





2020
ANNUAL
FINANCIAL
REPORT



SICIT Group S.p.A.

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Share capital Euro 2,439,679.70 fully paid up

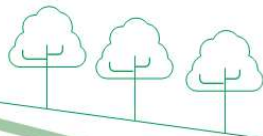
Vicenza company registration no.: 9970040961 – REA no. VI-388405

CONTENTS

LETTER TO THE SHAREHOLDERS	6
Letter to the shareholders	7
GENERAL INFORMATION	9
SICIT in figures	10
Our history	11
Company bodies	13
DIRECTORS' REPORT	14
Introduction	15
Consolidated highlights	16
The Group	17
Performance of operations	19
Other information	28
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020	39
Consolidated statement of profit or loss and other comprehensive income	40
Consolidated statement of financial position	41
Consolidated statement of cash flows	42
Consolidated statement of changes in equity	43
Notes to the consolidated financial statements	44
Notes to the consolidated statement of profit or loss and other comprehensive income	54
Notes to the consolidated statement of financial position	59
Other information	69
STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS	72
Statement about the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions	73
INDEPENDENT AUDITORS' REPORT	74
Independent auditors' report	75
SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020	80
Statement of profit or loss and other comprehensive income	81
Statement of financial position	82
Statement of cash flows	83
Statement of changes in equity	84
Notes to the separate financial statements	85
Notes to the statement of profit or loss and other comprehensive income	97
Notes to the statement of financial position	101
Other information	114
STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS	123

Statement about the separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions	124
REPORT OF THE BOARD OF STATUTORY AUDITORS	125
Report of the Board of Statutory Auditors	126
INDEPENDENT AUDITORS' REPORT	135
Independent auditors' report.....	136





LETTER TO THE SHAREHOLDERS



Letter to the shareholders

2020 will be remembered as the year of the COVID-19 **pandemic**. We wish we could cancel almost all these past twelve months as well as the public health and financial consequences of this pandemic, which will have long-term effects on the country's system and Italy's tanning industry.

Despite the dramatic impact, **SICIT's response was prompt**, strong and robust. We **continued to operate** even during periods of increased restrictions, implementing all necessary protocols and protective measures. Between the end of March and the first half of April, when the tanning companies in the Vicenza area were forced to stop the collection of residues from leather processing, we managed to **find new solutions** in order to meet the need for input raw materials and satisfy customers' growing demand. During this period, we turned to new suppliers, used alternative raw materials and increased the production of protein hydrolysate from animal hair. When producing basic semi-finished products became impossible, we **offered our customers full operation and supplies** by using our stocks. Thanks to these measures, as of the third quarter of the year, we have recovered the decrease in production experienced in the second quarter.

For these reasons, SICIT's results for 2020 are even more important; indeed, we continued to **generate value** for **shareholders**, our **country** and our **community**, confirming our role as the driving force of **circular economy**, as shown by the **translisting on the MTA (STAR segment)** regulated by Borsa Italiana in June.

"**Resilience**" is a very common word these days: we are proud to say that even the pandemic did not stop our extraordinary growth and internationalisation. This is confirmed by **revenue** which shows double-digit growth (Euro 63.2 million, +11.5%), **adjusted profit** of Euro 14.6 million (23.2% of revenue) and **adjusted EBITDA** of Euro 24.1 million (38.1% of revenue).

With respect to our business segments, turnover from **biostimulants** for agriculture rose significantly (Euro 38.3 million, +23.6%) as did that from **animal fat** for biofuel production (Euro 7.1 million, +8.8%). However, the increase in revenue from **collection services** concerning leather tanning residues was more modest (Euro 3.1 million, +3.6%). Overall, this enabled us to offset the slowdown in **retardants** for the gypsum industry (Euro 14.1 million, -8.3%), mainly due to the effects of the pandemic on the global construction market.

These figures show the **commitment** and the **efforts of all group employees**. We would like to thank them for their work in such an exceptional situation that we hope to overcome as soon as possible. We had to face new and unforeseen challenges, while ensuring the highest safety standards for employees and, as far as possible, guaranteeing full operations for customers and business partners. Thanks to this massive collective effort, we managed to strengthen our presence in almost all geographical regions, enter new markets, extend existing business relationships and launch new solutions to consolidate our positioning in markets with excellent growth prospects.

Our **expansion plan** continued: in 2020 alone, we invested almost Euro 16 million to expand the agronomic, chemical and quality control laboratories, enlarge the storage tank and new warehouses, complete the plant for the production of protein hydrolysate from the treatment of animal hair, complete the plant for the refining and re-esterification of animal fat in order to obtain a high-quality biofuel and set up the new plant for the production of granulated products.

All this confirms that our medium to long term goals remain focused on the continuous improvement of **research and development activities** (approx. 2.4% of annual turnover) and the development of **innovative products**.

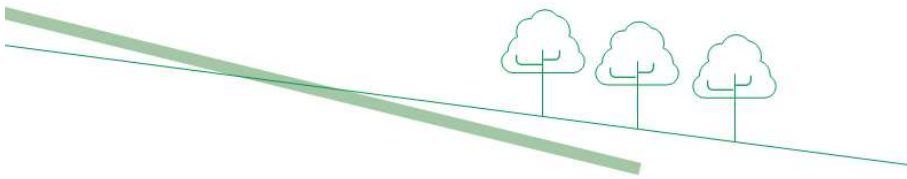
Meanwhile, talks continued with the Chinese authorities about the construction of our **first foreign production site in China**, in Tianjin (south-east of Beijing), in the local Free Trade Zone. The goal is to set up a factory for finishing animal protein hydrolysate, imported from Italy in concentrated form, in order to obtain biostimulants and retardants on site which will be subsequently sold in Asia.

Over the past twelve months, **green issues have grown in importance**, with measurable and tangible actions. Since its incorporation, SICIT has based its business on the principles of sustainability, typical of the circular economy. In order to monitor, report and communicate our responsible management process, we prepared and had our first **sustainability report** audited. In early 2021, SICIT obtained its **first, excellent EGS rating**, thus increasing the degree of transparency and reliability of its non-financial information. Furthermore, during the year, we made significant adjustments to our governance structure in order to comply with international best practices.

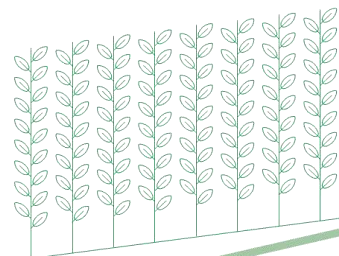
Finally, we are truly satisfied with the excellent results achieved in 2020, which also reflect the **support and trust you have placed in SICIT** and which have enabled us to successfully overcome a period unprecedented in our sixty-year history. To use a metaphor, a plant can only survive and continue to grow in a complicated environment if its roots are deep and it has the necessary characteristics. Capital expenditure, R&D, new product development, internationalisation, diversification and a long-term horizon are the driving force behind our choices and allow us to look forward to 2021 with great confidence.

Giuseppe Valter Peretti
Chairman

Massimo Neresini
Chief Executive Officer



GENERAL INFORMATION



SICIT in figures

FINANCIAL HIGHLIGHTS
REVENUE

Euro 63.2
million
+11.5%

ADJUSTED PROFIT

Euro 14.6
million
+16.0%

EBITDA ADJ

Euro 24.1
million
+14.0%

NET AVAILABLE FUNDS

Euro 20.5
million

THE COMPANY

141 employees

2 production sites in Italy (Arzignano and Chiampo, Vicenza)

2 commercial branches abroad (SICIT China and SICIT USA)

3 laboratories (chemical, agronomic and quality control)

2.4% of turnover allocated to R&D

Euro 16.1 million invested
(approximately 25.5% of turnover)

564 customers

89 countries in which it operates

72.7% of turnover from exports



Our history

1960

Giuliano Guardini founds S.I.C.I.T. S.p.A. (Società Industrie Chimiche Italiane) in Chiampo (Vicenza). The company's initial mission was to extract chromium from the leather tanning residues and sell it to tanneries. The idea was not successful and SICIT converted to protein extraction through the hydrolysis process.

1963

Following the analyses related to the issue of anthrax spores on fields (flesh residues were spread in the fields as fertiliser), SICIT is identified as the only **entity suitable to treat tanning residues**: the SICIT protocol becomes a legal obligation and all tanneries start delivering their residues to the company. In this period, SICIT products were destined for industrial farming of calves.

1968-1970

Start-up of the experimental plant to process fleshing and obtain protein hydrolysate for agriculture. SICIT can thus count on a **double market**: the **zootechnical** and the **agricultural ones**.

Mid-1970s

Start of **fat** production, then used to feed mills.

1989-1991

SICIT is now managed by Z. Filippi. A short but rich period of investments, including the start of the project to separate the treatment of fleshing from shaving. This will allow the **construction of two lines to separate the sludge** (for landfills) from the calcium corrective (for agriculture).

1991-1996

SICIT's ownership is transferred to **Intesa**, a company founded by a group of tanners from Arzignano to manage the disposal of residues from the tanning industry. Intesa completes the restructuring project started under the previous ownership, including the separation of the two

1996

The outbreak of the so-called "mad cow" disease results in a period of great restructuring for SICIT: the Research & Development division is focused on new products for the agricultural and industrial sectors. In collaboration with the University of Edinburgh, SICIT succeeded in **developing a more effective hydrolysis process for processing animal by-products from the tanning industry**. This process becomes the only one allowed for the production of protein hydrolysates of animal origin, also allowed for zootechnical use, and considered the state of the art in the processing of animal by-products.

2000

Start of construction of the **plant in Arzignano (VI)**.

2000

Following an internal reorganisation, two new companies are created: **Sicit 2000 S.p.A.** and SICIT Chemitech S.p.A.. The first is focused on the production and sale of amino acids and peptides for agriculture: thanks to the two plants and a total production capacity of 100 MT/day of liquid products and 40 MT/day of powdered products, it becomes the largest producer of amino acid fertilizers in the world. **SICIT Chemitech** is responsible for quantity control, product traceability and research and development (R&D) of new formulations and processes.

● **2004**

Opening of the new plant in Arzignano.

● **2006-2011**

Launch of the renovation and automation of the Chiampo plant.

● **2016**

Establishment of SICIT China in Shanghai.

● **2018**

Establishment of SICIT USA (New York) for the direct distribution of the company products in North America.

● **2019**

Establishment of SICIT China in Shanghai. On 20 May, the business combination between SICIT 2000 S.p.A. and SprintItaly S.p.A. (SPAC italiana) is completed. On the same day, the merger of the former company into the latter became effective and, concurrently, trading of the shares of the newco SICIT Group S.p.A. began on the AIM market.

● **2020**

On 15 June, SICIT completes the translisting to the MTA (Italian Equities Market, STAR segment) of Borsa Italiana.



Company bodies

Board of Directors

Chairman	Giuseppe Valter Peretti
Chief Executive Officer	Massimo Neresini
Directors	Paolo Danda

Matteo Carlotti
Rino Mastrotto
Raymond Totah
Mario Peretti

Independent directors

Isabella Chiodi
Marina Salamon
Carla Trevisan
Ada Villa

Executive committee

Chairman	Mario Peretti
Chief Executive Officer	Massimo Neresini
Directors	Matteo Carlotti
	Rino Mastrotto
	Raymond Totah

Control, risk and related party committee

Independent directors	Carla Trevisan
	Isabella Chiodi
	Ada Villa

Remuneration and appointment committee

Director	Matteo Carlotti
Independent directors	Marina Salamon
	Carla Trevisan

Board of Statutory Auditors¹

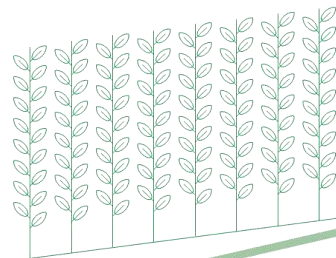
Chairman	Manfredo Turchetti
Standing auditors	Elena Fornara
	Sergio Zamberlan

Independent auditors	KPMG S.p.A.
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¹ The Board of Statutory Auditors was appointed on 20 April 2020. The alternate auditor Sergio Zamberlan took over as standing auditor on 1 January 2021 following the resignation of Paolo Ludovici and Michele Aprile.



DIRECTORS' REPORT



Introduction

The consolidated financial statements of SICIT Group (the “Group”) accompanied by this Report, have been prepared pursuant to article 153-ter.1 of Legislative decree no. 58 of 24 February 1998 (Consolidated Finance Act - “TUF”) in accordance with the International Financial Reporting Standards (“IFRS”). These reporting standards coincide with those adopted by the parent SICIT Group S.p.A. (“SICIT”, the “Parent” or the “Company”) for the preparation of its separate financial statements.

This report should be read in conjunction with the financial statements and the notes thereto, which form an integral part of the consolidated financial statements.

The reclassified statement of profit or loss shows an intermediate level of profitability, i.e., the “Profit from ordinary operations”, consistently with the format used to monitor the Group’s profitability. Since extraordinary income and expense are not allowed under IFRS, the Group classifies income and expense not related to ordinary operations (e.g., MTA market listing costs) under “Non-recurring costs and (revenue)” between the profit (loss) from ordinary operations and the operating profit (loss).

The Group availed itself of the option allowed by article 40.2-bis of Legislative decree no. 127 of 9 April 1991, as amended by Legislative decree no. 32 of 2 February 2007, which provides for the preparation of a single directors’ report for the separate and consolidated financial statements, focusing mainly on matters that are relevant to the consolidated companies.

Consolidated highlights

Revenue from sales

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Italy	14,095	22.3%	12,325	21.8%	1,770	14.4%
Abroad	45,902	72.7%	41,264	72.8%	4,638	11.2%
Total revenue from products	59,997	95.0%	53,589	94.6%	6,408	12.0%
Services (Italy)	3,167	5.0%	3,067	5.4%	100	3.3%
Total revenue	63,164	100.0%	56,656	100.0%	6,508	11.5%

Financial performance

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Revenue	63,164	100.0%	56,656	100.0%	6,508	11.5%
EBITDA ⁽¹⁾	21,970	34.8%	9,301	16.4%	12,669	136.2%
Adjusted EBITDA ⁽²⁾	24,073	38.1%	21,117	37.3%	2,956	14.0%
Profit for the year	9,304	14.7%	4,203	7.4%	5,101	121.4%
Profit for the year - adjusted ⁽³⁾	14,626	23.2%	12,611	22.3%	2,015	16.0%
Earnings per share (EPS)	0.477		0.214		0.263	122.7%
Earnings per share (adjusted EPS) ⁽⁴⁾	0.751		0.643		0.107	16.7%

⁽¹⁾ Operating profit (loss) before amortisation/depreciation and impairment losses on non-current assets

⁽²⁾ Operating profit (loss) before amortisation/depreciation and impairment losses on non-current assets, non-recurring costs and revenue, including SICIT Chemitech S.p.A.'s EBITDA for the period January-April (consolidated as of 2 May 2019) as per the IFRS-compliant reporting package.

⁽³⁾ Before non-recurring costs and revenue, costs and revenue from warrant measurement, the related tax effect and the financial performance of SICIT Chemitech for the period January-April 2019 (consolidated as of 2 May 2019) as per the IFRS-compliant reporting package.

⁽⁴⁾ Divided by the average number of outstanding shares, net of treasury shares

Consolidated financial position

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Net working capital ⁽¹⁾	16,675	19.2%	16,902	19.4%	(227)	(1.3%)
Non-current assets	73,162	84.0%	51,526	59.2%	21,636	42.0%
Net invested capital	87,058	100.0%	65,634	75.4%	21,424	32.6%
NFP/(available funds), net ⁽²⁾	(20,458)	(23.5%)	(29,329)	(33.7%)	8,871	(30.2%)
Financial liabilities for warrants	19,634	22.6%	6,058	7.0%	13,576	224.1%
Equity	87,882	100.9%	88,905	102.1%	(1,023)	(1.2%)

⁽¹⁾ Inventories, trade receivables, other assets and current assets, trade payables and other current non-financial liabilities

⁽²⁾ Bank loans and borrowings and medium/long-term loans less cash and cash equivalents

The Group

SICIT 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 and to produce retardants for the gypsum industry.

SICIT Group uses a hydrolysis process to transform the processing residues of leather tanning into a high value-added product used in agriculture (biostimulants) and in the gypsum industry (retardants). SICIT Group 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.

It aims to be the reference partner for its customers, top tier in the agrochemical, chemical and gypsum production industries, thanks to the excellence of its products and their total reliability through specific formulations and tests with customers carried out before and after sales.

SICIT operates in two highly-automated and technological production sites and has three laboratories for chemical, agronomic and quality control analyses in order to best meet its customers needs.

It offers a strategically-important service for the tanning sector, collecting tannery processing residues (input raw materials) that it uses for the production of protein hydrolysates, transforming animal by-products and other residues from leather processing that it collects into high added value products.

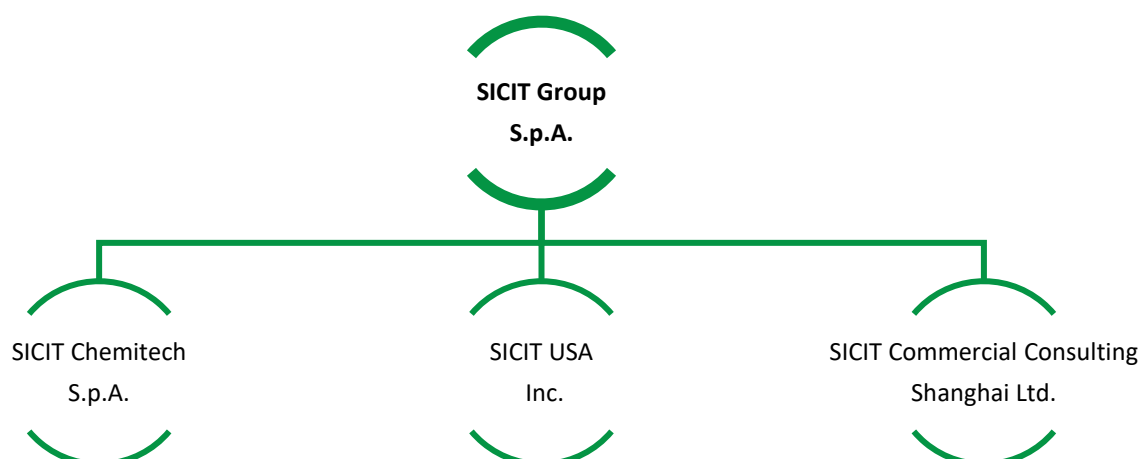
The resulting finished goods are used as:

- **biostimulants for agriculture**, which stimulate the biological activities of plants in order to combat abiotic stress, improving crop quality and yield and promote soil microflora renewal;
- **retardants for the gypsum industry** which delay its setting, improving processing;
- **fat**, sold as raw material for biofuel production.

SICIT Group is the world's leading operator in biostimulants and retardants for the gypsum industry market, thanks to its technological expertise, product quality and safety, comprehensive offer and rapid response to customers.

The group structure

This report covers:



Target markets

The global market for **biostimulants for agriculture** is driven by global phenomena that create favourable growth prospects, such as: the increase in world population and demand for food, the reduction in the amount of arable land per capita, the transitioning of agri-food systems to sustainability and the growing attention paid to circular economy issues.

The biostimulants market is strongly driven by agricultural production and the inclination of operators to use biostimulants as a supplement to agrochemicals and chemical fertilisers. Indeed, biostimulants are natural and environmentally-friendly products which can improve crop yields, both in quantity and quality terms, making them more resistant to abiotic stress.

Modern agriculture's growing interest in biostimulants is fuelled by the increasing consumer demand for sustainability and the regulatory and legislative actions currently underway in Europe, the USA, China and India, which set ambitious targets for reducing the use of synthetic chemicals.

Globally, the biostimulants market is worth approximately \$2.5 billion, with an expected CAGR over the next five years of about 12%.

The COVID-19 pandemic affected the agri-food sector, which is biostimulants' targets, to different extents, with an impact on all food sectors covered by FAO's Annual report on the state of food and agriculture. However, while COVID-19 seriously threatened food security, overall, FAO analysis shows that, from a global perspective, agricultural commodity markets are proving more resilient to the pandemic than many other sectors.

The global gypsum and plasterboard market, where **retardants** are used, is driven by the evolution of the construction industry and, specifically, by the increasing use of these products in buildings. Construction companies prefer plasterboard walls to traditional masonry walls because of their light weight, speed of construction and greater fireproof and insulating properties. Furthermore, the demand for plasterboard walls is driven by the following macro-trends: (i) increasing population; (ii) increasing urbanisation; (iii) increasing disposable income and growing demand for higher quality housing; (v) international regulatory framework increasingly focused on the introduction of sustainable housing standards as a result of consumers' growing attention to environmental impacts.

The global plasterboard market was worth approximately \$24.2 billion in 2019, with an expected CAGR of about 5.8% to 2030.

The outbreak of COVID-19 had a major impact on the main global markets. This led to significant contractions in the construction industry in the main regions where SICIT operates, specifically across Europe and the APAC regions. In 2020, in Europe, the construction market is expected to decline by around 8%, while in China it is expected to grow by 1.9% compared to a 5.6% increase in 2019. Although according to some industry studies the recovery should start as early as 2021, in fact, it may take another six-eight quarters before growth in all markets returns to stable levels.

The selling price of animal **fat**, which is essentially a commodity, is indexed to quotations on national stock markets which, in turn, are influenced by global quotations. In Italy, fat prices are mainly regulated by the Milan Stock Exchange ('Borsa Granaria').

The development of the fat industry, primarily as a raw material in the production of, inter alia, biofuels, is linked to the increased use of energy from renewable sources. Again in 2020, renewable energy sources (RES) played a significant role in the Italian energy market. They were used largely for electricity generation (electricity sector), for heating and cooling (thermal sector), and as biofuels in the transport sector.

Performance of operations

COVID-19 update

The first half of 2020 saw the outbreak of the public health emergency due to the COVID-19 pandemic (Coronavirus) and the adoption of restrictive measures by Governments and Authorities to deal with it.

During such period, SICIT and its subsidiary SICIT Chemitech **continued to operate**. Indeed, the above restrictive measures did not apply to their respective activities. The companies have also implemented protocols and measures to protect workers from the risk of contagion in their production sites, in line with regulatory requirements, as well as remote working methods for non-core functions.

With respect to the **supply of raw materials**, between the end of March and the beginning of May 2020, the tanning companies in the Vicenza area (the Group's main suppliers of input raw materials) initially discontinued the collection of leather processing residues. From mid-April, concurrently with the gradual resumption of leather processing, the collection of raw materials has gradually resumed, albeit with volumes below those prior to the COVID-19 emergency.

In order to meet its customers' growing demand for input **raw materials**, during the year, the Parent implemented the following strategies: (i) recourse to new suppliers, including foreign ones, (ii) recourse to alternative types of raw materials at the Chiampo site, even if economically less convenient, and (iii) increased production of protein hydrolysate from animal hair at the Arzignano site compared to the original plans.

With respect to production, the Group's **production** activities continued also by bringing the relevant procedures into line with the new safety protocols introduced from time to time by government decrees. However, the temporary interruptions in the supply of raw materials resulted in the temporary suspension of the production of basic semi-finished products (protein hydrolysates). SICIT continued to produce finished goods (biostimulants and retardants) using stocks of semi-finished products, thus ensuring full operativity and supply capacity to its customers.

