CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

Re-stated in accordance with IFRS and prepared for specific purposes

Contents

Consolidated financial statements

www.sicitgroup.com
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Statement of profit or loss and other comprehensive income

(in thousands of Euros)	2019	2018
Revenue	**56,656**	**55,143**
Cost of sales	(31,836)	(32,953)
Gross operating profit	**24,820**	**22,190**
Trade costs	(4,011)	(3,404)
Research and development	(1,663)	(1,273)
General and administrative costs	(14,897)	(3,003)
Other income	546	1,626
Operating profit	**4,795**	**16,136**
Net financial income	3,852	234
Profit before tax	**8,647**	**16,370**
Taxes	(4,444)	(4,294)
Profit for the year	**4,203**	**12,076**
Attributable to		
Owners of the parent	4,203	12,076
Non-controlling interests	-	-
Earnings per share		
Basic	0.214	1.443
Fully diluted	0.185	1.443

Profit for the year	**4,203**	**12,076**
Other items of comprehensive income that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability	19	14
Related tax	(5)	(3)
Other items of comprehensive income that are or may be reclassified subsequently to profit or loss		
Foreign operations - Foreign currency translation differences	15	2
Related tax	-	-
Profit for the year	**4,232**	**12,089**

Basic earnings per share are calculated on the number of shares outstanding, equal to 8,366,602 at 31 December 2018 and 19,644,978 shares at 31 December 2019. Diluted earnings per share at 31 December 2019 is calculated on the basis of the number of ordinary shares outstanding (19,644,978), the maximum number of ordinary shares deriving from the conversion of special shares (1,170,000) and the maximum number of shares deriving from the exercise of warrants outstanding (1,846,907).

Statement of financial position

(in thousands of Euros)	Note	**31.12.19**	**31.12.18**
Intangible assets	10	485	259
Property, plant and equipment	11	48,845	43,253
Equity investments		-	-
Financial assets	12	44	44
Deferred tax assets	13	2,152	267
Total non-current assets		**51,526**	**43,823**
Inventories	14	10,421	9,960
Trade receivables	15	10,895	9,787
Other assets	16	6,147	3,317
Cash and cash equivalents	17	29,603	15,138
Total current assets		**57,066**	**38,202**
Total assets		**108,592**	**82,025**
Share capital		2,439	8,367
Reserves and undistributed earnings		82,263	46,218
Profit for the year		4,203	12,076
Total equity attributable to the owners of the parent		**88,905**	**66,661**
Equity attributable to non-controlling interests		-	-
Total equity	18	**88,905**	**66,661**
Financial liabilities	19	29	255
Employee benefits	20	455	264
Provisions for risks and charges	21	-	-
Deferred tax liabilities	13	2,339	2,338
Total non-current liabilities		**2,823**	**2,857**
Financial liabilities	19	6,303	1,366
Trade payables	22	7,949	9,085
Other non-financial liabilities	23	2,612	2,048
Employee benefits	20	-	8
Total current liabilities		**16,864**	**12,507**
Total liabilities		**19,687**	**15,364**
Total equity and liabilities		**108,592**	**82,025**

Statement of cash flows

(in thousands of Euros)	Note	**2019**	**2018**
Profit for the year		**4,203**	**12,076**
Adjustments for			
Amortisation	6	103	78
Depreciation	6	4,403	4,309
Accruals to provisions	15	110	119
Net financial income	8	(3,852)	(234)
IFRS 2 listing cost	6	10,202	-
Other non-cash items		(3)	(4)
Income taxes	9	4,444	4,294
Cash flows from operating activities before changes in net working capital		**19,610**	**20,638**
Increase in inventories	14	(402)	(1,696)
(Increase)/decrease in trade receivables	15	869	(263)
Increase/(decrease) in trade payables	22	(2,436)	2,200
Increase in other assets/liabilities		(780)	(3,503)
Increase/(decrease) in employee benefits	20	82	(78)
Interest received		1	129
Income taxes paid		(4,299)	(3,139)
Cash flows from operating activities (a)		**12,645**	**14,288**
Acquisition of property, plant and equipment	11	(9,761)	(9,333)
Acquisition of intangible and financial assets	10	(313)	(201)
Proceeds from the sale of property, plant and equipment and intangible a:		-	-
Acquisition of subsidiaries net of cash and cash equivalents		625	-
Cash flows used in investing activities (b)		**(9,449)**	**(9,534)**
New loans	19	-	2,097
Repayments of borrowings	19	(1,347)	(476)
Merger contribution	18	30,523	-
Dividends paid	18	(17,722)	(6,693)
Purchase of treasury shares	18	(1,004)	-
Capital increase against consideration	18	819	-
Cash flows from (used in) financing activities (c)		**11,268**	**(5,072)**
Total cash flows (a+b+c)		**14,465**	**(318)**
Opening cash and cash equivalents		**15,138**	**15,456**
Closing cash and cash equivalents		**29,603**	**15,138**

Statement of changes in equity

(in thousands of Euros)	Share capital	Legal reserve	Share premium reserve	Fair value reserve	Realignment reserve	Extraordinary reserve	Other reserves	Consolidation reserve	Reserve for treasury shares	Reserve for warrants	FTA reserve	OCI reserve	Retained earnings	Profit for the year	**Total equity**	Equity attributable to non-controlling interests	**Total equity**
Balances at 31.12.17	**8,367**	**1,673**	**5,161**	**7,146**	**1,508**	**24,525**	**(1)**	**-**	**-**	**-**	**(25)**	**(1)**	**-**	**12,912**	**61,266**	**-**	**61,266**
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,693)	(6,693)	-	(6,693)
Profit allocation	-	-	-	-	-	6,228			-	-	-	-	-	(6,228)	-	-	-
Other reclassifications	-	-	-	-	-	-	(9)	-	-	-	-	-	-	9	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	12,076	12,076	-	12,076
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	11	-	-	11	-	11
Balances at 31.12.18	**8,367**	**1,673**	**5,161**	**7,146**	**1,508**	**30,753**	**(10)**	**-**	**-**	**-**	**(25)**	**11**	**-**	**12,076**	**66,661**	**-**	**66,661**
Dividends	-	-	-	-	-	(11,048)	-	-	-	-	-	-	-	(6,674)	(17,722)	-	(17,722)
Profit allocation	-	-	-	-	-	5,570	-	-	-	-	-	-	(168)	(5,402)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(1,004)	-	-	-	-	-	(1,004)	-	(1,004)
Issue of warrants	-	-	-	-	-	-	-	-	-	(4,483)	-	-	-	-	(4,483)	-	(4,483)
Conversion of warrants	1	-	-	-	-	-	-	-	-	209	-	-	-	-	210	-	210
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	4,203	4,203	-	4,203
Capital increase	818	-	-	-	-	-	-	-	-	-	-	-	-	-	818	-	818
Sprint-Italy merger	(6,746)	(1,367)	74,976	-	-	(25,275)	-	-	-	(3,260)	-	-	-	-	38,328	-	38,328
Other changes	-	-	-	-	-	-	17	1,892	-	-	-	-	-	-	1,907	-	1,907
Other comprehensive expense	-	-	-	-	-	-	-	-	-		-	(14)		-	(14)	-	(14)
Balances at 31.12.19	**2,440**	**306**	**80,138**	**7,146**	**1,508**	**-**	**7**	**1,892**	**(1,004)**	**(7,534)**	**(25)**	**(4)**	**(168)**	**4,203**	**88,905**	**-**	**88,905**

Notes to the consolidated financial statements

1. General information

The Sicit Group (the "Group") manufactures and sells of products for the agricultural and industrial sectors, in Italy and abroad, in addition to disposing of the by-products of leather tanning companies.

The parent, Sicit Group S.p.A., (formerly Sicit 2000 S.p.A., "Sicit 2000" or the "Parent") operates from the Chiampo (VI) headquarters and the Arzignano (VI) branch.

Sicit Group S.p.A. uses a hydrolysis process to transform the processing residues and waste of leather tanning into protein hydrolysates used as biostimulants for agriculture, retardants for the gypsum industry and animal fat for industrial uses.

Sicit Group is the result of the merger of Sicit 2000 S.p.A. ("Sicit 2000") into SprintItaly S.p.A. ("SprintItaly"), a company listed on the AIM Italia segment of Borsa Italiana S.p.A. (the "Merger"). The Merger became effective for third parties on 20 May 2019 (the "**Relevant transaction**"). For additional information, reference should be made to Note 3. Relevant transaction.

2. Format and content of the consolidated financial statements

The consolidated figures at 31 December 2019, restated in accordance with the IFRS (International Financial Reporting Standards) for specific purposes ("Restated IFRS figures"), have been prepared for inclusion in the Prospectus that the company will prepare pursuant to article 94.1 and 2 of Legislative decree no. 58 of 24 February 1998 ("Consolidated finance act" or "TUF"), for the admission to trading of its ordinary shares on the Italian electronic stock exchange ("MTA") organised and managed by Borsa Italiana S.p.A..

These Restated IFRS figures derive from the financial statements of Sicit Group S.p.A. at 31 December 2019, prepared in accordance with Italy's reporting standards (OIC) and the reporting packages of Sicit Group S.p.A.'s subsidiaries, i.e., Sicit Commercial Consulting Shanghai LTD, Sicit USA Inc. and Sicit Chemitech, drawn up for consolidation purposes in accordance with the Group's accounting policies.

The consolidation scope changed as follows during the year:

- definition of the Relevant transaction, for which reference should be made to Note 3. Relevant transaction;
- acquisition of Sicit Chemitech S.p.A., which joined the consolidation scope on 2 May 2019, for which reference should be made to Note 3. Relevant transaction.

Each caption of the statements of financial position, profit or loss and other comprehensive income and cash flows is accompanied by the corresponding figures at 31 December 2018 derived from the Consolidated Financial Statements at 31 December 2017 and 31 December 2018 of the group headed by Sicit 2000 and restated in accordance with the IFRS. The Group prepared consolidated financial statements at 31 December 2018 and 31 December 2017 which already include the effects of the IFRS adoption, for the sole purpose of their inclusion in the Prospectus.

The consolidated financial statements of Sicit Group at 31 December 2019 are the first set of annual financial statements prepared after the completion of the Relevant transaction.

These consolidated financial statements at 31 December 2019, prepared for the purposes described earlier and assuming that the Parent and the other consolidated companies will continue to operate as a going concern, have been drawn up pursuant to articles 2 and 3 of Legislative decree no. 38/2005 and in accordance with the IFRS issued by the International Accounting Standards Board and endorsed by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the International Accounting Standards (IAS) and the interpretations of the Standard Interpretations Committee (SIC) still in force. For the sake of simplicity, all standards and interpretations are referred to as "IFRS".

These consolidated financial statements comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity, a statement of cash flows and these notes, prepared in accordance with IAS 1 - Presentation of Financial Statements and the general criterion of historical cost, except for those captions that, under IFRS, are recognised at fair value, as described in the measurement criteria of the individual captions described in note 4.

