the recognition of assets and liabilities, except for those items detailed below that are recognised at *fair value* on the basis of specific accounting standards.
A description of the financial reporting formats and the most significant accounting policies applied in the preparation of these consolidated financial statements is provided below.

Financial schedules

The Income Statement is prepared classifying income and expenses by their nature, highlighting the intermediate results with respect to the operating profit or loss and the profit or loss before tax.
The statement of comprehensive income presents, on a separate basis, the profit/(loss) for the year and any income and expense not taken to profit or loss, but is instead recognised directly in equity, in accordance with specific IFRS provisions.

The statement of financial position is prepared using the format whereby assets and liabilities are presented on a current/non-current basis. An asset or liability is classified as current when it satisfies any of the following criteria:

- it is expected to be realised/settled or is intended for sale or consumption in the Group's normal operating cycle, or owned for the primary purpose of negotiations or
- it is expected to be realised/settled within one year after the reporting date.

If none of these conditions are met, the asset/liability is classified as non-current.

The statement of cash flows is prepared using the indirect method.

The statement of changes in equity illustrates changes relating to:

- the allocation of profit/(loss) for the year;
- owner transactions (repurchase and sale of treasury shares);
- all gains and losses, net of tax, which, as required by IAS/IFRS, are alternatively taken directly to equity (actuarial gains and losses arising from defined benefit plans and *hedging reserves*);
- changes in the fair value reserves relating to cash flow hedges, net of tax;
- changes in the consolidation scope;
- changes in accounting policies.

Each item with a material balance presented in the aforementioned schedules is described in the notes to the consolidated financial statements provided below. Such notes include the related disclosures, along with an analysis of the items and a description of the changes during the year.

Business combinations and goodwill

The Group recognises business combinations using the acquisition method at the acquisition date, i.e., the date when it effectively acquires control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In evaluating whether or not control exists, the Group considers potential votes that could be exercised.

The Group measures goodwill at the acquisition date as the excess of:

- the *fair value* of the transferred consideration, plus
- the amount of any non-controlling interests in the acquiree, plus
- in the event of a business combination achieved in stages, the *fair value* of the interest in the acquiree that the acquirer previously held, less
- the *fair value* of identifiable assets acquired and identifiable liabilities assumed.

When the excess is negative, the gain arising from the acquisition at a favourable price is immediately taken to profit or loss.

Transaction costs incurred by the Group for business combinations are recorded as expenses in the year in which they are incurred.

Each year, or more frequently if specific events or changes in circumstances indicate that goodwill may be impaired, it is tested for impairment in accordance with IAS 36 (Impairment losses); the original value is not reinstated even if the reasons for the impairment no longer apply.
If a portion or the entirety of a company previously acquired is sold and goodwill was recognised when it was acquired, in measuring the gain or loss on the sale, the Group also considers the corresponding residual goodwill.

Other intangible assets

Acquired or internally generated intangible assets are recognised as assets in accordance with IAS 38 (Intangible assets) when it is probable that the asset will generate future economic benefits through use and when the cost of the asset can be reliably measured.
These assets are recognised at purchase or production cost and, in the event of assets with a definite useful life, amortised on a straight-line basis over their estimated useful lives.
Intangible assets with an indefinite useful life are also tested for impairment each year or, for intangible assets with a finite useful life, whenever there is an indication that an asset may be impaired.

Research and development expenses

Research costs are expensed in full when incurred. Development costs are capitalised if the development and sale of the asset are believed to be technically and commercially feasible. Development costs are only capitalised if they are measurable and can be recovered through future economic benefits.
Capitalised development costs are stated at cost, net of accumulated amortisation and cumulative impairment losses.

Property, Plant and Equipment

Owned property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and cumulative impairment losses.
The cost includes any costs that are directly attributable to the acquisition of the asset. The cost of an internally produced asset includes the cost of materials used and direct personnel expenses, as well as any costs directly attributable to bringing the asset to the location and in the condition necessary for it to be capable of operating in the manner intended by management and the costs of dismantling and removing the asset and restoring the site on which it is located.
Any hedging gains or losses on cash flows to purchase items of property, plant and equipment in foreign currency are reversed from equity and included in the purchase cost of the asset. Software acquired as an integral component for the functioning of equipment is capitalised in the cost of the related equipment.

If an item of property, plants or equipment is composed of significant parts with individually varying useful lives, such parts are recognised separately and considered separately in the calculation of depreciation.

Gains or losses generated on the sale of property, plant and equipment are calculated as the difference between the net sale consideration and the asset's carrying amount and are recognised in profit or loss under "other income".
When a revalued item of property, plant and equipment is sold, the amount included in the revaluation reserve is reclassified to retained earnings.

The cost incurred to replace a part of an item of property, plant and equipment is added to the item's carrying amount if it is probable that the related future benefits will flow to the Group and if the cost of the item can be reliably measured. The carrying amount of the replaced part is eliminated. Ordinary maintenance costs for property, plant and equipment are taken to profit or loss when incurred.
Costs incurred after purchase are capitalised only if they generate an increase in the future economic benefits arising from the asset to which they relate. All other costs are taken to profit or loss when incurred.

Cost includes the costs of dismantling and removing the asset and restoring the site on which it is located, if they meet the recognition requirements of IAS 16.

Depreciation is calculated on a straight-line basis over each asset's estimated useful life.

The following useful lives are applied:

Buildings	**from 25 to 35 years**
Plant and Machinery	**from 8 to 25 years**
Equipment	**from 5 to 10 years**
Leased assets	**from 3 to 25 years**
Other assets	**from 4 to 10 years**

Owned land is not depreciated.

Leased assets include electrodes and components under operating lease to customers with long-term contracts. With the adoption of IAS/IFRS, for each asset of this category the carrying amount of the “structure” component and the carrying amount of the coating components were determined. These structure and coating components are depreciated separately over varying useful lives depending on the underlying technology.

Leasing

Assets held under lease contracts are recognised in accordance with IFRS 16 "Leasing". A contract contains or represents a lease if it gives the contracting party the right to control the use of an identified asset for a specified period of time in return for payment; this right exists if the contract gives the lessee the right to direct the use of the asset and substantially obtain all the economic benefits from its use. At the date the asset is made available for use, the lessee recognises in the balance sheet an asset representing the right to use of the asset ("right-of-use asset"), and a liability representing the obligation to make payments over the term of the contract ("lease liability"). The duration of the lease is determined considering the non-cancellable period of the contract and, where there is reasonable certainty, also by the periods considered by the extension options or connected to the failure to exercise the options for early termination of the contract.
The lease liability is recorded initially for an amount equal to the current value of the following payments due for the lease not yet made at the commencement date (i) fixed (or substantially fixed) payments, net of any incentives to be received; (ii) variable payments that depend on indices or rates; (iii) an estimate of the payment to be made by the lessee as security for the residual value of the leased asset; (iv) payment of the exercise price of the purchase option, if the lessee is reasonably certain to exercise the option; and (v) payment of contractual penalties for termination of the lease, if the lessee is reasonably certain to exercise the option.
The present value of the above payments is calculated using a discount rate equal to the interest rate implicit in the lease or, if this cannot be easily determined, using the lessee's incremental financing rate.

After initial recognition, the lease liability is valued in the same way as the amortised cost and is restated, generally as a contra-entry to the book value of the related right-of-use asset, in the presence of a change in the payments due for the lease following, primarily: (i) renegotiations of the agreement that do not give rise to a new separate lease; (ii) changes in indices or rates (to which the variable payments are correlated); or (iii) changes in the assessment regarding the exercise of the options contractually envisaged (purchase options for the leased asset, options for extension or early termination of the agreement).
The right to use a leased asset is initially recorded at cost, determined as the sum of the following components: (i) the initial amount of the lease liability; (ii) the initial direct costs incurred by the lessee; (iii) any payments made at or before the commencement date, net of any incentive received from the lessor; and (iv) the estimated costs that the lessee expects to incur in dismantling or removing the underlying asset and clearing the site or restoring the asset to the condition under the contract. Subsequent to initial recognition, the right-of-use asset is adjusted to take account of accumulated amortisation/depreciation, any impairment losses and the effects of any restatement of the lease liability. Amortisation/depreciation is based on the estimated useful life, as for owned assets or, if shorter, over the term of the lease.

Impairment of property, plant and equipment and of intangible assets with an indefinite life

At each reporting date, the Group checks whether there are indications of impairment in the carrying amounts of its non-financial assets. In the presence of these indicators, the Group estimates the recoverable value of the assets that may have been subject to impairment. The recoverable amount of goodwill and intangible assets with indefinite useful lives or which are not yet available for use is verified each year.
The recoverable amount of an asset or cash-generating unit is equal to the greater of its value in use or its *fair value* less disposal costs. To calculate value in use, the estimated future cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to identify any impairment losses, assets are grouped together in the smallest identifiable group of assets that generates cash inflows that are largely independent from the cash inflows from other assets or groups of assets ("cash-generating unit"). For the same purposes, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.
When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised. Impairment losses are taken to profit or loss. Impairment losses on cash-generating units are first taken as a reduction in the carrying amount of any goodwill allocated to the cash-generating unit and subsequently as a reduction in other assets of the unit (or group of units) in proportion to their carrying amounts.

Impairment losses on goodwill cannot be reversed. In the event of other assets, at each reporting date, the impairment losses recognised in previous years are tested for any indications that the impairment losses have decreased or no longer exist. Impairment losses on assets are reversed when there is a change in the assessments used to determine the recoverable amount. The carrying amount resulting from the reversal of impairment losses must not exceed the carrying amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had never been recognised.

Receivables and payables

Trade receivables and other receivables are valued at their amortised costs, using the effective interest rate, reduced by the impairment amount, except for the receivables held within a business model, the objective of which is achieved through the collection of contractual financial flows and through sales (*"hold to collect and sell"*). These latter are designated at *fair value* and any change of value is accounted for in the statement of comprehensive income. The losses in value of the receivables are accounted for by applying the simplified approach recommended in IFRS 9 in order to measure the bad debt reserve considering the expected loss over the life of the receivable.
In particular, the Group determines the amount of the expected losses on receivables based on the historical experience of losses on receivables, according to the ageing of receivables, and reflecting the current conditions and the estimates regarding future economic conditions.
Trade receivables and other receivables are initially designated at *fair value*, net of directly imputable accessory costs and are subsequently valued at the amortised costs, by applying the effective interest rate criterion. Receivables and payables in foreign currency are aligned to the current exchange rates at the closing date and the profit/losses deriving from this conversion are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and demand deposits.

Financial liabilities

Financial liabilities include financial payables composed of obligations arising from asset-backed financing, as well as other financial liabilities, including derivatives. Financial liabilities, other than derivative financial instruments, are initially recognised at their market value (*fair value*) minus the transaction costs; subsequently they are valued at their amortised cost and that is at their initial value, net of the repayments of principal amounts, adjusted (up or down) based on amortisation (using the method of actual interest) of any difference between the initial value and the value at the payment date.

Derivative financial instruments

Consistent with IFRS 9 standards, the derivative financial instruments are recognised according to the method set for the hedge accounting only when (*i*) a formal designation and the documentation of the hedging relationship as well as the objective and strategy of risk management by the Group at inception of the hedging are available and (*ii*) it is assumed that the hedging is effective. When the financial instruments have the characteristics to be recognised in hedge accounting, the following accounting treatments are applied:
Fair value hedge: if a derivative financial instrument is designated as hedging of an exposure to changes in the *fair value* of an asset or liability related to a particular risk that may produce effects on the income statement, the profit or loss deriving from the subsequent assessments of the *fair value* of the hedging instrument is recognised in the income statement. The profit/loss of the hedged item, related to the hedged risk, is accounted as change in the book value of this item against the income statement;
Cash flow hedge: if a derivative financial instrument is designated to hedge an exposure to the variability of future cash flows of an asset or liability or a transaction deemed to be highly probable and that may impact the income statement, the effective portion of profit/loss on the financial instruments (change in the *fair value*) is accounted in equity. The effective portion of any profit/loss amount is reversed from equity and recognised in the income statement in the same period when the hedged transaction is recognised. Any profit/loss associated to a hedging that has become ineffective, is immediately recognised in the income statement. If a hedging instrument or a hedging relationship is closed, but the transaction subject to hedging is not yet completed, the cumulated profit/loss (accounted, up to that moment, in equity) is recognised in the income statement at the time when the related transaction is realised. If the transaction subject to hedging is no longer deemed probable, the profit/loss not yet realised and accounted in equity, is immediately recognised in the income statement.
The efficacy of the hedging is determined at the beginning of the hedging relationship and through periodical assessments of the prospective efficacy in order to ensure that there is an economic relationship between the hedged item and the hedging instrument. If it is not possible to apply the hedge accounting, the profit/loss deriving from the designation at *fair value* of the derivative financial instrument is immediately accounted in the income statement. The fair value of the financial instruments listed in an active market is based on the market prices at the reporting date. The *fair value* of the instruments that are not listed in an active market is determined by using valuation techniques based on a number of methods and assumptions related to the market conditions at the reporting date. Following is a classification of the *fair values* of the financial instruments based on the following hierarchical levels:

- Level 1: *Fair value* determined with reference to listed (not adjusted) prices in active markets for identical financial instruments;
- Level 2: *Fair value* determined with valuation techniques in reference to variables identifiable in active markets;
- Level 3: *Fair value* determined with valuation techniques in reference to non-identifiable variables in active markets.

Share capital

Ordinary shares are classified in equity. Incremental costs directly attributable to the issue of ordinary shares and options on shares are recognised as a decrease in equity, net of tax.

Inventories

Inventories are measured at the lower of purchase or production cost and net realisable value. Cost is calculated considering direct materials and, where applicable, direct personnel expenses, general production costs and other costs directly attributable to bringing inventories to their current location and condition on the basis of normal production capacity. Cost is calculated using the weighted average cost method. Net realisable value reflects the estimated sale price less estimated costs to completion and estimated selling costs.