With respect to **revenue**, there were no cancellations of customer orders, requests to shift deliveries or delivery difficulties that had a negative impact on revenue from products for agriculture. However, since the second quarter of the year, the temporary closing of some gypsum factories has affected revenue from retardants for plaster, while the drop in the volumes of input raw materials collected in the second quarter had a negative effect on fat production volumes and related revenue.

The Group did not make use of employment aids (ordinary or extraordinary lay-off schemes) and all employees remained fully operational.

With respect to the **outlook for 2021**, the demand for biostimulants is expected to remain strong thanks to the growing focus on the sustainability of production systems. Similarly to 2020, COVID-19 could have specific and more general low impacts, especially on the input distribution chain. The demand for retardants for plaster could remain volatile, especially in the first half of the year, due to the impact of COVID-19 on construction activities and production facilities. In this market, characterised by weak demand, competitive pressure is growing. The renovation sector, specifically the DIY sector, is growing. However, the Group's position in this sector is marginal as its retardants are used more in construction than in renovation activities. Yet, the fact that the construction sector, and therefore the Group's customers, are benefiting from the growth in the DIY segment, that partly offsets the difficulties experienced in heavy construction, is a positive note.

Consolidated revenue

SICIT's revenue for 2020 amounts to Euro 63.2 million, up by Euro 6.5 million or +11.5% on 2019 (Euro 56.7 million). The exchange effect is slightly negative (approximately Euro -0.1 million or -0.1%).

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Products for agriculture	38,340	60.7%	31,009	54.7%	7,331	23.6%
Retardants for plaster	14,057	22.3%	15,334	27.1%	(1,277)	(8.3%)
Other products	504	0.8%	726	1.3%	(222)	(30.6%)
Fat	7,096	11.2%	6,520	11.5%	576	8.8%
Total revenue from products	59,997	95.0%	53,589	94.6%	6,408	12.0%
Collection services	3,122	4.9%	3,014	5.3%	108	3.6%
Analysis services	45	0.1%	53	0.1%	(8)	(15.1%)
Total revenue	63,164	100.0%	56,656	100.0%	6,508	11.5%

In 2020, revenue from **products for agriculture** amounted to Euro 38.3 million, accounting for 60.7% of revenue. The significant increase on the previous year (Euro +7.3 million or +23.6%) is due to the higher volumes sold to European, APAC and LATAM customers which continued to record strong demand also thanks to the significant focus of key accounts in the commercial development of the Group's products.

Revenue from **retardants for plaster** amounted to Euro 14.1 million in 2020 (22.3% of the total), down by Euro 1.3 million or 8.3% on the previous year due to lower volumes recorded in Europe and the APAC region. After a very strong first quarter, during which revenue increased in part as a consequence of the frontloading of supplies by some customers to prevent a possible shortage effect due to COVID-19, the second quarter of 2020 slowed down also as a result of the temporary closing of some production facilities, especially in the APAC region.

Revenue from **fat**, amounting to Euro 7.1 million in 2020, rose by 8.8% as a result of the increase in average selling prices compared to 2019, partially offset by lower volumes produced in the second quarter of 2020 following the temporary closure of the main tanneries in the Vicenza area in March and April and the consequent slowdown in the delivery of animal by-products.

Revenue from **other products**, for the industrial sector, can be considered residual.

Revenue from **collection services** is slightly up from Euro 3.0 million in 2019 to Euro 3.1 million in 2020 (+Euro 0.1 million or +3.6%). The increase is due to lower average prices for the collection of by-products compared to 2019, offset by higher revenue from the collection of animal hair (essentially not considered in 2019).

SICIT collects by-products of animal origin and other residues from leather processing from its customers (input raw materials). These disposal activities are charged to customers at rates that vary according to the quantity and type of material collected.

Revenue from **analysis services** are negligible and refer to studies and analyses carried out by SICIT Chemitech for third parties.

Revenue by geographical segment

Total revenue by geographical and business segment may be analysed as follows:

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Italy	14,095	23.5%	12,325	23.0%	1,770	14.4%
Europe	18,479	30.8%	17,943	33.5%	536	3.0%
APAC (Asia Pacific)	18,659	31.1%	15,629	29.2%	3,030	19.4%
MEA (Middle East and Africa)	1,815	3.0%	1,850	3.5%	(35)	(1.9%)
North America	2,912	4.9%	2,958	5.5%	(46)	(1.6%)
LATAM (Latin America)	4,036	6.7%	2,884	5.4%	1,152	39.9%
Total revenue from products	59,997	100.0%	53,589	100.0%	6,408	12.0%

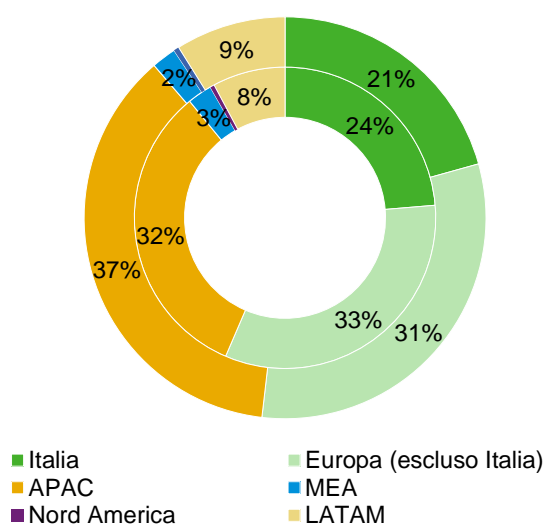
Growth related to almost all geographical segments: from Europe (including Italy, +7.6%; of which Italy +14.4% and other countries in Europe +3.0%), to APAC (+19.4%) and LATAM (+39.9%). Conversely, North America (mainly in respect of retardants, -1.6%) and the Rest of the world (MEA, -1.9%) show a decrease.

Growth in **Europe** and the **APAC** region was mainly driven by agricultural products, partially offset by the decline in retardants for plaster. The LATAM region performed well in terms of both biostimulants and retardants, in contrast to other geographical segments.

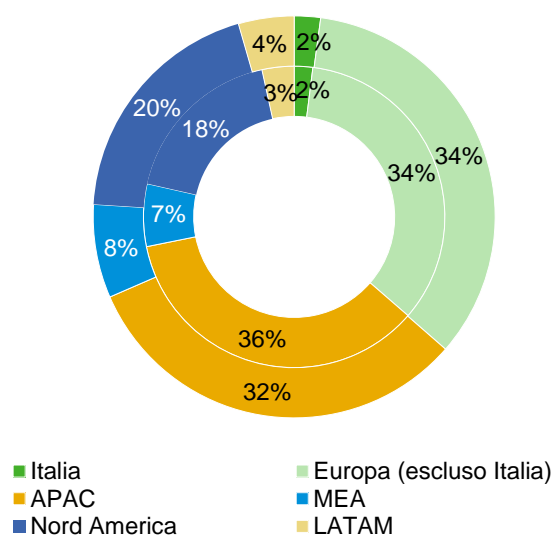
Revenue from fat mainly affected **Italy** which accounted for about 80% of the revenue from this sector in 2020.

Revenue from services is entirely related to Italy.

Products for agriculture



Retardants for plaster



The outer ring represents 2020 while the inner ring refers to 2019.

Financial performance

The Group's reclassified statement of profit or loss for 2020 and the related impact on revenue is as follows:

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Revenue	63,164	100.0%	56,656	100.0%	6,508	11.5%
Cost of goods sold	(34,371)	(54.4%)	(31,836)	(56.2%)	(2,535)	8.0%
Gross operating profit	28,793	45.6%	24,820	43.8%	3,973	16.0%
Selling expenses	(3,938)	(6.2%)	(4,011)	(7.1%)	73	(1.8%)
Research and development expenses	(1,527)	(2.4%)	(1,663)	(2.9%)	136	(8.2%)
General and administrative expenses	(4,431)	(7.0%)	(3,890)	(6.9%)	(541)	13.9%
Other income, net	350	0.6%	546	1.0%	(196)	(35.9%)
Profit from ordinary operations	19,247	30.5%	15,802	27.9%	3,445	21.8%
Other non-recurring costs, net	(2,103)	(3.3%)	(11,007)	(19.4%)	8,904	(80.9%)
Operating profit (EBIT)	17,144	27.1%	4,795	8.5%	12,349	>1
Net financial expense ¹	(169)	(0.3%)	(3)	(0.0%)	(166)	>1
(Costs) and revenue from warrant measurement	(13,723)	(21.7%)	3,855	6.8%	(17,578)	>1
Profit before taxes	3,252	5.1%	8,647	15.3%	(5,394)	(62.4%)
Income taxes	6,052	9.6%	(4,444)	(7.8%)	10,496	>1
Profit for the year	9,304	14.7%	4,203	7.4%	5,102	>1
Adjusted profit ²	14,626	23.2%	12,611	22.3%	2,015	16.0%
Adjusted EBITDA ³	24,073	38.1%	21,117	37.3%	2,956	14.0%

⁽¹⁾ Excluding costs and revenue from warrant measurement.

⁽²⁾ Before non-recurring costs and revenue, costs and revenue from warrant measurement, the related tax effect and the financial performance of SICIT Chemitech for the period January-April 2019 (consolidated as of 2 May 2019) as per the IFRS-compliant reporting package.

⁽³⁾ Operating profit (loss) before amortisation/depreciation and impairment losses on non-current assets, non-recurring costs and revenue, including SICIT Chemitech S.p.A.'s EBITDA for the period January-April (consolidated as of 2 May 2019) as per the IFRS-compliant reporting package.

Revenue for 2020 amounted to Euro 63.2 million, up by Euro 6.5 million on the previous year. For additional information, reference should be made to the paragraph ("Consolidated revenue").

Gross operating profit amounted to Euro 28.8 million, accounting for a significant portion of profitability (45.6% of revenue). The increase in profit margins compared to 2019 (43.8%, +1.8 p.p.) is entirely due to the 12-month consolidation of the subsidiary SICIT Chemitech in 2020, which joined the consolidation scope on 2 May 2019 (therefore, it was consolidated for eight months in 2019).

On a like-for-like basis², in 2020, the gross operating profit accounted for 45.6% of revenue, essentially in line with 2019 (-0,1 p.p). In 2020, the average margin was negatively affected by higher direct production costs incurred during the year (including personnel expense and amortisation/depreciation) and a less favourable product mix, partially offset by the positive price effect in the fat sector.

Selling expenses amounted to Euro 3.9 million, down by Euro 0.1 million (-1,8%) as a result of the decline in consultancy costs, travel and transfers.

Research and development expenses decreased by approximately Euro 0.1 million from Euro 1.7 million in 2019 to Euro 1.5 million in 2020. The decrease is due to the reduction in amortisation/depreciation and consultancies, which was partly offset by the rise in personnel expense.

General and administrative expenses increased by approximately Euro 0.5 million from Euro 3.9 million in 2019 to Euro 4.4 million in 2020. The increase is due to the rise in recurring administrative consultancies and the strengthening of the post-listing governance structure. The impact of these costs on revenue is essentially unchanged.

²Including SICIT Chemitech's financial performance for the period January-April in 2019 (as per the IFRS-compliant reporting package).

In 2020, SICIT incurred **non-recurring costs** of approximately Euro 2.1 million. These costs include the translisting from the AIM Italia to the MTA (STAR segment) market (Euro 1.2 million, of which Euro 1 million and Euro 0.2 million related to consultancies and non-recurring personnel's and directors' bonuses, respectively), sanitation and safety costs related to the COVID-19 public health crisis (Euro 0.1 million) and non-recurring donations to health care structures, again in connection with the COVID-19 emergency (Euro 0.6 million). In 2019, non-recurring costs amounted to Euro 11 million, of which Euro 0.8 million related to consultancies for Sicit 2000 S.p.A.'s merger into SprintItaly S.p.A. and the listing on the AIM Italia market, and listing costs of Euro 10.2 million generated by the recognition of Sicit 2000 S.p.A.'s merger into SprintItaly S.p.A. as a reverse acquisition in accordance with IFRS 2 (non-monetary costs not relevant for tax purposes).

Income taxes reflect the tax effect of financial income/expense from warrant measurement. Furthermore, in 2020, net income of Euro 2.8 million was recognised in connection with the taxing of goodwill arising from the merger with SprintItaly S.p.A., while Euro 3.8 million related to the Patent box tax bonus covering the 2015-2019 tax period. For additional information, reference should be made to the paragraph "Significant events of the year". In 2019, income taxes reflected non-recurring costs of Euro 10.2 million related to the reverse acquisition recognised in the first half of 2019. Reference should be made to the notes to the consolidated financial statements for a reconciliation between the effective/theoretical tax rate.

Adjusted EBITDA amounted to Euro 24.1 million in 2020, up by Euro 3.0 million on the previous year mainly as a result of the rise in the revenue of the year.

The increase in **adjusted profit** is essentially in line with adjusted EBITDA (Euro +2 million). It amounted to Euro 14.6 million in 2020.

Reconciliation of adjusted EBITDA

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Operating profit (EBIT)	17,144	27.1%	4,795	8.5%	12,349	257.5%
Amortisation and depreciation	4,826	7.6%	4,506	8.0%	320	7.1%
EBITDA	21,970	34.8%	9,301	16.4%	12,669	136.2%
Non-recurring costs and revenue	2,103	3.3%	11,007	19.4%	(8,904)	(80.9%)
SICIT Chemitech's EBITDA January-April 2019	-		808		(808)	(100.0%)
Adjusted EBITDA	24,073	38.1%	21,117	37.3%	2,957	14.0%

Reconciliation of the adjusted profit for the year

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Profit for the year	9,304	14.7%	4,203	7.4%	5,101	121.4%
Non-recurring costs and revenue	2,103	3.3%	11,007	19.4%	(8,904)	(80.9%)
(Costs) and revenue from warrant measurement	13,723	21.7%	(3,855)	(6.8%)	17,578	(456.0%)
Tax effect	(3,880)	(6.1%)	701	1.2%	(4,581)	(653.8%)
Other non-recurring tax benefits	(6,624)	(10.5%)	-		(6,624)	n.a.
SICIT Chemitech's profit January-April 2019	-	0.0%	555	1.0%	(555)	(100.0%)
Adjusted profit for the year	14,626	23.2%	12,611	22.3%	2,015	16.0%

Financial position

The Group's reclassified statement of financial position as at 31 December 2020 and 31 December 2019 is as follows:

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Inventories	10,230	11.8%	10,421	15.9%	(191)	(1.8%)
Trade receivables	13,247	15.2%	10,895	16.6%	2,352	21.6%
Trade payables	(11,266)	(12.9%)	(7,949)	(12.1%)	(3,317)	41.7%
Operating working capital (OWC)	12,211	14.0%	13,367	20.4%	(1,156)	(8.6%)
Other current assets	7,335	8.4%	6,147	9.4%	1,188	19.3%
Non-financial current liabilities	(2,871)	(3.3%)	(2,612)	(4.0%)	(259)	9.9%
Net working capital (NWC)	16,675	19.2%	16,902	25.8%	(227)	(1.3%)
Intangible assets	391	0.4%	485	0.7%	(94)	(19.4%)
Property, plant and equipment	59,729	68.6%	48,845	74.4%	10,884	22.3%
Other non-current assets ¹	13,042	15.0%	2,196	3.3%	10,846	493.9%
Non-current assets	73,162	84.0%	51,526	78.5%	21,636	42.0%
Deferred tax liabilities	(2,331)	(2.7%)	(2,339)	(3.6%)	8	(0.3%)
Non-financial non-current liabilities	(448)	(0.5%)	(455)	(0.7%)	7	(1.5%)
Net invested capital	87,058	100.0%	65,634	100.0%	21,424	32.6%
NFP/(available funds), net ²	(20,458)	(23.5%)	(29,329)	(44.7%)	8,871	(30.2%)
Financial liabilities for warrants ³	19,634	22.6%	6,058	9.2%	13,576	224.1%
Equity	87,882	100.9%	88,905	135.5%	(1,023)	(1.2%)
Net financial position and equity	87,058	100.0%	65,634	100.0%	21,424	32.6%
OWC % of revenue for the past 12 months	19.3%		23.6%			
NWC % of revenue for the past 12 months	26.4%		29.8%			

⁽¹⁾ Non-current financial assets, deferred tax assets and other non-current assets.

⁽²⁾ Cash and cash equivalents, net of current and non-current financial liabilities, excluding financial liabilities for warrants.

⁽³⁾ Non-monetary liability.

At 31 December 2020, the Group's **net invested capital** amounted to Euro 87.1 million, approximately 19% of which relates to net working capital and the residual percentage to non-current assets mainly in connection with the Parent's production sites and plants.

The Group's **net working capital** is relatively small (Euro 16.7 million at 31 December 2020, or approximately 26.4% of revenue for the past 12 months), is essentially stable compared to 2019 and down as a percentage of revenue (-3.4 p.p. from 29.8% at 31 December 2019).

The decrease in NWC as a percentage of revenue is due to the combined effect of substantially stable inventories and the increase in trade payables (affected by the rise in liabilities for capital expenditure), offset by the increase in trade receivables against higher revenue, and the increase in tax assets.

Net financial position and cash flows

Net available funds may be analysed as follows:

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Bank accounts	20,145	98.5%	29,421	100.3%	(9,276)	(31.5%)
Bank accounts (USD)	419	2.0%	168	0.6%	251	149.4%
Cash on hand	6	0.0%	14	0.0%	(8)	57.1%
Total cash and cash equivalents	20,570	23.6%	29,603	45.1%	(9,033)	(30.5%)
Bank loans and borrowings	-	0.0%	(222)	(0.8%)	222	(100%)
Lease liabilities ¹	(112)	(0.5%)	(52)	(0.2%)	(60)	115.4%
Total NFP/available funds, net	20,458	100.0%	29,329	100.0%	(8,871)	(30.2%)
Financial liabilities for warrants ²	(19,634)	(22.6%)	(6,058)	(9.2%)	(13,576)	224.1%
ESMA net financial position	824	4.0%	23,271	79.3%	(22,447)	(96.5%)

⁽¹⁾ Resulting from the adoption of IFRS 16.

⁽²⁾ Non-monetary liability.

The Group's definition of NFP/available funds, net does not include the financial liabilities for outstanding warrants since they will not generate any cash outflows for the Group.

The reclassified statement of cash flows for 2020 and 2019 is as follows:

<i>(in thousands of Euros)</i>	2020	2019
Profit from ordinary operations	19,247	15,802
Amortisation and depreciation	4,826	4,506
Other non-monetary changes	399	107
Change in operating working capital	(1,212)	(2,381)
Change in other non-current assets/liabilities	(557)	(556)
Cash flows from operating activities	22,703	17,479
Net capital expenditure	(15,868)	(10,074)
Change in liabilities for capital expenditure	2,076	414
Income taxes paid	(5,236)	(4,442)
Non-recurring costs and revenue	(2,103)	(805)
Net financial income	1	1
Free cash flow	1,573	2,572
Acquisition of subsidiaries	-	625
Merger contribution	-	30,523
Dividends paid	(8,800)	(17,722)
Purchase of treasury shares	(1,646)	(1,004)
Capital increase against consideration	1	819
Net cash flow	(8,871)	15,813
Opening balance	29,329	13,517
Closing balance	20,458	29,329
Change in available funds	(8,871)	15,812

Cash flows from operating activities amounted to Euro 22.7 million in 2020 (Euro 17.5 million in 2019), before outflows for net capital expenditure of Euro 13.8 million (Euro 9.7 million in 2019), non-recurring costs of Euro 2.1 million (Euro 0.8 million in 2019) and income taxes of Euro 5.2 million - of which Euro 3.7 million for the substitute tax on the higher values allocated to the Plastretard trademark and goodwill arising on the merger - (Euro 4.4 million cash outflow for taxes in 2019).

In 2020, the Group also paid dividends worth Euro 8.8 million and purchased treasury shares for Euro 1.6 million. In 2019, dividends paid amounted to Euro 17.7 million, of which Euro 11 million is non-recurring and forms part of the business combination agreed by Sicit 2000 S.p.A. and SprintItaly S.p.A.. Following the resulting merger, the Group also collected cash and cash equivalents amounting to Euro 30.5 million.

Capital expenditure

Similarly to previous years, in 2020, the Group continued its investing activities in order to improve processes and products and expand production capacity. The main investments related to:

- expanding the agronomic, chemical and quality control laboratories at the Arzignano site, to improve and enhance the research and development of new products and quality control alongside customers;
- expanding the storage tanks and the new warehouses at the Arzignano site, to ensure greater flexibility and effectiveness in responding to growing customer demand;
- constructing a new warehouse at the Arzignano site;
- completing the plant for the production of protein hydrolysate from animal hair treatment;
- completing the new animal fat refining and re-esterification plant, to obtain top-quality biofuel,
- beginning the construction of the new plant for the production of granular biostimulants.

Performance and financial indicators

The reclassified statement of financial position and statement of profit or loss show an analysis of the Company's financial position and performance and make it possible to extrapolate some of the most significant business indicators.

<i>(in thousands of Euros)</i>	2020	2019
Profit from ordinary operations	19,247	15,802
Net invested capital	87,058	65,634
ROI	22.1%	24.1%

<i>(in thousands of Euros)</i>	31.12.20	31.12.19
Current assets	51,382	57,066
Current liabilities	(33,787)	(16,864)
Quick ratio	(1.5)	(3.4)

<i>(in thousands of Euros)</i>	2020	2019
Revenue	63,164	56,656
Total assets	124,544	108,592
Asset turnover ratio	0.5	0.5

<i>(in thousands of Euros)</i>	31.12.20	31.12.19
Current assets	51,382	57,066
Total assets	124,544	108,592
Current assets/total assets	0.4	0.5

ROI: this is the ratio between the profit from ordinary activities and net invested capital and represents the profitability of the invested capital, without considering financial income/expense, non-recurring items and taxes.

Quick ratio: this is the ratio of current assets to current liabilities.

Asset turnover ratio: this is the ratio of sales revenue to total assets.

Current assets/total assets: this is the ratio of current assets to total assets.

Financial performance of the Parent

SICIT Group S.p.A.: the Parent, which operates at the Chiampo and Arzignano (VI) production sites and has laboratories at the Trissino (VI) site. In 2020, it generated 90.5% of the Group's combined revenue.