The statement of financial position classifies assets and liabilities as current and non-current. The statement of profit or loss and other comprehensive income classifies items by function. The statement of cash flows has been prepared using the indirect method. The IFRS have been applied consistently with the indications set out in the Conceptual Framework for Financial Reporting. There were no critical issues that led to departures pursuant to IAS 1.19.

All amounts are in thousands of Euros, unless otherwise indicated.

The Euro is the Parent's functional currency as well as the presentation currency of these consolidated financial statements. For comparative purposes, each caption is accompanied by the corresponding prior year balances, as described earlier.

3. Relevant transaction

The main steps of the transaction that led to the Merger are summarised below.

Prior to the Merger, SprintItaly was a company set up as a SPAC (special purpose acquisition company), listed on the AIM Italia segment managed by Borsa Italiana S.p.A.. Its business purpose was the research and selection of operating companies (target companies) for acquisition purposes, to be carried out through the subscription or purchase and sale of investments in the selected target company, or a combination with the target company, to which the funds raised by placing its own ordinary shares on the AIM Italia segment (a business combination) would be allocated. After researching Italian companies, with a focus on medium-sized, unlisted companies with a high growth potential, SprintItaly identified Sicit 2000 as the target company with which the business combination would be carried out.

Sicit 2000 (now Sicit Group S.p.A.) was founded in 1960 in Chiampo and was one of the first companies in the world to introduce protein hydrolysates of animal origin into the global market of biostimulants for agricultural uses. Sicit Group S.p.A. uses a hydrolysis process to transform the processing residues and waste of leather tanning into a high value-added product used in agriculture (biostimulants) and in the gypsum industry (retardants). Sicit is a global leading operator and supplies the main operators in the agronomic, agrochemical and industrial sectors, with a business model inspired by the circular economy.

With the aim of strengthening its development and growth path, both through internal and external actions, on 11 January 2019, Sicit 2000, together with the ultimate parent Intesa Holding S.p.A. ("Intesa Holding"), signed a framework agreement with SprintItaly to carry out the business combination, specifically through the Merger, subject to SprintItaly's acquisition of a non-controlling interest in the share capital of Sicit 2000. As a result of this transaction, ordinary Sicit Group shares and warrants are traded on the AIM Italia segment.

During the first few months of 2019, Sicit 2000, Intesa Holding and SprintItaly carried out the preliminary operations required by the framework agreement, completing the necessary deeds and fulfilments within the set deadlines. The main transactions were as follows:

On 1 March 2019, SprintItaly Shareholders' Meeting approved:

i. in an ordinary session, the performance of the business combination with the favourable vote of 99.89% of those present, corresponding to 62.31% of the share capital,
ii. in an extraordinary session, the merger project, with the favourable vote of 100% of those present, corresponding to 62.38% of the ordinary share capital;
iii. on 7 May 2019, Intesa Holding and SprintItaly signed a contract for the acquisition by SprintItaly of a 43.75% investment held by Intesa Holding in Sicit 2000. The merger deed was signed on the same date;
iv. on 20 May 2019, the merger became legally effective. Since this date, ordinary SprintItaly shares

and warrants, already admitted to trading on the AIM Italia segment since 19 July 2017, have been renamed from SprintItaly to Sicit Group.

As part of the framework agreement, the conditions precedent of the Merger included a series of organisational restructuring operations to be carried out by Intesa Holding and Sicit 2000, which may be summarised as follows:

i. sale by Sicit Chemitech S.p.A. ("Chemitech"), then controlled by Intesa Holding, of certain equity investments and trademarks not related to Sicit business (Mantis Agropy S.A., Edynea trademark and domain) on 30 April 2019;

ii. sale by Intesa Holding to Sicit 2000 of its investment in Chemitech, on 2 May 2019;

iii. transfer of the Sicit 2000 logo from Intesa Holding to Sicit 2000 concurrently with the merger;

iv. distribution by Sicit 2000 to Intesa Holding of an extraordinary dividend of Euro 11 million, already approved by Sicit 2000's shareholders on 22 March 2019.

With respect to SprintItaly which, at the date the framework agreement was signed, had available funds worth Euro 150 million raised as part of the IPO, in compliance with the framework agreement, it repaid a total of Euro 50 million to its shareholders, partly by paying ordinary SprintItaly shares for which the right of withdrawal had been exercised in relation to the Merger, pursuant to the Articles of Association and article 2437 of the Italian Civil Code (Euro 20.2 million) and, for the remaining part, by distributing the available reserves (Euro 29.8 million) in excess of the funds necessary for the business combination (i.e., Euro 100 million, of which Euro 70 million to acquire the non-controlling interest and Euro 30 million to be allocated to Sicit Group's growth and development plans).

Accounting effects of the Merger

From a substantive point of view, through the Merger, SprintItaly's shareholders monetised the status of listed company and obtained a non-controlling interest in an operating company (i.e., Sicit 2000 S.p.A.), while the shareholders of Sicit 2000 S.p.A. accelerated the growth process of the Sicit 2000 Group by accessing the AIM market.

Although from a legal point of view, SprintItaly acquired SICIT 2000 through the Merger, from an accounting point of view, this transaction qualifies as a reverse acquisition as, after the Merger, control over the Sicit Group is exercised by Intesa Holding which, also prior to the Merger, exercised control over Sicit 2000.

Indeed, after the Merger, Intesa Holding has the relative majority of the voting rights, thereby exercising *de facto* control over the Sicit Group.

Since the transaction involves an operating company, i.e., Sicit 2000 (the accounting acquirer), and a non-operating company that does not meet the definition of business, i.e., SprintItaly (the accounting acquiree), the transaction cannot be recognised in accordance with IFRS 3 because there is no business combination.

Therefore, it was recognised in accordance with IFRS 2, i.e., as if the accounting acquirer had acquired the net assets of the accounting acquiree through the issue of equity instruments.

The Merger was recognised by measuring the issues of equity instruments (ordinary and special shares) at their fair values at the date of the Relevant transaction. The difference between the fair value of the equity instruments issued and the fair value of the net assets acquired from Sprintitaly was recognised under "general and administrative costs" as listing cost, as shown in the table below.

Sprintitaly S.p.A. *(in thousands of Euros)*	**Carrying amount OIC 20.5.19**	**IFRS adjustments**	**IFRS 20.5.2019**
Intangible assets	913	(912)	1
Deferred tax assets	1,085	1,344	2,429
Total non-current assets	**1,998**	**431**	**2,430**
Other assets	371	-	371
Cash and cash equivalents	30,523	-	30,523
Total current assets	**30,893**	**-**	**30,893**
Total assets	**32,892**	**431**	**33,323**
Financial liabilities	-	4,290	4,290
Trade payables	858	-	858
Other non-financial liabilities	127	-	127
Total liabilities	**985**	**4,290**	**5,275**
Share capital	1,530	-	1,530
Reserves and undistributed earnings	30,376	(3,858)	26,518
Total equity	**31,906**	**(3,858)**	**28,048**
IFRS 2 listing cost	-	10,202	10,202

Warrants

The Warrants were assigned free of charge (*i*) to those who subscribed ordinary SprintItaly shares by accepting the relevant offer following the capital increase approved by the above-mentioned extraordinary shareholders' meeting on 3 July 2017 as part of the listing process of SprintItaly on the AIM Italia segment (3,000,000 warrants); and (*ii*) to those who held the ordinary shares at the effective date of the business combination (an additional 4,124,988 warrants).

Warrant holders may request to subscribe the conversion shares (in the exercise ratio specified in the Warrant Regulations) at the exercise price (Euro 0.10 for each conversion share) at any time during the exercise period (as defined in the Warrant Regulations).

The conversion shares have the same dividend entitlement as the ordinary shares outstanding on the effective exercise date of the Warrants. The exercise price of the shares must be paid in full upon submission of the exercise request, without any additional charges or commissions for the applicants.

For further information, reference should be made to the Warrant Regulations, available on the Parent's website: www.sicitgroup.com

Chemitech acquisition

As part of the business combination, in accordance with the provisions of the above master agreement, one of the preliminary transactions for the Merger included the acquisition by SICIT 2000 (merged into SprintItaly, formerly Sicit Group) of 100% of Chemitech, held by Intesa Holding S.p.A..

On 2 May 2019, SICIT 2000 acquired the entire share capital of Chemitech (Euro 3.8 million) for a consideration of Euro 1.9 million. This company carries out quality control activities and research and development services in the sector in which the Sicit Group operates.

The transaction qualifies as a business combination under common control in accordance with Assirevi (the Italian association of auditors) OPI 1 regulation.

Business combinations under common control are excluded from the scope of IFRS 3 - Business combinations, since transactions may lack economic substance, i.e., the generation of added value for the parties involved.

Therefore, when recognising a business combination under common control without economic substance, the acquirer recognises the assets and liabilities of the business being transferred at historical carrying amounts. The difference between the transfer value (cash consideration) and the historical carrying amounts of the transferred business is a transaction carried out with owners in their capacity as owners which, depending on the circumstances, is recognised as a contribution or a distribution of equity of the entities involved in the transaction.

The table below shows the carrying amounts of the net assets acquired at the date of first-time consolidation:

Sicit Chemitech S.p.A. *(in thousands of Euros)*	**Carrying amount OIC 2.5.19**	**IFRS adjustments**	**IFRS 2.5.2019**
Intangible assets	16	-	16
Property, plant and equipment	231	-	231
Deferred tax assets	14	(7)	7
Total non-current assets	**261**	**(7)**	**254**
Inventories	59	-	59
Trade receivables	2,084	-	2,084
Other assets	282	-	282
Cash and cash equivalents	2,549	-	2,549
Total current assets	**4,975**	**-**	**4,975**
Total assets	**5,236**	**(7)**	**5,229**
Non-current employee benefits	113	32	145
Trade payables	442	-	442
Other current non-financial liabilities	841	-	841
Total liabilities	**1,396**	**32**	**1,428**
Total equity	**3,840**	**(25)**	**3,815**

4. Accounting policies

The accounting policies set out below were applied consistently to all periods covered by these consolidated financial statements.

For the purposes of preparing these IFRS-restated consolidated financial statements, the Group opted for the early application of the following standards endorsed by the European Commission in 2016 and 2017:

- IFRS 15 - Revenue from Contracts with Customers (1 January 2017);
- IFRS 9 - Financial Instruments (1 January 2017);
- IFRS 16 - Leases (1 January 2018).

Intangible assets and goodwill

Intangible assets are identifiable assets without physical substance, controlled by the company from which future economic benefits are expected to flow to the company, including goodwill, when acquired for consideration.

Identifiability is the possibility of distinguishing the acquired intangible asset from goodwill. This requirement is usually met when the intangible asset: (i) arises from contractual or other legal rights or (ii) is separable, i.e., is capable of being sold, transferred, leased or exchanged independently or as part of other assets. A company controls an asset if it has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits.