Assets and liabilities held for sale

Assets and liabilities held for sale are classified as such if the book value will be recovered mainly through the sale; this condition is considered fulfilled when the sale is highly probable and the related assets/liabilities are immediately available in the conditions in which they find themselves. Assets/liabilities held for sale are measured at the lower of the net book value and the fair value less disposal costs.

Construction contracts

Construction contracts are recognised based on the progress (or percentage of completion) according to the following assumptions: a) the product does not have an alternative use and b) the Group has the contractual right to be paid for the work carried out up to any termination. According to this criterion, the costs, revenues and margins are identified based on the activities carried out. The percentage of completion is determined applying the cost-to-cost method. The assessment reflects the best estimate of work performed at the reporting date. The assumptions at the basis of the assessments are periodically updated. Any effects of these updates on profit or loss are recognised in the year when they arise.

Contract revenue includes: contractually agreed considerations, variations in contract work, price revisions and incentive payments, to the extent that they can be reliably determined.

Contract costs include: all costs that relate directly to the contract, costs that are attributable to contract activity in general and can be allocated to the contract and any other costs that are specifically chargeable to the customer under the terms of the contract.

Contract costs also include: pre-operating costs, i.e., costs incurred in the initial start-up phase of the contract before the commissioned work begins, post-operating costs incurred after the contract is closed and, finally, costs for any services to be provided subsequent to contract completion.

In the event that the completion of a contract is expected to generate a loss, the loss will be recognised in full in the year when it becomes reasonably foreseeable.
When the profit or loss of a contract cannot be reliably estimated, contract work in progress is calculated on the basis of costs incurred, when it is reasonably expected that they will be recovered, without the recognition of a contract profit or loss.
If, after the reporting date, favourable or unfavourable events arise due to situations that were already existing at the reporting date, the recognised amounts are adjusted to reflect the consequences of such events on results of operations, financial position and equity.
Construction contracts are stated net of any allowances for write-downs and/or losses to complete contracts, as well as progress payments and advances.
In this respect, the amounts invoiced on a progress basis (progress payments) are taken as a reduction in the gross value of the contract, to the extent that they are covered, and any excess is recognised in liabilities. Conversely, the invoicing of advances is of a financial nature and is not recognised as revenue. Accordingly, advances have a mere financial nature and are always recognised in liabilities, as they are received in exchange for work to be performed.

Employee benefits

Defined contribution plans

Defined contribution plans relate to post-employment benefits whereby the Group pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay additional contributions. The contributions to be paid to defined contribution plans are recognised as an expense when incurred. Contributions paid in advance are recognised as assets to the extent that the advance payment will generate a reduction in future payments or a reimbursement.

Defined benefit plans

Defined benefit plans relate to post-employment benefits other than defined contribution plans. The Group's net obligation arising from defined benefit plans is calculated separately for each plan, estimating the amount of future benefits that employees have vested in exchange for their service in the current and previous years; these benefits are discounted, while any unrecognised costs relating to past service and the *fair value* of any plan assets are deducted from liabilities. The discount rate is the return at the reporting date on high quality bonds (rated AA) whose maturity approximates that of the Group's obligations and which are in the same currency as that in which the benefits are expected to be paid. The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit for the Group, the amount of the recognised asset is limited to the sum of any unrecognised past service cost and the present value of economic benefits available in the form of plan reimbursements or curtailments in future plan contributions.

The economic benefit is available to the Group when it can be realised over the term of the plan or when the plan liabilities are settled.
If the plan benefits are improved, the portion of the improved benefits relating to past service is recognised as a cost on a straight-line basis over the average vesting period. If the benefits are immediately vested, the cost is immediately taken to profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly and immediately in equity.

Other long-term employee benefits

The Group's net obligation for long-term employee benefits other than pension plans relates to the amount of the future benefits that employees have vested in exchange for their service in the current and previous years. This benefit is discounted, while the *fair value* of any assets is deducted from liabilities. The discount rate is the return at the reporting date on high quality bonds whose maturity approximates that of the Group's obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are taken to profit or loss when they arise.

Provisions for risks and charges

The Group recognises provisions for risks and charges when it has a legal or constructive obligation as a result of a past event, when it is probable that an outlay of resources will be required to settle the obligation and when it can reliably estimate the amount of the obligation.
Changes in estimates are taken to profit or loss when the change arises.
The amount of the provisions is equal to the present value of estimated future cash flows, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The release of the discounting of the provision is recognised as a financial expense.

Foreign currency transactions

Transactions in currencies other than the functional currency are recognised at the exchange rate in effect as at the transaction date. Monetary assets and liabilities in currencies other than the functional currency are translated at the closing exchange rate. Translation differences arising from the settlement of monetary captions or their translation at rates other than those used at initial recognition in the year or in prior year financial statements are taken to profit or loss.

Revenue from the sale of goods

Revenue from the sale of goods is measured at the *fair value* of the consideration received or due, considering any adjustments such as returns, allowances, sales discounts and bulk premiums.
Revenue is recognised when it is probable that the Group will receive the related economic benefits and the amount of the revenue can be reliably determined.
The sale of goods is recognised when the purchaser has obtained control of the goods (this moment usually coincides with the shipment or delivery of the goods).

Operating lease income

Operating lease income is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of total lease income over the term of the lease

Government research grants

Government grants are recognised in profit or loss as income when the government grant becomes collectable.

Financial income and expenses

Financial income and expenses are taken to profit or loss on an accruals basis.
In particular, interest income and expenses are recognised on an accruals basis considering the financed amount and the applicable effective interest rate, which is the rate that discounts estimated future collections/payments over the expected life of the financial asset/liability to align them to the asset's carrying amount.

Income taxes

The tax charge of the year includes the current and deferred tax charges. Income taxes are recognised in profit or loss, except for those relating to transactions taken directly to equity, which are recognised in equity as well.
Current taxes reflect the estimated amount of income taxes due, calculated on taxable income of the year, determined at the tax rates currently or substantially enacted at the reporting date, and any adjustments to the prior year balance.

Deferred taxesare recognised by calculating the temporary differences between the carrying amounts of recognised assets and liabilities and their corresponding tax bases. Deferred taxes are not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction other than a business combination that does not affect profit (or loss) or taxable income (or the tax loss), or differences relating to investments in subsidiaries or joint ventures in which it is not probable that the temporary difference will reverse in the foreseeable future.

Furthermore, the Group does not recognise deferred tax liabilities arising from the initial recognition of goodwill. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year in which the related asset will be realised or the liability settled, on the basis of the tax rates established by measures enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities on the same tax subject or other subjects that intend to settle current tax assets and liabilities on a net basis, or realise assets and settle liabilities at the same time.

Deferred tax assets are recognised insofar as it is probable that the company will generate future taxable profit against which such assets can be used. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes resulting from the distribution of dividends are recognised when the liability for the payment of the dividend is recognised.

In the presence of uncertainties in the application of the tax regulations: (i) in cases where it is considered probable that the tax authority will accept the uncertain tax treatment, income taxes (current and/or deferred) are determined according to the tax treatment applied or expected to be applied in the tax return; (ii) in cases where it is considered unlikely that the tax authority will accept the uncertain tax treatment, this uncertainty is reflected in the determination of income taxes (current and/or deferred) to be recognised in the financial statements.

Dividends

Payable dividends are recognised as changes in equity in the year when the shareholders approve them.

Use of estimates

The preparation of the consolidated financial statements and related notes in accordance with IFRS requires that management make estimates and assumptions with an effect on the carrying amounts of recognised assets and liabilities and on disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on past experience and other relevant factors. Actual results could differ from such estimates. The estimates and assumptions are periodically revised and the effects of any changes made are taken to profit or loss when the estimate is revised, if the revision has effects on that period alone, or in subsequent periods if it has effects on both the current and future periods.

A summary is provided below of the critical measurement processes and key assumptions used by management in the application of accounting policies relating to the future and which could significantly impact carrying amounts or which could entail significant adjustments to the carrying amount of assets and liabilities in the year after the reporting date.

Bad Debt Reserve

The bad debt reserve reflects management's estimated losses on the portfolio of receivables from end customers.
The estimated allowance is based on expected losses, calculated on the basis of past experience with similar receivables, current and historical past due positions, losses and collections, the careful monitoring of credit quality and projected economic and market conditions.

Recoverable amount of non-current assets

Non-current assets include buildings, plant and machinery, investment property, intangible assets, equity investments and other financial assets. Management periodically reviews the carrying amounts of non-current assets held and used and assets that will be disposed of, when events and circumstances so require, annually for goodwill and intangible assets with an indefinite life and intangible assets in progress. Management performs this review on the basis of estimated future cash flows expected from the use or sale of the asset and the appropriate discount rates to calculate present value. When the carrying amount of a non-current asset is impaired, an impairment loss is recognised equal to the excess of the asset's carrying amount over its recoverable amount through use or sale, considering the most recent plans.

Deferred tax assets and liabilities

The Group recognises current and deferred tax assets and liabilities in accordance with the current legislation enacted in the countries where it operates. The recognition of taxes requires the use of estimates and assumptions relating to how to interpret the applicable regulations concerning transactions performed in the year and their tax effect on the individual companies. Furthermore, the recognition of deferred tax assets requires the use of estimates relating to the forecast taxable income of the individual group companies and their developments, as well as the tax rates that are effectively applicable. These activities are carried out on the basis of analyses of transactions and their tax profiles, with the support, where necessary, of external advisors in relation to the various issues considered and using simulated prospective income and sensitivity analyses.

Provisions for risks and charges and potential liabilities

The Group is involved in legal and tax disputes that could create complex and difficult issues and which present varying degrees of uncertainty, including the events and circumstances relating to each dispute, the jurisdiction and the different applicable laws.
Given the uncertainties of these issues, it is difficult to predict with any certainty the amount of expenditure that could arise as a result of the disputes.
Accordingly, on the basis of its legal advisors and legal and tax experts, management recognises a liability in relation to these disputes when it believes that a financial outlay is probable and when the amount of the related losses can be reasonably estimated.

Recognition of revenues and costs relating to contract work in progress

The Group uses the percentage of completion method to account for construction contracts. The margins recognised in the income statement are a function of both the progress of the order and the margins that it is believed will be recognised on the entire work upon its completion; therefore, the correct recording of the work in progress and of the margins relating to works not yet completed presupposes the correct estimate by the directors of the revenues and the final costs, including any contractual changes and any extra costs and penalties that could squeeze the expected margin.
The use of the percentage of completion method requires the Group to estimate the costs of completion, which involves the assumption of estimates that depend on factors that are potentially changeable over time and which could therefore have significant effects on the recognition of revenues and margins in progress.

Depreciation

The cost of fixed assets is amortised on a straight-line basis over their estimated useful life. The useful economic life of the Group's fixed assets is determined by the directors at the time the fixed asset was purchased; it is based on historical experience for similar fixed assets, market conditions and forecasts regarding future events that could have an impact on their useful life, including changes in technology. The actual economic life may therefore differ from the estimated useful life. The Group periodically assesses technological and sector changes to update the residual useful life. This periodic update could lead to a change in the depreciation period and therefore also in the depreciation charge for future years.

B. NOTES TO THE MAIN FINANCIAL STATEMENTS ITEMS - INCOME STATEMENT

4. REVENUE

Revenue is analysed below:

€'000	2020	2019
Sales of electrodes	206,567	196,405
Sales of systems	38,453	28,136
Aftermarket and services	196,282	215,403
Change in Construction contracts	58,152	65,420
Total	**499,454**	**505,364**

At consolidated level, revenues amounted to €499.5 million, with an overall reduction of €5.9 million compared to the previous year; however, if the negative exchange rate effect of €9.6 million is excluded, the Group's revenues in 2020, at constant exchange rates, would have increased by €3.7 million compared to 2019.

Revenues relating to the Electrode Technologies Segment go from €299.1 million in 2019 to €290.4 million in 2020, but at constant exchange rates, the contraction in revenues is reduced to just €3.1 million (approximately -1%). Also following the effects of the pandemic, revenues showed different trends depending on the business lines, with significant progress (+28% at constant exchange rates) in the revenues of the **Electronics & Surface Finishing** business line, driven by the development of 5G technologies in ASIA and the strong demand for electronic devices such as smartphones, which offset the contractions in the **Chlorine & Caustic** (-5% at constant exchange rates) and **Specialties & New Applications** (-12% at constant exchange rates) business lines.

The revenues of the Water Technologies segment increased to €209.1 million (€213.1 million at constant exchange rates) compared to €206.2 million in 2019 (+3% at constant exchange rates). The greatest contribution to this improvement comes from the **Swimming Pool** line, the revenues of which exceeded €65 million in 2020 (+ 28% compared to the previous year), due to higher sales in De Nora Tech - US, which benefited from the increase in demand linked to the "Staycation" effect related to the COVID-19 pandemic, and in De Nora Italy S.r.l. Of the other business lines, there was an increase in sales of the **Marine Technologies** line (€3.3 million, + 67% at constant exchange rates) thanks to the acquisition of major contracts driven by higher demand for ballast water treatment plants, while the revenues of the **Electrochlorination** and **Filtration Systems** lines suffered a reduction following the slowdown in sales of new plants.

Operating lease income is classified under "Aftermarket and services" and amounted to €25,367 thousand (€25,516 thousand in 2019). It refers to electrodes and their components, leased to customers under long-term agreements. Future operating lease income, consisting of the non-cancellable lease portion (compared with the figure of the previous year), is set out in the following table:

€'000	Within one year	One to five years	Afetr five years
Non-cancellable lease portion			
At 31/12/2020	18,656	43,939	20,599
At 31/12/2019	21,018	46,240	23,588

Revenue is analysed by geographical segment below:

€'000	2020	2019
Europe, Middle East, India and Africa (EMEIA)	122,821	114,058
North and Latin Americas (AMS)	162,131	175,127
Asia and South Pacific (APAC)	214,502	216,179
Total	**499,454**	**505,364**

5. CHANGE IN INVENTORIES OF FINISHED PRODUCTS AND WORK IN PROGRESS

2020 presents an overall increase in inventories of semi-finished and finished products, amounting to €8,038 thousand, compared to the overall decrease (€-1,245 thousand) of the previous year. The 2020 increase concerned work in progress and semi-finished products.
This item also includes the amount of the release into the income statement of the excess portions of the inventory write-down provision for finished and work in progress products (€4,522 thousand in 2020 and €1,798 thousand in 2019), classified under the item "Other income " until 2019. The comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.