<i>(in thousands of Euros)</i>	2020	%	2019	%	Change	%
Revenue	62,515	100.0%	55,914	100.0%	6,601	11.8%
Cost of goods sold	(37,575)	(60.1%)	(33,652)	(60.2%)	(3,923)	11.7%
Gross operating profit	24,940	39.9%	22,262	39.8%	2,678	12.0%
Selling expenses	(3,224)	(5.2%)	(3,177)	(5.7%)	(47)	1.5%
Research and development expenses	(1,463)	(2.3%)	(1,560)	(2.8%)	97	(6.2%)
General and administrative expenses	(3,918)	(6.3%)	(3,653)	(6.5%)	(265)	7.3%
Other income, net	342	0.5%	483	0.9%	(141)	(29.2%)
Profit from ordinary operations	16,677	26.7%	14,355	25.7%	2,322	16.2%
Other non-recurring costs, net	(2,103)	(3.4%)	(11,007)	(19.7%)	8,904	(80.9%)
Operating profit (EBIT)	14,574	23.3%	3,348	6.0%	11,226	>1
Net financial expense	(169)	(0.3%)	(1)	(0.0%)	(168)	>1
(Costs) and revenue from warrant measurement	(13,723)	(22.0%)	3,855	6.9%	(17,578)	>1
Profit before taxes	681	1.1%	7,201	12.9%	(6,520)	(90.5%)
Income taxes	6,713	10.7%	(4,069)	(7.3%)	10,782	>1
Profit for the year	7,394	11.8%	3,132	5.6%	4,262	>1
Adjusted profit for the year	19,340	30.9%	10,985	19.6%	8,355	76.1%
Adjusted EBITDA	21,417	34.3%	18,792	33.6%	2,625	14.0%

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Inventories	9,810	11.1%	10,027	15.1%	(217)	(2.2%)
Trade receivables	13,793	15.6%	11,028	16.6%	2,765	25.1%
Trade payables	(12,301)	(13.9%)	(9,174)	(13.8%)	(3,127)	34.1%
Operating working capital (OWC)	11,302	12.8%	11,881	17.8%	(579)	(4.9%)
Other current assets	7,140	8.1%	5,927	8.9%	1,213	20.5%
Non-financial current liabilities	(2,553)	(2.9%)	(2,076)	(3.1%)	(477)	23.0%
Net working capital (NWC)	15,889	18.0%	15,732	23.6%	157	1.0%
Intangible assets	375	0.4%	459	0.7%	(84)	(18.3%)
Property, plant and equipment	59,594	67.3%	48,623	73.0%	10,971	22.6%
Other non-current assets	15,379	17.4%	4,526	6.8%	10,853	>1
Non-current assets	75,348	85.2%	53,608	80.5%	21,740	40.6%
Deferred tax liabilities	(2,331)	(2.6%)	(2,339)	(3.5%)	8	(0.3%)
Non-financial non-current liabilities	(419)	(0.5%)	(431)	(0.6%)	12	(2.8%)
Net invested capital	88,487	100.0%	66,570	100.0%	21,917	32.9%
NFP/(available funds), net	(14,369)	(16.2%)	(25,583)	(38.4%)	11,214	(43.8%)
Financial liabilities for warrants	19,634	22.2%	6,058	9.1%	13,576	>1
Equity	83,222	94.0%	86,095	129.3%	(2,873)	(3.3%)
Net financial position and equity	88,487	100.0%	66,570	100.0%	21,917	32.9%

In 2020, the Parent generated 90.5% of the Group's combined revenue. For a description of the main operating trends, reference should be made to the previous sections on the group's financial position and financial performance.

Financial performance of the group companies

SICIT Chemitech S.p.A.: wholly owned, it joined the consolidation scope on 2 May 2019. It was incorporated in 2000 and mainly carries out analysis and quality control activities for the Group. It is based in Arzignano (VI). In 2020, it generated revenue worth Euro 3.8 million, almost entirely from the Parent.

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Revenue	3,849	100.0%	2,277	100.0%	1,571	69.0%
Adjusted EBITDA	2,636	68.5%	1,535	67.4%	1,101	71.7%
Profit for the year	1,903	49.5%	1,077	47.3%	827	76.8%
Net working capital	1,026	15.1%	1,116	22.8%	(91)	(8.1%)
NFP/(available funds), net	(5,667)	(83.3%)	(3,568)	(72.8%)	(2,100)	58.9%
Equity	6,805	100.0%	4,902	100.0%	1,903	38.8%

SICIT USA Inc.: wholly owned, it was incorporated in 2018 to distribute SICIT products in the North American market. It is based in Larchmont, New York, USA. In 2020, it generated revenue worth 2.7 million, entirely from third parties and entirely in the plaster retardants sector.

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Revenue	2,692	100.0%	2,787	100.0%	(95)	(3.4%)
Adjusted EBITDA	51	1.9%	95	3.4%	(45)	(46.7%)
Profit for the year	29	1.1%	76	2.7%	(46)	(61.2%)
Net working capital	170	28.3%	444	70.3%	(274)	(61.7%)
NFP/(available funds), net	(419)	(69.8%)	(168)	(26.6%)	(251)	>1
Equity	600	100.0%	631	100.0%	(30)	(4.8%)

SICIT Commercial Consulting Shanghai Ltd.: wholly owned, it was established in 2016 to develop business opportunities in the Chinese market. It is based in Shanghai, China. In 2020, it recognised revenues of Euro 57 thousand, entirely from the Parent in connection with product registration services.

<i>(in thousands of Euros)</i>	31.12.20	%	31.12.19	%	Change	%
Revenue	57	100.0%	80	100.0%	(23)	(28.7%)
Adjusted EBITDA	(6)	(10.8%)	4	4.9%	(10)	>1
Profit (loss) for the year	(6)	(10.6%)	3	3.5%	(9)	>1
Net working capital	(2)	n.a.	(2)	(24.2%)	0	(13.9%)
NFP/(available funds), net	(3)	n.a.	(9)	n.a.	6	(69.0%)
Equity	1	100.0%	8	100.0%	(6)	(81.0%)

Other information

Significant events of the year

In addition to the above-mentioned impact of the COVID-19 public health crisis on operations, the significant events of the year include the successful completion of the translisting from the AIM to the MTA (STAR segment) market organised and managed by Borsa Italiana.

The other significant events of the year are described below.

Translisting to the MTA (STAR segment) market

In June 2020, the procedure for the admission to trading of the Parent's ordinary shares and warrants on the STAR segment of the MTA market organised and managed by Borsa Italiana was successfully completed.

Consequently, as of 15 June, the Parent's ordinary shares and warrants have been traded on the STAR segment of the MTA market, concurrently excluding them from trading on the AIM Italia market (as authorised by Borsa Italiana).

The translisting to the STAR segment of the MTA market marks the completion a process in which the Parent was first admitted to trading on the AIM Italia market, following the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A..

The new **articles of association** also came into force on 15 June 2020, as approved by the Parent's shareholders in their extraordinary meeting on 20 April 2020.

As part of the preliminary activities for the translisting to the MTA market, the Parent's shareholders, in their ordinary meeting on 20 April 2020, renewed the **Board of Directors** and the **Board of Statutory Auditors** for the three-year period 2020-2022. Furthermore, the activities to bring the **governance** structure into line with the regulations applicable to listed companies were completed, specifically, the updating and integration of the board **committees** on "Control, risk and related parties" and "Remuneration and appointment", also considering the provisions of the new Code of Conduct for Listed Companies of Borsa Italiana which will come into force in 2021.

According to management, the translisting from the AIM to the MTA market could guarantee the Group greater stock liquidity and, consequently, greater interest from the market and Italian and international institutional investors, as well as greater visibility on its reference markets with future benefits in terms of competitive positioning.

Taxing goodwill arising from merger

On 30 June 2020, the Parent taxed the carrying amounts allocated to the Plastretard trademark and goodwill arising from the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. pursuant to article 15.10 bis of Law decree no. 185/2008 and recognised them in the separate and consolidated financial statements of SICIT Group S.p.A. at 31 December 2019 prepared in accordance with the Italian reporting standards (OIC) and before the transition to IFRS. The payment of the related substitute tax amounted to approximately Euro 3.7 million, or 16% of the carrying amount of the Plastretard trademark and goodwill at 31 December 2019. As a result, starting from 2021, the Parent will deduct the amortisation of the above assets in its tax return at the rate of 27.9%. The expected gross tax benefit over the five-year amortisation is approximately Euro 6.5 million.

In the interim financial report at 30 June 2020 and in the additional periodic financial disclosure at 30 September 2020, with respect to three types of accounting treatment provided by the document "Accounting treatment of the substitute tax on goodwill pursuant to Law decree no. 185 of 29 November 2008, article 15.10 (converted into Law no. 2 of 28 January 2009) for entities that prepare their financial statements in accordance with the IFRS" issued by the OIC (the Italian accounting standard setter) in February 2009, the Parent elected to apply the accounting treatment which suspended both the cost of the substitute tax paid and the overall tax benefit, postponing the net positive financial effect of Euro 2.8 million (approximately Euro 0.6 million per year) to the next five years.

For the purposes of preparing the 2020 financial statements, upon completion of additional technical assessments, the Parent decided to apply the interpretation that was most in line with IAS 12 "Income Taxes". According to this interpretation, the net tax benefit acquired in the year of taxation is recognised in profit or loss.

In the separate and consolidated financial statements at 31 December 2020, both the substitute tax paid (Euro 3.7 million) and the expected tax benefit (Euro 6.5 million) were recognised under current taxes and deferred tax assets, respectively, with a net positive effect of Euro 2.8 million on profit or loss. The deferred tax assets recognised at 31 December 2020 will reverse over the next five years from 2021 to 2025, consistently with the tax benefit resulting from the higher amortisation deductible for tax purposes in those years.

Dividends paid

In May 2020, the Parent paid dividends worth Euro 8.8 million as resolved by the shareholders in their meeting on 20 April 2020.

Transition to IFRS

During the year, the Parent prepared its first separate financial statements in accordance with IFRS. The effects of the transition from OIC to IFRS are described in the notes to the separate financial statements.

The Group prepared the "consolidated financial statements at 31 December 2017 and 31 December 2018 restated in accordance with IFRS and prepared for specific purposes" and the "consolidated

financial statements at 31 December 2019 restated in accordance with IFRS and prepared for specific purposes” with a statement of full compliance with IFRS for the purposes of their inclusion in the Prospectus as part of the process for the admission to trading of its ordinary shares on the MTA.

Incentive plan

On 20 May 2020, the Parent’s Board of Directors implemented the 2020-2022 long-term incentive (LTI) plan which was approved by the shareholders in their meeting on 20 April 2020. This plan is available to the Parent’s and its subsidiaries key executive directors and employees.

Under the plan, the beneficiaries are entitled to variable incentive remuneration comprised of both cash and shares.

This right will vest in the 2020 - 2022 three-year period on the basis of specific conditions such as:

- achieving revenue growth, profitability (adjusted EBITDA and adjusted profit) and cash generation (operating cash flows) targets;
- increasing the value of the Parent’s shares;
- achieving the performance targets of the individual beneficiaries;
- remaining in service for a predefined period at the grant date.

This plan has also aligned shareholders’ interests with those of top or key managers in the medium to long term.

Resignation of the chairman of the Board of Statutory Auditors and of an Alternate Statutory Auditor

On 24 November 2020, Paolo Ludovici and Michele Aprile stepped down from their positions as chairman of the Board of Statutory Auditors and Alternate Statutory Auditor of the Parent, respectively. This was due to the merger, which became effective on 1 January 2021, between Studio Ludovici Piccone & Partners and Studio Gatti Pavesi Bianchi, the latter being the Parent’s legal advisor. Their resignations became effective on 1 January 2021.

As of that date, Manfredo Turchetti (formerly a Statutory Auditor of the Parent) and the Alternate Statutory Auditor Sergio Zamberlan took over as chairman of the Board of Statutory Auditors and Standing Statutory Auditor, respectively.

Significant events after the reporting date

Agreement with the MiSE to support SICIT’s innovative agrifood products

On 25 January 2021, the Italian Ministry of Economic Development (“MiSE”) signed an agreement financing the Company’s agrifood project for the study and development of innovative products derived from production waste for the agriculture of the future.

The aim of the Company’s project is to study and develop new products and, consequently, new production processes, in order to introduce a new way of understanding crop support in professional agriculture.

The project will be carried out at the Company’s production sites in Arzignano and Chiampo. Total estimated costs amount to approximately Euro 12.2 million³. Of this amount, over Euro 3.6 million will be financed by the MiSE and the Veneto region⁴.

First ESG sustainability rating assigned

Following the voluntary preparation of the Group’s first Sustainability Report, at the end of 2020, SICIT began the procedures necessary to obtain its first ESG sustainability rating.

Sustainalytics Ltd. (“Sustainalytics”) is a leading independent agency that assigns extra-financial sustainability ratings. In February 2021, it assigned the Company the ESG Risk Rating, related to environmental, social and governance issues, with particular reference to the 2019 Sustainability

³These costs include the research and development expenses incurred in the November 2019 - November 2022 three-year period.

⁴ Of which approximately Euro 2.4 million as a contribution to expenditure and roughly Euro 1.2 million as a soft loan (of which Euro 0.6 million from the Veneto Region). The relevant amounts will be disbursed once the costs actually incurred have been accounted for and recognised.

Report.

This rating is an independent assessment that measures the degree of compliance with the most rigorous institutional and international voluntary guidelines on sustainability (and related governance aspects).

In Sustainalytics' comparative ESG Risk Ratings ranking⁵ SICIT ranks in the top 18% of the best companies in the global chemical industry and in the top 8% of peers in the agricultural chemicals segment, achieving a score of 27.8. Finally, in the future, the "manageable risk factor" of 90% can be reduced considerably through appropriate policies, programmes and initiatives.

Given SICIT's operations, which involve processing animal waste and residues, Sustainalytics rates the Company's ESG Risk Exposure potentially "high". However, ESG Risk management is "strong" since "best practices are followed, indicating strong accountability to investors and the public".

Patent box tax benefit obtained

In February 2021, the Parent completed the activities and prepared the documentation for the reverse charge of the Patent Box tax benefit introduced by Law no. 190/2014 (the "2015 Stability Law"). This tax scheme benefits companies that generate income through the direct and indirect use of intellectual property (trademarks, patents, designs and models, software and know how).

The SICIT availed itself of the option provided by Law decree no. 34/2019 (the "Growth Decree") to take advantage of the reverse charge scheme, as an alternative to a ruling of Italy's tax authorities. SICIT Group S.p.A.'s tax benefit for the 2015-2019 five-year period amounts to Euro 3.8 million. This amount was recognised in 2020 taxes. In accordance with current legislation, it will be used over three years.

Conversion of special shares

On 16 February 2021, the condition set out in article 6.4(d)(i) of the Company's Articles of Association, regarding the automatic conversion of the remaining Special Shares of SICIT Group into Ordinary Shares, was met.

In accordance with the Articles of Association, 195,000 Special Shares were converted at a ratio of six Ordinary Shares every 1 Special Share held and, therefore, into a total of 1,170,000 newly issued Ordinary Shares of SICIT Group, without changing the total amount of share capital.

SICIT Group warrant acceleration clause

The conditions underlying the Acceleration clause set out in SICIT Group warrant regulation were met on 1 March 2021. Pursuant to article 3.3 of said regulation, warrant holders must request to subscribe the Conversion Shares no later than 60 (sixty) days after the Acceleration Notice, without prejudice to the provisions of article 3.7 of the regulation on the suspension of the exercise during Restricted Periods.

Research and development

Similarly to prior years, in 2020, SICIT carried out research and development activities, focusing, in particular, on projects to improve both production processes and products. The Group continued its technical collaboration with research institutes and universities.

As part of the improvement of production processes and developing new products, in 2020, SICIT focused its efforts on the following areas:

- expanding its agronomic and chemical research laboratories;
- studying and developing new refined and re-esterified animal fat products;
- continuing the study and development of smart release products (granules and tablets).

Research projects to reduce fossil fuel consumption were also launched.

With respect to product improvement, SICIT is also working to improve the quality of its products to respond to specific requests from certain customers and to launch innovative products in order to diversify the current offer.

SICIT's ongoing commitment to the development of innovative products has been rewarded with the

⁵ Updated to February 2021.

green light from the MiSE on 25 January 2021. The resulting agreement, which is worth Euro 3.6 million, will finance the Company's agrifood project for the study and development of innovative products derived from production waste for the agriculture of the future.

The aim of the Company's project is to study and develop new products and, consequently, new production processes, in order to introduce a new way of understanding crop support in professional agriculture.

During 2020, the Company also filed patents for the following processes and products:

- slow-release solid products (SICIT Group);
- process for the recovery of water contaminated by fluorinated compounds and the removal of pollutants (SICIT Chemitech);
- process of treating organic waste from the "Carborg" tannery in gasification or incineration plants (SICIT Group).

The development costs pertaining to R&D only amount to approximately Euro 1.5 million and are recognised in profit or loss.

Related party transactions

All related party 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.

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 deadlines 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 financial statements or the Related party procedure adopted by the Group.

Reference should be made to the notes to the consolidated financial statements for additional information about related party transactions.

Treasury shares

As per the relevant authorisations, which the shareholders approved in their meetings on 1 March 2019 (expiring on 1 September 2020 and revoked on 20 April 2020) and 20 April 2020 (expiring on 20 October 2021) respectively, the programme for the purchase of treasury shares continued in 2020. This is a useful strategic investment opportunity for all purposes permitted by current legislation, such as providing the Company with a stock of treasury shares to service incentive plans for employees and/or directors and/or for the possible use of the shares as equivalent in extraordinary transactions, including the exchange of equity investments with other parties, as part of transactions carried out in the interest of the Company.

For the purposes of implementing these plans and in accordance with applicable legislation, Equita SIM S.p.A. was engaged as the intermediary in line with ordinary market practice. The latter company is in charge of the purchases of the Company's ordinary shares in its name and on its behalf.

During the year, 153,654 ordinary shares were purchased for Euro 1,643,132 (Euro 1,646,419 including ancillary purchase charges) and a weighted average price of Euro 10.694 per share.

Following these purchases, the Company, which held 102,000 shares at 31 December 2019 (0.52% of the ordinary share capital), held 255,654 shares at 31 December 2020, or 1.3% of the ordinary share capital.

The Company disclosed these purchases to the market. This information is available on the website www.sicitagroup.com/en, "Investor Relations / Price-Sensitive Press Releases" section.

SICIT Group's stock performance

SICIT ordinary shares were admitted to trading on the AIM Italia market on 19 July 2017 (on 20 May 2019, with the coming into force of the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A., the name of the financial instruments changed from SprintItaly to SICIT Group). From 15 June 2020, SICIT Group ordinary shares and warrants have been admitted to trading on the STAR segment of the MTA market.

ISIN	IT0005372344
Alphanumeric code	SICT
Bloomberg code	SICT.IM
<i>Specialist</i>	Intesa Holding S.p.A.
No. of ordinary shares at 30 June 2020	19,655,171
No. of special shares ⁽¹⁾	195,000
Price at 31 December 2019 (Euro)	10.150
Price at 31 December 2020 (Euro)	12.350
Capitalisation at 31 December 2019 ⁽²⁾	199,357,723
Capitalisation at 31 December 2020 ⁽³⁾	242,741,362

⁽¹⁾ Not admitted to trading

⁽²⁾ No. of ordinary shares at 31 December 2019 (19,641,155) multiplied by the share price at 31 December 2019

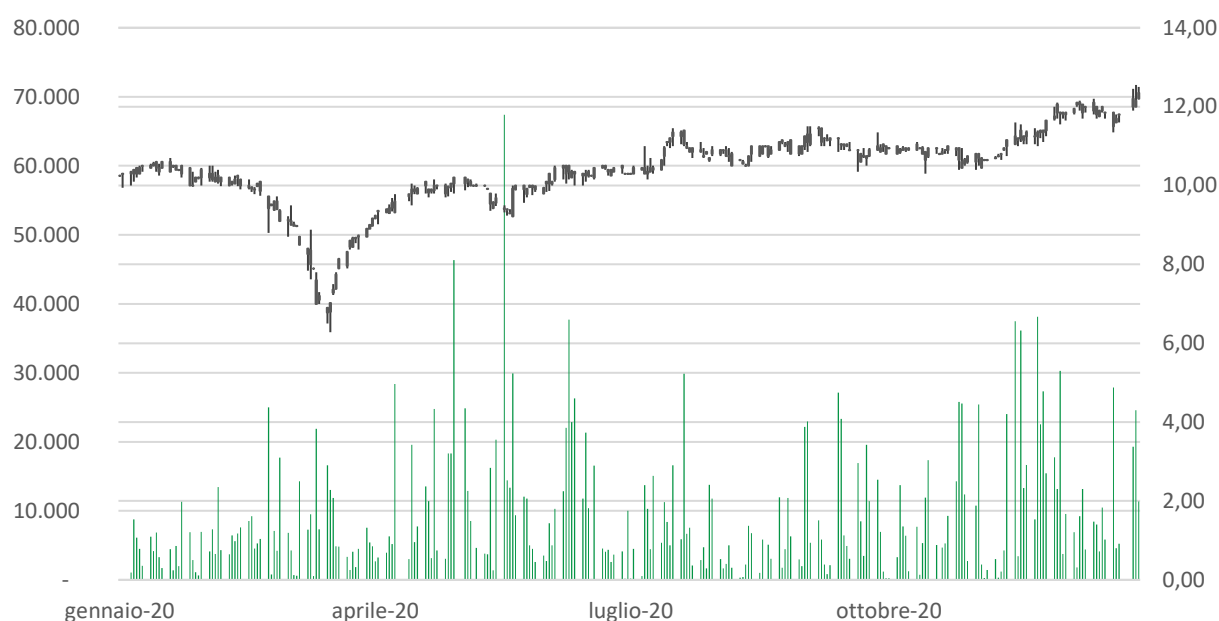
⁽³⁾ No. of ordinary shares at 31 December 2020 (19,655,171) multiplied by the share price at 31 December 2020

Based on the information available to the Company, the **majority shareholders** at 31 December 2020 were as follows (the effects of 195,000 special shares, entirely held by Promosprint Holding S.r.l., are not included):

<i>% of ordinary capital</i>	31.12.20
Intesa Holding S.p.A.	46.51%
Promosprint Holding S.r.l.	3.72%
Treasury shares	1.30%
Market	48.46%
Total	100.00%

As described in the paragraph "Significant events after the reporting date", on 16 February 2021, the condition set out in article 6.4(d)(i) of the Company's Articles of Association, regarding the automatic conversion of the remaining Special Shares of SICIT Group into Ordinary Shares, was met. An equivalent of 195,000 Special Shares were converted into a total of 1,170,000 newly issued Ordinary Shares of SICIT Group, without changing the total amount of share capital.

Price trend and volumes of SICIT Group Ordinary Shares in 2020



Analyst coverage

	<i>Initiation of coverage</i>	<i>Update</i>	<i>Target price</i>
Equita SIM	26 July 2019	25 January 2021	€ 14.3
Intesa Sanpaolo	31 July 2019	3 March 2021	€ 15.3
Arrowhead	16 October 2020	3 February 2021	€ 15.33-€ 16.74
Mediobanca	18 November 2020	no update	€ 14

Human resources

At 31 December 2020, the Group had 141 employees worldwide.

	31.12.20	31.12.19
Managers	3	4
White collars	67	62
Blue collars	71	71
Total	141	137

Reference should be made to the notes to the consolidated financial statements for a breakdown of employees and their characteristics.

The relations with employees, trade unions and workers' representatives remained good.

The rate of accidents at work is extremely low and not significant in relation to both the number of events and the days lost. Employees periodically participate in safety training programmes and training courses to support professional development.

Main risks

Risk monitoring and management are an integral part of the Group's business model. The Group's risk exposure is managed by carrying out specific risk analyses.