Patents and trademarks are recognised under intangible assets and are amortised on a straight-line basis over their estimated useful life, determined individually on the basis of their ability to generate economic benefits for the Group.

Software (including licences and costs separately identifiable as external development expenditure) are recognised under intangible assets at purchase price, including any directly attributable cost of preparing the asset for its intended use. Software and other intangible assets acquired by the Group that have a finite useful life are measured at cost, net of amortisation and accumulated impairment losses.

At least once a year, the Group checks the recoverability of the carrying amount of intangible assets with a finite useful life and of property, plant and equipment, in order to determine whether there is an indication that the assets may be impaired. If such indication exists, the carrying amount of the assets is reduced to their recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. To determine the value in use of an asset, the Group calculates the present value of estimated future cash flows, before tax, by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the recoverable amount is less than the carrying amount. With the exception of goodwill impairment, when the circumstances that caused the loss cease to exist, the carrying amount of the asset is increased to its recoverable amount and shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. Impairment gains are recognised immediately in profit or loss.

The annual amortisation rates used in 2019 and 2018, presented by homogeneous categories with evidence of the relative range of application, are shown in the table below:

	Useful life
Patents and software	5 years
Trademarks	10 years
Other	5 - 10 years

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including any directly ancillary costs and the costs directly incurred during the period of construction of the assets.

The cost of property, plant and equipment, determined as indicated above, with a finite life, is depreciated systematically each year on a straight-line basis over the assets' estimated useful life.

Where significant parts of an item of property, plant and equipment have different useful lives, these items are recognised separately. Land, whether free of construction or with civil and industrial buildings, is not depreciated as it is considered an asset with an indefinite useful life.

The annual depreciation rates used in 2019 and 2018, presented by homogeneous categories with evidence of the relative range of application, are shown in the table below:

	Useful life
Buildings	10 - 14 years
Plant and machinery	5 - 10 years
Industrial and commercial equipment	2 - 3 years
Other assets	2 - 8 years

Assets acquired under finance lease are initially recognised under property, plant and equipment, with a balancing entry in liabilities, at an amount equal to their fair value or, if lower, the present value of the minimum lease payments. Lease payments comprise financial expense, recognised in profit or loss, and the repayment of principal, recognised as a decrease of the financial liability.

Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Group will obtain ownership of the asset at the end of the contractual period.

In the presence of specific indicators of the risk of non-recoverability of the carrying amount of property, plant and equipment, these are tested for impairment, as described in the specific section of the previous paragraph.

Property, plant and equipment are derecognised on disposal. Any gain or loss (determined as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss.

Financial instruments

The Group's financial instruments are described below.

Financial assets

Financial assets include equity investments, current securities, loans, including the positive fair value of derivatives, if any, trade receivables and other assets and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly marketable securities that can be readily converted into cash and that are subject to a non-significant risk of change in value.

Current securities include securities with short-term maturities or negotiable securities that represent temporary investments of liquidity and do not meet the requirements to be classified as cash and cash equivalents. Financial assets represented by debt securities are classified and measured based on the financial asset management business model adopted by the Group, and the cash flows associated with each financial asset, as required by IFRS 9.

Financial liabilities

Financial liabilities include financial amounts due, also represented by the negative fair value of derivatives, if any, trade payables and other liabilities due after one year.

Financial liabilities are classified and measured at amortised cost, except for financial liabilities that are initially measured at fair value, e.g., those related to earn-outs from business combinations and derivatives and financial liabilities for options on non-controlling interests.

In accordance with the IFRS, at the reporting date, the Group classified the fair value of warrants under financial liabilities, since the conversion ratio into ordinary shares is not fixed over the lifetime of the instrument. Although the number of shares that may be issued is limited within a range, their number may vary depending on the exercise date and, in particular, on the value of the shares. At each reporting date, fair value changes are recognised in profit or loss as financial income/expense.

Conversely, special shares are classified as equity instruments and presented in equity because the conversion ratio into ordinary shares is fixed and was pre-determined at the issue date. The initial value of the special shares in equity is not subsequently remeasured.

Derecognition of financial assets and financial liabilities

A financial asset or liability (or, where applicable, part of a financial asset/liability or part of a group of similar financial assets/liabilities) is derecognised when the Group has unconditionally transferred the right to receive cash flows from the asset or the obligation to make payments or meet other obligations related to the liability.

Inventories

Inventories mainly consist of raw materials, used for the production of products offered to the market, semi-finished products and finished goods produced internally or purchased for resale. They are measured at the lower of cost and net realisable value based on their sale in the ordinary course of business. Purchase cost is determined using the weighted average cost method.

It comprises the purchase price, transport and ancillary costs, other taxes and other costs directly attributable to the acquisition of materials. Returns, trade discounts, rebates and premiums are deducted in determining the costs of purchase.

The carrying amount of products that are considered difficult to place on the market because they are obsolete or slow moving is adjusted to their estimated realisable value by means of write-downs.

When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed by increasing closing inventories in accordance with the principle of prudence, only when the recovery of the value through the sale of the inventories in the short term is certain.

Trade receivables and other assets

Trade receivables and other assets arising from the Group's provision of funds, goods or services to third parties are classified as current assets except when they are due after one year, with reference to non-trade assets. Current and non-current loans, other current and non-current assets and trade receivables, except for derivatives, are measured at amortised cost, calculated using the effective interest method, if they have a fixed due date. When financial assets have no fixed due date, they are measured at cost. The amounts due after one year, which bear no interest or earn below-the-market interest, are discounted using market rates. The above financial assets are measured based on the impairment model introduced by IFRS 9, i.e., by adopting an expected credit loss approach which replaces the IAS 39 framework, typically based on the measurement of incurred losses. With respect to trade receivables, the Group adopts a simplified approach which does not provide for the recognition of periodic changes in credit risk, but requires the recognition of an expected credit loss ("ECL") calculated over the life of the receivable ("Lifetime ECL"). Specifically, the Group's policy provides for the stratification of trade receivables based on past due days and an assessment of the counterparty's solvency and applies different impairment percentages that reflect the related recovery expectations. The Group subsequently applies an analytical valuation based on the debtor's reliability and ability to pay the amounts due, for credit-impaired amounts.

Trade payables and other liabilities

Trade payables and other liabilities arising from the purchase of money, goods or services from a third-party supplier are classified as current liabilities except when they are due after one year, with reference to non-trade liabilities. Current and non-current financial liabilities, other current and non-current liabilities and trade payables are initially recognised at fair value, which usually reflects the cost of the original transaction, including transaction costs. They are subsequently measured at amortised cost, using the effective interest method, except for derivatives.

Employee benefits

Liabilities arising from short-term employee benefits, paid during the employment relationship, are recognised on an accruals basis to the extent of the amount accrued at the reporting date.

Short-term employee benefits relating to wages and salaries, social security contributions, paid annual leave not taken within twelve months of the reporting date and other fringe benefits, are paid in the year in which the employees render the related service. Post-employment benefits paid through defined benefit or defined contribution plans are recognised over the so-called vesting period.

<u>Defined benefit plans</u>

Defined benefit plans are based on the working life of employees and the remuneration received by employees over a pre-determined period of service. The company's obligation to fund defined benefit plans and the annual cost recognised in profit or loss are determined based on actuarial valuations using the projected unit credit method. Net cumulative actuarial gains and losses are entirely recognised in other comprehensive income in the year in which they accrue. The liability arising from post-employment benefits is recognised in the statement of financial position against defined benefit plans and represents the present value of the defined benefit obligation.

<u>Defined contribution plans</u>

Payments related to defined contribution plans made by the group companies are recognised in profit or loss as cost when incurred. The employees of Italian group companies are subject to defined benefit plans. Until 31 December 2006, employees' leaving entitlement (TFR) was considered a defined benefit plan. The rules governing this provision were amended by Law no. 296 of 27 December 2006 (the "2007 Finance Act") and subsequent decrees and regulations issued in early 2007. Consequently, and specifically for companies with at least 50 employees, this mechanism is now considered a defined benefit plan solely for amounts accrued before 1 January 2007 (and not yet paid at the reporting date), while for amounts accrued after that date, it qualifies as a defined contribution plan.

Provisions for risks and charges

Provisions for risks and charges are recognised when:

- there is a present (legal or constructive) obligation that arises from past events,
- it is probable that an outflow of resources will be required to settle the obligations and
- a reliable estimate of the amount of the obligation can be made.

Provisions are recognised as the best estimate of the expenditure required to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Changes in estimates are reflected in profit or loss in the year in which the change occurred.

Revenue

Revenue is recognised on the basis of the consideration allocated to performance obligations arising from contracts with customers, as required by IFRS 15. It is recognised when the related performance obligation is satisfied, i.e., when the Group transfers control of the good or service to the customer, as follows:

- over time;
- at a point in time.

When a contract with a customer consists of more performance obligations, the Group fairy allocates the consideration.

Costs

Costs are recognised in profit or loss when they relate to goods and services consumed during the year. Personnel expense includes, in line with the substantial nature of remuneration, stock option plans assigned to employees, directors and the company's regular consultants. Costs for the study of alternative products or processes or, in any case, incurred for research or technological development are considered current costs and taken to profit or loss when incurred.

Income taxes

Income taxes are recognised based on an estimate of the tax charge to be paid, in accordance with the provisions in force applicable to each group company.

Tax liabilities are shown under current tax liabilities in the statement of financial position, net of advances paid. Any tax benefit is recognised under current tax assets.

Deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amount of assets and liabilities (following the application of the measurement criteria described in Note 4 - Accounting principles) and their amount for tax purposes (following application of the tax regulations in force in the country where the subsidiaries operate) and are recognised as follows:

- deferred tax assets, only if sufficient taxable income will probably exist to recover them;
- deferred tax liabilities, where present, in any case.

The Parent and Sicit Chemitech S.p.A. participated in the tax consolidation scheme of Intesa Holding, which ceased with the completion of the Relevant transaction (20 May 2019).

Use of judgements and estimates

As required by the IFRS, in preparing these consolidated financial statements, management has made judgements and estimates that affect the calculation of the reported amounts of assets and liabilities and the disclosures provided in the notes thereto, including the contingent assets and liabilities at the reporting date. These estimates are mainly used to calculate depreciation and amortisation, impairment tests (including the measurement of amounts receivable), provisions, employee benefits, the fair value of financial assets and liabilities and deferred tax assets and liabilities.

Therefore, actual results may differ from these estimates. Estimates and judgements are reviewed and updated on an ongoing basis and the effects of any changes are immediately reflected in profit or loss.