6. OTHER INCOME

The detail of this item is shown in the following table:

€'000	2020	2019
R&D Grants	381	164
R&D Income	431	342
Gain on sale of non-current assets	9	103
Sundry income	6,019	19,168
Total	**6,840**	**19,777**

Sundry income refers mainly to previous year income in addition to income from ancillary operations, including leases, insurance refunds and other indemnities. This figure for the previous year included, among others, the insurance compensation (€12.5 million) received by German subsidiary De Nora Deutschland for the fire that occurred in August 2018, involving part of the production plant.

Unlike in previous years, the item in question no longer includes the uses and releases of provisions for risks and charges (€13,060 thousand in 2020 and €8,756 thousand in 2019); in particular:

- the amount of the uses of provisions for risks and charges (€5,718 thousand in 2020 and €4,035 thousand in 2019) was represented to offset the cost item against which the provision was used, so as to eliminate the economic effect; in particular:
    - €1,841 thousand in 2020 and €1,029 thousand in 2019 to reduce the consumption of raw materials, consumables, supplies and goods;
    - €22 thousand in 2020 and €343 thousand in 2019 to reduce personnel expenses;
    - €219 thousand in 2020 and €228 thousand in 2019 to reduce service costs;
    - €3,636 thousand in 2020 and €2,435 thousand in 2019 to reduce other operating expenses;
- the amount of the release into the income statement of the excess portions of the provisions for risks and charges (€7,342 thousand in 2020 and €4,721 thousand in 2019) was reclassified under the item “Impairment (losses)/revaluations and Provisions for risks and charges” ", where they were originally set aside.

The comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.

7. RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

The detail of this item is shown in the following table:

€'000	2020	2019
Purchase of Raw materials	133,890	117,908
Change in inventory	4,651	5,552
Purchase of Semifinished and Finished goods	68,903	79,620
Purchase of Consumables and supplies	11,338	8,280
Purchase of Packaging material	1,072	1,489
Other purchases and related charges	20	447
(Capitalized costs related to Assets built internally)	(5,498)	(7,068)
Total	**214,376**	**206,228**

Consumption of raw materials consumables, supply and goods increased overall by €8,148 thousand, with a significant growth in purchases of noble metals, only partially offset by the contraction in purchases of semi-finished and finished products.
Capitalised costs related to assets built internally refer to costs incurred by Group companies for the internal development of projects and products subject to capitalisation; the amount indicated, €5,498 thousand in 2020 compared to €7,068 thousand in 2019, represents the amount of costs for the purchase of raw materials, ancillary materials, consumables and goods subject to capitalisation, deducted from this balance sheet item. Until 2019, these capitalised costs were instead classified under the item “Assets built internally”; the comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.
This item also includes the amount of the release into the income statement of the excess portions of the raw materials inventory write-down provision (€328 thousand in 2020 and €292 thousand in 2019), classified under the item "Other income " until 2019. The comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.

8. PERSONNEL EXPENSES

The detail of this item is shown in the following table:

€'000	2020	2019
Wages and salaries	89,831	86,963
Social security contributions	18,902	18,809
Post-employment benefits and other pension plans	2,697	3,155
Curtailment of Defined Benefit Obligations	(4,302)	-
Other personnel net (income)/expenses	3,393	3,470
(Capitalized costs related to Assets built internally)	(3,957)	(3,957)
Total	**106,564**	**108,440**

Personnel expenses decreased by a total of €1.9 million.
In 2020, the "pension plans" of the personnel of the Japanese companies were revised with the remodelling of the related obligations (from defined benefit plans to defined contribution plans), following which a net income (curtailment) €4,302 thousand was recorded.
Net of this component, personnel costs increased overall by approximately €2.5 million.

Capitalised costs related to assets built internally refer to costs incurred by Group companies for the internal development of projects and products subject to capitalisation; the amount indicated, €3,957 thousand in 2020, unchanged from the 2019 figure. This represents the amount of personnel costs subject to capitalisation, reversed in this balance sheet item. Until 2019, these capitalised costs were instead classified under the item “Assets built internally”; the comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.

The table below shows the number of employees of the De Nora Group at the year end:

	Number of employees at 31/12/2020	31/12/2019
Total	1,633	1,634

The average number of employees for the 2020 financial year is 1,636.

“Other personnel expense”, in the amount of €648 thousand, is related to retirement incentives and charges (versus €793 thousand in 2019) and, for the remaining part, to healthcare and insurance coverage, expatriate benefits and directors' remuneration.

9. SERVICES

The detail of this item is shown in the following table:

€'000	2020	2019
Outsourcing expenses	39,448	47,176
Consultancies:		
- Production and technical assistance	5,153	7,485
- Selling	641	765
- Legal, tax, administrative and ICT	9,990	9,960
- M&A and Business development	62	71
Utilities	8,020	8,933
Maintenance	11,804	12,793
Travel expenses	3,421	9,248
R&D	779	757
Statutory auditors' fees	137	135
Insurance	2,607	1,931
Rents and other lease expenses	1,754	2,029
Commissions and royalties	2,528	2,924
Freight	6,316	6,527
Waste disposal, office cleaning and security	2,826	2,615
Promotional, advertising and marketing expenses	744	1,475
Patents and trademarks	1,127	1,102
Canteen, training and other personnel expenses	1,816	2,158
Other	7,067	20,975
(Capitalized costs related to Assets built internally)	(7,089)	(17,245)
Total	**99,151**	**121,816**

The costs for services fell by a total of €22,665 thousand, thanks to less outsourcing of activities and some efficiency improvements and cost containment actions which led to savings, for example in terms of lower consultancy and travel expenses.
Capitalised costs related to assets built internally refer to costs incurred by Group companies for the internal development of projects and products subject to capitalisation; the amount indicated, €7,089 thousand in 2020, compared to €17,245 in 2019. This represents the amount of personnel costs subject to capitalisation, reversed in this balance sheet item. Until 2019, these capitalised costs were instead classified under the item "Assets built internally"; the comparative income statement was therefore appropriately reclassified in order to ensure the figures were comparable.

10. OTHER OPERATING EXPENSES

The detail of this item is shown in the following table:

€'000	2020	2019
Indirect taxes and duties	5,016	5,049
Loss on sale of non-current assets	1,152	955
Losses on receivables (net of utilization of bad debt provision)	271	-
Other expenses	1,512	1,688
Total	**7,951**	**7,692**

Other expenses mainly include previous year expenses.

Losses on receivables are shown here net of the uses of the bad debt provision (€3,530 thousand in 2020 and €905 thousand in 2019). Up to the previous year, uses of the bad debt provision were classified under the item "Other income"; the comparative income statement was therefore appropriately reclassified in order to ensure that the figures were comparable.

11. IMPAIRMENT (LOSSES)/REVALUATIONS AND PROVISIONS FOR RISKS AND CHARGES

This item, amounting to €4,292 thousand in 2020 (compared with €4,879 for the previous year), includes:

- €2,644 thousand of net provisions for risks and charges (€4,928 thousand in 2018);
- €2,446 thousand of net provisions to the bad debt provision (€95 thousand in 2019);
- €798 thousand in reinstatement of Property, plant and equipment (€144 thousand in 2019);

12. SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

The amount recorded in the financial year is equal to €3,991 thousand (compared to €5,067 thousand in the previous financial year) and represented 34% of the net result of the period for associated company ThyssenKrupp Uhde Chlorine Engineers GmbH, net of the *preferred dividends* to be paid to shareholder ThyssenKrupp Uhde GmbH (TKU) against the tax benefits deriving from the amortisation of the assets transferred by the latter (this recognition will gradually reduce over the next 15 years or so).

13. FINANCIAL INCOME

The detail of this item is shown in the following table:

€'000	2020	2019
Profit from non-current financial assets	30	86
Bank interest	195	340
Interest on trade receivables	17	1
Exchange rate gains	5,368	3,604
Fair value gains on financial instruments	2,712	2,918
Other financial income	304	214
Total	**8,626**	**7,163**

14. FINANCIAL EXPENSES

The detail of this item is shown in the following table:

€'000	2020	2019
Bank interest and interest on loans and borrowings	5,783	6,334
Exchange rate losses	10,749	6,253
Financial expenses on personnel costs	318	477
Bank fees	661	653
Fair value losses on financial instruments	2,090	2,068
Other financial expenses	4,285	3,430
Total	**23,886**	**19,215**

Other financial charges include €3,648 thousand (compared to €2,760 thousand in 2019) of financial charges on the financial liability recognised against the put option reserved for the holders of class B shares of Industrie De Nora S.p.A.. Following the sale by the Blackstone Group of its stake in Industrie De Nora S.p.A., formally completed on January 8, 2021 but whose conditions precedent ended before the end of fiscal 2020, the financial liability (€140.3 million) was zeroed as a counter-entry for the corresponding increase in shareholders' equity reserves during fiscal 2020.

15. INCOME TAXES

The detail of this item is shown in the following table:

€'000	2020	2019
Current taxes	11,427	14,517
Deferred taxes	(587)	(2,507)
Prior years taxes	651	(157)
Total	**11,491**	**11,853**

16. RECONCILIATION OF THE EFFECTIVE TAX RATE

The following table shows the reconciliation between the accrual for income taxes for the current and previous year with the theoretical tax charge that would result applying the nominal national tax rate to the profit before taxes.

€'000		2020		2019
Profit from continuing operations		32,763		28,953
Total income taxes		11,491		11,853
Profit before taxes		**44,254**		**40,806**
Income taxes at italian nominal tax rate	24.00%	10,621	24.00%	9,793
Effect of foreign tax rates - higher rate	6.23%	2,758	6.02%	2,457
Effect of foreign tax rates - lower rate	(2.23%)	(986)	(0.04%)	(15)
IRAP and other taxes	1.10%	485	1.12%	458
Tax effect of non-deductible expense	10.65%	4,715	4.34%	1,769
Tax effect of non-taxable revenue and income	(4.28%)	(1,894)	(5.87%)	(2,394)
Tax benefits	(4.28%)	(1,895)	(0.86%)	(350)
Tax losses carried forward	(5.54%)	(2,452)	(0.18%)	(73)
Change in tax rates	(0.05%)	(21)	(0.15%)	(61)
Change in previously unrecognised temporary differences	1.23%	544	(0.32%)	(132)
Other	(0.87%)	(384)	0.98%	401
Total	**25.97%**	**11,491**	**29.05%**	**11,853**

C. NOTES TO THE MAIN FINANCIAL STATEMENTS ITEMS - STATEMENT OF FINANCIAL POSITION – ASSETS

17. INTANGIBLE ASSETS

The detail of this item is shown in the following table:

€'000	31/12/2020			31/12/2019		
	Historical cost	Acc. Amortisation	Net book value	Historical cost	Acc. Amortisation	Net book value
Goodwill	61,625		**61,625**	66,924		**66,924**
Industrial patents and intellectual property rights	12,780	(11,333)	**1,447**	11,714	(10,210)	**1,504**
Concessions, licences and trademarks	32,231	(22,643)	**9,588**	26,613	(20,908)	**5,705**
Know-how and Technologies	47,014	(28,607)	**18,407**	49,792	(28,838)	**20,954**
Customer relationships	47,387	(31,441)	**15,946**	51,161	(31,212)	**19,949**
Development costs	14,349	(5,001)	**9,348**	11,201	(3,509)	**7,692**
Other	8,480	(4,715)	**3,765**	9,875	(4,954)	**4,921**
Assets under construction and advance payments	10,955		**10,955**	15,998		**15,998**
Total intangible assets	**234,821**	**(103,740)**	**131,081**	**243,278**	**(99,631)**	**143,647**

Goodwill

This item refers for €57,053 thousand to De Nora Tech LLC- US (acquired in 2005), for €1,500 thousand to the acquisition in 2015 of De Nora Ozone S.r.l. (subsequently incorporated into De Nora Water Technologies Italy S.r.l. with accounting and fiscal effect from 1 January 2018) and for €3,072 thousand to the acquisition in April 2019 of De Nora Neptune LLC-US, included in the Fracking US cash generating unit which also includes the fracking business of the former De Nora Water Technologies Texas LLC, merged by incorporation into De Nora Water Technologies LLC from 2020.

Goodwill at 31 December 2020 is allocated to the following cash generating units/group of cash generating units:

(In migliaia di Euro)	*2020*	*2019*
De Nora Tech LLC - US	57.053	62.223
Fracking US	3.072	3.201
De Nora Water Technologies Italy S.r.l.	1.500	1.500
Totale	**61.625**	**66.924**

Goodwill, which is not amortised as it has an indefinite useful life, was tested for impairment to identify whether it was impaired. The impairment testing involved the individual cash-generating units that are expected to benefit from the synergies arising from the business combination.

This analysis was based on the business plan of the CGUs. The projections have been calculated in detail for the first 4 years using the annual inertial growth rate (the “g” rate) to calculate Terminal Value.

The business plan of the CGUs was prepared on the basis of both the historical financial position and financial performance and the outlook, and also taking into consideration the strategies and expected development in the various operating segments and the general macroeconomic context.

The impairment tests were carried out using the discounted cash flow method to calculate value in use.

The discount rates applied in the various cases to calculate the present value of operating cash flows are the weighted average cost of capital (WACC), determined using the capital asset pricing model CAPM).