In 2020, SICIT's Board of Directors approved the **risk assessment** document, which analyses the main risk categories and outlines response strategies to mitigate the identified risks. The Company has identified the following main risk categories:

- **external risks**, related to the external environment that may impact the Group's ability to achieve its strategic and operational objectives;
- **business risks**, related to operations and critical business issues;
- **operational risks**, related to the efficiency and effectiveness of business processes with an impact on the Group's performance;
- risks related to **human resources** management and the effectiveness of the organisational structure;
- **financial risks**, related to **financial planning** processes and **financial reporting** activities, management of financial and insurance instruments;
- risks related to **Information and Communication Technology**, related to the availability, accessibility, integrity of information infrastructures and systems and data security;
- **legal and compliance** risks related to national and international laws and regulations and group policies.

The assessment model was defined by considering both the likelihood of occurrence of the risk event and the risk probability. The summary assessment of the identified risks was finally reassessed based on the Company's mitigation actions.

1. Health, safety and the environment

Production sites must comply with environmental, health and safety legislation. SICIT set up a specific unit to ensure compliance with this legislation, guaranteeing the definition of internal procedures, monitoring of their application and personnel training. It implemented an integrated environment and safety management system covering the Chiampo and Arzignano production sites, which have been certified by DNV (Det Norske Veritas Italia) - an internationally accredited certification body - since 2012 in accordance with **UNI EN ISO 14001** (environment) and **OHSAS** (occupational health and safety management system). SICIT Chemitech was certified by the internationally accredited certification body Rina in accordance with **UNI EN ISO 9001** (quality management).

2. Administrative liability of legal persons

The Group carries out operational and business activities, both in Italy and abroad, in full compliance with national and local regulations. With reference to Legislative decree no. 231/2001 on the administrative liability of legal persons, SICIT has adopted an **Organisational, management and control model**, which is constantly updated to comply with ruling regulations. Furthermore, it appointed a supervisory body which, together with the above model, are an effective tool for preventing the risk of crimes.

3. Financial risk

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

- **market risk**, mainly changes in interest and exchange 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 transactions and the possibility of default by a financial counterparty;
- **currency risk**, related to fluctuations in the exchange rates of the currencies with which the Group operates.

Market risk

The strategy 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** are as follows:

- protect 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 2020, the Group had no cash flow hedges in place, classified as such under IFRS 9, as it had no medium/long-term 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 to the consolidated financial statements shows the breakdown of the financial liabilities outstanding at 31 December 2020 and 31 December 2019 by due date.

The Group's objective is to have the liquidity necessary to ensure operational and investment flexibility. The business model minimises the liquidity risk. Furthermore, an adequate treasury management policy enables the Group to cope with the seasonality nature of its operations which, in any case, are predictable and plannable. Thanks to the cash generated by the business and the cash contribution from the business combination, the Group has the liquidity necessary for current operations. It also has bank credit facilities that can be used if necessary. The main factors influencing the Group's liquidity are the funds generated from or used by operating and investing activities and its creditworthiness.

With respect to ordinary operations, the Group adopts a series of policies and processes which **optimise management of financial resources** by:

- maintaining an adequate level of available liquidity;
- diversifying the tools used to obtain funds;
- obtaining adequate short- and medium-term credit lines from banks;
- monitoring prospective liquidity in relation to the business planning process.

At 31 December 2020, the Group's cash and cash equivalents amounted to Euro 20.6 million. The liquidity risk was deemed remote compared to the volumes and current financial planning. Unused bank credit lines totalling Euro 4.9 million are also available for use as cash loans, and Euro 0.7 million as endorsement loans.

Credit risk

The Group is exposed to moderate credit risks, as the debtors are represented by large private companies with high solvency. In addition, SICIT 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.

Currency risk

The Group is marginally exposed to this risk in relation to receivables expressed in currencies other than the Euro (mainly US dollars). They largely relate to the subsidiary SICIT USA.

Despite the potential volatility of the Euro/USD exchange rate, at present, the Group did not define any policy to hedge against currency risk. Indeed, many factors limit the risk profile, including: the natural hedge of part of the revenue generated by the US subsidiary with its own costs in foreign currency, the high rotation of receivables and the possibility of adjusting sales prices, also during the year. The previous years (when commercial activities in North America was carried out directly by Sicit 2000) confirm that the above three factors contributed to effectively reducing the impact of the change in the Euro/USD exchange rate on profit margins. However, the Group constantly

monitors the performance of the Euro against the other currencies with which it operates, specifically the USD.

Sensitivity analysis

On a like-for-like basis, the effects of a hypothetical 10% increase/decrease would have resulted in a change in the Group's revenue of approximately Euro 0.3 million in both 2020 and 2019, with negligible impacts on EBITDA (reported and adjusted), net invested capital and equity.

Outlook

The seriousness of the current scenario linked to the economic and social effects of the COVID-19 and the uncertainty about future developments in Italy and in the countries where the Group operates continue to make it difficult to estimate the possible impacts of the pandemic on 2021.

As described earlier, despite the overall growth in Group revenue, revenue in the **Retardants** sector was negatively affected by the temporary suspension of customers' activities (gypsum producing companies), while the **Fat** sector was negatively impacted by the temporary suspension of the operations of its raw material suppliers (companies operating in the Vicenza leather tanning area).

COVID-19 will probably continue to have a negative effect on the world economies in 2021. Although the agricultural sector looks more resilient to the problems caused by the pandemic, the construction sector will still be marked by greater instability.

With respect to **supplies**, also thanks to the recent diversification of the raw materials processed and the suppliers used, the Group managed to increase flexibility and continues to carefully manage its procurement process in order to mitigate the negative effects of any interruption in supplies from the Vicenza leather tanning area.

Despite these significant uncertainties, in this complex scenario Group will maintain a strong focus on **organic growth**, based on ongoing attention to current customers, the expansion of the markets served and the launch of innovative products with higher added value.

The Group confirms it intends to accelerate the growth process by investing, inter alia, in the opening a production site in **China**, to be closer to its international customers. However, given the slowdowns in the planning of the new production site due to the public health crisis, the implementation of this project could be further delayed should additional restrictive measures be adopted in the future and/or should this emergency situation further worsen.

In order to pursue this development policy, the Group may turn to potential external acquisitions or partnerships with other industrial groups which share the same strategic and industrial approach in the field of green and circular economy.

The Group will also continue its strategy of developing new products in close collaboration with its customers, in order to respond adequately to the different needs of the agricultural and industrial sectors.

Corporate governance

SICIT Group S.p.A. complies with the Italian **Code of conduct** for listed companies (the "Code"). In order to comply with the transparency requirements of sector regulations, pursuant to article 123-bis of the TUF, the Group has prepared the "Report on Corporate Governance and Ownership Structure". This report provides a general description of the governance system adopted by the Group, as well as information on the ownership structure, the organisational model adopted pursuant to Legislative decree no. 231/2001 and the degree of compliance with the Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to financial reporting.

The "Report on Corporate Governance and Ownership Structure" is published in the Corporate Governance - Shareholders' Meetings section of the Company's website (www.sicitagroup.com).

The Code is available on Borsa Italiana S.p.A. website www.borsaitaliana.it.

Disclosure pursuant to articles 70 and 71 of CONSOB (the Italian commission for listed companies and the stock exchange) regulation no. 11971/1999

On 16 March 2020, the Board of Directors of SICIT Group S.p.A. decided to avail itself of the right, provided for by Consob resolution no. 18079 of 20 January 2012, to waive the obligation to make available to the public the prospectus required by articles 70 and 71 of Consob regulation no. 11971/1999 in the event of significant merger, demerger, capital increase against contribution in

kind, acquisition and sale transactions.

Disclosure pursuant to article 15 of the Market regulations and article 2.6.2.7 of the Stock exchange regulation⁶

SICIT Group S.p.A. confirms it complies with article 15 of Consob regulation no. 20249/2017, letters a), b) and c):

- the financial statements of the subsidiaries were filed with the registered office;
- the articles of association and the composition and powers of the corporate bodies of these companies were acquired;
- monitoring activities were carried out both to ensure correct information flows from the subsidiaries to the independent auditors so that the latter could audit the annual and interim financial statements of the parent, and to check that the subsidiaries have a suitable administrative and accounting system in place.

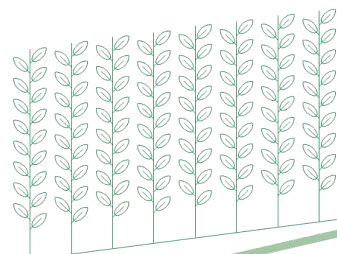
⁶ Stock exchange regulation 2.6.2.7

The parents of companies incorporated and regulated by the laws of non-EU member states shall provide the market, at the time of approval of their annual financial statements, specifically in the directors' report, with a statement from the administrative body about the existence or otherwise of the conditions set out in article 15, letters a), b), c), point i) of Consob Market regulations.

The supervisory body shall promptly provide Borsa Italiana with information about the administrative and accounting system pursuant to article 15(1)(c)(ii) of Consob Market regulations.



CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020



Consolidated statement of profit or loss and other comprehensive income

<i>(in thousands of Euros)</i>	Note	2020	2019
Revenue	5	63,164	56,656
Cost of goods sold	6	(34,371)	(31,836)
Gross operating profit		28,793	24,820
Selling expenses	6	(3,938)	(4,011)
Research and development expenses	6	(1,527)	(1,663)
General and administrative expenses	6	(6,534)	(14,897)
Other income	7	350	546
Operating profit		17,144	4,795
Net financial income (expense)	8	(13,892)	3,852
Profit before taxes		3,252	8,647
Income taxes	9	6,052	(4,444)
Profit for the year		9,304	4,203
<i>Attributable to</i>			
Owners of the parent		9,304	4,203
Non-controlling interests		-	-
<i>Earnings per share (Euro) ¹</i>			
Basic		0.477	0.214
Fully diluted		0.414	0.185
Profit for the year		9,304	4,203
Other items of comprehensive income that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability/(asset)		(24)	19
Related tax		7	(5)
Other items of comprehensive income that are or may be reclassified subsequently to profit or loss			
Foreign operations - Foreign currency translation differences		(60)	15
Related tax		-	-
Total comprehensive income for the year		9,227	4,232

⁽¹⁾ Basic earnings per share are calculated on the average number of shares outstanding in the respective years, equal to 19,487,393 and 19,603,691 in 2020 and 2019, respectively. These amounts are calculated by deducting own shares, whose average number is 159,877 in 2020 and 29,237 in 2019. Diluted earnings per share are calculated by including the maximum number of ordinary shares deriving from the conversion of special shares (1,170,000 in both 2020 and 2019) and the maximum number of shares deriving from the exercise of the warrants outstanding (1,840,987 in 2020 and 1,918,800 in 2019).

Consolidated statement of financial position

<i>(in thousands of Euros)</i>	Note	31.12.20	31.12.19
Intangible assets	10	391	485
Property, plant and equipment	11	59,729	48,845
Non-current financial assets	12	44	44
Deferred tax assets	13	12,998	2,152
Total non-current assets		73,162	51,526
Inventories	14	10,230	10,421
Trade receivables	15	13,247	10,895
Other current assets	16	7,335	6,147
Cash and cash equivalents	17	20,570	29,603
Total current assets		51,382	57,066
Total assets		124,544	108,592
Share capital		2,441	2,439
Reserves and undistributed earnings		76,137	82,263
Profit for the year		9,304	4,203
Total equity attributable to the owners of the parent		87,882	88,905
Equity attributable to non-controlling interests		-	-
Total equity	18	87,882	88,905
Non-current financial liabilities	19	96	29
Employee benefits	20	448	455
Provisions for risks and charges	21	-	-
Deferred tax liabilities	13	2,331	2,339
Total non-current liabilities		2,875	2,823
Current financial liabilities	19	19,650	6,303
Trade payables	22	11,266	7,949
Other current non-financial liabilities	23	2,871	2,612
Total current liabilities		33,787	16,864
Total liabilities		36,662	19,687
Total equity and liabilities		124,544	108,592

Consolidated statement of cash flows

<i>(in thousands of Euros)</i>	Note	2020	2019
Profit for the year		9,304	4,203
<i>Adjustments for</i>			
Amortisation	6	162	103
Depreciation	6	4,664	4,403
Accruals to provisions	15	66	110
Net financial income (expense)	8	13,892	(3,852)
IFRS 2 listing cost	6	-	10,202
Other non-cash expense/(income)		333	(3)
Income taxes	9	(6,052)	4,444
Cash flows from operating activities before changes in net working capital		22,369	19,610
(Increase)/decrease in inventories	14	191	(402)
(Increase)/decrease in trade receivables	15	(2,644)	869
Increase/(decrease) in trade payables	22	1,241	(2,850)
Decrease in other assets/liabilities		(524)	(638)
Increase/(decrease) in employee benefits	20	(34)	82
Interest received		1	1
Income taxes paid		(5,236)	(4,442)
Cash flows from operating activities (a)		15,364	12,230
Acquisition of property, plant and equipment	11	(15,762)	(9,761)
Acquisition of intangible and financial assets	10	(175)	(313)
Increase in liabilities for non-current assets	23	2,076	414
Proceeds from the sale of property, plant and equipment and intangible assets		69	-
Acquisition of subsidiaries net of cash and cash equivalents		-	625
Cash flows used in investing activities (b)		(13,792)	(9,035)
New loans	19	128	-
Repayments of borrowings	19	(291)	(1,347)
Merger contribution	18	-	30,523
Dividends paid	18	(8,800)	(17,722)
Purchase of treasury shares	18	(1,646)	(1,004)
Capital increase against consideration	18	1	819
Cash flows from (used in) financing activities (c)		(10,607)	11,268
Total cash flows (a+b+c)		(9,033)	14,465
Opening cash and cash equivalents		29,603	15,138
Closing cash and cash equivalents		20,570	29,603

Consolidated statement of changes in equity

<i>(in thousands of Euros)</i>	Share capital	Legal reserve	Share premium reserve	Fair value reserve	Realignment reserve	Consolidation reserve	Reserve for treasury shares	Reserve for warrants	FTA reserve	OCI reserve	Extraordinary reserve	Other reserves	Retained earnings	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
Balances at 31.12.18	8,367	1,673	5,161	7,146	1,508	-	-	-	(25)	11	30,753	(10)	-	12,075	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
SprintItaly merger	(6,746)	(1,367)	74,976	-	-	-	-	(3,260)	-	-	(25,275)	-	-	-	38,328	-	38,328
Other changes	-	-	-	-	-	1,892	-	-	-	-	-	2	-	-	1,892	-	1,892
Other comprehensive income	-	-	-	-	-	-	-	-	-	(15)	-	15	-	-	-	-	-
Balances at 31.12.19	2,440	306	80,138	7,146	1,508	1,892	(1,004)	(7,534)	(25)	(4)	-	7	(168)	4,203	88,905	-	88,905
Dividends	-	-	(5,859)	-	-	-	-	-	-	-	-	-	-	(2,941)	(8,800)	-	(8,800)
Profit allocation	-	182	-	-	-	-	-	-	-	-	-	11	1,069	(1,262)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(1,646)	-	-	-	-	-	-	-	(1,646)	-	(1,646)
Conversion of warrants	1	-	-	-	-	-	-	112	-	-	-	-	-	-	113	-	113
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	9,304	9,304	-	9,304
Other changes	-	-	-	-	-	-	-	-	-	-	11	79	(8)	-	82	-	82
Other comprehensive expense	-	-	-	-	-	-	-	-	-	(16)	-	(60)	-	-	(76)	-	(76)
Balances at 31.12.20	2,441	488	74,279	7,146	1,508	1,892	(2,650)	(7,422)	(25)	(20)	11	37	893	9,304	87,882	-	87,882

Notes to the consolidated financial statements

1. General information

The Group SICIT Group (the “Group” or “SICIT Group”) manufactures and sells 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., the “Parent”, “SICIT” or the “Company”) 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 biofuel production.

2. Format and content of the consolidated financial statements

The consolidated financial statements at 31 December 2020 have been prepared in accordance with article 153-ter of Legislative decree no. 58 of 24 February 1998 and subsequent amendments and additions (Consolidated Finance Act - “TUF”) and cover the period from 1 January 2020 to 31 December 2020.

During the year, the Parent completed the transition process for the preparation of its first IFRS separate financial statements. However, 2020 is not the first year in which the Group has prepared its financial statements in accordance with IFRS as required by IFRS 1. Indeed, the Group has prepared the “consolidated financial statements at 31 December 2017 and 31 December 2018 restated in accordance with IFRS and prepared for specific purposes” and the “consolidated financial statements at 31 December 2019 restated in accordance with IFRS and prepared for specific purposes” with a declaration of full compliance with IFRS for the purpose of their inclusion in the Prospectus as part of the process for the admission to trading of its ordinary shares and warrants on the Italian electronic stock exchange (“MTA”).

SICIT Group S.p.A.’s Board of Directors approved these consolidated financial statements at 31 December 2020 and authorised their publication on 12 March 2021.

These consolidated financial statements comprise the figures of the Parent and its subsidiaries and have been prepared in accordance with updated accounting records.

3. Statement of compliance and basis of preparation

These consolidated financial statements at 31 December 2020, 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.

4. Accounting policies

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

During the year, the following standards and interpretations issued by the IASB and endorsed by the EU came into force. Their application is mandatory for annual reporting periods beginning on or after 1 January 2020:

	Issue date	Effective date	Endorsement date	EU regulation and date of publication
Amendments to References to Conceptual Framework in IFRS Standards	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2104 10 December 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020
Definition of a business (Amendments to IFRS 3)	October 2018	1 January 2020	21 April 2020	(EU) 2020/551 22 April 2020
COVID-19 Related Rent Concessions (Amendment to IFRS 16)	May 2020	1 June 2020	9 October 2020	(EU) 2020/1434 12 October 2020

There was no significant impact on the preparation of these consolidated financial statements compared to the previous year.

Below is a list of standards that have already been endorsed by the EU but have not yet come into force, and which the Group decided not to adopt early:

	Issue date	Effective date	Endorsement date	EU regulation and date of publication
Deferral of effective date of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021

The new accounting standards that have not yet been endorsed are listed below:

	Issue date by the IASB	Effective date of the IASB document	Expected endorsement date by the EU
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended pending the new standard on rate-regulated activities.
IFRS 17 Insurance Contracts,	May 2017	1 January 2023	Undefined

including subsequent amendments issued in June 2020	June 2020		
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Endorsement process suspended pending conclusion of the IASB project on the equity method
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	Undefined
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	May 2020	1 January 2022	Undefined
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	1 January 2022	Undefined
Annual Improvements to IFRS Standards 2018–2020	May 2020	1 January 2022	Undefined
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 26 July 2020	1 January 2023	Undefined

Intangible assets

Intangible assets are identifiable assets without physical substance, controlled by the company from which future economic benefits are expected to flow to the group, 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 2020 and 2019, presented by homogeneous categories with evidence of the relative range of application, are shown in the table below:

	Useful life
Patents and software	5 - 10 years
Trademarks	10 years
Other	5 - 12 years

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including any direct transaction 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 2020 and 2019, 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.

Leased assets

The new standard eliminates the classification of leases as either operating leases or finance leases although there are elements which simplify its application. Furthermore, it introduces the concept of control into the definition of a lease.

Specifically, to determine whether a contract is or contains a lease, under IFRS 16, entities shall determine whether the lessee has the right to control the use of an identified asset for a period of time.

At the commencement date of the lease, the Group shall recognise a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted

for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities in "Current financial liabilities" and "Non-current financial liabilities".

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

Defined benefit plans

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.

Defined contribution plans

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 accruing 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.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions

and there is no true-up for differences between expected and actual outcome.

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 fairly allocates the consideration.

Revenue from the sale of finished goods is recognised when the goods are shipped to end customers, as this moment reflects the transfer of ownership with its risks and rewards.

Revenue from collection services is recognised when the service is actually provided to the customer.

Accruals for returns and discounts are estimated based on future forecasts, taking into account historical trends, and are recognised as a variable amount of the contractual consideration, concurrently recognising a liability for returns and the corresponding asset in the statement of financial position.

Variable consideration (e.g., the effect of returns) is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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 policies) 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 S.p.A. 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.

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 consolidated 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:

<i>(in local currency. Amounts in thousands)</i>	Reg. office	Currency	Share capital	Equity 31.12.2020	Equity 31.12.2019	% of investment
SICIT Group S.p.A. (formerly Sicit 2000)	Italy	Euro	2,441	83,222	86,095	Parent
SICIT Chemitech S.p.A.	Italy	Euro	1,000	6,805	4,902	100%
SICIT Commercial Consulting Shanghai Ltd.	China	CNY	219	12	59	100%
SICIT USA Inc.	USA	USD	2	737	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	
	2020	2019	31.12.20	31.12.19
CNY	7.875	7.736	8.023	7.701
USD	1.142	1.120	1.227	1.115

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

5. Consolidated revenue

The Group's revenue for 2020 amounts to Euro 63.1 million, up by Euro 6.5 million on 2019 (Euro 56.7 million or +11.5%). It may be broken down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Products for agriculture	38,340	31,009	7,331	23.6%
Retardants for plaster	14,057	15,334	(1,277)	(8.3%)
Other products	504	726	(222)	(30.6%)
Fat	7,096	6,520	576	8.8%
Total revenue from products	59,997	53,589	6,408	12.0%
Services for the collection of raw materials	3,122	3,014	108	3.6%
Other analysis services	45	53	(8)	(15.1%)
Total revenue from services	3,167	3,067	100	3.3%
Total revenue	63,164	56,656	6,508	11.5%

In 2020, revenue from **products for agriculture** amounted to Euro 38.4 million, accounting for 60.7% of revenue. The significant increase on the previous year (Euro +7.3 million or +23.6%) is due to the higher volumes sold to European, APAC and LATAM customers which continued to record strong demand also thanks to the significant focus of key accounts in the commercial development of the Group's products.

Revenue from **retardants for plaster** amounted to Euro 14.1 million in 2020 (22.3% of the total), down by Euro 1.3 million or 8.3% on the previous year due to lower volumes recorded in Europe and the APAC region. After a very sustained first quarter, during which revenue increased in part as a consequence of the frontloading of supplies by some customers to prevent a possible shortage effect due to COVID-19, the second quarter of 2020 slowed down also as a result, inter alia, of the temporary closing of some production facilities, especially in the APAC region.

Revenue from **fat**, amounting to Euro 7.1 million in 2020, rose by 8.8% as a result of the increase in average selling prices compared to 2019, partially offset by lower volumes produced in the second quarter of 2020 following the temporary closure of the main tanneries in the Vicenza area in March and April and the consequent slowdown in the delivery of animal by-products.

Revenue from **other products**, for the industrial sector, can be considered residual.

Revenue from **collection services** is slightly up from Euro 3.0 million in 2019 to Euro 3.1 million in 2020 (+Euro 0.1 million or +3.6%). The increase is due to lower average prices for the collection of by-products compared to 2019, offset by higher revenue from the collection of animal hair (essentially not considered in 2019).

SICIT collects by-products of animal origin and other residues from leather processing from its customers (input raw materials). These disposal activities are charged to customers at rates that vary according to the quantity and type of material collected.

Revenue from **analysis services** are negligible and refer to studies and analyses 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:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Italy	14,095	12,325	1,770	14.4%
Europe (excluding Italy)	18,479	17,943	536	3.0%
APAC (Asia Pacific)	18,659	15,629	3,030	19.4%
North America	2,912	2,958	(46)	(1.6%)
LATAM (Latin America)	4,036	2,884	1,152	39.9%
MEA (Middle East & Africa)	1,815	1,850	(35)	(1.9%)
Total	59,997	53,589	6,408	12.0%

Revenue from services is entirely related to Italy.