Translation of foreign currency items

Foreign operations

The financial statements of each consolidated company are prepared using the functional currency relating to the economic environment in which each company operates. Transactions in currencies other than the functional currency are recognised at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences, if any, are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

For consolidation purposes, the financial statements of consolidated companies with functional currencies other than the Euro are translated by applying the exchange rate at the reporting date to assets and liabilities and consolidation adjustments, and the average exchange rates for the year to profit or loss (when they approximate the exchange rates at the date of the respective transactions) or for the period of consolidation, if lower. Foreign currency differences are recognised directly in other comprehensive income and reclassified to profit or loss when control over the investment is lost, therefore, upon deconsolidation.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each group company at the exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, exchange differences arising from the translation of the following items are recognised in other comprehensive income for cash flow hedges to the extent that the hedges are effective.

Measurement of fair value and fair value hierarchy

The Group applies the following criteria to all transactions or balances (financial or non-financial) for which a standard requires or permits fair value measurement and which fall under the scope of IFRS 13:

- identification of a unit of account, i.e., the level at which an asset or a liability is aggregated or disaggregated in an IFRS for recognition purposes;
- identification of the principal market (or, in the absence thereof, of the most advantageous market) for the asset or liability. In the absence of evidence to the contrary, the market in which the company would normally enter into a transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market;
- definition, for non-financial assets, of the highest and best use: in the absence of evidence to the contrary, the highest and best use coincides with the current use of the asset;
- definition of the most appropriate valuation techniques for estimating fair value: these techniques maximise the use of observable inputs which market participants would take into account in determining the price of the asset or liability;
- determination of the fair value of the assets, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- inclusion of a non-performance risk in the measurement of assets and liabilities, specifically, financial instruments, determination of an adjustment factor in the measurement of fair value to include the credit valuation adjustment (CVA), in addition to the debit valuation adjustment (DVA).

On the basis of the data used for fair value measurement, the following fair value hierarchy was identified to classify assets and liabilities measured at fair value or for which fair value is disclosed in the notes to the financial statements:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1, such as, for example: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical or similar assets or liabilities in markets that are not active; iii) other observable inputs (interest rates, implied volatilities and credit spreads);
- level 3: unobservable inputs used to measure fair value to the extent that observable inputs are not

available. The unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability.

Reference should be made to the notes to the individual financial statements captions for a definition of the fair value hierarchy level used to classify the individual instruments measured at fair value or for which fair value is disclosed in the notes to the consolidated financial statements.

No transfers between the different levels of the fair value hierarchy took place during the year.

For medium/long-term financial instruments, other than derivatives, where market prices are not available, fair value is determined by discounting expected cash flows, using the interest rate curve at the reference date and considering the counterparty risk for financial assets and its credit risk for financial liabilities.

Basis of consolidation

In addition to the Parent, the consolidation scope includes the companies over which SICIT Group S.p.A. directly or indirectly exercises control, either by holding the majority of the votes exercisable at shareholders' meetings (also taking into account the potential voting rights deriving from immediately exercisable options), or as a result of other facts or circumstances that (even regardless of the extent of the investment) attribute power over the company, exposure or the right to variable returns on the investment in the company and the ability to use the power over the company to influence the returns on the investment. Subsidiaries are consolidated on a line-by-line basis and are as follows:

(in local currency. Amounts in thousands)	Reg. office	Currency	Share capital	Equity at 31.12.2018	Equity at 31.12.2019	% of investment
Sicit Group S.p.A. (formerly Sicit 2000)	Italy	Euro	2,440	66,838	86,096	Parent
Sicit Chemitech S.p.A.	Italy	Euro	1,000	not consolidated	4,902	100%
Sicit Commercial Consulting Shanghai Ltd.	China	CNY	219	38	59	100%
Sicit USA Inc.	USA	USD	2	618	703	100%

Companies are excluded from the consolidation scope from the date on which the Group loses control. When control is lost, the Group eliminates the assets and liabilities of the subsidiary, any non-controlling interests and the other equity items related to subsidiaries. Gains or losses arising from losing control are recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value on the date control is lost.

Each subsidiary consolidates its figures, also based on the reporting packages prepared for this purpose, at the reporting date and in compliance with the IFRS, as follows:

- the reporting packages prepared for consolidation purposes in functional currencies other than the Euro are translated applying the methodology already described in Note 4 - Translation of foreign currency items;
- intragroup items, including the reversal of any unrealised gains and losses, are eliminated, recognising the related deferred tax effects;
- intragroup dividends and the related allocation to opening equity reserves are eliminated;
- the carrying amount of investments in companies included in the consolidation scope and the corresponding portions of equity is eliminated; positive or negative differences arising from the relevant captions (assets, liabilities and equity) are allocated, calculated at the time of acquisition of the investment and subsequently taking into account subsequent changes. After acquiring control, any purchases of shares from non-controlling investors, or transfers to them that do not result in the loss of control over the company, are recognised as transactions carried out with owners in their capacity as owners and the related effects are taken directly to equity. As a result, any differences between the change in equity attributable to non-controlling interests and the cash and cash equivalents exchanged are recognised under changes in equity attributable to the owners of the parent.

The exchange rates applied during the year to translate the reporting packages prepared in a functional currency other than the Euro are those published by the Bank of Italy and shown below:

	Average exchange rate		Closing rate at	
	2019	**2018**	**31.12.19**	**31.12.18**
USD	1.120	1.181	1.115	1.145
CNY	7.736	7.710	7.701	7.875

Notes to the statement of profit or loss and other comprehensive income

5. Revenue

The Group's revenue for 2019 amounts to Euro 56.7 million, up by Euro 1.5 million on 2018 (Euro 55.1 million or +2.7%). It may be broken down as follows:

			Change	
(in thousands of Euros)	**2019**	**2018**	**2019-2018**	**%**
Products for agriculture	31,009	30,156	853	*2.8%*
Retardants for plasters	15,334	15,423	(89)	*(0.6%)*
Fat	6,520	6,656	(136)	*(2.0%)*
Other products	726	1,039	(313)	*(30.1%)*
Total revenue from sales	**53,589**	**53,273**	**316**	***0.6%***
Services for the collection of raw materials	3,014	1,870	1,144	*61.2%*
Other analysis services	53	-	53	*> 1*
Total revenue from sales	**3,067**	**1,870**	**1,197**	*64.0%*
Total revenue	**56,656**	**55,143**	**1,513**	***2.7%***

Sales of products for agriculture amount to Euro 31 million, accounting for 55% of revenue. The increase on 2018 (Euro +0.9 million or +2.8%) is due to the higher volumes sold to European and APAC customers, partly offset by the decrease in revenue from North America due to non-recurring returns related to prior year sales. Net of this effect, revenue would increase by Euro 1.3 million (+4%). Sales of retardants for plasters amount to Euro 15.3 million (27% of the total) and are substantially stable compared with 2018 due to higher volumes in Northern Europe, offset by the drop from APAC customers. Sales of fat, amounting to Euro 6.5 million, are down by 2% due to the effect of the negative trend of the product price in the first half of the year (fat prices are based on the product listing on the Milan Stock Exchange) and the slight drop in sales volumes. Sales of other products, for the industrial sector, can be considered residual.

Revenue from services from the collection of materials increased from Euro 1.9 million in 2018 to Euro 3 million in 2019 (up by Euro 1 million or 61%) as a result of the increase in the prices applied to customers for the collection of certain materials. Sicit collects by-products of animal origin and other residues from leather processing from its customers. These disposal activities are charged to customers at rates that vary according to the quantity and type of material collected.

During the year, the Group also earned revenue from analysis services and studies carried out by Sicit Chemitech for third parties.

Revenue by geographical segment

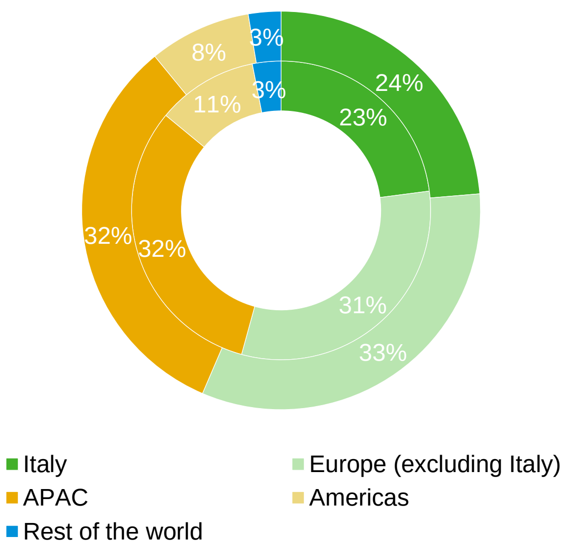
Revenue from the sale of products by geographical segment may be analysed as follows:

			Change	
(in thousands of Euros)	**2019**	**2018**	**2019-2018**	**%**
Italy	12,325	13,977	(1,652)	*(11.8%)*
Europe (excluding Italy)	17,943	15,723	2,220	*14.1%*
APAC	15,629	15,645	(17)	*(0.1%)*
Americas	5,842	5,625	217	*3.9%*
Rest of the world	1,850	2,303	(453)	*(19.7%)*
Total	**53,589**	**53,273**	**316**	***0.6%***

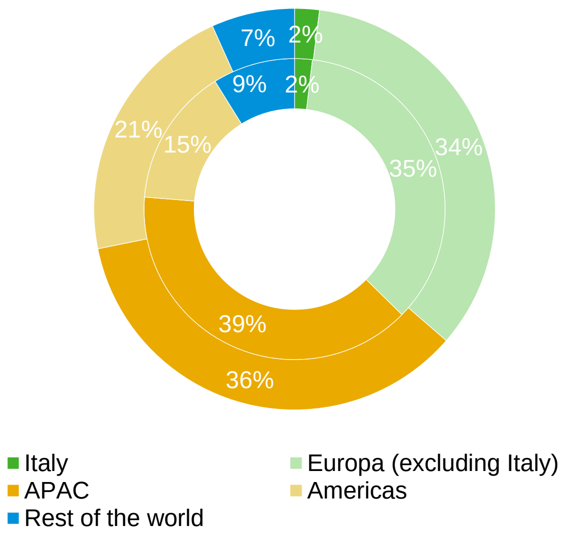
Revenue from services relate to activities performed entirely in Italy.