The parameters used to estimate the present value of cash flows are shown in the following table:

	WACC	g-rate
De Nora Tech LLC	8,0%	1,03%
Fracking US	7,9%	0,93%
De Nora Water Technologies Italy	6,2%	1,88%

The sensitivity analyses confirmed the recoverability of the carrying amount of goodwill, including in the event of material deterioration of the main financial assumptions. In particular:

- for De Nora Tech, LLC, an increase in WACC of up to approximately 15%, or zeroing of the g-rate, or the reduction of EBIT by 48% over the life of the plan and for the terminal flow would not lead to impairment losses;

- the US Fracking CGU, an increase in WACC of up to approximately 14.8%, or zeroing of the g-rate, or the halving of EBIT over the life of the plan and for the terminal flow would not lead to impairment losses;

- for the De Nora Water Technologies Italy S.r.l. an increase in WACC of up to 11.6%, or zeroing of the g-rate, or the halving of EBIT over the life of the plan and for the terminal flow would not lead to impairment losses.

Accordingly, the tests conducted do not indicate the need to recognise an impairment loss on goodwill.

In addition to the impairment tests carried out in the presence of goodwill, the other CGUs were analysed, in order to verify whether there were any indicators that the book values of the related assets could have suffered a loss in value (*impairment indicators*); the analyses carried out indicated that it would be appropriate to verify the assets pertaining to the US cash generating unit Water Technologies, regarding in particular the companies De Nora Water Technologies LLC and De Nora Marine Technologies LLC, considered jointly, net of the Fracking business already tested in the Fracking US CGU.
Also in this case, the impairment test was carried out by applying the Discounted Cash Flow method to determine the value in use, using a WACC of 8.3% and a g-rate of 1.35%. The sensitivity analyses carried out to verify the stability of the book values confirmed the recoverability of the carrying amount of of the same even in the presence of worsening changes in the main assumptions, in particular, changes of an increase in the WACC of up to approximately 8.8%, or zeroing of the g-rate, or the reduction of EBIT by up to 8% over the plan period and for the terminal flow would not lead to impairment losses.

Industrial patents and intellectual property rights

This item mainly relates to costs incurred to acquire or file new industrial patents or for the geographical extensions of existing rights. These rights are amortised on a straight-line basis over the estimated period of use.

Concessions, licences and trademarks

This item mainly consists of distribution and marketing rights acquired from third parties. It also includes software licence costs amortised over their useful lives.

Know-how and Technologies

Represents the development of specific technologies by the companies of the De Nora Group in the production and sale of its products and systems. These rights are amortised on a straight-line basis over the estimated period of use.

Customer Relationships

Represents the value of the trade relations of some of the De Nora Group companies; this are typically assets identified in the *purchase price allocation* following business combinations that involved the Group companies in previous years.

Development costs

This is the capitalisation of the development costs incurred by some group companies, relating to activities/projects where the technical and commercial feasibility for development and subsequent sale has been determined.

Other intangible fixed assets

This (€3,075 thousand in 2020 compared to €3,521 thousand in 2019) mainly includes the value of the De Nora product brands, identified in the *purchase price allocation* following business combinations that involved the Group companies in previous years.

Assets under construction and advance payments

This item relates to costs incurred to implement and develop software projects and new products which have not yet gone into use.

Changes in intangible assets for the years 2020 and 2019 are shown below, with an indication of accumulated amortisation:

€'000 Historical cost	31/12/2019	Increase	Decrease	Reclassif./Other movements	Exchange rate difference	31/12/2020
Goodwill	66,924	152	-	-	(5,451)	**61,625**
Industrial patents and intellectual property rights	11,714	624	-	496	(54)	**12,780**
Concessions, licences andtrademark	26,613	1,243	(105)	6,303	(1,823)	**32,231**
Know-how and Technologies	49,792	-	-	-	(2,778)	**47,014**
Customer relationships	51,161	-	-	-	(3,774)	**47,387**
Development costs	11,201	189	-	4,057	(1,098)	**14,349**
Other	9,875	3,450	(49)	(4,213)	(582)	**8,480**
Assets under construction and advance payments	15,998	2,493	(231)	(6,871)	(433)	**10,955**
Total intangible assets - Historical cost	**243,278**	**8,150**	**(385)**	**(229)**	**(15,993)**	**234,821**

Acc. Amortisation	31/12/2019	Increase	Decrease	Reclassif./Other movements	Exchange rate difference	31/12/2020
Industrial patents and intellectual property rights	10,210	1,144	-	-	(21)	**11,333**
Concessions, licences and trademarks	20,908	2,967	(88)	5	(1,150)	**22,643**
Know-how and Technologies	28,838	1,702	-	-	(1,933)	**28,607**
Customer relationships	31,212	2,881	-	-	(2,652)	**31,441**
Development costs	3,509	1,511	-	294	(314)	**5,001**
Other	4,954	496	(47)	(380)	(308)	**4,715**
Total intangible assets - Acc. Amortisation	**99,631**	**10,703**	**(135)**	**(81)**	**(6,378)**	**103,740**
Total intangible assets - Net book value	**143,647**	**(2,552)**	**(250)**	**(147)**	**(9,615)**	**131,081**

Investments in intangible assets, equal to approximately €8 million, refer to ICT investments mainly in the SAP area, to the capitalisation of development costs, partly recognised as an increase in intangible assets in progress, to patent rights, and to use of intellectual property.

Development costs incurred by De Nora Water Technologies Italy S.r.l. have been reclassified within Intangible assets - Assets under construction and advances. (€4,901 thousand at 31 December 2019 and €6,416 thousand at 31 December 2020), previously classified under the item Property, Plant and Equipment).

€'000 Historical cost	31/12/2018	Opening values of acquired companies	Increase	Decrease	Reclassif./Other movements	Exchange rate difference	31/12/2019
Goodwill	62,569	3,200	-	-	-	1,155	**66,924**
Industrial patents and intellectual property rights	10,569	-	749	-	385	11	**11,714**
Concessions, licences andtrademark	24,332	-	845	(21)	1,124	333	**26,613**
Know-how and Technologies	48,564	-	-	-	-	1,228	**49,792**
Customer relationships	50,155	-	-	-	-	1,006	**51,161**
Development costs	10,778	-	171	-	28	224	**11,201**
Other	9,285	-	119	-	296	175	**9,875**
Assets under construction and advance payments	9,930	-	7,874	(29)	(1,887)	110	**15,998**
Total intangible assets - Historical cost	**226,182**	**3,200**	**9,758**	**(50)**	**(54)**	**4,242**	**243,278**

Acc. Amortisation	31/12/2018	Opening values of acquired companies	Increase	Decrease	Reclassif./Other movements	Exchange rate difference	31/12/2019
Industrial patents and intellectual property rights	8,721	-	1,485	-	-	4	**10,210**
Concessions, licences and trademarks	17,580	-	3,089	(21)	(51)	311	**20,908**
Know-how and Technologies	26,520	-	1,692	-	95	531	**28,838**
Customer relationships	27,752	-	2,917	-	118	425	**31,212**
Development costs	2,344	-	1,120	-	-	45	**3,509**
Other	4,314	-	540	-	41	59	**4,954**
Total intangible assets - Acc. Amortisation	**87,231**	**-**	**10,843**	**(21)**	**203**	**1,375**	**99,631**
Total intangible assets - Net book value	**138,951**	**3,200**	**(1,085)**	**(29)**	**(257)**	**2,867**	**143,647**

18. PROPERTY, PLANT AND EQUIPMENT

The detail of this item is shown in the following table:

	31/12/2020			31/12/2019		
€'000	Historical cost	Acc. Amortisation	Net book value	Historical cost	Acc. Amortisation	Net book value
Land	30,803	(10)	**30,793**	31,992	(10)	**31,982**
Buildings	80,689	(31,334)	**49,355**	83,824	(30,111)	**53,713**
Plant and machinery	88,356	(50,190)	**38,166**	86,957	(47,766)	**39,191**
Other assets	18,737	(14,963)	**3,774**	18,970	(14,795)	**4,175**
Leased anodes	117,097	(94,963)	**22,134**	118,813	(97,976)	**20,837**
Right of use of PPE	6,079	(2,376)	**3,703**	4,525	(1,069)	**3,456**
Assets under construction and advance payments	5,971	-	**5,971**	2,692	-	**2,692**
Total Property, Plant and Equipment	**347,732**	**(193,836)**	**153,896**	**347,773**	**(191,727)**	**156,046**

Changes for the years 2020 and 2019 are shown below, with an indication of accumulated amortisation:

€'000 *Historical cost*	*31/12/2019*	*Increase*	*Decrease*	*Impairment*	*Reclassif./Other movements*	*Exchange rate difference*	*31/12/2020*
Land	31,992	-	-	-	-	(1,189)	**30,803**
Buildings	83,824	482	(68)	-	675	(4,223)	**80,689**
Plant and machinery	86,957	2,933	(1,132)	-	3,773	(4,174)	**88,356**
Other assets	18,970	581	(387)	-	531	(958)	**18,737**
Leased assets	118,813	664	(6,768)	798	8,176	(4,587)	**117,097**
Right of use of PPE:	4,525	1,745	-	-	-	(191)	**6,079**
- of which Buildings	*3,142*	*855*	-	-	-	*(137)*	***3,860***
- of which Other assets	*1,383*	*891*	-	-	-	*(54)*	***2,220***
Assets under construction and advance payments	2,692	14,751	-	-	(10,987)	(485)	**5,971**
Total Property, Plant and Equipment - Historical cost	**347,773**	**21,156**	**(8,355)**	**798**	**2,168**	**(15,807)**	**347,734**

Acc. Amortisation	*31/12/2019*	*Increase*	*Decrease*	*Impairment*	*Reclassif./Other movements*	*Exchange rate difference*	*31/12/2020*
Land	10	-	-	-	-	-	**10**
Buildings	30,111	2,824	(66)	-	140	(1,674)	**31,334**
Plant and machinery	47,766	5,730	(975)	-	-	(2,331)	**50,190**
Other assets	14,795	1,194	(345)	-	30	(710)	**14,963**
Leased assets	97,976	4,469	(5,776)	-	1,811	(3,516)	**94,963**
Right of use of PPE:	1,069	1,371	-	-	-	(64)	**2,376**
- of which Buildings	*664*	*750*	-	-	-	*(38)*	***1,376***
- of which Other assets	*405*	*622*	-	-	-	*(27)*	***1,000***
Total Property, Plant and Equipment - Acc. Depreciation	**191,727**	**15,588**	**(7,162)**	**-**	**1,980**	**(8,296)**	**193,837**
Total Property, Plant and Equipment - Net book value	**156,046**	**5,569**	**(1,194)**	**798**	**188**	**(7,511)**	**153,897**

Investments in tangible assets, amounting to €19.4 million without including rights of use of Property, plant and equipment, refer primarily to tangible assets under construction and advance payments (€14.8 million) and to plant and equipment (€2.9 million). The increases in assets under construction include approximately €5.8 million for anodes to be leased, €3.9 million of Buildings, essentially referring to the De Nora Tech LLC plant in the United States, where an expansion of the site is planned for the production of PMX on a larger scale, and €4 million of plant and machinery.

The rights to use for Buildings refer to both office and factory/warehouse rentals. The rights to use for other assets essentially include motor vehicles and office equipment. During 2020, a total of €1,623 thousand of lease instalments were paid, of which €1,479 thousand as a reduction of the financial liability and €144 thousand as interest, recorded under financial expenses. The total cost recognised in the income statement for rents and leases excluded from the scope of application of IFRS 16 amounts to €1,754 thousand.

€'000 *Historical cost*	*31/12/2018*	*Opening values of acquired companies*	*Increase*	*Decrease*	*Impairment*	*Reclassif./Other movements*	*Exchange rate difference*	*31/12/2019*
Land	30,864	-	-	-	-	308	820	**31,992**
Buildings	62,743	-	745	-	-	19,635	701	**83,824**
Plant and machinery	65,647	4,638	8,460	(488)	-	7,982	718	**86,957**
Other assets	17,094	372	832	(387)	-	736	323	**18,970**
Leased assets	110,639	-	240	(2,663)	253	7,912	2,432	**118,813**
Right of use of PPE:	-	-	4,547	-	-	-	(22)	**4,525**
- of which Buildings			*3,161*				*(19)*	***3,142***
- of which Other assets			*1,386*				*(3)*	***1,383***
Assets under construction and advance payments	22,405	-	16,423	(3)	-	(36,613)	480	**2,692**
Total Property, Plant and Equipment - Historical cost	**309,392**	**5,010**	**31,247**	**(3,541)**	**253**	**(40)**	**5,452**	**347,773**

Acc. Amortisation	*31/12/2018*	*Opening values of acquired companies*	*Increase*	*Decrease*	*Impairment*	*Reclassif./Other movements*	*Exchange rate difference*	*31/12/2019*
Land	10	-	-	-	-	-	-	**10**
Buildings	27,171	-	2,578	-	-	4	358	**30,111**
Plant and machinery	42,107	763	4,698	(294)	-	16	476	**47,766**
Other assets	13,589	72	1,239	(313)	-	(53)	261	**14,795**
Leased assets	91,229	-	6,585	(1,897)	-	-	2,059	**97,976**
Right of use of PPE:	-	-	1,107	-	-	-	(38)	**1,069**
- of which Buildings			*668*				*(4)*	***664***
- of which Other assets			*439*				*(34)*	***405***
Total Property, Plant and Equipment - Acc. Depreciation	**174,106**	**835**	**16,207**	**(2,504)**	**-**	**(33)**	**3,116**	**191,727**
Total Property, Plant and Equipment - Net book value	**135,286**	**4,175**	**15,040**	**(1,037)**	**253**	**(7)**	**2,336**	**156,046**

19. EQUITY-ACCOUNTED INVESTEES

The detail and changes in this item are shown in the following tables:

€'000	31/12/2019	Share of profit	(Dividends)	Other increases (decreases)	31/12/2020	Investment %
Thyssen Krupp Uhde Chlorine Engineers GmbH	125,541	3,991	(1,841)	(16,119)	111,572	34%
Total	**125,541**	**3,991**	**(1,841)**	**(16,119)**	**111,572**	

€'000	31/12/2018	Share of profit	(Dividends)	Other increases (decreases)	31/12/2019	Investment %
Thyssen Krupp Uhde Chlorine Engineers GmbH	134,558	5,067	(14,425)	341	125,541	34%
Total	**134,558**	**5,067**	**(14,425)**	**341**	**125,541**	

Total other decreases recognised in 2020, amounting to €16,119 thousand, refer to:

- for €15,000 thousand to the reimbursement by ThyssenKrupp Uhde Chlorine Engineers GmbH of the shareholder contribution paid by Industrie De Nora S.p.A. in 2015, as originally agreed between the parties;

- for €1,119 thousand to De Nora's share of the other components of the consolidated comprehensive income statement of ThyssenKrupp Uhde Chlorine Engineers GmbH.