6. Operating costs

In 2020, operating costs totalled Euro 46.4 million, down by Euro 6.0 million on the previous year (Euro 52.4 million or -11.5%). Operating costs, classified by function, are as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Cost of goods sold	34,371	31,836	2,535	8.0%
Selling expenses	3,938	4,011	(73)	(1.8%)
Research and development expenses	1,527	1,663	(136)	(8.2%)
General and administrative expenses	6,534	14,897	(8,363)	(56.1%)
<i>of which: IFRS 2 listing cost</i>	-	10,202	(10,202)	> 1
<i>of which: general and administrative expenses</i>	6,534	4,695	1,839	39.2%
Total	46,370	52,407	(6,037)	(11.5%)

Cost of goods sold includes production-related costs. In 2020, costs amounted to Euro 34 million, up by Euro 2.5 million on the previous year (Euro 31.8 million or +8%) mainly due to:

- higher sales volumes of the year, offset by
- the change in the Group's consolidation scope and the consolidation of the operating performance figures of SICIT Chemitech (as of 2 May 2019), 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 control was acquired.

Consequently, the cost of goods sold as a percentage of revenue decreased from 56.2% in 2019 to 54.4% in 2020.

Net of the effects of the changes in the consolidation scope, the cost of goods sold would have increased slightly from 54.3% in 2019 to 54.4% in 2020 as a consequence of higher direct production costs incurred during the year (including personnel expense and amortisation/depreciation) and a less favourable product mix, partially offset by the positive price effect in the fat sector.

Selling expenses include variable and fixed sales and marketing expenses. In 2020, selling expenses totalled Euro 3.9 million, down by Euro 0.1 million on 2019 (Euro 4.0 million or -1.8%). The decrease is mainly due to the reduction in consultancy and travel and transfer costs, offset by higher transport costs on sales. This is due to the increase in volumes sold and in the tariffs charged on transport services.

Research and development expenses refer to product and process development costs. Research and development expenses of Euro 1.5 million fell slightly on 2019 (Euro 1.7 million) as a result of the reduction in amortisation/depreciation and consultancies, offset by the rise in personnel expense.

In 2019, **general and administrative expenses** included Euro 10.2 million related to the listing in connection with the recognition of the merger of Sicit 2000 into SprintItaly S.p.A. as a reverse acquisition in accordance with IFRS 2.

In 2020, general and administrative expenses amount to Euro 6.5 million, up by Euro 1.8 million on 2019 (or Euro 4.7 million, excluding the cost of listing recognised in 2019 and amounting to Euro 10.2 million). The main changes are as follows:

- higher non-recurring costs related to the translisting to the MTA market in 2020 (approximately Euro 1.2 million) compared to non-recurring costs incurred in 2019 in connection with the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. and the concurrent listing on the AIM market (Euro 0.8 million);
- higher costs for non-recurring donations to hospitals and health services following the COVID-19 public health emergency of Euro 0.6 million; and
- higher corporate costs to strengthen the board of directors and the internal committees and recurring services related to the listing on the AIM market.

The table below shows **operating costs** broken down by nature:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Material consumption	11,735	8,985	2,750	30.6%
External services	19,376	19,702	(326)	(1.7%)
IFRS 2 listing costs	-	10,202	(10,202)	(100.0%)
Personnel expense	9,437	8,472	965	11.4%
Other operating costs	996	540	456	84.4%
Amortisation and depreciation	4,826	4,506	320	7.1%
Total	46,370	52,407	(6,037)	(11.5%)

Material consumption (which includes inventory changes) increased from Euro 9 million in 2019 to Euro 11.7 million in 2020 (+Euro 2.8 million) due to higher volumes sold and the different sales mix.

Costs for external services (Euro 19.4 million in 2020; 2019: Euro 19.7 million) decreased due to lower costs for analysis and quality control services deriving from the consolidation of the subsidiary SICIT Chemitech on 2 May 2019. The decrease was partially offset by the rise in general and administrative service costs and transportation costs on sales.

Personnel expense increased mainly due to the effect of the rise in the average number of employees in 2020 (137) compared to 2019 (128)⁷. Furthermore, in 2020, SICIT Group incurred non-recurring costs for employee bonuses of approximately Euro 0.2 million related to the MTA listing.

Other operating costs increased from Euro 0.5 million in 2019 to Euro 1 million in 2020 mainly as a consequence of higher non-recurring donations (Euro 0.6 million), partially offset by some savings on minor costs.

Amortisation and depreciation amounted to Euro 4.8 million in 2020, up by Euro 0.3 million compared to the previous year due to the investments of the year.

⁷Part of the increase from an average of 128 employees in 2019 to an average of 137 employees in 2020 (+19 average units) is due to the change in the consolidation scope following the consolidation of SICIT Chemitech on 2 May 2019 (+8 average units).

7. Other income

Other income, net amounted to Euro 0.3 million in 2020 (Euro 0.5 million 2019). It breaks down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Grants related to income (R&D)	85	239	(154)	(64.4%)
Revenue from energy efficiency certificates (TEE)	138	-	138	> 1
Gains/(losses) on the sale of assets	(125)	3	(128)	n.a.
Other revenue	241	251	(10)	(4.0%)
Services to the Parent	10	-	-	> 1
Services to Intesa Holding Group companies	-	53	(53)	(100.0%)
Total	350	546	(196)	(35.9%)

8. Net financial charges

Net financial charges amount to Euro 13.9 million in 2020 compared to net financial income of Euro 3.9 million in 2019. This caption can be broken down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Bank interest income	1	8	(7)	(87.5%)
Bank interest expense	(1)	(7)	6	(85.7%)
Interest expense on employee benefit plans	(3)	(7)	4	(57.1%)
Net exchange gains (losses)	(166)	3	(169)	> 1
Total interest and exchange gains (losses)	(169)	(3)	(166)	> 1
Change in the fair value of warrants	(13,724)	3,855	(17,579)	> 1
Net financial charges	(13,892)	3,852	(17,744)	> 1

The fair value change of warrants reflects the differential recognised in 2020 compared to the previous year.

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:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Current taxes	4,830	3,560	1,270	35.7%
Deferred taxes	(10,882)	884	(11,766)	> 1
Net financial charges	(6,052)	4,444	(10,496)	> 1

The Group's effective tax rate in 2020 was a negative 186%. Indeed, during the year, the Group recognised net income from taxation of Euro 6.1 million, compared to 51.4% in 2019, mainly as a result of the following changes:

- IFRS 2 listing costs not relevant for tax purposes in 2019;
- tax income of Euro 3.8 million in 2020 related to the benefits under the Patent box tax bonus scheme pursuant to Law no. 190/2014 (the "2015 Stability law") covering the 2015-2019 period, attributable to the Parent. The tax benefit, which can be used over three years, was recognised for 2/3 as current taxes (for the portion that can be used in the tax returns for the 2019 and 2020 tax periods) and for 1/3 as deferred tax assets (for the portion that can be used in the tax return for 2021);
- tax income of Euro 2.8 million in 2020 related to the taxing of the carrying amounts allocated

to the Plastretard trademark and goodwill arising from the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. pursuant to article 15.10 bis of Legislative decree no. 185/2008 and recognised in the separate and consolidated financial statements of SICIT Group S.p.A. at 31 December 2019 prepared in accordance with OIC (Italian reporting standards) and before the transition to IFRS.

- the change in net financial income/(charges) due to changes in the fair value of warrants (financial income of Euro 3.8 million in 2019 and financial charges of Euro 13.9 million in 2020).

In relation to the taxation of goodwill arising from merger, in the interim financial report at 30 June 2020 and in the additional periodic financial disclosure at 30 September 2020, with respect to three types of accounting treatment provided by the document “Accounting treatment of the substitute tax on goodwill pursuant to Law decree no. 185 of 29 November 2008, article 15.10 (converted into Law no. 2 of 28 January 2009) for entities that prepare their financial statements in accordance with the IFRS” issued by the OIC (the Italian accounting standard setter) in February 2009, the Parent elected to apply the accounting treatment which suspended both the cost of the substitute tax paid (Euro 3.7 million) and the overall tax benefit (Euro 6.5 million), postponing the net positive financial effect of Euro 2.8 million (approximately Euro 0.6 million per year) to the next five years.

For the purposes of preparing the 2020 financial statements, upon completion of additional technical assessments, the Parent decided to apply the interpretation that was most in line with IAS 12 “Income Taxes”. According to this interpretation, the net tax benefit acquired in the year of taxation is recognised in profit or loss.

In the separate and consolidated financial statements at 31 December 2020, both the substitute tax paid (Euro 3.7 million) and the expected tax benefit (Euro 6.5 million) were recognised under current taxes and deferred tax assets, respectively, with a net positive effect of Euro 2.8 million on profit or loss. The deferred tax assets recognised at 31 December 2020 will reverse over the next five years from 2021 to 2025, consistently with the tax benefit resulting from the higher amortisation deductible for tax purposes in those years.

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

Notes to the consolidated statement of financial position

10. Intangible assets

At 31 December 2020, they amount to Euro 0.4 million (Euro 0.5 million at 31 December 2019). The following table summarises the changes in 2020:

<i>(in thousands of Euros)</i>	Patents and software	Trademarks	Assets under development and payments on account	Other	Total
Balance at 31.12.19	125	50	145	165	485
Increases	173	2	-	-	175
Amortisation	(126)	(9)	-	(27)	(162)
Disinvestments and write-offs	-	-	(107)	-	(107)
Other changes	-	-	-	(0)	(0)
Reclassifications	36	-	(36)	-	-
Balance at 31.12.20	207	43	2	138	391

In 2020, Patents and software increased following the purchase of software licenses for industrial plant and equipment.

The decrease in assets under development is mainly due to some projects which began in prior years which were discontinued during the year. The related cost was expensed in profit or loss.

11. Property, plant and equipment

At 31 December 2020, they amount to Euro 59.7 million (Euro 48.8 million at 31 December 2019). The following table summarises the changes in 2020:

<i>(in thousands of Euros)</i>	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 31.12.19	22,425	21,387	95	480	4,405	53	48,845
<i>of which: acquisition cost</i>	29,807	64,202	2,468	4,521	4,405	223	105,627
<i>of which: revaluations</i>	8,196	-	-	-	-	-	8,196
<i>of which: accumulated depreciation</i>	(15,578)	(42,816)	(2,373)	(4,041)	0	(169)	(64,977)
Increases for purchases	1,657	5,069	8	576	8,325	127	15,762
Amortisation	(1,045)	(3,233)	(73)	(266)	-	(47)	(4,664)
Disinvestments and write-offs	-	(339)	(5)	(142)	-	0	(486)
Other changes	-	172	5	104	-	(10)	272
Reclassifications	451	1,675	-	-	(2,126)	-	0
Balance at 31.12.20	23,488	24,732	30	751	10,603	124	59,729
<i>of which: acquisition cost</i>	31,915	70,780	2,477	5,059	10,603	340	121,173
<i>of which: revaluations</i>	8,196	-	-	-	-	-	8,196
<i>of which: accumulated depreciation</i>	(16,624)	(46,049)	(2,445)	(4,308)	-	(216)	(69,641)

In addition to depreciation, the main changes of the year refer to the investments made by the Parent in the [Chiampo \(VI\)](#) and [Arzignano \(VI\)](#) sites. Specifically:

- **land and buildings**: the increase for purchases and reclassifications of Euro 1.7 million and Euro 0.5 million, respectively, refers to the expansion of the storage tanks and the new warehouses at the Arzignano site, to ensure greater flexibility and effectiveness in responding to growing customer demand;
- **plant and machinery**: the increase for purchases and reclassifications of Euro 5.1 million and

Euro 1.7 million, respectively, refers to: (i) the completion of the plant for the production of protein hydrolysate from the treatment of animal hair, and (ii) the new animal fat refining and re-esterification plant, to obtain top-quality biofuel;

- **other assets:** the purchases of Euro 0.6 million refer to new tools for the expansion of the chemical, agronomic and quality control laboratories;
- **assets under construction and payments on account:** the increases for purchases of Euro 8.3 million mainly refer to (i) progress in the expansion of the chemical, agronomic and quality control laboratories at the Arzignano site to improve and enhance the research and development of new products and quality control alongside customers, (ii) progress in the expansion of the new warehouse at the Arzignano site and (iii) start of investments in the new granular production plant.

Right-of-use assets represent the value allocated to leased assets and/or assets under operating lease, in accordance with IFRS 16. During the year, a new eight-year lease was entered into for a building used as guest accommodation, resulting in an increase of Euro 0.1 million.

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:

		Tax base		Tax effect	
		31.12.20	31.12.19	31.12.20	31.12.19
<i>(in thousands of Euros)</i>					
Deferred tax liabilities					
Amortisation/depreciation differences	24.0%	99	125	(24)	(30)
Exchange gains (unrealised)	24.0%	-	11	-	(3)
Revaluation of land	27.9%	8,268	8,268	(2,307)	(2,307)
Total deferred tax liabilities		8,367	8,404	(2,331)	(2,339)
Deferred tax assets					
Impairment losses	24.0%	(278)	(259)	67	62
Employee bonuses	24.0%	-	(640)	-	154
Amortisation/depreciation differences	24.0%	(82)	(91)	20	22
Exchange losses (unrealised)	24.0%	(44)	-	11	-
Reversal of capitalised costs	27.9%	(916)	(1,222)	256	341
SprintItaly tax benefits carry-forward (at 20/5)	24.0%	-	-	-	-
Taxing goodwill arising from merger (2019)	27.9%	(23,362)	-	6,518	-
Patent box (2015-2019)	27.9%	(4,591)	-	1,281	-
Employee benefits	27.9%	(64)	(39)	18	11
Fair value of warrants	24.0%	(19,634)	(6,058)	4,712	1,454
Total deferred tax assets		(49,380)	(8,694)	12,998	2,152
Total deferred tax liabilities (net)		(41,013)	(290)	10,667	(187)

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 in the table above, the main changes between 31 December 2019 and 31 December 2020 are attributable to the following:

- taxing the carrying amounts allocated to the Plastretard trademark and goodwill arising from

the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. pursuant to article 15.10 bis of Legislative decree no. 185/2008 and recognised in the separate and consolidated financial statements of SICIT Group S.p.A. at 31 December 2019 prepared in accordance with OIC (Italian reporting standards) and before the transition to IFRS;

- the fraction of the Patent Box tax benefit pursuant to Law no. 190/2014 (the Stability Law 2015) that can be used in the tax return for 2021;
- the change in fair value of the warrant at the reporting date compared to the previous year.

The Group recognised deferred tax assets and liabilities on the temporary differences between carrying and tax amounts.

Changes in 2020 were as follows:

<i>(in thousands of Euros)</i>	31.12.20	Increases	Utilisations	31.12.19
<i>Deferred tax liabilities</i>				
Amortisation/depreciation differences	(24)	-	6	(30)
Exchange gains (unrealised)	-	-	3	(3)
Revaluation of land	(2,307)	-	-	(2,307)
Total deferred tax liabilities	(2,331)	-	9	(2,339)
<i>Deferred tax assets</i>				
Impairment losses	67	67	(62)	62
Employee bonuses	-	-	(154)	154
Amortisation/depreciation differences	20	-	(2)	22
Exchange losses (unrealised)	11	11	-	-
Reversal of capitalised costs	256	-	(85)	341
SprintItaly tax benefits carry-forward (at 20/5)	-	-	-	-
Taxing goodwill arising from merger (2019)	6,518	6,518	-	-
Patent box	1,281	1,281	-	-
Employee benefits	18	7	-	11
Fair value of warrants	4,712	3,293	(35)	1,454
Total deferred tax assets	12,998	11,291	(446)	2,152

14. Inventories

At 31 December 2020, inventories amount to Euro 10.2 million and are made up as follows:

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Raw materials and spare parts	1,944	717	1,227
Semi-finished products and work in progress	2,738	(366)	3,104
Finished goods	5,548	(542)	6,090
Total inventories	10,230	(191)	10,421

The inventories of the subsidiary SICIT USA Inc. are held by third party companies, which are US leaders in logistics operations.

The decrease of the year (Euro 0.2 million) is mainly due to the drop in production in the second quarter (due to the temporary suspension of tanneries' activities caused by the COVID-19 public health emergency), which affected semi-finished products and finished goods. It was partially offset by the increase in raw material purchases related to ordinary purchasing trends.

The Parent is strongly committed to restoring normal stock levels of semi-finished products in order to ensure the continuity of supply, with the usual efficiency, to group customers.

The changes reflect the seasonality of revenue and the fluctuation in the input of raw materials (by-products of animal origin and tanning residues), 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;
- possibility of reworking “unsuitable” finished goods.

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

15. Trade receivables

At 31 December 2020, this caption totals Euro 13.2 million, including a loss allowance of Euro 0.4 million. There are no amounts due after 5 years. Trade receivables at 31 December 2020 are broken down as follows:

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Italy	3,886	498	3,388
Abroad	9,711	1,565	8,146
Intesa Holding group companies	31	(37)	68
Invoices to be issued	37	-	37
Credit notes to be issued	-	392	(392)
Gross trade receivables	13,665	2,418	11,247
Loss allowance	(418)	(66)	(352)
% of gross trade receivables	(3.1%)	0.1%	(3.1%)
Total trade receivables	13,247	2,352	10,895

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. The allowance increased by approximately Euro 0.1 million compared to 31 December 2019, and the change of the year only reflects the accrual of the period.

The increase in **gross receivables** in 2020 (Euro 2.4 million) is mainly due to the rise in sales revenue for the year. DSO (calculated on the basis of revenue for the last quarter) number approximately 80 at 31 December 2020. They are slightly up on 31 December 2019 (72 days) following the different customer mix.

Gross trade receivables by past due brackets are as follows:

<i>(in thousands of Euros)</i>	Not yet due	Past due days				Total
		1-60	61-180	181-360	Over 360	
At 31 December 2019	9,422	1,515	2	20	288	11,247
At 31 December 2020	11,363	1,595	187	106	413	13,665

16. Other current assets

Other current assets amount to Euro 7.3 million at 31 December 2020 (Euro 6.1 million at 31 December 2019). The nature of and changes of the year are as follows:

Other assets			
<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Tax benefits	2,908	321	2,587
Other tax assets	3,814	936	2,878
Advances to suppliers	150	(171)	321
Prepayments and accrued income	134	17	117
Other assets	330	85	244
Total other current assets	7,335	1,188	6,147

At 31 December 2020, **tax benefits** include tax advances for current taxes and the fraction of the tax benefit under the “Patent Box” scheme that can be used in the tax returns for 2019 and 2020.

Other tax assets (Euro 3.8 million at 31 December 2020) mainly include the VAT asset. They are up on the previous year end, mainly as a result of higher investments in non-current assets in 2020 which offset the rise in VAT assets.

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

17. Cash and cash equivalents

Cash and cash equivalents amount to Euro 20.6 million at 31 December 2020 (Euro 29.6 million at 31 December 2019) and mainly relate to bank current accounts. Cash on hand and at bank accounts are not subject to currency restrictions.

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Bank current accounts	20,566	(9,025)	29,591
Cash on hand	4	(8)	12
Total cash and cash equivalents	20,570	(9,033)	29,603

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 2020 amounts to Euro 87.9 million (Euro 88.9 million at 31 December 2019). The main changes in 2020, shown in detail in the statement of changes in equity, relate to:

- the distribution of dividends (Euro 8.8 million);
- the purchase of treasury shares (Euro 1.6 million);
- the profit for the year (Euro 9.3 million);
- the recognition of the notional cost for the period related to the incentive plan, partly based on shares (LTI - Long Term Incentive), for Euro 0.1 million in accordance with IFRS 2.

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

Below is a reconciliation of equity and profit attributable to the owners of the parent at 31 December 2020 and those of the parent at the same date:

<i>(in thousands of Euros)</i>	Profit for the year	Equity at 31.12.20
SICIT Group S.p.A. (Parent)	7,394	83,222
Contribution from consolidated investments	1,927	7,407
Elimination of the carrying amount of equity investments	-	(2,452)
Elimination of intragroup profit margins	(17)	(295)
Other changes	-	(1)
Consolidated financial statements	9,304	87,882

The Group's capital management goals include creating value for shareholders, safeguarding business continuity, guaranteeing stakeholders' interests and allowing possible efficient access to external sources of financing, such to adequately support the development of the Group's business.

Share capital

At 31 December 2020, SICIT's fully subscribed and paid in share capital amounted to Euro 2,441 thousand, divided into 19,655,171 ordinary shares and 195,000 special shares (the latter not admitted to trading on the AIM Italia market), both with no nominal amount.

Changes in ordinary shares, special shares and warrants during the year are shown below.

<i>No.</i>	Ordinary shares	Special shares	Warrants
At 31.12.19	19,644,978	195,000	6,807,171
Exercise of warrants	10,193	-	(83,232)
At 31.12.20	19,655,171	195,000	6,723,939

In accordance with SICIT'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 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 business combination, the official price of ordinary SICIT Group 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.

As described in the Directors' report, on 16 February 2021, the condition set out in article 6.4(d)(i) of the Company's Articles of Association, regarding the automatic conversion of the remaining Special Shares of SICIT Group into Ordinary Shares, was met.

In accordance with the Articles of Association, on 1 March 2021, 195,000 Special Shares were converted at a ratio of six Ordinary Shares every 1 Special Share held and, therefore, into a total of 1,170,000 newly issued Ordinary Shares of SICIT Group, without changing the total amount of share capital.

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 S.p.A. into SprintItaly S.p.A. became effective, the name of the financial instruments changed from SprintItaly to SICIT. SICIT ordinary shares and warrants were admitted to trading on the MTA market of Borsa Italiana on 15 June 2020. As of the same date, these instruments are no longer traded on the AIM Italia market.

At 31 December 2020, 6,723,939 **warrants** were outstanding, listed on the MTA as the Ordinary Shares, with a unit value of Euro 2.92, determined by the market prices at 30 December 2020 (the last market trading date of the year) for a total of Euro 19,634 thousand. In accordance with the "Regulation of SICIT Group S.p.A. Warrants", the warrants are bearer and freely-transferable and 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 www.sicitgroup.com/en, "Investor Relations / Share Information" section.

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:

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

As described in the Directors’ report, the conditions underlying the Acceleration clause set out in the Regulation of SICIT Group warrants were met on 1 March 2021.

Reserves

At 31 December 2020, the **legal reserve** amounted to Euro 0.5 million, up by Euro 0.2 million as resolved by the shareholders in their decision about profit allocation in their meeting of 20 April 2020.

The **share premium reserve** totalled Euro 74.3 million, down by Euro 5.9 million on 31 December 2019 following the dividends distributed in the first half of 2020.

The **revaluation reserve** was recognised by Sicit 2000 and reinstated by 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 of actuarial gains/losses related to post-employment benefits in accordance with IAS 19 (-Euro 20 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 2020 (-Euro 2.650 thousand) following the launch of two different plans for the purchase of treasury shares on 1 July 2019 and 20 April 2020, respectively.

At 31 December 2020, the Parent held 255,654 treasury shares (ordinary), with no nominal value, equal to 1.3% of the ordinary share capital, of which 153,654 purchased during the year.