The trend in products for agriculture and retardants for plasters by geographical segment is as follows:

Products for agriculture



Retardants for plasters



Notes: outer ring year 2019, inner ring year 2018

6. Operating costs

In 2019, operating costs total Euro 52.4 million, up by Euro 11.8 million on 2018 (Euro 36.5 million or +29%). Operating costs, classified by function, are as follows:

(in thousands of Euros)	2019	2018	Change 2019-2018	%
Cost of sales	31,836	32,953	(1,117)	*(3.4%)*
Trade costs	4,011	3,404	607	*17.8%*
Research and development	1,663	1,273	390	*30.6%*
General and administrative costs	14,897	3,003	11,894	*396.1%*
of which: IFRS 2 listing cost	*10,202*	-	10,202	*> 1*
of which: general and administrative costs	*4,695*	*3,003*	1,692	*56.3%*
Total	**52,407**	**40,633**	**11,774**	***29.0%***

Cost of sales includes production-related costs. In 2019, costs amount to Euro 31.8 million, down by Euro 1.1 million on 2018 (Euro 33 million or 3.4%) due to the combined effect of the following:

- the change in the Group's consolidation scope and the consolidation of the operating performance figures of Sicit Chemitech, with the consequent elimination of costs for services recognised as costs to the Parent’s related companies until the acquisition date of the subsidiary and eliminated from the date of control was acquired;
- higher costs incurred by the subsidiary Sicit USA which, in 2018, operated for six months;
- higher operating costs incurred by the Parent in 2019 and mainly related to higher tariffs for certain utilities and waste disposal services recorded compared to 2018.

Consequently, cost of sales as a percentage of revenue decreased from 59.8% in 2018 to 56% in 2019.

Net of the effects of the changes in the consolidation scope, cost of sales would be substantially stable in absolute terms and would decrease as a percentage of revenue due to the increase in revenue from collection services.

Trade costs include variable and fixed sales and marketing expenses. In 2019, trade costs amount to Euro 4 million, up on 2018 (Euro 3.4 million or +17.8%) mainly due to higher direct sales costs (such as transport, also as a consequence of Sicit USA's operations for the entire year, compared to the six-month operations in 2018) and higher internal personnel expense following the consolidation of the structure in order to cope with the growth expected in the next few years.

Research and development expenditure refers to product and process development costs. In 2019, it amounts to Euro 1.7 million, up by Euro 0.4 million on 2018 (Euro 1.3 million) as a result of new hires, the consolidation of Sicit Chemitech and the additional number of studies carried out in technical collaboration with research institutes and universities.

General and administrative costs include Euro 10.2 million related to the listing in connection with the recognition of the merger of Sicit 2000 into SprintItaly as a reverse acquisition in accordance with IFRS 2, as described in the paragraph on Accounting effects of the Merger.

General and administrative costs, excluding the cost of listing, amount to Euro 4.7 million in 2019, up by Euro 1.7 million on 2018 (Euro 3 million). The main changes are as follows:

- non-recurring costs of approximately Euro 0.8 million incurred mainly as a result of the merger of Sicit 2000 into Sprint-Italy and the concurrent listing on the AIM market;
- higher corporate costs to expand the board of directors and the internal committees and recurring services related to the listing on the AIM market;
- higher personnel expense to strengthen the central functions.

The table below shows operating costs broken down by nature:

			Change	
(in thousands of Euros)	**2019**	**2018**	**2019-2018**	**%**
Material consumption	8,985	9,595	(610)	*(6.4%)*
External services	19,971	19,287	684	*3.5%*
IFRS 2 listing costs	10,202	-	10,202	*> 1*
Wages and salaries	8,201	6,918	1,283	*18.5%*
Other operating costs	542	446	96	*21.5%*
Amortisation and depreciation	4,506	4,387	119	*2.7%*
Total	**52,407**	**40,633**	**11,774**	***29.0%***

Consumption of materials decreased from Euro 9.6 million in 2018 to Euro 9 million in 2019 (-Euro 0.6 million) due to the different sales mix and the reduction in the average cost of some chemical products.

Costs for external services (Euro 20 million in 2019, Euro 19.3 million in 2018) increased due to higher costs for utilities, commercial services, corporate services and non-recurring costs deriving from the business combination, partially offset by lower costs for analysis and quality control services deriving from the consolidation of the subsidiary Sicit Chemitech.

Personnel expense increased mainly due to the effect of the rise in the average number of employees in 2019 (126) compared to 2017 (108).

Amortisation and depreciation amount to Euro 4.5 million in 2019, up by Euro 0.1 million compared to the previous year due to the investments of the year.

7. Other income

Other income amounts to Euro 0.5 million in 2019 (Euro 1.6 million in 2018) and breaks down as follows:

(in thousands of Euros)	2019	2018	Change 2018-2017	%
Grants related to income	239	345	(106)	*(30.7%)*
Gains on the sale of assets	3	3	-	*0.0%*
Other revenue	249	145	104	*71.7%*
Services to group companies	55	125	(70)	*(56.0%)*
Sale of EU allowances	-	1,008	(1,008)	*(100.0%)*
Total	**546**	**1,626**	**(1,080)**	***(66.4%)***

Grants related to income essentially include the tax asset of the Parent for research and development activities carried out during the year, classified under other income in accordance with IAS 20.

Services to group companies refer to the services charged to Sicit Chemitech by the Parent up to the date of consolidation. Since the date control was acquired, the services charged to Sicit Chemitech have been eliminated for consolidation purposes.

Revenue from the sale of EU allowances (Euro 1 million in 2018) refers to the European Emissions Allowances accumulated and not used in prior years and sold in 2018.

8. Financial income and charges

Net financial income amounts to Euro 3.9 million in 2019 compared to Euro 0.2 million in 2018. It can be broken down as follows:

(in thousands of Euros)	2019	2018	Change 2018-2017	%
Bank interest income	8	140	(132)	*(94.3%)*
Bank interest expense	(7)	(11)	4	*(36.4%)*
Interest expense on employee benefit plans	(7)	(4)	(3)	*75.0%*
Net exchange gains	3	109	(106)	*(97.2%)*
Total interest and net exchange gains	**(3)**	**234**	**(237)**	***(101.3%)***
Change in the fair value of warrants	3,855	-	3,855	*> 1*
Total	**3,852**	**234**	**3,618**	***> 1***

The fair value gain on warrants reflects the positive fair value differential recognised in 2019, after their initial recognition at the date of the Relevant transaction.

Foreign exchange gains and losses originate mainly from exchange differences on receivables in US dollars.

9. Income taxes

Income taxes, divided between current and deferred, are made up as follows:

(in thousands of Euros)	2019	2018	Change 2018-2017	%
Current taxes	3,560	4,403	(843)	*(19.1%)*
Deferred taxes	884	(109)	993	*(911.0%)*
Total	**4,444**	**4,294**	**150**	***3.5%***

The Group's effective tax rate in 2019 was 51%, up on 26.2% in 2018, mainly due to the non-taxable IFRS 2 listing cost, partially offset by the higher tax-deductible depreciation and amortisation charge on investments covered by the "Industry 4.0" plan (Law no. 205/2017).

Note 13 - Deferred tax assets and liabilities provides an analysis of and changes in deferred taxation.

Notes to the statement of financial position

10. Intangible assets

At 31 December 2019, they amount to Euro 0.5 million (Euro 0.3 million at 31 December 2018). The following table summarises the changes in 2019:

(in thousands of Euros)	Patents and software	Trademarks	Assets under development and payments on account	Other	Total
Balance at 31.12.18	**68**	**48**	**11**	**132**	**259**
Increases	104	11	143	50	309
Amortisation	(63)	(10)	-	(30)	(103)
Disinvestments	-	-	-	-	-
Chemitech change	16	-	-	4	20
Other changes	-	-	-	-	-
Reclassifications	-	-	(9)	9	-
Balance at 31.12.19	**125**	**50**	**145**	**165**	**485**

In 2019, Patents and software increased following the purchase of software licenses and the extension of a patent already owned.

The increase in Assets under development mainly refers to consultancies and IT systems, not yet completed at the reporting date, to improve the Parent's reporting and consolidation system.

The increase in "Other" intangible assets mainly refers to the capitalisation of expenses incurred to obtain the authorisation to use some chemicals in accordance with the Reach (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation.

11. Property, plant and equipment

At 31 December 2019, they amount to Euro 48.9 million (Euro 43.2 million at 31 December 2018). The following table summarises the changes in 2019:

(in thousands of Euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Right-of-use assets IFRS 16	Total
Balance at 31.12.18	**22,913**	**18,523**	**137**	**574**	**1,041**	**65**	**43,253**
of which: acquisition cost	*29,263*	*59,302*	*2,427*	*2,833*	*1,041*	*97*	*94,963*
of which: revaluations	*8,196*	-	-	-	-	-	*8,196*
of which: accumulated depreciation	*(14,546)*	*(40,779)*	*(2,290)*	*(2,259)*	-	*(32)*	*(59,906)*
Increases for purchases	469	4,633	41	221	4,406	28	9,799
Depreciation	(1,007)	(2,851)	(83)	(421)	-	(40)	(4,403)
Disinvestments	-	(910)	-	(15)	-	-	(925)
Change in scope	50	57	-	119	-	-	226
Other changes	-	894	-	2	-	-	896
Reclassifications	-	1,041	-	-	(1,041)	-	-
Balance at 31.12.19	**22,425**	**21,387**	**95**	**480**	**4,405**	**53**	**48,845**
of which: acquisition cost	*29,807*	*64,202*	*2,468*	*4,521*	*4,405*	*125*	*105,529*
of which: revaluations	*8,196*	-	-	-	-	-	*8,196*
of which: accumulated depreciation	*(15,578)*	*(42,816)*	*(2,373)*	*(4,041)*	-	*(72)*	*(64,880)*

The main changes of the year mainly refer to the investments made by the Parent in the Chiampo (VI) and Arzignano (VI) production sites. In particular:

- Land and buildings: the decrease is mainly due to the depreciation of the year, while the increases relate to adjustments for the installation of the new cogeneration plant and new tanks at Arzignano;
- Plant and machinery: the increase for purchases of Euro 4.6 million and the reclassification of assets under construction of Euro 1 million mainly refer to the new cogeneration plant at Arzignano, the completion of some plants which began in 2018 to improve product quality and production capacity (concentration and centrifuge and trimming), and the expansion of the storage tanks for finished goods. Furthermore, during the year, machinery no longer in use was disposed of for Euro 16 thousand (gross carrying amount Euro 910 thousand, depreciated for Euro 894 thousand),
- Other assets: the increase reflects the purchase of the assets acquired following the consolidation of Chemitech from May 2019 (€ 119 thousand). The purchases of the year amount to Euro 221 thousand and mainly refer to cars and laboratory equipment of the Parent.
- Right-of-use assets represent the value allocated to leased assets and/or assets under operating lease, in accordance with IFRS 16. As described earlier, the company opted for the early application of IFRS 16 (FTA date: 1 January 2018). At 31 December 2018, this caption includes land and buildings for Euro 45 thousand and other assets for Euro 20 thousand. Right-of-use assets were depreciated during the year for a total of Euro 40 thousand.
- Assets under construction and payments on account: this caption relates to investments in both plant and buildings which are expected to be completed in 2020. Specifically, this includes the expansion of the Parent's headquarters in Arzignano for new agronomic laboratories and larger commercial spaces, the expansion of the warehouses at the Arzignano headquarters and new plant for the production of special products (finished goods and mixtures).