With respect to the stake in ThyssenKrupp Uhde Chlorine Engineers GmbH, accounted for using the equity method, the following table also sets out the principal consolidated economic and equity data for 2020.

€'000	Intangible assets	Property, plant and equipment	Deferred tax assets	Other non current assets	Inventory	Trade receivables	Financial assets and other current receivables	Cash and cash equivalent	TOTAL ASSETS
Balance sheet	46,330	7,371	26,960	1,291	102,516	25,872	204,492	8,915	**423,747**

€'000	Equity	Deferred tax liabilities	Employee benefits	Other non current liabilities	Trade Payables	Other current payables	TOTAL LIABILITIES AND EQUITY
Balance sheet	187,735	8,598	8,607	4,659	29,555	184,593	**423,747**

€'000	Revenues	Operating costs	Financial income/ (expenses)	Income taxes	Profit for the period
Income statement	249,615	(228,889)	1,056	(6,958)	**14,824**

20. FINANCIAL ASSETS, INCLUDING DERIVATIVES

Details of the item, for non-current assets, are provided in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Financial receivables	6,605	5,357
Investments in financial assets	1,972	2,221
	8,577	**7,578**

Financial receivables refer to contracts for the sale of water treatment products (Fracking) by the company De Nora Water Technologies Texas, LLC since 2020 merged into De Nora Water Technologies LLC); since this is accounted for as a financial lease, the recorded receivable represents the current value of future instalments contractually to be collected after the end of the following financial year.

Investments in financial assets mainly refer to De Nora Tech, LLC for €1,524 thousand at 31 December 2020 (€1,625 thousand at 31 December 2019) and are to cover pension funds and supplementary company plans for employees.

Current financial assets are shown in the following table:

€'000	31/12/2020	31/12/2019
Current		
Financial receivables	-	1,162
Investments in financial assets	482	1,834
Fair value of derivatives	1,118	497
	1,600	**3,493**

Investments in financial assets in both 2020 and in 2019 relate primarily to investments by the Indian subsidiary, De Nora India Ltd, in monetary funds, which are subject to short-term time restrictions, but can be liquidated at any time.

The *fair value* of derivatives for €1,118 thousand refers to currency derivatives subscribed by the Parent Company in respect of financial receivables expressed in USD from US subsidiary De Nora Holding US Inc.

21. DEFERRED TAX ASSETS AND LIABILITIES

The Group's deferred tax assets as at 31 December 2020 amounted to €25,166 thousand, compared to €24,447 thousand as at 31 December 2019. The Group's deferred tax liabilities as at 31 December 2020 amounted to €25,363 thousand, compared to €25,616 thousand as at 31 December 2019.

Deferred tax assets and liabilities are offset when the group has the legal right to offset current tax assets and liabilities and when the deferred taxes relate to the same tax jurisdiction. Deferred tax assets on tax losses carried forward are recognised to the extent that the group expects to realise the related tax benefits as it is probable that it will generate future taxable income.

During the year, deferred taxes were recognised on the temporary differences between the carrying amounts of assets and liabilities and their tax bases.

These differences mainly arose on changes between the profit before taxation and the taxable income in one year and will reverse in one or more subsequent years.

Deferred tax assets and liabilities and the items that generated them are set out in the following table:

€'000	31/12/2020		
	ASSETS	LIABILITIES	NET
Property, plant and equipment	1,888	(10,083)	(8,195)
Intangible assets	161	(13,138)	(12,977)
Equity-accounted investees	-	(98)	(98)
Trade receivables and inventory	5,065	(879)	4,186
Financial assets/liabilities	338	(12)	326
Other assets	5,360	(197)	5,163
Employee benefits	3,454	(441)	3,013
Provisions for risks and charges	3,852	(208)	3,644
Trade payables	2,118	(27)	2,091
Other liabilities	2,930	-	2,930
Other sundry	-	(280)	(280)
Total	**25,166**	**(25,363)**	**(197)**

€'000	31/12/2019		
	ASSETS	LIABILITIES	NET
Property, plant and equipment	506	(10,143)	(9,637)
Intangible assets	194	(13,277)	(13,083)
Equity-accounted investees	-	(87)	(87)
Trade receivables and inventory	4,602	(1,192)	3,410
Financial assets/liabilities	1,862	(245)	1,617
Other assets	2,302	-	2,302
Employee benefits	5,280	-	5,280
Provisions for risks and charges	3,875	(194)	3,681
Trade payables	2,911	(168)	2,743
Other liabilities	2,915	(22)	2,893
Other sundry	-	(288)	(288)
Total	**24,447**	**(25,616)**	**(1,169)**

The following tables set out the changes that occurred during 2020 and 2019.

€'000	*31/12/2019*	*(Charges) Credits to profit or loss*	*(Charges) Credits to OCI*	*Exchange rate difference*	*31/12/2020*
Property, plant and equipment	**(9,637)**	774	-	668	**(8,195)**
Intangible assets	**(13,083)**	(651)	-	757	**(12,977)**
Equity-accounted investees	**(87)**	(23)	12	-	**(98)**
Trade receivables and inventory	**3,410**	1,097	-	(321)	**4,186**
Financial assets/liabilities	**1,617**	(1,795)	(135)	639	**326**
Other assets	**2,302**	3,284	-	(423)	**5,163**
Employee benefits	**5,280**	(2,301)	(171)	205	**3,013**
Provisions for risks and charges	**3,681**	241	-	(278)	**3,644**
Trade payables	**2,743**	(309)	-	(343)	**2,091**
Other liabilities	**2,893**	270	-	(233)	**2,930**
Other sundry	**(288)**	-	-	8	**(280)**
Total	**(1,169)**	**587**	**(294)**	**679**	**(197)**

€'000	31/12/2018	Opening values of acquired companies	(Charges) Credits to profit or loss	(Charges) Credits to OCI	Exchange rate difference	31/12/2019
Property, plant and equipment	**(5,880)**	(380)	(3,262)	-	(115)	**(9,637)**
Intangible assets	**(12,224)**	-	(552)	-	(307)	**(13,083)**
Equity-accounted investees	**(184)**		101	(4)	-	**(87)**
Trade receivables and inventory	**3,014**	146	199	-	51	**3,410**
Financial assets/liabilities	**950**	-	714	62	(109)	**1,617**
Other assets	**641**	-	1,665	-	(4)	**2,302**
Employee benefits	**4,277**	-	125	823	55	**5,280**
Provisions for risks and charges	**1,343**	75	2,245	-	18	**3,681**
Trade payables	**521**	-	2,229	-	(7)	**2,743**
Other liabilities	**2,683**	-	172	-	38	**2,893**
Other sundry	**986**	-	(1,129)	-	(145)	**(288)**
Total	**(3,873)**	**(159)**	**2,507**	**881**	**(525)**	**(1,169)**

22. INVENTORY

The detail of this item is shown in the following table.

	31/12/2020			31/12/2019		
€'000	Gross amounts	Allowance for inventory write-down	Net amounts	Gross amounts	Allowance for inventory write-down	Net amounts
Raw materials and consumables	36,234	(1,431)	34,803	45,248	(3,031)	42,217
Work in progress and semi-finished products	55,041	(5,518)	49,523	53,413	(4,894)	48,519
Finished products and goods	32,643	(3,488)	29,155	35,150	(5,201)	29,949
Goods in transit	2,701	-	2,701	775	-	775
Total	**126,619**	**(10,437)**	**116,182**	**134,586**	**(13,126)**	**121,460**

Net of the negative exchange rate losses, totalling €6,527 thousand, the increase in inventories would have been €1,249 thousand.

The change in the allowance for inventory write-down is as follows:

€'000	*Raw materials and consumables*	*Work in progress and semi-finished products*	*Finished products and goods*	*Total*
Balance at 31/12/2018	**2,415**	**4,205**	**4,656**	**11,276**
Opening values of acquired companies	555	-	-	555
Accruals of the year 2019	410	1,098	1,758	3,266
Utilisation and releases of the year 2019	(292)	(690)	(1,109)	(2,091)
Reclassifications/other changes	(82)	246	(149)	15
Exchange rate differences	25	35	45	105
Balance at 31/12/2019	**3,031**	**4,894**	**5,201**	**13,126**
Accruals of the year 2020	378	2,699	275	3,352
Utilisation and releases of the year 2020	(328)	(1,282)	(3,240)	(4,850)
Reclassifications/other changes	(1,568)	(527)	1,591	(504)
Exchange rate differences	(82)	(266)	(339)	(687)
Balance at 31/12/2020	**1,431**	**5,518**	**3,488**	**10,437**

23. CURRENT TAX ASSETS

This item, standing at €11,600 thousand at 31 December 2020 (€5,248 thousand at 31 December 2019), refers primarily to advances for income tax paid by some companies of the Group; of particular note, in Italy, is €703 thousand in receivables due from Federico De Nora S.p.A. related to the national tax consolidation agreement currently in force.

24. CONSTRUCTION CONTRACTS

Construction contracts are practically entirely attributable to the Water Technologies segment.
Details of construction contracts classified as current assets and the related progress payments and advances are detailed in the following table:

€'000	31/12/2020	31/12/2019
Current assets		
Construction contracts	77.503	114.873
(Progress payments)	(61.391)	(95.631)
Provision for losses on construction contracts	(616)	(793)
Total	15.496	18.449
Current liabilities		
Construction contracts	78.777	53.730
(Progress payments)	(86.679)	(54.014)
Advances	-	(161)
Total	(7.902)	(445)
Total Construction contracts (net of advances)	**7.594**	**18.004**

Net of the losses of €788 thousand on exchange rates, the decrease in contract work in progress (considered in total and net of contractual advances) would be €9,622 thousand; in fact, in 2020 there was good progress in work-in-progress invoicing, which reduced the gap compared to the progress of works.

25. TRADE RECEIVABLES

The detail of this item is shown in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Third parties	139	161
Bad debt reserve	(118)	(152)
Total	**21**	**9**
Current		
Third parties	88,037	89,035
Related parties	9,579	12,189
Bad debt reserve	(6,711)	(8,249)
Total	**90,905**	**92,975**

Trade receivables relate to ordinary sales and services. The Group's trade receivables decreased by €2,070 thousand from the 2019 figure; however, net of the exchange rate losses of €5,202 thousand, the trade receivables would be up by €3,132 thousand.

The carrying amount of trade receivables, net of the bad debt reserve, is deemed to approximate its *fair value*. Following are the changes in the Bad Debt Reserve:

€'000	31/12/2020	31/12/2019
Non current		
Opening balance	**152**	**160**
Accruals of the year	-	4
Utilisation and releases of the year	(31)	(63)
Reclassifications/other changes	-	50
Exchange rate differences	(3)	1
Closing balance	**118**	**152**

€'000	31/12/2020	31/12/2019
Current		
Opening balance	**8,249**	**9,128**
Opening values of acquired companies	-	141
Accruals of the year	2,839	1,265
Utilisation and releases of the year	(3,893)	(2,353)
Reclassifications/other changes	(70)	(50)
Exchange rate differences	(414)	118
Closing balance	**6,711**	**8,249**

26. OTHER RECEIVABLES

This item is shown in the following tables divided into current and non-current portions:

€'000	31/12/2020	31/12/2019
Non current		
Tax receivables	10,035	8,929
Other - third parties	2,327	2,519
Prepayments and accrued income	19	54
Related parties	52	52
Total	**12,433**	**11,554**

€'000	31/12/2020	31/12/2019
Current		
Advances to suppliers	4,717	6,896
Tax receivables	5,796	6,088
Other - third parties	1,918	4,578
Prepayments and accrued income	3,497	3,555
Total	**15,928**	**21,117**

Other receivables were down by €4,310 thousand in total (€3,493 thousand net of exchange rate gains).

Non-current tax receivables consist of VAT receivables (VAT refunds requested by the Parent Company) and other tax receivables, mainly for withholdings by the Parent Company on the collection of foreign receivables).

Current tax receivables consist primarily of VAT receivables (€5,159 thousand at the end of 2020 compared to €5,562 thousand at the end of 2019).

27. CASH AND CASH EQUIVALENTS

The detail of this item is shown in the following table:

€'000	31/12/2020	31/12/2019
Bank and postal accounts	73,824	53,300
Cash on hand	39	48
Time deposits	1,795	2,241
Cash and cash equivalents	**75,658**	**55,589**

This item is composed of the cash and bank deposits available on demand. As regards the amounts on deposits and current accounts, the related interests have been recognised on accrual basis.

Changes in cash flows are illustrated in the consolidated statement of cash flows.

D. NOTES TO THE MAIN FINANCIAL STATEMENTS ITEMS - STATEMENT OF FINANCIAL POSITION – LIABILITIES

28. EQUITY

Changes in equity in 2020 and 2019 are illustrated in the "Consolidated statement of changes in equity", while the "Consolidated statement of comprehensive income" sets out the other components of the income statement, net of the tax effects.

No dividends were distributed during 2020.

Equity attributable to the shareholders of the parent company

28.1 Share Capital

At 31 December 2020, it amounted to €16,569 thousand, unchanged from the previous year.

28.2 Legal Reserve

At 31 December 2020 it amounted to €3,314 thousand, with an increase of €10 thousand following the allocation of the previous year's result of the Parent Company.

28.3 Share Premium Reserve

At 31 December 2020, this amounted to €7,042 thousand, unchanged from the previous year.