At 31 December 2020, the reserve for warrants amounted to Euro 7.4 million. It was set up following the initial recognition of the fair value of the warrants at the date of the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. and subsequently changed as a result of conversions of the period.

Other reserves include a Euro 82 thousand reserve related to the notional cost of the incentive plan,

partly based on shares (LTI - Long Term Incentive), in accordance with IFRS 2, as approved by the shareholders in their meeting on 20 April 2020. For further information on the plan, reference should be made to Note 26.

19. Financial liabilities

At 31 December 2020, current and non-current financial liabilities consist of lease liabilities recognised in accordance with IFRS 16 and the fair value of outstanding warrants.

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Non-current financial liabilities			
Leases (IFRS 16)	96	67	29
Total non-current financial liabilities	96	67	29
Current financial liabilities			
Unsecured loan	-	(222)	222
Leases (IFRS 16)	16	(7)	23
Financial liabilities for warrants	19,634	13,576	6,058
Total current financial liabilities	19,650	13,347	6,303

The **unsecured loan** (Euro 0.2 million at 31 December 2019) was repaid in early 2020.

The **warrants** reflect the fair value of SICIT Group's warrants at 31 December 2020, recognised in accordance with IFRS 9. This financial liability amounts to Euro 19.7 million. It reflects the initial recognition of the fair value of warrants at the date of initial recognition 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.

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
A Cash and cash equivalents	(20,570)	9,033	(29,603)
B Other cash items	-	-	-
C Securities held for trading	-	-	-
D Liquidity	(20,570)	9,033	(29,603)
E Current loans	-	-	-
F Current bank loans and borrowings	-	-	-
G Current portion of debt	-	(222)	222
H Other current loans and borrowings	19,650	13,569	6,081
I Current financial debt (F+G+H)	19,650	13,347	6,303
J Net current financial debt (I+E+D)	(920)	22,380	(23,300)
K Non-current bank loans and borrowings	-	-	-
L Bonds issued	-	-	-
M Other non-current liabilities	96	67	29
N Non-current financial indebtedness (K+L+M)	96	67	29
O Net financial indebtedness (J+N) - ESMA Recommendation	(824)	22,447	(23,271)

20. Employee benefits

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

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

<i>(in thousands of Euros)</i>	Post-employment benefits	
	31.12.20	31.12.19
Opening balance	455	272
Included in the profit for the year		
Current service cost	3	9
Past service cost	-	-
Financial (income) expense	-	7
	458	288
Included in other comprehensive income		
Actuarial losses/(gains) from:		
- demographic assumptions	1	(2)
- financial assumptions	28	21
- assumptions based on past experience	(5)	-
	24	19
Other		
Benefits paid	(32)	(97)
Change in consolidation scope	-	245
Other	(3)	-
Closing balance	448	455
- of which: non-current portion	448	455
- of which: current portion	-	-

21. Provisions for risks and charges

At 31 December 2020, the Group did not accrue any provisions for risks and charges as management assessed that there were no liabilities with a probable risk of losing at the reporting date.

22. Trade payables

At 31 December 2020, trade payables amount to Euro 11.3 million, up by Euro 3.3 million at 31 December 2019. They are made up as follows:

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Italy	9,292	3,069	6,223
Abroad	472	(20)	492
Invoices to be received	1,643	291	1,352
Credit notes to be received	(128)	(10)	(118)
Total trade payables	11,266	3,317	7,949
<i>of which: capital expenditure</i>	<i>4,867</i>	<i>2,076</i>	<i>2,791</i>
<i>of which: for other goods and services</i>	<i>6,399</i>	<i>1,241</i>	<i>5,158</i>

The increase in 2020 (Euro 3.3 million) is mainly due to the rise in capital expenditure (+Euro 2.1 million). The residual Euro 1.2 million increase in other goods and services mainly relates to the rise in the purchases of the last quarter of the year compared to the same period of the previous year. DPO (calculated on the basis of the costs for the last quarter and excluding capital expenditure) number approximately 82 at 31 December 2020 (83 days in 2019).

Trade payables by past due brackets are as follows:

<i>(in thousands of Euros)</i>	Not yet due	Past due days				Total
		1-60	61-180	181-360	Over 360	
At 31 December 2019	7,591	169	24	6	159	7,949
At 31 December 2020	10,715	313	44	37	156	11,266

23. Other current non-financial liabilities

Other current non-financial liabilities amount to Euro 2.9 million at 31 December 2020, up by Euro 0.3 million on 31 December 2019 (Euro 2.6 million).

<i>(in thousands of Euros)</i>	31.12.20	Change	31.12.19
Income tax liabilities	39	(93)	132
Other tax liabilities	329	(73)	402
Liabilities to personnel	2,290	397	1,893
Other liabilities	67	31	44
Accrued expenses and deferred income	146	6	140
Total current non-financial liabilities	2,871	259	2,612

This caption mostly includes income tax liabilities, 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 reflects the change in bonuses and accrued holidays.

24. Financial instruments

The carrying amount of financial assets and liabilities at 31 December 2020 and 31 December 2019 compared with their fair value, including the related fair value hierarchy level, is shown below:

<i>(in thousands of Euros)</i>	Note	Carrying amount	Level 1	Level 2	Level 3
<i>At 31 December 2019</i>					
Financial assets measured at fair value					
Non-current financial assets	12	44	-	-	44
Other non-current assets	-	-	-	-	-
Financial assets not measured at fair value					
Trade receivables	15	10,895	-	-	10,895
Other current assets	16	6,147	-	-	6,147
Financial liabilities not measured at fair value					
Non-current financial liabilities	19	(29)	-	-	(29)
Current financial liabilities	19	(6,303)	(6,058)	-	(245)
Trade payables	22	(7,949)	-	-	(7,949)
Other current non-financial liabilities	23	(2,612)	-	-	(2,612)
<i>At 31 December 2020</i>					
Financial assets measured at fair value					
Non-current financial assets	12	44	-	-	44
Other non-current assets	-	-	-	-	-
Financial assets not measured at fair value					
Trade receivables	15	13,247	-	-	13,247
Other current assets	16	7,335	-	-	7,335
Financial liabilities not measured at fair value					
Non-current financial liabilities	19	(96)	-	-	(96)
Current financial liabilities	19	(19,650)	(19,634)	-	(16)
Trade payables	22	(11,266)	-	-	(11,266)
Other current non-financial liabilities	23	(2,871)	-	-	(2,871)

Other information

25. Financial risk management

Reference should be made to the Directors' report for a description of the financial risks to which the Group is exposed.

26. Share-based long-term incentive (LTI) plan

The "2020-2022 Incentive Plan" approved by the shareholders of the Parent in their meeting on 20 April 2020 is a long-term incentive plan for directors and employees of the Company entitled to receive incentive remuneration partly in cash and partly through the free allocation of shares.

The plan is divided into three vesting periods, each lasting four years (2020-2023, 2021-2024 and 2022-2025) during which incentives will be granted after checking that the performance objectives have been met.

The first vesting period covers the period 2020-2023. The number of granted shares and the cash part depend on the achievement of specific performance targets based on revenue, adjusted EBITDA, adjusted profit and operating cash flow, in addition to the trend of the share price, the employment of the beneficiaries within the Group and the achievement of other individual performance targets set out in the plan. The targets are independent of each other and are determined separately for each vesting period.

With respect to the equity component, as required by IFRS 2 - Share-based payments - the fair value of the plan at the grant date was determined by recognising the cost under personnel/directors' expense on a straight-line basis over the vesting period, with a balancing entry in equity. Fair value at the grant date was determined using the Montecarlo method, based on the following assumptions:

- conventional amount for calculating the number of shares to be assigned: Euro 10;
- expected dividend yield percentage: 6%;
- average volatility: 21.5%;
- average rate of return: -0.29%;
- unit fair value: Euro 11,40.

In 2020, a cost of Euro 319 thousand was recognised (of which Euro 80 thousand related to the equity-settled component).

27. Guarantees

At the reporting date, the Group did not provide guarantees either to third parties or companies or 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.

28. 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.

29. 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: they refer to the contract for accounting services provided by the Parent in favour of Intesa Holding S.p.A.;
- transactions carried out by 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 revenue 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. Since 2 May 2019, the quality control services provided by SICIT 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 with other related parties: these transactions were carried out mainly with companies related to SICIT Group S.p.A.'s and Intesa Holding S.p.A.'s directors. They mainly relate to the collection of animal by-products and other residues from leather processing and are part of the Parent'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 deadlines within which the information must be sent, specifies the 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 consolidated financial statements at 31 December 2020.

The table below shows the **revenue and costs** of related party transactions carried out by the Group in 2020 and 2019. The balances relating to transactions with subsidiaries are not shown as they were eliminated upon consolidation.

<i>(in thousands of Euros)</i>	Ultimate parent (IH)	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Revenue						
2020	-	-	1,030	1,030	63,164	1.6%
2019	-	-	826	826	56,656	1.5%
Cost of goods sold						
2020	-	-	-	-	(34,371)	0.0%
2019	-	(1,467)	-	(1,467)	(31,836)	4.6%
Trade costs						
2020	-	-	-	-	(3,935)	0.0%
2019	(3)	-	(136)	(139)	(4,011)	3.5%
Research and development						
2020	-	-	-	-	(1,527)	0.0%
2019	-	(175)	-	(175)	(1,663)	10.5%
General and administrative expenses						
2020	-	-	(192)	(192)	(6,542)	2.9%
2019	-	-	(115)	(115)	(14,897)	0.8%
Other income						
2020	10	-	-	10	350	2.9%
2019	-	53	-	53	546	9.6%
Net financial income (expense)						
2020	-	-	-	-	(13,889)	0.0%
2019	-	-	1	1	3,852	0.0%
Income taxes						
2020	-	-	-	-	6,053	0.0%
2019	-	-	-	-	(4,444)	0.0%

The table below shows **assets and liabilities** at 31 December 2020 and 31 December 2019 arising

from transactions with related parties. The balances relating to transactions with subsidiaries are not shown as they were eliminated upon consolidation.

<i>(in thousands of Euros)</i>	Ultimate parent (IH)	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Other current assets						
31 December 2020	-	-	80	80	9,047	0.9%
31 December 2019	-	-	79	79	6,147	1.3%
Trade receivables						
31 December 2020	6	43	213	262	13,247	2.0%
31 December 2019	-	43	48	91	10,895	0.8%
Trade payables						
31 December 2020	-	-	161	161	11,266	1.4%
31 December 2019	-	-	73	73	7,949	0.9%

30. 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.

31. Directors', statutory auditors' and independent auditors' fees

The fees paid to Directors, Statutory Auditors and the independent auditors are shown below.

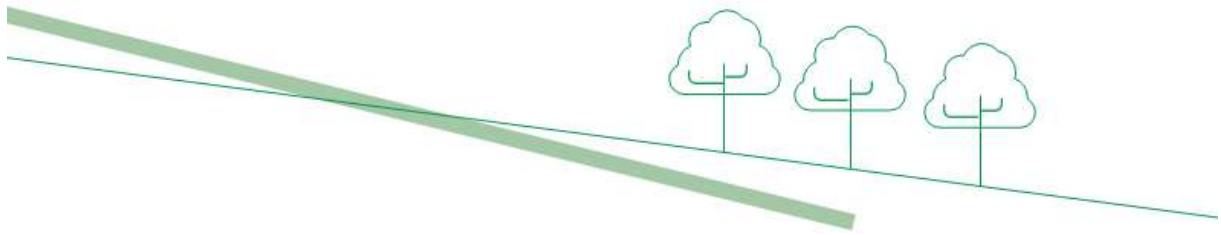
<i>(in thousands of Euros)</i>	31.12.20	31.12.19
Board of Directors	540	525
Board of Statutory Auditors	40	27
Independent auditors	309	331
<i>of which: statutory audit</i>	66	44
<i>of which: general and administrative expenses</i>	243	287

32. Significant events after the reporting date

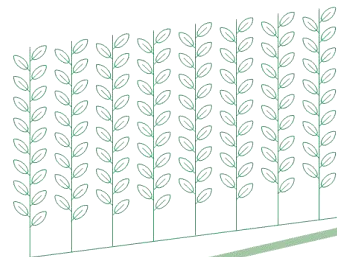
Reference should be made to the Directors' report for information about the significant events after the reporting date.

Chiampo, 12 March 2021

The Chairman of the Board of Directors
Giuseppe Valter Peretti



STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS



Statement about the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Massimo Neresini, Chief Executive Officer, and Giampaolo Simionati, Manager in charge of financing reporting of SICIT Group S.p.A. hereby confirm, also taking into account the provisions of article 154-bis.3 and 4 of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy, considering the Company's characteristics, and
 - the effective application of the administrative and accounting procedures for the preparation of the 2020 consolidated financial statements.
2. There is nothing to report in this respect.
3. Furthermore, it is confirmed that:
 - 3.1 The consolidated financial statements as at and for the year 31 December 2020:
 - have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
 - are consistent with the accounting books and records;
 - are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the consolidated companies.
 - 3.2 The Directors' report includes a reliable analysis of the performance, the results of operations and the position of the issuer and the consolidated companies, taken as a whole, together with a description of the main risks and uncertainties to which they are exposed.

Chiampo, 12 March 2021

Chief Executive Officer

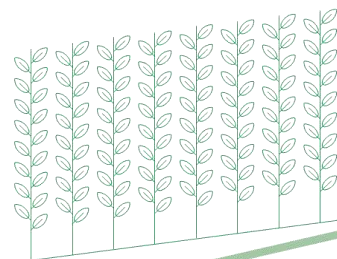
Massimo Neresini

The Manager in charge of financial reporting

Giampaolo Simionati



INDEPENDENT AUDITORS' REPORT



Independent auditors' report



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
 Sicit Group S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Sicit Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sicit Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

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 consolidated financial statements" section of our report. We are independent of Sicit Group S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year.

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*Sicit Group
Independent auditors' report
31 December 2020*

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Notes to the consolidated financial statements: section 4 "Accounting policies – Revenue" and note 5 "Revenue"

Key audit matter	Audit procedures addressing the key audit matter
<p>The 2020 statement of profit or loss and other comprehensive income includes revenue of €63,164 thousand, mainly attributable to sales of finished goods.</p> <p>Recognition of revenue from contracts with customers depends on when the group transfers control of the good or product to the customer and all requirements of IFRS 15 have been met.</p> <p>Since revenue is one of the most significant captions of the statement of profit or loss and other comprehensive income, its incorrect recognition would generate a material misrepresentation of the profit or loss for the year. For this reason, as part of our audit procedures, revenue recognition was treated as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the recognition of revenue and the related IT environment; — assessing the design, implementation and operating effectiveness of controls deemed material for the revenue recognition process, especially its existence and recognition on an accruals basis; — comparing the main components of revenue to the budgeted and previous year figures and discussing the results with the relevant internal departments; — checking the documentation supporting a sample of sales and whether revenue has been correctly recognised in profit or loss; — sending requests for written confirmation in order to obtain audit evidence supporting the trade receivables recognised in the consolidated financial statements; — assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation



Sicit Group
 Independent auditors' report
 31 December 2020

of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;



Sicit Group
Independent auditors' report
 31 December 2020

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

We 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.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 April 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership



Sicit Group
Independent auditors' report
31 December 2020

structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

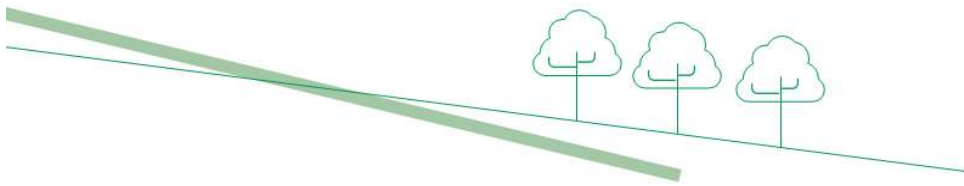
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Padua, 29 March 2021

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director of Audit



SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020



Statement of profit or loss and other comprehensive income

<i>(in thousands of Euros)</i>	Note	2020	2019
Revenue	5	62,515	55,914
Cost of goods sold	6	(37,575)	(33,652)
Gross operating profit		24,940	22,262
Selling expenses	6	(3,224)	(3,177)
Research and development expenses	6	(1,463)	(1,560)
General and administrative expenses	6	(6,021)	(14,660)
Other income	7	342	483
Operating profit		14,574	3,348
Net financial income (expense)	8	(13,893)	3,854
Profit before taxes		681	7,201
Income taxes	9	6,713	(4,069)
Profit for the year		7,394	3,132
Earnings per share (Euro) ¹			
Basic		0.379	0.160
Fully diluted		0.329	0.138
Profit for the year		7,394	3,132
Other items of comprehensive income that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability/(asset)		(24)	19
Related tax		8	(5)
Other items of comprehensive income that are or may be reclassified subsequently to profit or loss			
Foreign operations - Foreign currency translation differences		-	-
Related tax		-	-
Total comprehensive income for the year		7,377	3,147

⁽²⁾ Basic earnings per share are calculated on the average number of shares outstanding in the respective years, equal to 19,487,393 and 19,603,691 in 2020 and 2019, respectively. These amounts are calculated by deducting own shares, whose average number is 159,877 in 2020 and 29,237 in 2019. Diluted earnings per share are calculated by including the maximum number of ordinary shares deriving from the conversion of special shares (1,170,000 in both 2020 and 2019) and the maximum number of shares deriving from the exercise of the warrants outstanding (1,840,987 in 2020 and 1,918,800 in 2019).

Statement of financial position

<i>(in thousands of Euros)</i>	Note	31.12.20	31.12.19	01.01.19
Intangible assets	10	375	459	259
Property, plant and equipment	11	59,594	48,623	43,238
Equity investments	12	2,452	2,452	528
Non-current financial assets	13	44	44	44
Deferred tax assets	14	12,883	2,030	192
Total non-current assets		75,348	53,608	44,261
Inventories	15	9,810	10,027	9,662
Trade receivables	16	13,793	11,028	9,767
Other current assets	17	7,140	5,927	3,293
Cash and cash equivalents	18	14,481	25,839	15,104
Total current assets		45,224	52,821	37,826
Total assets		120,572	106,429	82,087
Share capital		2,441	2,440	8,367
Reserves and undistributed earnings		73,387	80,523	46,228
Profit for the year		7,394	3,132	12,243
Total equity	19	83,222	86,095	66,838
Non-current financial liabilities	20	96	20	255
Employee benefits	21	419	431	272
Provisions for risks and charges	22	-	-	-
Deferred tax liabilities	14	2,331	2,339	2,338
Total non-current liabilities		2,846	2,790	2,865
Current financial liabilities	20	19,650	6,294	1,366
Trade payables	23	12,301	9,174	9,028
Other current non-financial liabilities	24	2,553	2,076	1,990
Total current liabilities		34,504	17,544	12,384
Total liabilities		37,350	20,334	15,249
Total equity and liabilities		120,572	106,429	82,087

Statement of cash flows

<i>(in thousands of Euros)</i>	Note	2020	2019
Profit for the year		7,394	3,132
<i>Adjustments for</i>			
Amortisation	6	152	91
Depreciation	6	4,587	4,345
Accruals to provisions	16	66	110
Net financial income (expense)	8	13,893	(3,854)
IFRS 2 listing cost	6	-	10,202
Other non-cash expense/(income)		311	(3)
Income taxes	9	(6,713)	4,069
Cash flows from operating activities before changes in net working capital		19,690	18,092
(Increase)/decrease in inventories	15	217	(365)
Increase in trade receivables	16	(2,997)	(1,367)
Increase/(decrease) in trade payables	23	1,051	(1,126)
Increase in other assets/liabilities		(402)	(197)
Increase/(decrease) in employee benefits	21	(39)	173
Interest received/(paid)		-	-
Income taxes paid		(4,511)	(4,179)
Cash flows from operating activities (a)		13,009	11,031
Acquisition of property, plant and equipment	11	(15,750)	(9,746)
Acquisition of intangible and financial assets	10	(175)	(291)
Increase in liabilities for non-current assets	23	2,076	414
Proceeds from the sale of property, plant and equipment and intangible assets		69	-
Cash flows used in investing activities (b)		(13,780)	(11,547)
New loans	20	128	-
Repayments of borrowings	20	(273)	(1,365)
Merger contribution	19	-	30,523
Dividends paid	19	(8,800)	(17,722)
Purchase of treasury shares	19	(1,646)	(1,004)
Capital increase against consideration	19	1	819
Cash flows from (used in) financing activities (c)		(10,589)	11,250
Total cash flows (a+b+c)		(11,358)	10,735
Opening cash and cash equivalents		25,839	15,104
Closing cash and cash equivalents		14,481	25,839

Statement of changes in equity

<i>(in thousands of Euros)</i>	Share capital	Legal reserve	Share premium reserve	Fair value reserve	Realignment reserve	Reserve for treasury shares	Reserve for warrants	FTA reserve	OCI reserve	Extraordinary reserve	Other reserves	Retained earnings	Profit for the year	Equity
Balances at 01.01.19	8,367	1,673	5,161	7,146	1,508	-	-	(25)	11	30,753	0	-	12,243	66,838
Dividends	-	-	-	-	-	-	-	-	-	(11,048)	-	-	(6,674)	(17,722)
Profit allocation	-	-	-	-	-	-	-	-	-	5,570	-	-	(5,570)	-
Purchase of treasury shares	-	-	-	-	-	(1,004)	-	-	-	-	-	-	-	(1,004)
Issue of warrants	-	-	-	-	-	-	(4,483)	-	-	-	-	-	-	(4,483)
Conversion of warrants	1	-	-	-	-	-	209	-	-	-	-	-	-	210
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	3,132	3,132
Capital increase	818	-	-	-	-	-	-	-	-	-	-	-	-	818
SprintItaly merger	(6,746)	(1,367)	74,976	-	-	-	(3,260)	-	-	(25,275)	-	-	-	38,328
Other changes	-	-	-	-	-	-	-	-	-	-	2	-	-	2
Other comprehensive expense	-	-	-	-	-	-	-	-	(24)	-	-	-	-	(24)
Balances at 31.12.19	2,440	306	80,138	7,146	1,508	(1,004)	(7,534)	(25)	(13)	-	(0)	0	3,132	86,095
Dividends	-	-	(5,859)	-	-	-	-	-	-	-	-	-	(2,941)	(8,800)
Profit allocation	-	182	(2)	-	-	-	-	-	-	-	11	-	(191)	-
Purchase of treasury shares	-	-	-	-	-	(1,646)	-	-	-	-	-	-	-	(1,646)
Conversion of warrants	1	-	-	-	-	-	112	-	-	-	-	-	-	113
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	7,394	7,394
Other changes	-	-	2	-	-	-	-	-	-	11	70	(0)	-	82
Other comprehensive expense	-	-	-	-	-	-	-	-	(16)	-	-	-	-	(16)
Balances at 31.12.20	2,441	488	74,279	7,146	1,508	(2,650)	(7,422)	(25)	(29)	11	81	-	7,394	83,222

Notes to the separate financial statements

1. General information

SICIT Group S.p.A. (the “Company” or “SICIT”) manufactures and sells products for the agricultural and industrial sectors, in Italy and abroad, in addition to disposing of the by-products of leather tanning companies.

It operates from the Chiampo (VI) headquarters and the Arzignano (VI) branch.