12. Non-current financial assets

This caption comprises investments in other companies, including:

- UTIAC for Euro 42 thousand (equal to 3.35% of the share capital) and
- other companies for Euro 2 thousand (% of share capital not significant).

Equity investments are measured at fair value through profit or loss (FVTPL), as required by IFRS 9.

13. Deferred taxes assets and liabilities

They are broken down by nature and are as follows:

(in thousands of Euros)		Tax base			Tax effect		
		31.12.19	**Merger contribution**	**31.12.18**	**31.12.19**	**Merger contribution**	**31.12.18**
Deferred tax liabilities							
Amortisation/depreciation differences	*24.0%*	125	-	126	(30)	-	(30)
Exchange gains (unrealised)	*24.0%*	11	-	2	(3)	-	-
Revaluation of land (2008)	*27.9%*	8,268	-	8,268	(2,307)	-	(2,307)
Total deferred tax liabilities		**8,404**	**-**	**8,396**	**(2,339)**	**-**	**(2,337)**
Deferred tax assets							
Impairment losses	*24.0%*	(259)	-	(178)	62	-	43
Employee bonuses	*24.0%*	(640)	-	(515)	154	-	124
Amortisation/depreciation differences	*24.0%*	(91)	-	(92)	22	-	22
Reversal of intragroup profit margins	*27.9%*	(385)	-	(268)	107	-	75
Employee benefits	*27.9%*	(39)	-	(11)	11	-	4
Reversal of capitalised costs	*27.9%*	(1,222)	(1,125)	-	341	314	-
Sprintitaly tax benefits carry-forward (at 20/5)	*24.0%*	-	(4,521)	-	-	1,085	-
Fair value of warrants	*24.0%*	(6,058)	(4,292)	-	1,454	1,030	-
Total deferred tax assets		**(8,694)**	**(9,938)**	**(1,064)**	**2,152**	**2,429**	**267**
Total deferred tax liabilities (net)		**(289)**	**(9,938)**	**7,332**	**(188)**	**2,429**	**(2,070)**

Deferred tax liabilities on the revaluation of land were recognised following the monetary revaluation carried out in 2008 pursuant to Law decree no. 185/2008 without tax effects.

As shown above, the merger contributions generated mainly deferred tax assets for (a) tax benefits carried forward by Sprintitaly for prior year losses and intangible assets which can be carried forward for tax purposes and (b) the fair value measurement of the warrants contributed by Sprintitaly.

Changes in 2019 were as follows:

(in thousands of Euros)	**31.12.19**	**Increases**	**Merger contribution**	**Utilisations**	**31.12.18**
Deferred tax liabilities					
Amortisation/depreciation differences	(30)	-	-	0	(30)
Exchange gains (unrealised)	(3)	(3)	-	-	-
Revaluation of land	(2.307)	-	-	0	(2.307)
Total deferred tax liabilities	**(2.339)**	**(3)**		**0**	**(2.337)**
Deferred tax assets					
Impairment losses	62	62	-	(43)	43
Employee bonuses	154	154	-	(124)	124
Amortisation/depreciation differences	22	-	-	(1)	22
Reversal of intragroup profit margins	107	107	-	(75)	75
Employee benefits	11	7	-	-	4
Reversal of capitalised costs	341	27	314	-	-
Sprintitaly tax benefits carry-forward (at 20/5)	-	-	1.085	(1.085)	-
Fair value of warrants	1.454	424	1.030	-	-
Total deferred tax assets	**2.151**	**781**	**2.429**	**(1.327)**	**267**

14. Inventories

At 31 December 2019, inventories amount to Euro 10.4 million and are made up as follows:

(in thousands of Euros)	31.12.19	Change	31.12.18
Raw materials and spare parts	1,227	(631)	1,858
Semi-finished products and work in progress	3,104	794	2,310
Finished goods	6,090	298	5,792
Total inventories	**10,421**	**461**	**9,960**

The inventories of the subsidiary Sicit USA Inc. are held by third party companies, which are US leaders in logistics operations.
The increases recorded in 2019 (Euro 0.5 million) are mostly related to the higher sales volumes of the subsidiary Sicit USA (Euro 0.2 million) and the consolidation of Sicit Chemitech (Euro 0.1 million).
The changes reflect the seasonality of revenue and the fluctuation in the input of raw materials (fleshings, skimming, trimmings and fur), which may impact the volumes of internally-produced semi-finished products (volumes of protein hydrolysate) available. Inventory management benefits from the following:

- high turnover of finished goods, both agricultural products and retardants for plaster;
- high turnover of raw materials that are not subject to significant technical obsolescence;
- possibility to use semi-finished products (protein hydrolysate) for both businesses;
- shelf life of finished goods of at least three years;
- absence of finished goods and semi-finished products more than a year old;
- possibility of reworking "unsuitable" finished goods.

Consequently, no provision for inventory write-down was accrued.

15. Trade receivables

At 31 December 2019, this caption totals Euro 10.9 million, including a loss allowance of Euro 0.4 million. There are no amounts due after 5 years. Trade receivables at 31 December 2019 are broken down as follows:

(in thousands of Euros)	31.12.19	Change	31.12.18
Italy	3,388	(1,154)	4,542
Abroad	8,146	2,883	5,263
Related companies	68	17	51
Invoices to be issued	37	(136)	173
Credit notes to be issued	(392)	(392)	-
Gross trade receivables	**11,247**	**1,218**	**10,029**
Loss allowance	(352)	(110)	(242)
% of gross trade receivables	*(3.1%)*		*(2.4%)*
Total trade receivables	**10,895**	**1,108**	**9,787**

The loss allowance was calculated on the basis of the estimated recoverability through an analysis of the individual items, the information available on the potential losses expected at the reporting date and also considering the insurance policy against the risk of insolvency of customers, taken out with a leading company operating in the credit insurance sector. During the year, the loss allowance increased by €0.1 million.

The increase in gross receivables in 2019 (Euro 1.1 million) is due to the rise in revenue for the last quarter of the year. DSO (calculated on the basis of revenue for the last quarter) number approximately 72 at 31 December 2019. They are slightly down on 31 December 2018 (78 days) following the different mix of customers.

Gross trade receivables by past due brackets are as follows:

(in thousands of Euros)	Falling due	Past due				Total
		1-60	61-180	181-360	More than 360	
At 31 December 2018	8,764	934	82	214	35	10,029
At 31 December 2019	9,422	1,515	2	20	288	11,247

16. Other current assets

Other current assets amount to Euro 6.1 million at 31 December 2019 (Euro 3.3 million at 31 December 2018). The nature of and changes in year are as follows:

(in thousands of Euros)	**31.12.19**	**Change**	**31.12.18**
Tax benefits	2,444	1,956	488
Other tax assets	3,021	1,108	1,913
Advances to suppliers	321	(239)	560
Prepayments and accrued income	117	62	55
Other assets	244	(57)	301
Total other current assets	**6,147**	**2,830**	**3,317**

At 31 December 2019, tax benefits include tax advances for current tax years. At 31 December 2018, tax benefits include tax advances of Euro 0.4 million for the tax consolidation scheme in place with the ultimate parent Intesa Holding S.p.A.. The increase is mainly due to the higher payments made during the year by the Parent, calculated and paid on the basis of Sicit 2000's historical taxable income, and the balance for current taxes recalculated when preparing the financial statements which include the tax benefits deriving from the historical tax losses and SprintItaly's ACE (aid to economic growth) excess amount. In this respect, in June 2019, Sicit Group filed a tax ruling request to the tax authorities in order to benefit from the tax losses and ACE excess amount generated by SprintItaly until 31 December 2018. Following the successful outcome of this request, tax benefits of Euro 860 thousand were recognised due to prior year losses and SprintItalys’ ACE tax benefits that can be carried forward (for amounts prior to 2019).

Other tax assets (Euro 3 million at 31 December 2019) mainly include the VAT asset and the assets for R&D grants. They are up on the previous years as a result of higher investments in non-current assets in 2019 which resulted in an increase in VAT assets.

Advances to suppliers mostly include the advances to service providers pending completion of the service due.

17. Cash and cash equivalents

Cash and cash equivalents amount to Euro 29.6 million at 31 December 2019 (Euro 15.1 million at 31 December 2018) and mainly relate to bank current accounts. Cash on hand and at bank accounts are not subject to currency restrictions.

(in thousands of Euros)	**31.12.19**	**Change**	**31.12.18**
Bank current accounts	29,591	14,462	15,129
Cash on hand	12	3	9
Total cash and cash equivalents	**29,603**	**14,465**	**15,138**

For an analysis of the generation and use of cash flows during the year, reference should be made to the statement of cash flows.

18. Equity

Equity attributable to the owners of the parent at 31 December 2019 amounts to Euro 88.9 million (Euro

66.6 million at 31 December 2018). The main changes in 2019, shown in detail in the statement of changes in equity, relate to:

- the distribution of dividends (Euro 17.7 million);
- the purchase of treasury shares (Euro 1 million);
- the issue and conversion of warrants (Euro 4.3 million);
- the profit for the year (Euro 4.2 million);
- the capital increase against consideration (Euro 0.8 million);
- the effect of the merger of Sicit 2000 into SprintItaly, accounted for as a reverse acquisition (Euro 38.3 million);
- the consolidation of Sicit Chemitech (Euro 1.9 million).

All consolidated companies are wholly owned and there are no non-controlling investors who have rights to the equity attributable to the owners of the parent.

Share capital

At 31 December 2019, the fully subscribed and paid in share capital of the Sicit Group amounts to Euro 2,439 thousand, divided into 19,644,978 ordinary shares and 195,000 special shares (the latter not admitted to trading on the AIM Italia market), both with no nominal amount.

During the year, it was increased by Euro 818 thousand following the capital increases against consideration covered by the agreements underlying the Relevant transaction and by Euro 1 thousand for capital increases against consideration related to the conversion of 317,817 warrants.

Changes in ordinary shares, special shares and warrants during the year are shown in the table below. The figures at 31 December 2018 reflect Sprintitaly's position.

	Ordinary shares	Special shares	Warrants
At 31 December 2018	**15,000,000**	**300,000**	**3,000,000**
Business combination effects	4,000,000	-	4,124,988
Conversion of special shares	630,000	(105,000)	-
Exercise of warrants	14,978	-	(317,817)
At 31 December 2019	**19,644,978**	**195,000**	**6,807,171**

In accordance with the Sicit Group's Articles of Association, the special shares do not entitle holders to dividends for 60 months from the effective date of the business combination (which took place on 20 May 2019) are subordinate to the ordinary shares in the event of liquidation of the Sicit Group and are automatically converted into ordinary shares at a ratio of 6 ordinary shares every special share if, within 60 months from the effective date of the Relevant transaction, the official price of the Sicit Group ordinary shares is greater than or equal to Euro 13.5 for 15 days out of 30 consecutive trading days. After 60 months without any automatic conversion, the special shares are converted at the ratio of 1 ordinary share every special share.