28.4 Other Reserves

The total amount at 31 December 2020 was €350,013 thousand, a net increase of €150,366 thousand compared to the previous year, of which:

- €140,306 thousand increase due to the zeroing of the financial liability previously recognised to the Blackstone Group, with a corresponding increase in shareholders' equity reserves;

- €29,005 thousand increase due to the allocation of the previous year's result;

- €18,945 thousand reduction due to the effect of the other components of the comprehensive income statement, of which €19,888 thousand attributable to the differences deriving from the translation of the financial statements of foreign subsidiaries.

Equity attributable to non-controlling interests

The detail of this item is shown in the following table:

€'000	31/12/2020	31/12/2019
Share capital and reserves	3,826	3,877
Profit for the year (OCI)	(280)	(79)
Total	**3,546**	**3,798**

29. EMPLOYEE BENEFITS

The Group companies offer post-employment benefits to their employees both directly and by contributing to funds outside the Group. The methods by which these benefits are ensured varies on the basis of the relevant legal, tax and economic conditions in each country in which the Group operates. The benefits are normally based on employee remuneration and years of service. The obligations relate to both active and no longer active employees. The Group companies ensure post-employment benefits on the basis of defined contribution and/or defined benefit plans. With defined contribution plans, the Group companies pay public or private insurance companies contributions in accordance with legal or contractual obligations or on a voluntary basis. With payment of these contributions, the companies meet all their obligations. On the other hand, defined benefit plans may be unfunded or entirely or partially funded by contributions paid by the company and, at times, by the employees, to a company or fund that is legally separate from the company providing the employee benefits.

Post-employment benefits

This item and its changes may be analysed as follows:

€'000	31/12/2020	31/12/2019
Opening liability	22,627	20,294
Current service cost	887	801
Interest cost	249	359
Curtailment (past service cost)	-	-
Actuarial (profit) loss	629	2,262
Benefits paid	(701)	(1,089)
Closing liability	**23,691**	**22,627**

"Post-employment benefits" reflect the indemnity vested by employees in Italy over the course of their employment, which is paid when the employee leaves the company. In specific circumstances, the indemnity may be partially advanced to the employee during employment.
Under IAS 19, employee benefits that fall under the Italian regulations (so called Trattamento di fine rapporto -TFR) are considered post-employment benefits and unfunded defined benefit plans. Accordingly, they are measured using the *Projected Unit Credit Method*.

The obligation to employees is calculated by an independent actuary as follows:

- projection of the post-employment benefits (TFR) already vested at the measurement date and of the future amounts that will be vested until termination of employment or of the partial payment of vested amounts in the form of advances;

- discounting at the measurement date of the expected cash flows that will be paid to employees in the future;

- re-proportioning of discounted service costs on the basis of the seniority reached at the measurement date compared to the expected seniority when termination might occur.

The actuarial method has a technical basis consisting of the demographic and financial assumptions related to the parameters used for the calculation.

In short, the main actuarial assumptions applied to the Group companies' calculation are the following:

Financial assumptions	31/12/2020		31/12/2019	
	Italy	Germany	Italy	Germany
Annual discount rate	0.34%	0.80%	0.77%	1.90%
Annual inflation rate	0,8%	N/A	1.20%	N/A
Annual increase in obligation	2.10%	1.75%	2.40%	1.75%
Annual rate of salary increase	0,8%	2.00%	-	2.00%

The mortality assumptions are based on published statistics and mortality tables.

Pension plans

Pension plans mainly comprise obligations of the De Nora Group companies in the United States, Japan, India and, for a residual amount, the Group's Italian companies.

The existing pension plans generally provide for the payment of contributions to a trust which independently administers the plan assets. The trusts provide for fixed contributions from employees and variable contributions from employers to at least meet the minimum funding requirements provided for by legislation and regulations in each country. If the plans are overfunded, i.e., they show a surplus beyond the legal requirements, the concerned Group companies may be authorised to suspend contributions as long as they remain overfunded.

The management strategy for plan assets depends on the plan characteristics and the maturity of the obligations. Typically, long-term pension plans are financed through investments in equities. Medium and short-term plans are financed through investments in fixed-income instruments.

In short, the main actuarial assumptions applied to the Group companies' calculation are the following:

Financial assumptions	*31/12/2020*			*31/12/2019*		
	U.S.A.	India	Japan	U.S.A.	India	Japan
Annual discount rate	2.20%	6.29%	0.40%	3.05%	6.85%	0.50%
Annual rate of salary increase	N/A	8.00%	1.00%	N/A	8.00%	2.71%

Changes in pension funds are summarised below:

€'000	*31/12/2020*	*31/12/2019*
Opening provision	32,051	29,634
Current service cost	1,076	1,660
Interest cost	95	173
Benefits paid	(3,969)	(1,025)
Curtailment (past service cost)	(7,790)	611
Actuarial (profit) loss	(139)	161
Exchange rate differences	(888)	837
Closing provision	**20,436**	**32,051**

Changes in plan assets are analysed below:

€'000	31/12/2020	31/12/2019
Opening fair value of plan assets	20,688	18,480
Contributions paid	867	1,298
Benefits paid	(939)	(670)
Expected return on plan assets	88	133
Adjustment of plan assets	(3,127)	853
Exchange rate differences	(630)	594
Closing fair value of plan assets	**16,947**	**20,688**

In 2020, the "pension plans" of the personnel of the Japanese companies were revised with the remodelling of the related obligations (from defined benefit plans to defined contribution plans), following which a net income (curtailment) €4,302 thousand was recorded in the income statement.

Historical information on plans with respect to employee benefit obligations and plan assets is provided below.

€'000	2020	2019	2018	2017	2016
Present value of employee benefit obligations	44,127	54,678	49,928	47,582	50,376
Fair value of plan assets	16,947	20,688	18,480	16,919	17,318
Plan deficit	**27,180**	**33,990**	**31,448**	**30,663**	**33,058**

30. PROVISIONS FOR RISKS AND CHARGES

Details of the current and non-current portions are provided in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Provision for contractual warranties	170	87
Provision for other risks	1,979	1,984
	2,149	**2,071**
Current		
Provision for contractual warranties	7,141	7,253
Provision for other risks	1,450	2,103
	8,591	**9,356**
Total	**10,740**	**11,427**

Changes in 2020 are as follows:

€'000	Provision for contractual warranties	Provision for other risks
Balance at 31/12/2019	**7,340**	**4,087**
Accruals of the year	4,238	832
Utilisation and releases of the year	(3,793)	(822)
Other movements	(39)	-
Exchange rate differences	(435)	(668)
Balance at 31/12/2020	**7,311**	**3,429**

The "provision for contractual warranties" reflects an estimate for contractual warranties on the supply of products and plants.

The non-current portion of the "provision for other risks" includes, among others, €1,705 thousand for environmental risks and liabilities for site restoration (almost entirely allocated in previous years).
The current portion of the "provision for other risks" includes, among others, €743 thousand for tax risks allocated by De Nora do Brasil Ltda and a total of €574 thousand for claims and disputes with customers relating to De Nora Water Technologies Italy S.r.l. and to De Nora Water Technologies, LLC - Singapore Branch.

31. FINANCIAL LIABILITIES

Details of the item and its breakdown into current and non-current portions are provided in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Bank loans and borrowings	150,457	203,605
Lease payables	2,481	2,684
Fair value of derivatives	1,817	1,815
Other financial liabilities	-	136,659
	154,755	**344,763**
Current		
Bank overdrafts	-	-
Bank loans and borrowings	15,791	-
Loans and borrowings from other financial backers	83	137
Lease payables	1,400	833
Fair value of derivatives	-	26
	17,274	**996**
Total	**172,029**	**345,759**

Bank loans and borrowings

The following table breaks down the Group's indebtedness by company:

	31/12/2020			31/12/2019		
€'000	Non Current	Current	Total	Non Current	Current	Total
Industrie De Nora SpA	119,603	15,023	134,626	159,297	-	159,297
De Nora Holdings US Inc	30,854	144	30,998	44,308	-	44,308
De Nora do Brasil	-	624	624	-	-	-
Total	**150,457**	**15,791**	**166,248**	**203,605**	**-**	**203,605**

At 31 December 2020, the *fair value* of payables to banks approximates their book value.

With regard to the Parent Company, a loan agreement exists, signed on 19 October 2017 with a pool of banks led by UniCredit S.p.A.(Unicredit), Mediobanca – Banca di Credito Finanziario S.p.A. (Mediobanca) and UBI Banca S.p.A. (UBI).

The loan, originally of €160 million, was partially repaid in December 2020 for €40 million, in advance of the maturity date of 19 July 2022; the residual debt (capital line) is therefore €120 million, shown in the financial statements under non-current liabilities net of the *Upfront Fees* paid by the company to the banks at the time of signing of the contract. The loan accrues interest at Euribor 6 months + Spread, this latter set at 1.75%.

The above loan requires compliance with the following financial parameter: *Leverage:* at each half-yearly interest payment date, on 30 June and 31 December, the ratio of the Group's Net Financial Position at period end to consolidated EBITDA for the same period shall be lower than or equal to 3.25 until 30 June 2022. As at 31 December 2020, the above-mentioned parameter was comfortably met.

If, in one of the above periods, the Group is not able to comply with the above-mentioned financial parameter, it must, within 15 days of issue of the Certificate of Compliance, receive a capital injection or subordinated loan from the shareholders such to remedy the situation (Equity Cure).

In addition to this loan, the Parent Company has in place at the end of the year:

- a residual €5 million of an amortising line of €10 million granted by UBI, with a duration of 13 months expiring in May 2021, with a nominal debt rate of 0.8%;
- €10 million of a short-term loan granted by Banco BPM, maturing in March 2021, with a nominal debt rate of 0.6%.

Concurrently with the loan signed by the Parent Company, De Nora Holding Inc has also signed a loan agreement in 2017 for a total of USD 50 million with the same pool of banks. Like the Parent Company, De Nora Holding US Inc. also partially repaid this credit line (USD 12 million) in advance of the maturity date of 19 July 2022; at December 2020 the residual debt (capital line) is therefore USD 38 million, shown in the financial statements under non-current liabilities net of the *Upfront Fees* paid by the company to the banks at the time of signing of the contract. The loan accrues interest at Libor 6 months + Spread, the latter set at 1.75%.

De Nora do Brasil's payables to banks at the end of the year (€624 thousand) were recognised following a financial advance obtained against the discount of a trade payable.

Other financial liabilities

As already described in other parts of this Annual Financial Report, the financial liability that Industrie De Nora had recorded in respect of the obligation to redeem the class B Shares if their holders had exercised the right of withdrawal granted to them, has been extinguished, since the conditions for its maintenance no longer exist. Following the sale by the Blackstone Group of its stake in Industrie De Nora S.p.A., formally completed on 8 January 2021 but whose conditions precedent ended before the end of fiscal 2020, the financial liability (€140.306 thousand) was in fact zeroed as a counter-entry for the corresponding increase in shareholders' equity reserves; the corresponding financial charges for the year recorded in the income statement amounted to €3,648 thousand.

Lease payables

These represent the financial liabilities recognised in accordance with IFRS 16 "Leasing"; in particular, the payable is the obligation to make the payments foreseen over the duration of the contract. With regard to the contractual maturities of lease payables, please refer to note 35 - Information on risks.

Loans and borrowings from other financial backers

In December 2020 the remaining financial payables of De Nora Neptune (US) amounted to €83 thousand.

Fair value of derivatives

At 31 December 2020, this item totalled €1,817 thousand (compared to €1,841 thousand at 31 December 2019) and included:

- €629 thousand for the Parent Company referring to interest rate derivatives to partially hedge the bank loan of €120 million that matures in 2022;

- €1,188 thousand in negative fair value of the derivatives on the interest rates of De Nora Holding US Inc. to partially cover the existing bank loan for USD 38 million that matures in 2022.

The detail of the net financial position at 31 December 2020 and 2019 is as follows:

€'000		Note	31/12/2020	31/12/2019
A	Cash	27	39	48
B	Cash-in-hand (bank deposits)	27	75,619	55,541
C	Other current financial assets	20	1,600	3,493
D A+B+C	**Cash and cash equivalents**		**77,258**	**59,082**
E	**Current financial receivables**		**-**	**-**
F	Bank overdrafts	31	-	-
G	Current portion of bank loans	31	(15,791)	-
H	Other current financial liabilities	31	(1,483)	(996)
I F+G+H	**Current financial debt**		**(17,274)**	**(996)**
J D+E+I	**Net current financial debt**		**59,984**	**58,086**
K	Non-current portion of bank loans	31	(150,457)	(203,605)
L	Bonds		-	-
M	Other non-current financial liabilities	31	(4,298)	(4,499)
N K+L+M	**Non-current financial debt**		**(154,755)**	**(208,104)**
O J+N	**Net financial debt**		**(94,771)**	**(150,018)**
P	Other financial liabilities	31	-	(136,659)
Q O+P	**Net financial position**		**(94,771)**	**(286,677)**

32. TRADE PAYABLES

The detail of this item is shown in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Third parties	105	57
Current		
Third parties	46,261	53,153
Related parties	618	525
Total	**46,984**	**53,735**

This item primarily includes amounts related to payables for the purchase of goods and services, with due date within 12 months. It is deemed that the carrying amount of trade payables is close to their *fair value*.

Trade payables decreased at consolidated level by €6,751 thousand; however, excluding exchange rate gains of €1,969 thousand, the decrease would be €4,782 thousand.

33. TAX PAYABLES

Tax payables as at 31 December 2020 amounted to €14,221 thousand, up from €11,112 thousand at the end of 2019. At 31 December 2020, the payables to Federico De Nora S.p.A. amounted to €2,805 thousand, in respect of the national tax consolidation agreement.
Non-current payables for income taxes at 31 December 2020 amounted to €139 thousand.