SICIT 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 biofuel production.

SICIT 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 separate financial statements, statement of compliance and basis of preparation

The separate financial statements at 31 December 2020 have been prepared in accordance with article 153-ter of Legislative decree no. 58 of 24 February 1998 and subsequent amendments and additions (Consolidated Finance Act - “TUF”) and cover the period from 1 January 2020 to 31 December 2020.

During the year, the Company completed the transition process for the preparation of its first IFRS separate financial statements.

The Company prepared the “consolidated financial statements at 31 December 2017 and 31 December 2018 restated in accordance with IFRS and prepared for specific purposes” and the “consolidated financial statements at 31 December 2019 restated in accordance with IFRS and prepared for specific purposes” with a statement of full compliance with IFRS for the purposes of their inclusion in the Prospectus as part of the process for the admission to trading of its ordinary shares on the MTA.

Therefore, the date of the first-time adoption of IFRS for the consolidated financial statements is 1 January 2017, while, 2020 is the first year in which the Company has prepared its separate financial statements in accordance with IFRS (date of first-time adoption: 1 January 2019). In its separate financial statements, the Company recognised assets and liabilities at 31 December 2020 at the same amounts recognised in the consolidated financial statements at the same date, with the cumulative effect of transition on opening equity at 1 January 2019, as required by IFRS 1 for companies preparing IFRS separate financial statements at a date subsequent to that of the consolidated financial statements.

“Note 27 - IFRS transition” describes the transition criteria and includes the reconciliation schedules of equity and profit for the year for the corresponding comparative periods.

SICIT Group S.p.A.’s Board of Directors approved these separate financial statements at 31 December 2020 and authorised their publication on 12 March 2021.

These separate financial statements at 31 December 2020, prepared for the purposes described earlier and assuming that the Company 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 separate 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 Company's functional currency as well as the presentation currency of these separate financial statements. For comparative purposes, each caption is accompanied by the corresponding prior year balances, as described earlier.

3. Relevant transaction (2019)

The main steps of the transaction that led to the Merger in 2019 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 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:

- 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;
- 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;
- 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;
- 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:

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

- transfer of the Sicit 2000 logo from Intesa Holding to Sicit 2000 concurrently with the merger;
- 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 (which took place in 2019), 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 aim of Sicit 2000 S.p.A.'s shareholders was to accelerate the Group's growth by entering the AIM segment.

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 SICIT 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 SICIT.

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 was recognised under "general and administrative expenses" as listing cost, as shown in the table below.

Sprintitaly S.p.A. (in thousands of Euros)	Carrying amount	IFRS	IFRS
	OIC 20.5.19	adjustments	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 current 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
Current financial liabilities	-	4,290	4,290
Trade payables	858	-	858
Other current 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 Company's website: www.sicitgroup.com.

SICIT 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. <i>(in thousands of Euros)</i>	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 current 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 years covered by these separate financial statements.

During the year, the following standards and interpretations issued by the IASB and endorsed by the EU came into force. Their application is mandatory for annual reporting periods beginning on or after 1 January 2020:

	Issue date	Effective date	Endorsement date	EU regulation and date of publication
Amendments to References to Conceptual Framework in IFRS Standards	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Amendments to IAS 1 and IAS 8: definition of material	October 2018	1 January 2020	29 November 2019	(EU) 2019/2104 10 December 2019
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020
Definition of a business (Amendments to IFRS 3)	October 2018	1 January 2020	21 April 2020	(EU) 2020/551 22 April 2020
COVID-19 Related Rent Concessions (Amendment to IFRS 16)	May 2020	1 June 2020	9 October 2020	(EU) 2020/1434 12 October 2020

There was no significant impact on the preparation of these separate financial statements compared to the previous year.

Below is a list of standards that have already been endorsed by the EU but have not yet come into force, and which the Company decided not to adopt early:

	Issue date	Effective date	Endorsement date	EU regulation and date of publication
Deferral of effective date of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021

The new accounting standards that have not yet been endorsed are listed below:

	Issue date by the IASB	Effective date of the IASB document	Expected endorsement date by the EU
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended pending the new standard on rate-regulated activities.
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	May 2017 June 2020	1 January 2023	Undefined

Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Endorsement process suspended pending conclusion of the IASB project on the equity method
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	Undefined
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	May 2020	1 January 2022	Undefined
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	1 January 2022	Undefined
Annual Improvements to IFRS Standards 2018–2020	May 2020	1 January 2022	Undefined
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 26 July 2020	1 January 2023	Undefined

Intangible assets

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 Company.

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 Company that have a finite useful life are measured at cost, net of amortisation and accumulated impairment losses.

At least once a year, SICIT 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 Company 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 Company 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 2020, 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 - 10 years
Trademarks	10 years
Other	5 - 12 years

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including any direct transaction 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 2020, 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 Company 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.

Leased assets

The new standard eliminates the classification of leases as either operating leases or finance leases although there are elements which simplify its application. Furthermore, it introduces the concept of control into the definition of a lease.

Specifically, to determine whether a contract is or contains a lease, under IFRS 16, entities shall determine whether the lessee has the right to control the use of an identified asset for a period of time.

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities in "Current financial liabilities" and "Non-current financial liabilities".

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments

The Company'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 Company, 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 Company 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 Company 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 number 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 Company'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 Company 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 Company'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 Company 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.

Defined benefit plans

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.

Defined contribution plans

Payments related to defined contribution plans made by the Company are recognised in profit or loss as cost when incurred. Under 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 accruing 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.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcome.

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 Company 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 Company fairly 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 the 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 policies) 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 Company 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 separate 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 currency transactions

Foreign currency transactions are translated into the functional currency of the 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.

The exchange rates applied during the year to foreign currency transactions are those published by the Bank of Italy and shown below:

	Average exchange rate		Closing rate at	
	2020	2019	31.12.20	31.12.19
CNY	7.875	7.736	8.023	7.701
USD	1.142	1.120	1.227	1.115

Measurement of fair value and fair value hierarchy

The Company 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 separate 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 separate 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.

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

5. Revenue

Revenue for 2020 amounts to Euro 62.5 million, up by Euro 6.6 million on 2019 (Euro 55.9 million or +11.8%). It may be broken down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Products for agriculture	38,340	30,986	7,354	23.7%
Retardants for plaster	13,453	14,635	(1,182)	(8.1%)
Other products	504	758	(255)	(33.6%)
Fat	7,096	6,520	576	8.8%
Total revenue from products	59,392	52,899	6,493	12.3%
Services for the collection of raw materials	3,122	3,015	107	3.6%
Total revenue from services	3,122	3,015	107	3.6%
Total revenue	62,515	55,914	6,601	11.8%

In 2020, revenue from **products for agriculture** amounted to Euro 38.3 million, accounting for 61.3% of total revenue. The significant increase on the previous year (Euro +7.4 million or +23.7%) is due to the higher volumes sold to European, APAC and LATAM customers which continued to record strong demand also thanks to the significant focus of key accounts on the commercial development of the Company's products.

Revenue from **retardants for plaster** amounted to Euro 13.5 million in 2020 (21.5% of the total), down by Euro 1.2 million or 8.1% on the previous year due to lower volumes recorded in Europe and the APAC region. After a very strong first quarter, during which revenue increased in part as a consequence of the frontloading of supplies by some customers to prevent a possible shortage effect due to COVID-19, the second quarter of 2020 slowed down also as a result of the temporary closing of some production facilities, especially in the APAC region.

Revenue from **fat**, amounting to Euro 7.1 million in 2020, rose by 8.8% as a result of the increase in average selling prices compared to 2019, partially offset by lower volumes produced in the second quarter of 2020 following the temporary closure of the main tanneries in the Vicenza area in March and April and the consequent slowdown in the delivery of animal by-products.

Revenue from **other products**, for the industrial sector, can be considered residual.

Revenue from **collection services** is slightly up from Euro 3.0 million in 2019 to Euro 3.1 million in 2020 (+Euro 0.1 million or +3.6%). The increase is due to lower average prices for the collection of by-products compared to 2019, offset by higher revenue from the collection of animal hair (essentially not considered in 2019).

SICIT collects by-products of animal origin and other residues from leather processing from its customers (input raw materials). These disposal activities are charged to customers at rates that vary according to the quantity and type of material collected.

Revenue by geographical segment

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

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Italy	14,095	12,362	1,733	14.0%
Europe (excluding Italy)	18,479	17,911	568	3.2%
APAC (Asia Pacific)	18,659	15,629	3,030	19.4%
North America	2,308	2,268	40	1.8%
LATAM (Latin America)	4,036	2,884	1,152	40.0%
MEA (Middle East & Africa)	1,815	1,845	(30)	(1.6%)
Total	59,392	52,899	6,493	12.3%

Revenue from services is entirely related to Italy.

6. Operating costs

In 2020, operating costs totalled Euro 48.2 million, down by Euro 4.8 million on the previous year (Euro 53 million or -9%). Operating costs, classified by function, are as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Cost of goods sold	37,575	33,652	3,923	11.7%
Selling expenses	3,224	3,177	47	1.5%
Research and development expenses	1,463	1,560	(97)	(6.2%)
General and administrative expenses	6,021	14,660	(8,639)	(58.9%)
<i>of which: IFRS 2 listing cost</i>	-	10,202	(10,202)	> 1
<i>of which: general and administrative expenses</i>	6,021	4,458	1,563	35.1%
Total	48,283	53,049	(4,766)	(9.0%)

Cost of goods sold includes production-related costs. In 2020, costs amounted to Euro 37.6 million, up by Euro 3.9 million on the previous year (Euro 33.7 million or +11.7%) mainly due to:

- higher sales volumes of the year;
- higher direct production costs incurred during the year (including personnel expense and amortisation/depreciation) and a less favourable product mix, partially offset by the positive price effect in the fat sector.

Selling expenses include variable and fixed sales and marketing expenses. In 2020, selling expenses totalled Euro 3.2 million and are essentially stable compared to 2019, mainly as a result of the reduction in consultancy and travel and transfer costs. This is offset by higher transport costs on sales due to the increase in volumes sold and the increase in tariffs charged on transport services.

Research and development expenses refer to product and process development costs. Research and development expenses of Euro 1.5 million fell slightly on 2019 (Euro 1.6 million) as a result of the reduction in amortisation/depreciation and consultancies, offset by the rise in personnel expense.

In 2019, **general and administrative expenses** included 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.

In 2020, **general and administrative expenses** amount to Euro 6 million, up by Euro 1.6 million on 2019 (or Euro 4.5 million, excluding the cost of listing recognised in 2019 and amounting to Euro 10.2 million). The main changes are as follows:

- higher non-recurring costs for consultancies related to the translisting to the MTA market in 2020 (approximately Euro 1.2 million) compared to non-recurring costs incurred in 2019 in connection with the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. and the concurrent listing on the AIM market (Euro 0.8 million);
- higher costs for non-recurring donations to hospitals and health services following the COVID-19 public health emergency of Euro 0.6 million; and
- higher corporate costs to strengthen the board of directors and the internal committees and recurring services related to the listing on the AIM market.

The table below shows operating costs broken down by nature:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Material consumption	11,714	8,899	2,815	31.6%
External services	22,579	21,429	1,150	5.4%
IFRS 2 listing costs	-	10,202	(10,202)	> 1
Personnel expense	8,264	7,546	718	9.5%
Other operating costs	987	537	450	83.8%
Amortisation and depreciation	4,739	4,436	303	6.8%
Total	48,283	53,049	(4,766)	(9.0%)

Material consumption (which includes inventory changes) increased from Euro 9 million in 2019 to Euro 11.7 million in 2020 (+Euro 2.8 million) due to higher volumes sold and the different sales mix.

Costs for external services (Euro 22.6 million in 2020, 2019: Euro 21.4 million) increased due to higher general and administrative service costs related to the MTA listing (recurring and non-recurring) and transportation costs on sales.

Personnel expense increased mainly due to the effect of the rise in the average number of employees in 2020 (123) compared to 2019 (117). Furthermore, in 2020, the Company incurred non-recurring costs for employee bonuses of approximately Euro 0.2 million related to the MTA listing.

Other operating costs increased from Euro 0.5 million in 2019 to Euro 1 million in 2020 mainly as a consequence of higher non-recurring donations (Euro 0.6 million), partially offset by some savings on minor costs.

Amortisation and depreciation amounted to Euro 4.7 million in 2020, up by Euro 0.3 million compared to the previous year due to the investments of the year.

7. Other income

Other income, net amounted to Euro 0.3 million in 2020 (Euro 0.5 million in 2019). It breaks down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Grants related to income (R&D)	85	239	(154)	(64.4%)
Revenue from energy efficiency certificates (TEE)	138	-	138	> 1
Gains/(losses) on the sale of assets	(125)	3	(128)	> 1
Other revenue	108	116	(9)	(7.8%)
Services to group companies	136	126	10	7.9%
Total	342	483	(141)	(29.2%)

8. Net financial charges

Net financial charges amount to Euro 13.9 million in 2020 compared to net financial income of Euro 3.9 million in 2019. This caption can be broken down as follows:

<i>(in thousands of Euros)</i>	Change			
	2020	2019	2020-2019	%
Bank interest income	1	7	(6)	(85.7%)
Bank interest expense	(1)	(7)	6	(85.7%)
Interest expense on employee benefit plans	(3)	(5)	2	(40.0%)
Net exchange gains (losses)	(166)	4	(170)	> 1
Total interest and exchange gains (losses)	(169)	(1)	(168)	> 1
Change in the fair value of warrants	(13,724)	3,855	(17,579)	> 1
Total	(13,893)	3,854	(17,747)	> 1

The fair value change of warrants reflects the differential recognised in 2020 compared to the previous year.

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:

<i>(in thousands of Euros)</i>	Change			
	31.12.20	31.12.19	2020-2019	%
Current taxes	4,177	3,126	1,051	33.6%
Deferred taxes	(10,890)	943	(11,833)	> 1
Total	(6,713)	4,069	(10,782)	> 1

The Company's effective tax rate in 2020 was negative. Indeed, during the year, SICIT recognised net income from taxation of Euro 6.7 million, compared to 56.5% in 2019, mainly as a result of the following changes:

- IFRS 2 listing costs not relevant for tax purposes in 2019;
- tax income of Euro 3.8 million in 2020 related to the benefits under the Patent box tax bonus scheme pursuant to Law no. 190/2014 (the "2015 Stability law") covering the 2015-2019 period, attributable to the Company. The tax benefit, which can be used over three years, was recognised for 2/3 as current taxes (for the portion that can be used in the tax returns for the 2019 and 2020 tax periods) and for 1/3 as deferred tax assets (for the portion that can be used in the tax return for 2021);
- tax income of Euro 2.8 million in 2020 related to the taxing of the carrying amounts allocated to the Plastretard trademark and goodwill arising from the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. pursuant to article 15.10 bis of Legislative decree no. 185/2008 and recognised in the separate and consolidated financial statements of SICIT Group S.p.A. at 31 December 2019 prepared in accordance with OIC (Italian reporting standards) and before the transition to IFRS.
- the change in net financial income/(charges) due to changes in the fair value of warrants (financial income of Euro 3.8 million in 2019 and financial charges of Euro 13.9 million in 2020).

In relation to the taxation of goodwill arising from merger, in the interim financial report at 30 June 2020 and in the additional periodic financial disclosure at 30 September 2020, with respect to three types of accounting treatment provided by the document "Accounting treatment of the substitute tax on goodwill pursuant to Law decree no. 185 of 29 November 2008, article 15.10 (converted into Law no. 2 of 28 January 2009) for entities that prepare their financial statements in accordance with the IFRS" issued by the OIC (the Italian accounting standard setter) in February 2009, the Company elected to apply the accounting treatment which suspended both the cost of the substitute tax paid (Euro 3.7 million) and the overall tax benefit (Euro 6.5 million), postponing the net positive financial effect of Euro 2.8 million (approximately Euro 0.6 million per year) to the next five years.

For the purposes of preparing the 2020 financial statements, upon completion of additional technical assessments, the Company decided to apply the interpretation that was most in line with IAS 12 "Income Taxes". According to this interpretation, the net tax benefit acquired in the year of taxation is recognised in profit or loss.

In the separate and consolidated financial statements at 31 December 2020, both the substitute tax paid (Euro 3.7 million) and the expected tax benefit (Euro 6.5 million) were recognised under current taxes and deferred tax assets, respectively, with a net positive effect of Euro 2.8 million on profit or loss. The deferred tax assets recognised at 31 December 2020 will reverse over the next five years from 2021 to 2025, consistently with the tax benefit resulting from the higher amortisation deductible for tax purposes in those years.

Note 14 - 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 2020, they amount to Euro 0.4 million (Euro 0.5 million at 31 December 2019). The following table summarises the changes in 2020 and 2019:

<i>(in thousands of Euros)</i>	Patents and software	Trademarks	Assets under development and payments on account	Other	Total
Balance at 01.01.19	67	48	11	133	259
Increases	86	11	143	50	291
Amortisation	(55)	(10)	-	(27)	(91)
Reclassifications	-	-	(9)	9	-
Balance at 31.12.19	98	50	145	166	459
Increases	172	2	-	-	175
Amortisation	(117)	(9)	-	(26)	(152)
Disinvestments and write-offs	-	-	(107)	-	(107)
Other changes	-	-	-	-	-
Reclassifications	36	-	(36)	-	-
Balance at 31.12.20	190	43	2	139	375

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 Company'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.

In 2020, **Patents and software** increased following the purchase of software licenses for industrial plant and equipment.

The decrease in **assets under development** is mainly due to some projects which began in prior years which were discontinued during the year. The related cost was expensed in profit or loss.

11. Property, plant and equipment

At 31 December 2020, they amount to Euro 59.6 million (Euro 48.6 million at 31 December 2019). The following table summarises the changes in 2020 and 2019:

<i>(in thousands of Euros)</i>	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 01.01.19	22,900	18,524	137	571	1,041	65	43,238
<i>of which: acquisition cost</i>	29,247	58,281	2,416	2,669	1,041	127	93,781
<i>of which: revaluations</i>	8,196	-	-	-	-	-	8,196
<i>of which: accumulated depreciation</i>	(14,543)	(39,757)	(2,279)	(2,098)	-	(62)	(58,739)
Increases for purchases	469	4,633	41	197	4,406	-	9,746
Depreciation	(1,007)	(2,845)	(83)	(377)	-	(33)	(4,345)
Disinvestments and write-offs	-	(910)	-	(15)	-	-	(925)
Other changes	-	894	-	15	-	-	909
Reclassifications	-	1,041	-	-	(1,041)	-	-
Balance at 31.12.19	22,362	21,336	95	391	4,406	34	48,623
<i>of which: acquisition cost</i>	29,716	63,938	2,457	2,866	4,406	129	103,512
<i>of which: revaluations</i>	8,196	-	-	-	-	-	8,196
<i>of which: accumulated depreciation</i>	(15,550)	(42,602)	(2,363)	(2,475)	-	(95)	(63,085)
Increases for purchases	1,657	5,069	8	564	8,325	127	15,750
Depreciation	(1,039)	(3,223)	(73)	(216)	-	(37)	(4,587)
Disinvestments and write-offs	-	(339)	(5)	(142)	-	-	(486)
Other changes	-	172	5	116	-	-	293
Reclassifications	451	1,675	-	-	(2,126)	-	-
Balance at 31.12.20	23,431	24,692	30	713	10,604	124	59,594
<i>of which: acquisition cost</i>	31,824	70,516	2,466	3,404	10,604	256	119,070
<i>of which: revaluations</i>	8,196	-	-	-	-	-	8,196
<i>of which: accumulated depreciation</i>	(16,589)	(45,825)	(2,435)	(2,691)	-	(132)	(67,672)

In addition to depreciation, the main changes in 2019 and 2020 refer to the investments made in the [Chiampo \(VI\)](#) and [Arzignano \(VI\)](#) sites. Specifically:

The main increases in 2019 refer to:

- **land and buildings:** 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 purchases of the year amount to Euro 221 thousand and mainly refer to cars and laboratory equipment;
- **assets under construction and payments on account:** this caption relates to investments in both plant and buildings which are expected to be completed in the next few years. Specifically, this includes the expansion of the Arzignano site for new agronomic laboratories and larger commercial spaces, the expansion of the warehouses at the Arzignano site and new plant for the production of special products (finished goods and mixtures).

The main increases in 2020 refer to:

- **land and buildings:** the increase for purchases and reclassifications of Euro 1.7 million and Euro 0.5 million, respectively, refers to the expansion of the storage tanks and the new warehouses at the Arzignano site, to ensure greater flexibility and effectiveness in responding to growing customer demand;
- **plant and machinery:** the increase for purchases and reclassifications of Euro 5.1 million and Euro 1.7 million, respectively, refers to: (i) the completion of the plant for the production of

protein hydrolysate from the treatment of animal hair, and (ii) launching the investment in the new animal fat refining and re-esterification plant, to obtain top-quality biofuel;

- **other assets:** the purchases of Euro 0.6 million refer to new tools for the expansion of the chemical, agronomic and quality control laboratories;
- **assets under construction and payments on account:** the increases for purchases of Euro 8.3 million mainly refer to (i) progress in the expansion of the chemical, agronomic and quality control laboratories at the Arzignano site to improve and enhance the research and development of new products and quality control alongside customers, (ii) progress in the expansion of the new warehouse at the Arzignano site and (iii) start of investments in the new granular production plant which are expected to be completed in 2021.

Right-of-use assets represent the value allocated to leased assets and/or assets under operating lease, in accordance with IFRS 16. During the year, a new eight-year lease was entered into for a building used as guest accommodation, resulting in an increase of Euro 0.1 million.

12. Equity investments

This caption comprises investments in the following subsidiaries:

<i>(in thousands of Euros)</i>	Reg. office	% of investment	Carrying amount at 31.12.20	Equity — most recently approved financial statements	Profit for the year — most recently approved financial statements
Investments in subsidiaries:					
SICIT Commercial Consulting Co. Ltd	China	100%	30	9	3
SICIT U.S.A., Inc.	USA	100%	498	613	76
SICIT Chemitech S.p.A.	Arzignano	100%	1,924	4,902	1,640
Total			2,452		

They are recognised at purchase cost. The investment in SICIT Chemitech S.p.A. was acquired on 2 May 2019. For additional information, reference should be made to the note to the “Relevant transaction”.

At the reporting date, the Company’s directors successfully tested for impairment the carrying amount of these investments.

13. 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.