SprintItaly (now Sicit Group) ordinary shares and warrants were admitted to trading on the AIM Italia multilateral trading system of Borsa Italiana S.p.A. as per Borsa Italiana S.p.A.'s notice dated 19 July 2017. Trading began on 21 July 2017. On 20 May 2019, when the Merger of Sicit 2000 into SprintItaly became effective, the name of the financial instruments changed from SprintItaly to Sicit Group.

At 31 December 2019, 6,807,171 warrants were outstanding, listed on the AIM Italia market as ordinary shares, with a unit value of Euro 0.8899, for a total of Euro 6,057 thousand, determined by the market prices at 30 December 2019 (the last market trading date of the year). In accordance with the "Regulation of SICIT Group S.p.A. Warrants", the warrants are bearer and freely-transferable instruments which can be exercised for a fee at the terms and conditions provided for therein. Below are the main aspects of the Regulation, available for further details on the company's website at https://www.sicitgroup.com/documentazione

The warrant holders may request subscription of the "Conversion Shares" (i.e., newly issued ordinary shares of the Company to service the exercise of the warrants) at the "Share Subscription Price" (i.e., Euro 0.10 corresponding to the accounting par value of the issue of the Conversion Shares on the date of the relevant

Shareholders' Meeting that resolved to issue them) at any time on the basis of the "Exercise Ratio" below, provided that the "Average Monthly Price" (i.e., the arithmetic average of the average prices weighted by the quantities of a trading day, the so-called Average Daily Prices, of the calendar month prior to the exercise date) is higher than the Strike Price (equal to Euro 9.5).

The Exercise Ratio will be calculated from time to time as follows:

$$\frac{\text{Average Monthly Price} - \text{Strike Price}}{\text{Average monthly price} - \text{Share Subscription Price}}$$

Should the so-called "Acceleration Condition" occur (i.e., should the average monthly Price be equal to or higher than the Threshold Price, equal to Euro 13), the warrant holders shall request subscription of the Conversion Shares at the Share Subscription Price within and no later than 60 days from the notice of acceleration due to the Exercise Ratio determined as follows:

$$\frac{\text{Threshold Price} - \text{Strike Price}}{\text{Threshold Price} - \text{Share Subscription Price}}$$

Reserves

At 31 December 2019, the legal reserve amounts to Euro 0.3 million. It was set up with the approval of SprintItaly’s shareholders in their meeting of 1 March 2019.

The share premium reserve amounts to Euro 80.1 million, up by Euro 75 million following the merger.

The revaluation reserve was recognised by Sicit 2000 and reinstated by the Sicit Group as follows:

- Euro 1,517 thousand pursuant to Law no. 488/2001 for the merger of Sala Giuseppe e C. S.r.l in 2007;
- Euro 5,629 thousand pursuant to Law decree no. 185/2008 for the revaluation of land in 2008.

The consolidation reserve was set up following the acquisition of 100% of Sicit Chemitech for a consideration of Euro 1,892 thousand, compared to the company's equity of Euro 3,815 thousand. This differential, which is attributable to a business combination under common control with no significant economic substance, was recognised in a special equity reserve in accordance with OPI 1.

The realignment reserve amounts to Euro 1,508 thousand and was reinstated to include Sicit 2000’s previous reserve under Law no. 266/2005 which was set up following the realignment of the tax and carrying amounts of some assets on which accelerated depreciation had been charged.

The OCI reserve includes the effects deriving from actuarial gains/losses related to post-employment benefits in accordance with IAS 19 (-Euro 4 thousand).

The FTA reserve includes the effects of the first-time adoption of IFRS at 1 January 2017 (-Euro 25 thousand).

The reserve for treasury shares was recognised at 31 December 2019 following the launch of a plan to purchase treasury shares on 1 July 2019. From the date the plan was launched to 31 December 2019, 102,000 ordinary shares were purchased for Euro 1,001,951 (Euro 1,003,955 including ancillary purchase charges) and a weighted average price of Euro 9.823 per share.

At 31 December 2019, the reserve for warrants amounts to Euro 7.5 million. It was set up following the initial recognition of the fair value of the warrants at the date of the Relevant transaction and subsequently changed as a result of conversions of the year.

19. Financial liabilities

At 31 December 2019, current and non-current financial liabilities consist of one unsecured loan agreement signed in 2018 with Banco BPM and the lease liabilities recognised in accordance with IFRS 16.

(in Euro migliaia)	31.12.19	Variazione	31.12.18
Passività finanziarie non correnti			
Mutuo chirografario	-	(223)	223
Leasing (IFRS 16)	29	(3)	32
Totale passività finanziarie non correnti	**29**	**(226)**	**255**
Passività finanziarie correnti			
Mutuo chirografario	222	(1,111)	1,333
Leasing (IFRS 16)	23	(9)	32
Passività finziarie per warrant	6,058	6,058	-
Totale passività finanziarie correnti	**6,303**	**4,938**	**1,365**

The unsecured loan (Euro 0.2 million at 31 December 2019) was repaid in early 2019.

The warrants reflect the fair value of the Sicit Group's warrants at 31 December 2019, recognised in accordance with IFRS 9.

At 31 December 2019, this financial liability amounts to Euro 6.1 million. It reflects the initial recognition of the fair value of the warrants at the date of the Relevant transaction and subsequently changed as a result of conversions and fair value changes during the year.

Fair value changes are recognised in profit or loss as financial income or expense. This financial liability is reclassified to equity under the "Reserve for warrants" when the warrants are converted into ordinary shares.

Therefore, it does not represent a future cash outflow for the Group.

Net financial position in accordance with ESMA Recommendation of 20 March 2013

The table below shows the net financial position, as required by Consob Communication DEM/6064293 of 28 July 2006, which refers to the Recommendation of the European Securities and Markets Authority - ESMA of 20 March 2013, which does not provide for the deduction of non-current financial assets from financial debt.

(in thousands of Euros)	**31.12.19**	**Change**	**31.12.18**
A Cash and cash equivalents	(29,603)	(14,465)	(15,138)
B Other cash items	-	-	-
C Securities held for trading	-	-	-
D Liquidity	**(29,603)**	**(14,465)**	**(15,138)**
E Current loans	**-**	**-**	**-**
F Current bank loans and borrowings	-	-	-
G Current portion of debt	222	(1,111)	1,333
H Other current loans and borrowings	6,081	6,048	33
I Current financial debt (F+G+H)	**6,303**	**4,937**	**1,366**
J Net current financial debt (I+E+D)	**(23,300)**	**(9,528)**	**(13,772)**
K Non-current bank loans and borrowings	-	(223)	223
L Bonds issued	-	-	-
M Other non-current liabilities	29	(3)	32
N Non-current financial indebtedness (K+L+M)	**29**	**(226)**	**255**
O Net financial indebtedness (J+N) with ESMA Recommendation	**(23,271)**	**(9,754)**	**(13,517)**

20. Employee benefits

The composition of and changes in these provisions are shown in the table below:

(in thousands of Euros)	**Post-employment benefits**	
	2019	**2018**
Opening balance	**272**	**360**
Included in the profit for the year		
Current service cost	9	-
Past service cost	-	-
Financial expense	7	4
	288	**364**
Included in other comprehensive income		
Actuarial losses/(gains) from:		
- demographic assumptions	(2)	-
- financial assumptions	21	(8)
- assumptions based on past experience	-	(6)
	19	**(14)**
Other		
Benefits paid	(97)	(77)
Change in consolidation scope	245	-
Closing balance	**455**	**272**
- of which: non-current portion	455	264
- of which: current portion	-	8

The liability relates exclusively to the post-employment benefits (TFR) of the Parent. Under national legislation, it accrues based on the service provided and is paid when the employee leaves the company.

The following table shows the financial and demographic assumptions adopted to calculate the liability in accordance with IAS 19:

	31.12.2019	31.12.2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.00%	1.50%
Annual rate of increase in remuneration	1.00%	1.50%
Annual turnover rate	3.00%	3.00%
Probability of request for advances	2.00%	2.00%

21. Provisions for risks and charges

At 31 December 2019, the company did not accrue any provisions for risks and charges as its management assessed that there were no liabilities with a probable risk of losing at the reporting date.

22. Trade payables

At 31 December 2019, trade payables amount to Euro 7.9 million (Euro 9.1 million at 31 December 2018) and are made up as follows:

(in thousands of Euros)	31.12.19	Change	31.12.18
Italy	6,223	(427)	6,650
Abroad	492	(101)	593
Related companies	-	(1,171)	1,171
Invoices to be received	1,352	681	671
Credit notes to be received	(118)	(118)	-
Total trade payables	**7,949**	**(1,136)**	**9,085**

The decrease recorded in 2019 (Euro 1.1 million) is mainly due to the consolidation of Sicit Chemitech, which carries out quality control activities almost exclusively for the Parent, and the consequent elimination of the related liabilities of the Parent, classified as liabilities to related companies at 31 December 2018. DPO (calculated on the basis of the costs for the last quarter) number approximately 111 at 31 December 2019, substantially in line with 31 December 2018.

Trade payables by past due brackets are as follows:

		Past due				
(in thousands of Euros)	Falling due	1-60	61-180	181-360	Mor than 360	**Total**
At 31 December 2018	8,884	36	4	26	135	9,085
At 31 December 2019	7,591	169	24	6	159	7,949

23. Other current non-financial liabilities

(in thousands of Euros)	31.12.19	Change	31.12.18
Tax liabilities	132	119	13
Other tax liabilities	402	74	328
Liabilities to personnel	1,893	323	1,570
Other liabilities	44	40	4
Accrued expenses and deferred income	140	7	133
Total current non-financial liabilities	**2,611**	**563**	**2,048**

Other current non-financial liabilities amount to Euro 2.6 million at 31 December 2019, up by Euro 0.5 million on 31 December 2018 (Euro 2 million).

This caption mostly includes tax liabilities (at 31 December 2018, it also included the liability to the ultimate parent Intesa Holding S.p.A. for the tax consolidation scheme), other tax liabilities (VAT and withholding taxes, mainly IRPEF (personal income tax), liabilities to personnel (wages and salaries, bonuses and accrued holidays), accrued expenses and deferred income.

The overall increase is affected by the change in the consolidation scope following the acquisition of Sicit Chemitech which, at the date of first-time consolidation, contributed to the increase in the Group's balances for a total of €0.8 million.