34. OTHER PAYABLES

Details of the current and non-current portions are provided in the following table:

€'000	31/12/2020	31/12/2019
Non current		
Accrued expenses and deferred income	351	252
Payables to employees	782	480
Advances from customers	14	20
Other - third parties	711	94
Other - related parties	72	75
	1,930	**921**
Current		
Advances from customers	17,164	11,407
Advances from related parties	7,272	6,096
Accrued expenses and deferred income	8,002	8,113
Payables to employees	10,777	10,948
Social security charges payables	1,853	2,083
Withholding tax payables	1,250	676
VAT payables	2,001	1,305
Other tax payables	1,215	1,164
Other - third parties	975	2,981
	50,509	**44,773**
Total	**52,439**	**45,694**

Other payables increased overall by €6,745 thousand compared to the previous year; net of positive exchange differences and equal to €2,387 thousand, other payables increased by €9,132 thousand. Payables to employees relate to amounts accrued but not yet liquidated, such as holidays and bonuses. Advances from customers, both current and non-current portions, increased by €6,927 thousand, due mainly to advances collected from De Nora Deutschland GmbH and from De Nora Elettrodi (Suzhou) Ltd - Shanghai Pudong Branch, in China, on recently acquired contracts.

E. RISKS

35. RISKS

In addition to general business risks, considering its activities and financial instruments, the Group is exposed to the following risks:

- credit risk;
- liquidity risk;
- market risk.

The Group considers risk monitoring and control systems a top priority to guarantee an efficient risk management. In line with this objective, the Group has adopted a risk management system with formalised strategies, policies and procedures to ensure the identification, measurement and control of individual risks at centralised level for the entire Group.

The purpose of the Group's risk management policies is to:

- identify and analyse the risks to which the Group is exposed;
- define the organisational structure with the identification of the organisational units involved, responsibilities assigned and the system of proxies;
- identify the risk management criteria on which the operational management of risks is based;
- identify the types of transactions for which risks can be hedged.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a financial instrument causes a financial loss by not meeting an obligation. It mainly arises from the Group's trade receivables and financial investments.

Trade receivables and other assets

Credit risk is mainly due to the possibility that customers will not honour their payables to the companies of the Group at the agreed due date.
The Group has had long-term business relationships with most of its customers and losses on receivables have, in general, had a very limited impact on turnover. The Group monitors customer credit risk through reporting, which entails an analysis of exposure on the basis of the characteristics of the receivable, also considering geographical location, the business channel, the age of the receivable and past payment history.

The Group accrues a Bad Debt Reserve that reflects estimated potential losses on trade receivables and other assets, the main components of which are specific individual losses on significant past due receivables and collective losses on classes of receivables grouped by due date, based on historical experience.

Investments in financial assets

This item includes investments in the equities of listed companies, high quality corporate bonds and equity and bond funds. Given their nature and credit rating, credit risk relating to potential non-fulfilment by the issuers of financial instruments recognised as assets is negligible.

The carrying amount of the financial assets reflects the Group's maximum exposure to credit risk. This exposure at the reporting date is shown below:

	31 december	
€'000	2020	2019
Trade receivables	90,926	92,984
Investments in financial assets	3,572	4,552
Other receivables	46,566	44,438
Cash and cash equivalents	75,658	55,589
	216,722	**197,563**

Given the nature, characteristics and diversification of bonds, bond and monetary funds and shares to which the "Investments in financial assets" refer, changes in fair value during the year and cumulative changes in *fair value* are not believed to be dependent on changes in the credit risk of the related issuers.

An ageing analysis of trade receivables at the reporting date is provided below:

	31 december		% Overdue as at 31 december	
€'000	2020	2019	2020	2019
Not yet due	67,581	64,407	74%	69%
Overdue - 0-30 days	8,719	15,364	10%	17%
Overdue - 31-60 days	2,580	4,363	3%	5%
Overdue - More than 60 days	12,046	8,850	13%	10%
Total trade receivables	**90,926**	**92,984**		

The Group believes there are no reasons to assume the uncollectability of the past due trade receivables where specific provisions have not been made on the basis of specific recoverability assessments.

Liquidity risk

Liquidity risk is the risk that the Group will find it difficult to meet its obligations in connection with financial liabilities. The Group's approach to managing liquidity risk entails ensuring, insofar as possible, that it always has sufficient funds to meet its obligations at the due date, under both normal conditions and at times of financial tension, without having to incur exorbitant expense or to risk damaging its reputation.
In general, the Group ensures that it has sufficient cash and cash equivalents available on demand to meet the cash requirements of its operating cycle and investments, including the cost of financial liabilities.

The management of financial requirements and related risks is carried out by De Nora Group companies on the basis of the guidelines set by the Parent Company, Industrie De Nora S.p.A.

The parent's Corporate Finance department centrally manages the short- and long-term loan strategies, relationships with the main financing banks and the provision of the necessary guarantees. It also centrally defines any hedging policies to be implemented for financial risks. Centralised management by the parent company's Finance Department is aimed at achieving a balanced financial structure and maintaining the Group's financial soundness.

The main aim of these guidelines is to ensure that liabilities are always balanced by assets such to maintain a very sound financial position.

The contractual due dates of financial liabilities, including derivatives, are indicated below:

31 december 2020			Due date		
€'000	Carrying amount	Contractual cash flows *	0-12 months	2 years	3 years
Financial liabilities					
Bank loans and overdrafts	166,248	(166,758)	(15,791)	(150,967)	-
Loans and borrowings from other financial backers	83	(83)	(83)	-	-
Lease payables	3,881	(3,881)	(1,400)	(2,481)	-
Derivatives	1,817	(1,817)	-	(1,817)	-
Trade payables	46,984	(46,984)	(46,879)	(105)	-
Other	66,799	(66,799)	(64,730)	(2,069)	-
Total	**285,812**	**(286,322)**	**(128,883)**	**(157,439)**	**-**

* The difference between total bank loans and borrowings and the contractual cash flows is due to the upfront fees paid on the agreement of the loan and recognised in the financial statements as a decrease of the total amount payable.

31 december 2019			Due date		
€'000	Carrying amount	Contractual cash flows *	0-12 months	2 years	3 years
Financial liabilities					
Bank loans and overdrafts	203,605	(204,508)	-	-	(204,508)
Other Financial liabilities	136,659	(136,659)	-	-	(136,659)
Loans and borrowings from other financial backers	137	(137)	(137)	-	-
Lease payables	3,517	(3,517)	(833)	(2,684)	-
Derivatives	1,841	(1,841)	(26)	-	(1,815)
Trade payables	53,735	(53,735)	(53,678)	(57)	-
Advances (on construction contracts)	161	(161)	(161)	-	-
Other	56,806	(56,806)	(55,885)	(921)	-
Total	**456,461**	**(457,364)**	**(110,720)**	**(3,662)**	**(342,982)**

Management believes that currently available funds and credit facilities, in addition to the cash flows that will be generated by operating and financing activities, will enable the Group to meet its cash requirements as a result of investing activities, the management of working capital and the repayment of liabilities when they fall due.
In addition to the above, it should be noted that the UK-registered companies belonging to the De Nora Group, in particular De Nora Holding UK Limited, De Nora Water Technologies Limited and De Nora Water Technologies UK Services Limited (the "Exempted Subsidiaries"), according to the provisions of Sections 479A, 479B and 479C of the *Companies Act* 2006, are exempt from the audit of their separate financial statements at 31 December 2020.

The parent undertaking, Industrie De Nora S.p.A., has guaranteed all outstanding liabilities to which the Exempted Subsidiaries are exposed at the end at 31 December 2020, until they are satisfied in full. The guarantee is enforceable against Industrie De Nora S.p.A. by any person to whom the Exempted Subsidiaries are liable in respect of those liabilities.

The Exempted Subsidiaries are the following consolidated entities:

Company name	Company number
De Nora Water Technologies Limited	08089317
De Nora Water Technologies UK Services Limited	01254271
De Nora Holding UK Limited	09635163

Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, exchange rates and interest rates or other price risks. The aim of market risk management is to manage and control the Group's exposure to such risk within acceptable levels, while optimising the return on investments.

The Group trades in derivatives in the course of its normal operations and takes on financial liabilities to manage market risk. These transactions are performed to manage volatility in results and, accordingly, they have no speculative purpose.

Currency risk

The Group operates internationally both as buyer of goods and services and as seller of goods and services. Accordingly, it is exposed to currency risk arising from fluctuations in the currencies in which it carries out commercial transactions, particularly the US dollar. The Group's policy is to maintain a consistent balance between assets and active invoicing in foreign currency and liabilities and passive invoicing. Exchange rate risks are also mitigated by hedging the main expected future currency positions as buyer and seller; this hedging, which considers both the budgeted exchange rate and forecast exchange rate trends, is not implemented for all positions. On the unhedged portion, the exchange rate differences impact the Income Statement.
The Group uses *options* and *forward* contracts to hedge currency risk.

At 31 December 2020 there exist currency derivatives stipulated by the Parent Company in respect of loans granted in USD to American subsidiary De Nora Holding US Inc.

Interest rate risk

For investments in financial assets, interest rate risk particularly relates to the effects that changes in interest rates have on their price; impairment losses and revaluation of these assets are debited/credited to the income statement or, alternatively, directly to equity. Conversely, with respect to financial liabilities, the risk of changes in interest rates impacts profit or loss by generating lower or higher financial expense.
The Group uses derivatives to manage fluctuations in interest rates, which are mainly *"Forward Rate Agreements"* and *"Interest Rate Swaps"*.

At 31 December 2020, the following derivatives were in effect:

- derivative agreements on interest rates stipulated by the Parent Company, hedging a portion the bank loan of €120 million with maturity in 2022;

- derivative agreements on interest rates stipulated by De Nora Holding US Inc. hedging a portion of the bank loan of USD 38 million with due date in 2022.

Sensitivity analysis

Most of the Group's financial instruments bear interest at variable rates.
In assessing the potential impacts arising from changes in the interest rates applied, the Group has excluded the portion of loans that are hedged through derivative agreements as well as the fixed-rate financial liabilities.

The Group's situation is summarised in the table below.

€'000	Total
Financial liabilities	(172,539)
Hedged financial liabilities	126,893
Fixed rate financial liabilities	4,038
Financial liabilities exposed to interest rate risk	(41,609)
Financial assets exposed to interest rate risk	77,706
Total	**36,097**

The effect of a hypothetical, instantaneous and unfavourable one percent fluctuation in interest rates would be an increase in financial expenses amounting to €0.4 million.

Other price risks

These relate to the risk that the *fair value* of a financial instrument could vary for reasons other than fluctuations in interest or exchange rates. The Group is exposed to price risk as it holds equity instruments (shares) recognised under investments in financial assets.
Given the negligible absolute values of the Group's financial instruments, a sensitivity analysis is deemed not necessary.

Classification and fair value

The table below indicates the carrying amount of each financial asset and liability recognised in the Statement of Financial Position.

In addition, the following table classifies the financial assets and liabilities, designated at *fair value*, on the basis of the specific measurement method used. The different levels have been defined as described below:

- Level 1: listed prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than the listed prices in level 1, which can be observed for the asset or liability either directly or indirectly;
- Level 3: input data relating to the asset or liability that are not based on observable market data.

The financial instruments in these consolidated financial statements belong to levels 1 and 2.

			Carrying amount				
€'000	31/12/2020	Note	Loans and receivables	Investments in financial assets - Fair value	Derivatives at Fair value	Other financial liabilities	Total
Financial assets							
Cash and cash equivalents		27	75,658	-	-		75,658
Trade and other receivables		25/26	130,887	-	-		130,887
Financial assets including derivatives		20	6,605	2,454	1,118		10,177
			213,150	**2,454**	**1,118**		**216,722**
Financial liabilities							
Bank loans and borrowings		31				(166,248)	(166,248)
Loans and borrowings from other financial backers		31				(83)	(83)
Lease payables		31				(3,881)	(3,881)
Trade and other payables		32/33/34				(113,783)	(113,783)
Derivatives		31			(1,817)	-	(1,817)
					(1,817)	**(283,995)**	**(285,812)**
	Fair value						
	Level 1			**2,454**	-		
	Level 2			-	**(699)**		
	Level 3			-	-		

			Carrying amount				
€'000	31/12/2019	Note	Loans and receivables	Investments in financial assets - Fair value	Derivatives at Fair value	Other financial liabilities	Total
Financial assets							
Cash and cash equivalents		27	55,589	-	-		55,589
Trade and other receivables		25/26	130,903	-	-		130,903
Financial assets including derivatives		20	6,519	4,055	497		11,071
			193,011	**4,055**	**497**		**197,563**
Financial liabilities							
Bank loans and borrowings		31				(203,605)	(203,605)
Other financial liabilities		31				(136,659)	(136,659)
Loans and borrowings from other financial backers		31				(137)	(137)
Lease payables		31				(3,517)	(3,517)
Advances on construction contracts		25				(161)	(161)
Trade and other payables		32/33/34				(110,541)	(110,541)
Derivatives		31			(1,841)	-	(1,841)
					(1,841)	**(454,620)**	**(456,461)**
	Fair value						
	Level 1			**4,055**	-		
	Level 2			-	**(1,344)**		
	Level 3			-	-		

F. SEGMENT REPORTING

36. SEGMENT REPORTING

Starting from 2015, following the acquisition of the Water Purification companies and Ozono Elettronica Internazionale S.r.l., the Group has identified two operating business segments for reporting purposes:

- *Electrode Technologies segment*: includes the offer of metal electrodes coated by special catalysts, suitable to many applications. The metal electrodes produced by the Group are used in basic chemicals, chlorine derivatives, in the cellulose and paper industry, in electronics, the galvanic sector, the marine sector, in preventing corrosion of structures in reinforced concrete and metallic structures and in the electrochlorination of swimming pools;

- *Water Technologies Segment*: includes the offer related to water treatment systems, including equipment, systems and plants for the sanitisation and filtration of drinking and waste water.

In support of these operating segments there are the Corporate activities centralised in the Parent Company Industrie De Nora S.p.A: the activities relating to these central functions are shown separately in the reports made to the highest level of operational decision-making.