24. Financial instruments

The carrying amount of financial assets and liabilities at 31 December 2019 and 31 December 2018 compared with their fair value, including the related fair value hierarchy level, is shown below:

(in thousands of Euros)	**Nota**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
At 31 December 2019					
Financial assets measured at fair value					
Non-current financial assets	11	44	-	-	44
Financial assets not measured at fair value					
Trade receivables	14	10,895	-	-	10,895
Other assets	15	6,147	-	-	6,147
Financial liabilities not measured at fair value					
Non-current financial liabilities	18	(29)	-	-	(29)
Current financial liabilities	18	(6,303)	(6,058)	-	(245)
Trade payables	21	(7,949)	-	-	(7,949)
Other current non-financial liabilities	23	(2,611)	-	-	(2,611)
At 31 December 2018					
Financial assets measured at fair value					
Non-current financial assets	11	44	-	-	44
Financial assets not measured at fair value					
Trade receivables	14	9,787	-	-	9,787
Other assets	15	3,317	-	-	3,317
Financial liabilities not measured at fair value					
Non-current financial liabilities	18	(255)	-	-	(255)
Current financial liabilities	18	(1,366)	-	-	(1,366)
Trade payables	21	(9,085)	-	-	(9,085)
Other current non-financial liabilities	23	(2,048)	-	-	(2,048)

Other information.

25. Financial risk management

In the ordinary course of its operations, the Group is exposed to:

- market risk, mainly changes in interest rates related to financial assets disbursed and financial liabilities assumed;
- liquidity risk, with reference to the availability of adequate funds to meet operating needs and repay the liabilities assumed;
- credit risk, associated both with ordinary trade relationships and the possibility of default by a financial counterparty.

The Group's financial risk management strategy is consistent and coherent with the corporate objectives defined by SICIT Group S.p.A's Board of Directors.

Market risk

The strategy followed for this type of risk is aimed at mitigating interest rate risk (including currency risk) and optimising the cost of debt, mainly by using own funds to satisfy financial requirements.

These risks are managed in accordance with the principle of prudence and in line with market best practices.

The main objectives of the policy are as follows:

- pursue the defence of the long-term plan scenario from the effects caused by exposure to currency and interest rate risks, avoiding recourse to the capital market for funds to meet operating requirements;
- pursue a "zero-debt" policy;
- manage transactions in currencies other than the Euro efficiently and avoid operating in situations where currency fluctuations could cause significant disadvantages.

At 31 December 2019, the Group had no cash flow hedges in place, classified as such under IFRS 9, on its exposure to medium/long-term loans. Indeed, the risks are considered not significant in view of the duration of the loans.

Liquidity risk

Liquidity risk represents the risk that the available financial resources may be insufficient to settle maturing cash requirements. The Group believes that it has access to sufficient sources of financing to meet its planned financial needs, considering its cash and cash equivalents, its ability to generate cash flows and to find sources of financing in the market.

Note 19 - Financial liabilities shows the breakdown of the financial liabilities outstanding at 31 December 2019 and 31 December 2018 by due date.

At 31 December 2019, the Group's cash and cash equivalents amount to Euro 29.6 million. The liquidity risk was deemed remote compared with the volumes and current financial planning.

Credit risk

The Group is exposed to moderate credit risks, as the debtors are represented by large private companies with high solvency. In addition, the Sicit Group carefully monitors its credit exposure through an internal credit procedure and by entering into specific insurance policies on the risk of non-collection from customers.

Individually significant credit positions for which an expected credit loss is recognised, in compliance with IFRS 9, are individually impaired. For further information on the impairment model used, reference should be made to Note 15 - Trade receivables.

26. Guarantees

At the reporting date, the Group did not provide guarantees either to third parties or companies or to group companies, except for a bank surety of Euro 82 thousand issued by the Parent in favour of the Province of Vicenza as part of the authorisations to operate the Chiampo plant.

27. Contingent liabilities

The company examined the contracts in progress at the reporting date and did not identify any significant contingent liabilities, in addition to that described in the provisions for risks and charges.

28. Related party transactions

All trade transactions take place on an arm's length basis, are part of the Group's ordinary business and are carried out solely in the Group's interest.

They are mainly attributable to the following transactions:

- Transactions carried out with the parent: in addition to that described in Note 3. Relevant transaction, Sicit 200 and Sicit Chemitech participated in the tax consolidation scheme of Intesa Holding, which ceased with the completion of the Relevant transaction (20 May 2019);
- Transactions carried out by the Sicit Group with its subsidiaries: these relate to the sale of goods and services and are part of the Group's ordinary business. They were carried out at market conditions. Costs and revenues and the related assets and liabilities were eliminated when preparing the consolidated financial statements.
- Transactions carried out by the Sicit Group with subsidiaries of parents:
  these transactions mainly relate to commercial support, research and laboratory use and quality control activities (part of the cost of sales). Since 2 May 2019, the quality control services provided by Chemitech have been classified as services provided by a subsidiary since this company joined the Group's consolidation scope on that date.
- Transactions carried out by other related parties: these transactions were carried out mainly with companies related to Sicit Group S.p.A.'s and Intesa Holding's directors. They mainly relate to the collection of animal by-products and other leather processing waste and are part of Sicit Group S.p.A.'s ordinary activities. The rates applied to these related parties for the service provided are the same as those applied to other customers. Therefore, the transactions were carried out at market conditions.

The Group adopted a code of conduct for related party transactions in order to monitor and trace the necessary information about transactions in which directors and managers have an interest, as well as transactions with related parties for the purpose of control and possible authorisation. The related procedure identifies the parties required to report this information, defines the transactions to be reported, establishes the terms within which the information must be sent, specifies their content and regulates the procedures applicable to related party transactions.

No atypical or unusual related party transactions were recognised or carried out, nor were contracts entered into with a significant impact on the IFRS-restated consolidated financial statements at 31 December 2019.

The table below shows the revenue and costs of related party transactions carried out by the Group in 2019 and 2018. The related balances relating to transactions with subsidiaries are not shown as they were eliminated upon consolidation.

(in thousands of Euros)	Ultimate parent (IH)	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Revenue						
Year ended 31 December 2019	-	-	826	826	56,656	*1.5%*
Year ended 31 December 2018	-	-	452	452	55,143	*0.8%*
Cost of sales						
Year ended 31 December 2019	-	(1,467)	-	(1,467)	(31,836)	*4.6%*
Year ended 31 December 2018	-	(3,520)	-	(3,520)	(32,953)	*10.7%*
Trade costs						
Year ended 31 December 2019	(3)	-	(136)	(139)	(4,011)	*3.5%*
Year ended 31 December 2018	(5)	-	(253)	(258)	(3,404)	*7.6%*
Research and development						
Year ended 31 December 2019	-	(175)	-	(175)	(1,663)	*10.5%*
Year ended 31 December 2018	-	(197)	-	(197)	(1,273)	*15.5%*
General and administrative costs						
Year ended 31 December 2019	-	-	(115)	(115)	(14,897)	*0.8%*
Year ended 31 December 2018	-	-	-	-	(3,003)	*0.0%*
Other income						
Year ended 31 December 2019	-	53	-	53	546	*9.6%*
Year ended 31 December 2018	-	126	-	126	1,626	*7.7%*
Net financial income						
Year ended 31 December 2019	-	-	1	1	3,852	*0.0%*
Year ended 31 December 2018	-	-	1	1	234	*0.4%*
Income taxes						
Year ended 31 December 2019	-	-	-	-	(4,444)	*0.0%*
Year ended 31 December 2018	(106)	-	-	(106)	(4,294)	*2.5%*

The table below shows assets and liabilities at 31 December 2019 and 31 December 2018 arising from transactions with related parties. The related balances relating to transactions with subsidiaries are not shown as they were eliminated upon consolidation.

(in thousands of Euros)	Ultimate parent (IH)	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Other current assets						
Year ended 31 December 2019	-	-	79	79	6,147	*1.3%*
Year ended 31 December 2018	359	-	101	460	3,317	*13.9%*
Trade receivables						
Year ended 31 December 2019	-	43	48	91	10,895	*0.8%*
Year ended 31 December 2018	-	51	60	111	9,787	*1.1%*
Trade payables						
Year ended 31 December 2019	-	-	73	73	7,949	*0.9%*
Year ended 31 December 2018	-	1,138	58	1,196	9,085	*13.2%*

29. Segment reporting

IFRS 8 requires that the notes to the financial statements include segment information presented in the same way as the internal presentation to the chief operating decision maker responsible for allocating resources and assessing the performance of the operating segments. The Group has no separate business units. Consequently, the Board of Directors takes strategic decisions on the basis of the Group's financial reporting for the entire company.

30. Significant events after the reporting date

The significant events which occurred after the reporting date include:

- On 11 January 2020, following the agreements relating to the business combination, the director Oreste Odelli, 72 years old, stepped down from his position of company Director (with delegated powers for sales management) and the subsidiaries SICIT Commercial Consulting Shanghai Ltd and SICIT USA Inc. Alessandro Paterniani, 52, became the Group's new Sales Director. Previously, he was Bayer CropScience Italia’s sales director. He will be responsible for reviewing and strengthening the SICIT Group's sales organisation in order to implement the long-term growth plan.
- The Parent is about to launch the translisting process to have its securities (ordinary shares and warrants) admitted to trading on the MTA market, possibly in the STAR segment.

Chiampo, 16 March 2020

The Chairman of the Board of Directors
Giuseppe Valter Peretti

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report

To the board of directors of
Sicit Group S.p.A.

Opinion

We have audited the accompanying consolidated financial information restated in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union of the Sicit 2000 Group (the "group") as at and for the year ended 31 December 2019 (the "IFRS consolidated financial information"). This IFRS consolidated financial information has been prepared for the sole purpose of its inclusion in the prospectus prepared by Sicit Group S.p.A. (the "parent") as part of the procedure for listing its shares on the stock exchange organised and managed by Borsa Italiana S.p.A. (the "prospectus"). Its objective is to present the group's financial position as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the requirements of the IFRS endorsed by the European Union, as described in the related notes.

In our opinion, the IFRS consolidated financial information gives a true and fair view of the financial position of the Sicit 2000 Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the basis of preparation set out in the notes.

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 "*Auditors' responsibilities for the audit of the IFRS consolidated financial information*" section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards applicable in Italy to audits of IFRS consolidated financial information. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Without modifying our opinion, we draw attention to the notes to the IFRS consolidated financial information, which describe its basis of preparation. The IFRS consolidated financial information has been prepared for the sole purpose of its inclusion in the prospectus and, as such, it may not be suitable for other purposes.

Responsibilities of the parent's directors for the IFRS consolidated financial information

The directors are responsible for the preparation of IFRS consolidated financial information that gives a true and fair view in accordance with the basis of preparation describes in the related notes and for such internal control as they determine is necessary to enable the preparation of IFRS consolidated financial information that is free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the IFRS consolidated financial information

Our objectives are to obtain reasonable assurance about whether the IFRS consolidated financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 this IFRS consolidated financial information.

As part of an audit in accordance with ISA Italia and considering ESMA recommendation no. 319/2013, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the IFRS consolidated financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- evaluate the overall presentation, structure and content of the IFRS consolidated financial information, including the disclosures, and whether the IFRS consolidated financial information represents the underlying transactions and events in a manner that achieves fair presentation.

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

Padua, 20 March 2020

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director of Audit