The income statement for each segment for financial years 2020 and 2019 is provided below:

	2020			
€m	Group Total	Electrode Technologies segment	Water Technologies segment	Corporate segment
Revenues	**499.5**	**290.4**	**209.1**	**-**
Royalties and commissions	(4.5)	(2.3)	(2.2)	-
Cost of goods sold	(320.7)	(180.6)	(140.1)	-
Selling expenses	(23.9)	(7.8)	(16.1)	-
G&A expenses	(59.7)	(20.1)	(19.2)	(20.4)
R&D expenses	(9.5)	(0.4)	(1.8)	(7.3)
Other operating income (expenses)	(0.6)	0.2	(1.5)	0.7
Intersegment operating income	-	-	-	40.0
Intersegment operating expenses	-	(25.4)	(14.6)	-
Gross operating profit	**80.6**	**54.0**	**13.6**	**13.0**
Depreciation and amortisation	(26.4)			
Impairment	0.8			
Provisions for risks and charges	0.6			
Operating profit	**55.6**			
Share of profit of equity-accounted investees	4.0			
Financial income	8.6			
Financial expenses	(23.9)			
Profit before taxes	**44.3**			
Income taxes	(11.5)			
Profit (loss) for the year from continuing operations	**32.8**			
Profit (loss) from discontinued operations / assets held for sale	-			
Profit for the period	**32.8**			

€m	*2019*			
	Group Total	*Electrode Technologies segment*	*Water Technologies segment*	*Corporate segment*
Revenues	**505.4**	**299.1**	**206.3**	**-**
Royalties and commissions	(5.0)	(2.5)	(2.5)	-
Cost of goods sold	(336.6)	(194.3)	(142.3)	-
Selling expenses	(28.7)	(9.3)	(19.4)	-
G&A expenses	(62.8)	(24.6)	(18.2)	(20.0)
R&D expenses	(10.6)	(0.8)	(2.4)	(7.4)
Other operating income (expenses)	14.0	12.1	0.3	1.6
Intersegment operating income	-	-	-	41.0
Intersegment operating expenses	-	(27.0)	(14.0)	-
Gross operating profit	**75.7**	**52.7**	**7.8**	**15.2**
Depreciation and amortisation	(27.0)			
Impairment	0.1			
Provisions for risks and charges	(1.0)			
Operating profit	**47.8**			
Share of profit of equity-accounted investees	5.1			
Financial income	7.2			
Financial expenses	(19.2)			
Profit before taxes	**40.9**			
Income taxes	(11.9)			
Profit (loss) for the year from continuing operations	**29.0**			
Profit (loss) from discontinued operations / assets held for sale	-			
Profit for the period	**29.0**			

The statement of financial position for each segment at 31 December 2020 and 31 December 2019 respectively is provided below:

€m	31 december 2020 *			
	Group Total	Electrode Technologies segment	Water Technologies segment	Corporate segment
Uses				
Property, plant and equipment	153.9	*125.8*	*9.2*	*18.9*
Intangible assets	131.1	*82.0*	*47.0*	*2.1*
Intangible assets	111.6	-	-	-
Non-current assets	**396.6**	***207.8***	***56.2***	***21.0***
Inventory	116.2	*94.6*	*21.6*	*0.0*
Trade receivables	90.9	*59.9*	*29.9*	*1.1*
Trade payables	(46.9)	(27.8)	(13.8)	(5.3)
Construction contracts	7.6	(1.4)	9.0	0.0
Other current assets and liabilities	(37.2)	(29.6)	(5.9)	(1.7)
Operating working capital	**130.6**	**95.7**	**40.8**	**(5.9)**
Other non-current assets and liabilities	18.8	-	-	-
Provisions for risks and charges	(10.7)	-	-	-
Employee benefits	(27.2)	-	-	-
Deferred tax assets / (liabilities)	(0.2)	-	-	-
Net invested capital	**507.9**	**303.5**	**97.0**	**15.1**
Sources				
Equity	413.1	-	-	-
Net financial position	94.8	-	-	-
Sources of funds	**507.9**	-	-	-

*: Balance sheet data represent the contribution of each segment to consolidated data, so net of IC eliminations. Each entity has been entirely allocated to one segment considering the main activity.

€m	31 december 2019 *			
	Group Total	Electrode Technologies segment	Water Technologies segment	Corporate segment
Uses				
Property, plant and equipment	156.1	*125.7*	*11.3*	*19.1*
Intangible assets	143.6	*93.7*	*47.2*	*2.7*
Intangible assets	125.5	-	-	-
Non-current assets	**425.2**	***219.4***	***58.5***	***21.8***
Inventory	121.5	*101.4*	*20.1*	*0.0*
Trade receivables	93.0	*62.0*	*30.0*	*1.0*
Trade payables	(53.7)	(33.6)	(14.9)	(5.2)
Construction contracts	18.0	5.6	12.4	0.0
Other current assets and liabilities	(29.5)	(20.4)	(10.0)	0.9
Operating working capital	**149.3**	**115.0**	**37.6**	**(3.3)**
Other non-current assets and liabilities	18.2	-	-	-
Provisions for risks and charges	(11.4)	-	-	-
Employee benefits	(34.0)	-	-	-
Deferred tax assets / (liabilities)	(1.2)	-	-	-
Net invested capital	**546.1**	**334.4**	**96.1**	**18.5**
Sources				
Equity	259.4	-	-	-
Net financial position	286.7	-	-	-
Sources of funds	**546.1**	-	-	-

*: Balance sheet data represent the contribution of each segment to consolidated data, so net of IC eliminations. Each entity has been entirely allocated to one segment considering the main activity.

As regards the performance and the outlook for the Electrode and Water Technologies segments, see also the Directors' Report.

G. RELATED PARTY TRANSACTIONS

37. RELATED PARTY TRANSACTIONS

Related party transactions, as defined by IAS 24, are mainly related to trading, administrative and financial transactions carried out with related parties by the Parent Company, Industrie De Nora S.p.A., and its subsidiaries. They are carried out as part of ordinary operations, within the scope of the core business of each party and take place on an arm's length basis.

Intragroup transactions are in the Group's interests of exploiting existing synergies in terms of production and sales integration, the efficient use of expertise and the streamlined use of corporate units and financial resources. In addition to sales of goods and services by and to the industrial subsidiaries, service expenses are recharged for management and coordination activities, as well as royalties charged for the use of intellectual properties. Intragroup transactions have been eliminated in the preparation of these consolidated financial statements.

The following table sets out the economic and equity relations with related parties in the year ended 31 December 2020:

	2020							
	Revenue		Expense		Receivables		Payables	
€'000	of the Parent	of the Others	of the Parent	of the Others	of the Parent	of the Others	of the Parent	of the Others
Joint ventues and Associates:								
Thyssen Krupp Uhde Chlorine Engineers	65	66,615	4	1,040	38	9,522	17	7,892
Other related parties:								
Federico De Nora S.p.A.	2	48	55	30	3	719	1,949	909
MDN Holding S.p.A.	-	-	-	-	45	7	-	-
BTO Feather Holdings S.a.r.l. - Luxembourg	-	-	3,626	-	-	-	-	-
BTO Feather Holdings ESC (Mauritius) Ltd.	-	-	22	-	-	-	-	-
Total	**67**	**66,663**	**3,707**	**1,070**	**86**	**10,248**	**1,966**	**8,801**

And the comparative figures at 31 December 2019:

	2019							
	Revenue		Expense		Receivables		Payables	
€'000	of the Parent	of the Others	of the Parent	of the Others	of the Parent	of the Others	of the Parent	of the Others
Joint ventues and Associates:								
Thyssen Krupp Uhde Chlorine Engineers	58	78,663	36	646	20	12,154	49	6,582
Other related parties:								
Federico De Nora S.p.A.	2	46	62	30	2	750	392	1,525
MDN Holding S.p.A.	-	-	-	-	45	7	-	-
Norfin S.p.A.	2	-	-	-	-	-	-	-
BTO Feather Holdings S.a.r.l. - Luxembourg	-	-	2,743	-	-	-	135,838	-
BTO Feather Holdings ESC (Mauritius) Ltd.	-	-	17	-	-	-	821	-
Total	**62**	**78,709**	**2,858**	**676**	**67**	**12,911**	**137,100**	**8,107**

In 2020, the Group realised operating revenues from Joint Venture ThyssenKrupp Uhde Chlorine Engineers GmbH and its subsidiaries totalling €66.7 million (€78.7 million in 2019), mainly from the sale of electrodes and elements, and incurred operating costs of approximately €1 million (€0.7 million in 2019).

Some of the related party transactions are:

- revenues from the parent company Federico De Nora S.p.A. relate to the provision of services of an administrative nature, and the costs refer to the recharging of services to carry out corporate obligations and provide treasury and legal assistance services, while the receivables and payables are essentially of a tax nature, relating to the national tax consolidation contract between Federico De Nora S.p.A. and the Italian companies of the Group;

- the relations with the companies BTO Feather Holdings S.a.r.l.- Luxembourg and BTO Feather Holdings ESC (Mauritius) Ltd., companies that hold class B Shares of the Parent Company's capital, regard the non-current financial liability that was recognised in respect of these companies and which, as already described in other parts of this Annual Financial Report, was zeroed at the end of 2020.

Remuneration received by key management personnel in 2020 totalled €4.2 million, compared to €7.2 million in 2019, this last inclusive of a long-term incentive bonus.

The impact of related party transactions on the total of the financial statement items is shown below:

	2020										
€'000	Revenues and other income	Raw materials, consumables, supplies and goods	Services	Other operating costs	Financial income	Financial charges	Trade and other receivables	Trade and other payables	Current financial assets	Current financial liabilities	Noncurrent financial liabilities
Related party transactions	66.7	0.5	0.6	-	-	3.6	10.3	10.8	-	-	-
Amount in Financial statements	506.3	214.4	99.2	8.0	8.6	23.9	130.9	113.8	1.6	17.3	154.8
%	13.2%	0.2%	0.6%	0.0%	0.0%	15.1%	7.9%	9.5%	0.0%	0.0%	0.0%

	2019										
€'000	Revenues and other income	Raw materials, consumables, supplies and goods	Services	Other operating costs	Financial income	Financial charges	Trade and other receivables	Trade and other payables	Current financial assets	Current financial liabilities	Noncurrent financial liabilities
Related party transactions	78.8	0.3	0.4	-	-	2.8	13.0	8.5	-	-	136.7
Amount in Financial statements	525.1	206.2	121.8	7.7	7.2	19.2	130.9	110.5	3.5	1.0	344.8
%	15.0%	0.1%	0.3%	0.0%	0.0%	14.6%	9.9%	7.7%	0.0%	0.0%	39.6%

H. DIRECTORS', STATUTORY AUDITORS' AND INDEPENDENT AUDITORS' FEES

38. DIRECTORS', STATUTORY AUDITORS' AND INDEPENDENT AUDITORS' FEES

Pursuant to article 38 of Legislative Decree 127/91, the fees paid to the directors and statutory auditors of the Parent Company, Industrie De Nora S.p.A., for performance of their duties, and the independent auditors' fees for the audit of the consolidated financial statements are detailed below:

- directors' fees of €672 thousand in 2020 (€748 thousand in 2019);
- statutory auditors' fees of €137 thousand in 2020 (€135 thousand in 2019);
- independent auditors' fees for the audit of the separate and consolidated financial statements of €970 thousand in 2020 (€1,021 thousand in 2019), including the work performed on the reporting packages prepared by the foreign subsidiaries for consolidation purposes.

I. RECONCILIATION OF THE PROFIT FOR THE YEAR AND EQUITY OF INDUSTRIE DE NORA S.p.A. AND THE GROUP

39. RECONCILIATION OF THE PROFIT FOR THE YEAR AND EQUITY OF INDUSTRIE DE NORA S.P.A. AND THE GROUP

The profit for the year and equity of Industrie De Nora S.p.A. are reconciled with those of the Group taken from the consolidated financial statements in the table below:

€'000	*Profit for the period 2020*	*Equity 31/12/2020*
As for the financial statements of Industrie De Nora S.p.A.	**19,617**	**286,654**
Dividends collected by the Parent	(20,420)	-
Equity-accounted equity investments in JV/associates	3,968	8,960
Adjusted profit of subsidiaries and difference between adjusted equity of the consolidated companies and relevant carrying amount	29,547	117,395
Consolidated entries of the Parent	51	109
As per the consolidated financial statements of the De Nora group	**32,763**	**413,118**

L. EVENTS AFTER THE REPORTING DATE

40. EVENTS AFTER THE REPORTING DATE

On 8 January 2021, the transaction which brought Snam, through its subsidiary *Asset Company 10 S.r.l.*, into the share ownership structure of Industrie De Nora S.p.A. was closed.

The shareholders *BTO Feather Holdings S.à r.l* and *BTO Feather Holdings ESC (Mauritius) Ltd.* have in fact sold their respective stakes (totalling 54,021,800 class B shares) in the share capital of the Parent Company Industrie De Nora S.p.A. to the Italian company called *Asset Company 10 S.r.l*; as shareholder *Cordusio Fiduciaria S.p.A.* also sold all its shares (1,484,990 class C shares and 9,600 class D shares, for a total of 11,993,767 class B shares following the conversions envisaged by the articles of association of Industrie De Nora S.p.A.) to *Asset Company 10 S.r.l.*

Following this operation, as at 8 January 2021 the share capital of Industrie De Nora S.p.A. totalled €16,569,459, divided into 176,193,767 shares, with no indication of nominal value, of which (i) 110,178,200 class A shares, and (ii) 66,015,567 class B Shares, not represented by share certificates, owned by the following shareholders:

- *FEDERICO DE NORA S.p.A*
91,125,100 class A shares;

- *NORFIN S.p.A.*
12,433,540 class A shares;

- *Mr. FEDERICO DE NORA*
6,619,560 class A shares;

- *Asset Company 10 S.r.l.*
66,015,567 class B shares.

On behalf of the Board of Directors
The Managing Director
Paolo Enrico Dellachà

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
Industrie De Nora SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Industrie De Nora Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in the net consolidated equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and 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 this report. We are independent of Industrie De Nora SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Industrie De Nora SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements

represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Industrie De Nora SpA are responsible for preparing a report on operations of the Industrie De Nora Group as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Industrie De Nora Group as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Industrie De Nora Group as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 21 May 2021

PricewaterhouseCoopers SpA

Signed by

Francesco Ronco
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

DE NORA

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