14. Deferred taxes assets and liabilities

They are broken down by nature and are as follows:

		Tax base				Tax effect			
		31.12.20	31.12.19	Merger contribution	01.01.19	31.12.20	31.12.19	Merger contribution	01.01.19
<i>(in thousands of Euros)</i>									
<i>Deferred tax liabilities</i>									
Amortisation/depreciation differences	24.0%	99	125	-	126	(24)	(30)	-	(30)
Exchange gains (unrealised)	24.0%	-	11	-	2	-	(3)	-	-
Revaluation of land (2008)	27.9%	8,268	8,268	-	8,268	(2,307)	(2,307)	-	(2,307)
Total deferred tax liabilities		8,367	8,404	-	8,396	(2,331)	(2,339)	-	(2,338)
<i>Deferred tax assets</i>									
Impairment losses	24.0%	(278)	(259)	-	(178)	67	62	-	43
Employee bonuses	24.0%	-	(581)	-	(515)	-	140	-	124
Amortisation/depreciation differences	24.0%	(82)	(91)	-	(92)	20	22	-	22
Exchange differences	24.0%	(44)	-	-	-	11	-	-	-
Reversal of capitalised costs	27.9%	(916)	(1,222)	(1,125)	-	256	341	314	-
Sprintitaly tax benefits carry-forward	24.0%	-	-	(4,521)	-	-	-	1,085	-
Taxing goodwill arising from merger	27.9%	(23,362)	-	-	-	6,518	-	-	-
Patent box scheme	27.9%	(4,591)	-	-	-	1,281	-	-	-
Employee benefits	27.9%	(61)	(39)	-	(11)	17	11	-	4
Fair value of warrants	24.0%	(19,634)	(6,058)	(4,292)	-	4,712	1,454	1,030	-
Total deferred tax assets		(48,968)	(8,250)	(9,938)	(796)	12,883	2,030	2,429	192
Total deferred tax liabilities (net)		(40,601)	155	(9,938)	7,600	10,552	(309)	2,429	(2,146)

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 in the table above, the **main changes** between 31 December 2019 and 31 December 2020 are attributable to the following:

- taxing the carrying amounts allocated to the Plastretard trademark and goodwill arising from the merger of Sicit 2000 S.p.A. into Sprintitaly S.p.A. pursuant to article 15.10 bis of Legislative decree no. 185/2008 and recognised in the separate and consolidated financial statements of SICIT Group S.p.A. at 31 December 2019 prepared in accordance with OIC (Italian reporting standards) and before the transition to IFRS;
- the fraction of the Patent Box tax benefit pursuant to Law no. 190/2014 (the Stability Law 2015) that can be used in the tax return for 2021;
- the change in fair value of the warrant at the reporting date compared to the previous year.

The main changes in 2019 refer to the merger contributions that generated mainly deferred tax assets on

- the tax benefits carried forward by Sprintitaly for prior year losses and intangible assets which can be carried forward for tax purposes and
- the fair value measurement of the warrants contributed by Sprintitaly.

SICIT recognised deferred tax assets and liabilities on the temporary differences between carrying and tax amounts.

Changes in 2020 and 2019 were as follows:

<i>(in thousands of Euros)</i>	31.12.20	Increases	Utilisations	31.12.19	Increases	Merger contribution	Utilisations	01.01.19
<i>Deferred tax liabilities</i>								
Amortisation/depreciation differences	(24)	-	6	(30)	-	-	0	(30)
Exchange gains (unrealised)	-	-	3	(3)	(3)	-	-	-
Revaluation of land	(2,307)	-	-	(2,307)	-	-	0	(2,307)
Total deferred tax liabilities	(2,331)	-	9	(2,339)	(2)	-	0	(2,338)
<i>Deferred tax assets</i>								
Impairment losses	67	67	(62)	62	62	-	(43)	43
Employee bonuses	-	-	(140)	140	140	-	(124)	124
Amortisation/depreciation differences	20	-	(2)	22	-	-	(1)	22
Exchange losses (unrealised)	11	11	-	-	-	-	-	-
Reversal of capitalised costs	256	-	(85)	341	27	314	-	-
Sprintitality tax benefits carry-forward	-	-	-	-	-	1,085	(1,085)	-
Taxing goodwill arising from merger	6,518	6,518	-	-	-	-	-	-
Patent box scheme	1,281	1,281	-	-	-	-	-	-
Employee benefits	17	6	-	11	7	-	-	4
Fair value of warrants	4,712	3,293	(35)	1,454	424	1,030	-	-
Total deferred tax assets	12,883	11,177	(324)	2,030	661	2,429	(1,252)	192

15. Inventories

At 31 December 2020, inventories amount to Euro 9.8 million and are made up as follows:

<i>(in thousands of Euros)</i>	31.12.20	DTA variation	31.12.19	DTA variation	01.01.19
Raw materials and spare parts	1,879	712	1,167	(691)	1,858
Semi-finished products and work in progress	2,738	(366)	3,104	794	2,310
Finished goods	5,193	(563)	5,756	262	5,494
Total inventories	9,810	(217)	10,027	365	9,662

The decrease of the year (Euro 0.2 million) is mainly due to the drop in production in the second quarter (due to the temporary suspension of tanneries' activities caused by the COVID-19 public health emergency), which affected semi-finished products and finished goods. It was partially offset by the increase in raw material purchases related to ordinary purchasing trends.

SICIT is strongly committed to restoring normal stock levels of semi-finished products in order to ensure the continuity of supply, with the usual efficiency, to the company customers.

The changes reflect the seasonality of revenue and the fluctuation in input raw materials (by-products of animal origin and tanning residues), 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;
- possibility of reworking "unsuitable" finished goods.

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

16. Trade receivables

At 31 December 2020, this caption totals Euro 13.8 million, including a loss allowance of Euro 0.4 million. There are no amounts due after 5 years. Trade receivables at 31 December 2020 are broken down as follows:

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Italy	3,869	470	3,399	(1,143)	4,542
Abroad	9,555	1,693	7,862	2,851	5,011
Intesa Holding group companies	49	6	43	43	-
Subsidiaries	744	270	474	191	283
Invoices to be issued	37	-	37	(136)	173
Credit notes to be issued	-	392	(392)	(392)	-
Gross trade receivables	14,211	2,831	11,380	1,371	10,009
Loss allowance	(418)	(66)	(352)	(110)	(242)
% of gross trade receivables	(2.9%)		(3.1%)		(2.4%)
Total trade receivables	13,793	2,765	11,028	1,261	9,767

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. The balance rose by approximately Euro 0.1 million on 31 December 2019.

The increase in **gross receivables** in 2020 (Euro 2.8 million) and in 2019 (Euro 1.3 million) is mainly due to the rise in sales revenue. DSO (calculated on the basis of revenue for the last quarter) number approximately 80 at 31 December 2020. They are slightly up on 31 December 2019 (72 days) following the different customer mix and are in line with the average figure on 1 January 2019.

Gross trade receivables by past due brackets are as follows:

<i>(in thousands of Euros)</i>	Not yet due	Past due days				Total
		1-60	61-180	181-360	Over 360	
At 31 December 2019	9,596	1,506	2	20	257	11,380
At 31 December 2020	11,948	1,590	187	105	382	14,211

17. Other current assets

Other current assets amount to Euro 7.1 million at 31 December 2020 (Euro 5.9 million at 31 December 2019). The nature of and changes of the year are as follows:

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Tax benefits	2,896	322	2,574	2,086	488
Other tax assets	3,747	968	2,779	866	1,913
Advances to suppliers	145	(170)	315	(226)	541
Prepayments and accrued income	107	10	97	47	50
Other assets	245	83	162	(139)	301
Total other current assets	7,140	1,213	5,927	2,634	3,293

At 31 December 2020, **tax benefits** include tax advances for current tax years and the fraction of the Patent Box tax benefit that can be used in the tax returns for 2019 and 2020. At 31 December 2019, tax benefits mainly include tax advances for current tax years. At 1 January 2019, they included tax advances of Euro 0.4 million paid to the ultimate parent Intesa Holding S.p.A. for the

tax consolidation scheme.

The increase in 2019 is mainly due to the higher payments made during the year by the Company, 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 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 3.7 million at 31 December 2020) mainly include the VAT asset. They are up on the balance at 31 December 2019 and 1 January 2019, mainly as a result of higher investments in non-current assets in 2020 and 2019 which offset the rise in VAT assets.

Advances to suppliers mostly include advances to service providers pending completion of the service due. The main changes are due to ordinary commercial trends.

18. Cash and cash equivalents

Cash and cash equivalents amount to Euro 14.5 million at 31 December 2020 (Euro 25.6 million at 31 December 2019) and mainly relate to bank current accounts. Cash on hand and at bank accounts are not subject to currency restrictions.

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Bank current accounts	14,480	(11,357)	25,837	10,737	15,100
Cash on hand	1	(1)	2	(2)	4
Total cash and cash equivalents	14,481	(11,358)	25,839	10,735	15,104

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

19. Equity

Equity at 31 December 2020 amounts to Euro 83.2 million (Euro 86.1 million at 31 December 2019). The main changes in 2020 and 2019, shown in detail in the statement of changes in equity, relate to:

- the distribution of dividends worth Euro 8.8 million in 2020 (Euro 17.7 million in 2019);
- the purchase of treasury shares (Euro 1.6 million; Euro 1 million in 2019);
- the issue and conversion of warrants worth Euro 4.4 million in 2019 and the conversion of Euro 0.1 million in 2020;
- the capital increase against consideration (Euro 0.8 million in 2019);
- the effect of the merger of Sicit 2000 into SprintItaly, accounted for as a reverse acquisition (Euro 38.3 million) in 2019;
- the recognition of the notional cost for the period related to the incentive plan, partly based on shares (LTI - Long Term Incentive), for Euro 0.1 million in accordance with IFRS 2.
- the profit for Euro 7.4 million in 2020 (Euro 3.1 million in 2019).

The Company's capital management goals include creating value for shareholders, safeguarding business continuity, guaranteeing stakeholders' interests and allowing possible efficient access to external sources of financing, such to adequately support the development of the Group's business. Equity captions are analysed below by origin, possible of use and distribution.

<i>(in thousands of Euros)</i>	Amount	Origin/nature	Possible use	Available portion
Share capital	2,441	Equity-related		-
Legal reserve	488	Income-related	B	488
Share premium reserve	74,279	Equity-related	A;B;C	74,279
Revaluation reserves	7,146	Equity-related	A;B;C	7,146
Realignment reserve	1,508	Income-related	A;B;C	1,508
Reserve for treasury shares	(2,650)			-
Reserve for warrants	(7,422)			-
FTA reserve	(25)			-
OCI reserve	(29)			-
Extraordinary reserve	11	Income-related	A;B;C	11
Other reserves	81	Income-related	A;B;C	81
Total before the profit for the year	75,829			83,513
Profit for the year	7,394			
Total equity	83,222			

Key: A – capital increase, B – to cover losses, C – dividends.

Share capital

At 31 December 2020, SICIT's fully subscribed and paid in share capital amounted to Euro 2,441 thousand, divided into 19,655,171 ordinary shares and 195,000 special shares (the latter not admitted to trading on the MTA), both with no nominal amount.

Changes in ordinary shares, special shares and warrants during the year are shown in the table below.

No.	Ordinary shares	Special shares	Warrants
At 01.01.19	15,000,000	300,000	3,000,000
Share exchange effects - business combination	4,000,000	-	4,124,988
Conversion of special shares	630,000	(105,000)	-
Exercise of warrants	14,978	-	(317,817)
At 31.12.19	19,644,978	195,000	6,807,171
Exercise of warrants	10,193	-	(83,232)
At 31.12.20	19,655,171	195,000	6,723,939

In accordance with SICIT'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 SICIT 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 business combination, the official price of ordinary SICIT Group 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.

As described in the Directors' report, on 16 February 2021, the condition set out in article 6.4(d)(i) of the Company's Articles of Association, regarding the automatic conversion of the remaining Special Shares of SICIT Group into Ordinary Shares, was met.

In accordance with the Articles of Association, on 1 March 2021, 195,000 Special Shares were converted at a ratio of six Ordinary Shares every 1 Special Share held and, therefore, into a total of 1,170,000 newly issued Ordinary Shares of SICIT Group, without changing the total amount of share capital.

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 S.p.A. into SprintItaly S.p.A. became effective, the name of the financial instruments changed from SprintItaly to SICIT Group. SICIT Group ordinary shares and warrants were admitted to trading on the MTA market of Borsa Italiana on 15 June 2020. As of the same date, these instruments are no longer

traded on the AIM Italia market.

At 31 December 2020, 6,723,939 **warrants** were outstanding, listed on the MTA as the Ordinary Shares, with a unit value of Euro 2.92, determined by the market prices at 30 December 2020 (the last market trading date of the year) for a total of Euro 19,634 thousand. In accordance with the “Regulation of SICIT Group S.p.A. Warrants”, the warrants are bearer and freely-transferable and 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 www.sicitgroup.com/en, “Investor Relations / Share Information”

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:

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

As described in the Directors’ report, the conditions underlying the Acceleration clause set out in the Regulation of SICIT Group warrants were met on 1 March 2021.

Reserves

At 31 December 2020, the **legal reserve** amounted to Euro 0.5 million, up by Euro 0.2 million as resolved by the shareholders in their decision about profit allocation in their meeting of 20 April 2020. At 31 December 2019, it amounted 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** totalled Euro 74.3 million, down by Euro 5.9 million on 31 December 2019 following the dividends distributed in the first half of 2020. The increase in 2019 is due to the merger.

The **revaluation reserve** was recognised by Sicit 2000 and reinstated by SICIT 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 **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 of actuarial gains/losses related to post-employment benefits in accordance with IAS 19 (-Euro 29 thousand).

The **FTA reserve** includes the effects of the first-time adoption of IFRS at 1 January 2019 (-Euro 25 thousand).

The **reserve for treasury shares** was recognised at 31 December 2020 (-Euro 2.650 thousand) following the launch of two different plans for the purchase of treasury shares on 1 July 2019 and 20 April 2020, respectively.

At 31 December 2020, the Company held 255,654 treasury shares (ordinary), with no nominal value, equal to 1.3% of the ordinary share capital, of which 153,654 purchased during the year.

At 31 December 2020, the **reserve for warrants** amounted to Euro 7.4 million. It was set up following the initial recognition of the fair value of the warrants at the date of the merger of Sicit 2000 S.p.A. into SprintItaly S.p.A. and subsequently changed as a result of conversions of the period.

Other reserves include a Euro 82 thousand reserve related to the notional cost of the incentive plan, partly based on shares (LTI - Long Term Incentive), in accordance with IFRS 2, as approved by the shareholders in their meeting on 20 April 2020. For further information on the plan, reference should be made to Note 28.

20. Financial liabilities

At 31 December 2020, current and non-current financial liabilities consist of lease liabilities recognised in accordance with IFRS 16 and the fair value of outstanding warrants.

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Non-current financial liabilities					
Unsecured loan	-	-	-	(222)	222
Leases (IFRS 16)	96	76	20	(13)	33
Total non-current financial liabilities	96	76	20	(235)	255
Current financial liabilities					
Unsecured loan	-	(222)	222	(1,111)	1,333
Leases (IFRS 16)	16	2	14	(19)	33
Financial liabilities for warrants	19,634	13,576	6,058	6,058	-
Total current financial liabilities	19,650	13,356	6,294	4,928	1,366

The **unsecured loan** (Euro 1.3 million at 1 January 2019, current and non-current portion) was repaid for Euro 1.1 million in early 2020, while the remaining Euro 0.2 million was paid in early 2020.

The **warrants** reflect the fair value of SICIT's warrants at 31 December 2020, recognised in accordance with IFRS 9. This financial liability amounts to Euro 19.6 million at 31 December 2020. It reflects the initial recognition of the fair value of warrants at the date of initial recognition and subsequently changed as a result of conversions and fair value changes during the period.

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 Company.

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.

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
A Cash and cash equivalents	(14,481)	11,358	(25,839)	(10,735)	(15,104)
B Other cash items	-	-	-	-	-
C Securities held for trading	-	-	-	-	-
D Liquidity	(14,481)	11,358	(25,839)	(10,735)	(15,104)
E Current loans	-	-	-	-	-
F Current bank loans and borrowings	-	-	-	-	-
G Current portion of debt	-	(222)	222	(1,111)	1,333
H Other current loans and borrowings	19,650	13,578	6,072	6,039	33
I Current financial debt (F+G+H)	19,650	13,356	6,294	4,928	1,366
J Net current financial debt (I+E+D)	5,169	24,714	(19,545)	(5,807)	(13,738)
K Non-current bank loans and borrowings	-	-	-	(222)	222
L Bonds issued	-	-	-	-	-
M Other non-current liabilities	96	76	20	(13)	33
N Non-current financial indebtedness (K+L+M)	96	76	20	(235)	255
O Net financial indebtedness (J+N) - ESMA Recommendation	5,265	24,790	(19,525)	(6,042)	(13,483)

21. Employee benefits

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

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

<i>(in thousands of Euros)</i>	Post-employment benefits	
	31.12.20	31.12.19
Opening balance	431	272
Included in the profit for the year		
Current service cost	-	-
Past service cost	-	-
Net financial expense	3	5
	434	272
Included in other comprehensive income		
Actuarial losses/(gains) from:		
- demographic assumptions	2	-
- financial assumptions	26	20
- assumptions based on past experience	(5)	11
	23	31
Other		
Benefits paid	(32)	(9)
Transfer	-	131
Other	(6)	1
Closing balance	419	431

22. Provisions for risks and charges

At 31 December 2020, the Company did not accrue any provisions for risks and charges as management assessed that there were no liabilities with a probable risk of losing at the reporting date.

23. Trade payables

At 31 December 2020, trade payables amount to Euro 12.3 million (Euro 3.1 million at 31 December 2019) and are made up as follows:

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Italy	9,238	3,067	6,171	(480)	6,651
Abroad	441	(37)	478	(58)	536
Intesa Holding group companies	-	-	-	(1,171)	(1,171)
Due to subsidiaries	1,124	(186)	1,310	1,310	-
Invoices to be received	1,627	294	1,333	663	670
Credit notes to be received	(129)	(11)	(118)	(118)	-
Total trade payables	12,301	3,127	9,174	146	9,028
<i>of which: capital expenditure</i>	<i>4,867</i>	<i>2,076</i>	<i>2,791</i>	<i>(1,310)</i>	<i>4,101</i>
<i>of which: for other goods and services</i>	<i>7,434</i>	<i>1,051</i>	<i>6,383</i>	<i>1,456</i>	<i>4,927</i>

The increase in 2020 (Euro 3.1 million) is mainly due to the rise in capital expenditure. The residual Euro 1.2 million increase in other goods and services mainly relates to the rise in the purchases of the last quarter of the year compared to the same period of the previous year. DPO (calculated on the basis of the costs for the last quarter and excluding capital expenditure) number approximately 82 at 31 December 2020 (83 days in 2019).

In 2019, trade payables did not change significantly (+Euro 0.1 million) as the increase in payables for goods and services (Euro 1.5 million) was offset by the decrease in capital expenditure (-Euro 1.3 million).

Trade payables by past due brackets are as follows:

<i>(in thousands of Euros)</i>	Not yet due	Past due days				Total
		1-60	61-180	181-360	Over 360	
At 31 December 2019	8,917	164	-	-	93	9,174
At 31 December 2020	12,046	313	44	35	152	12,589

24. Other current non-financial liabilities

This caption may be analysed as follows:

<i>(in thousands of Euros)</i>	31.12.20	2020 variation	31.12.19	2019 variation	01.01.19
Other tax liabilities	261	(66)	327	1	326
Liabilities to personnel	2,137	429	1,708	138	1,570
Other liabilities	66	26	40	37	4
Accrued expenses and deferred income	89	88	1	(89)	90
Total current non-financial liabilities	2,553	477	2,076	86	1,990

Other current non-financial liabilities amount to Euro 2.5 million at 31 December 2020, up by Euro 0.5 million on 31 December 2019 and 1 January 2019 (Euro 2.1 million and Euro 2 million, respectively).

This caption mostly includes income tax liabilities, 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 reflects the change in bonuses and accrued holidays.

25. Financial instruments

The carrying amount of financial assets and liabilities at 31 December 2020 and 31 December 2019 compared with their fair value, including the related fair value hierarchy level, is shown below:

<i>(in thousands of Euros)</i>	Note	Carrying amount	Level 1	Level 2	Level 3
<i>1 January 2019</i>					
Financial assets measured at fair value					
Equity investments	12	528	-	-	528
Other non-current assets	13	44	-	-	44
Financial assets not measured at fair value					
Trade receivables	16	9,767	-	-	9,767
Other current assets	17	3,293	-	-	3,293
Financial liabilities not measured at fair value					
Non-current financial liabilities	20	(255)	-	-	(255)
Current financial liabilities	20	(1,366)	-	-	(1,366)
Trade payables	23	(9,028)	-	-	(9,028)
Other current non-financial liabilities	24	(1,990)	-	-	(1,990)
<i>At 31 December 2019</i>					
Financial assets measured at fair value					
Equity investments	12	2,452	-	-	2,452
Other non-current assets	13	44	-	-	44
Financial assets not measured at fair value					
Trade receivables	16	11,028	-	-	11,028
Other current assets	17	5,927	-	-	5,927
Financial liabilities not measured at fair value					
Non-current financial liabilities	20	(20)	-	-	(20)
Current financial liabilities	20	(6,294)	(6,058)	-	(236)
Trade payables	23	(9,174)	-	-	(9,174)
Other current non-financial liabilities	24	(2,076)	-	-	(2,076)
<i>At 31 December 2020</i>					
Financial assets measured at fair value					
Equity investments	12	2,452	-	-	2,452
Other non-current assets	13	44	-	-	44
Financial assets not measured at fair value					
Trade receivables	16	13,793	-	-	13,793
Other current assets	17	7,140	-	-	7,140
Financial liabilities not measured at fair value					
Non-current financial liabilities	20	96	-	-	96
Current financial liabilities	20	(19,650)	(19,634)	-	(16)
Trade payables	23	(12,301)	-	-	(12,301)
Other current non-financial liabilities	24	(2,553)	-	-	(2,553)

Other information

26. Financial risk management

Reference should be made to the Directors' report for a description of the financial risks to which the Company is exposed.

27. Transition to IFRS

The accounting policies set out in the relevant section of these notes have been applied to prepare the consolidated financial statements at 31 December 2020 and the opening IFRS financial statements at 1 January 2019 (transition date).

As described in paragraph 2, 2020 is the first year in which the Company has prepared its separate financial statements in accordance with IFRS (date of first-time adoption: 1 January 2019). In its separate financial statements, the Company recognised assets and liabilities at 31 December 2020 at the same amounts recognised in the consolidated financial statements at the same date (date of first-time adoption: 1 January 2017), with the cumulative effect of transition on opening equity at 1 January 2019, as required by IFRS 1 for companies preparing IFRS separate financial statements at a date subsequent to that of the consolidated financial statements.

In preparing the opening IFRS financial statements, the Company adjusted the amounts previously presented in the financial statements drawn up in accordance with the OIC.

In addition, reclassifications were made with respect to the classifications provided for by the OIC in order to bring the amounts into line with the financial statements formats provided for by IAS 1. In particular, the IFRS-compliant statement of financial position provides for the break-down of captions between current and non-current, while the statement of profit or loss and other comprehensive income provides for a breakdown of items by function. The statement of cash flows was prepared using the indirect method.

As required by IFRS 1, at the transition date (1 January 2019), an opening statement of financial position was prepared in which:

- only assets and liabilities that could be recognised in accordance with the IFRS were recognised;
- assets, liabilities and equity items were reclassified based on the provisions of IFRS;
- the IFRS were applied to all recognised assets and liabilities.

In order to illustrate the effects of the transition on the separate financial statements, the reconciliations required by IFRS 1.24 are provided herein. This information covers the impact of the transition, for 2019, on the financial position, financial performance and cash flows.

To this end, the following documents were prepared:

- the notes concerning the rules for the first-time adoption of IFRS (IFRS 1) and other selected standards, including the directors' assumptions about the standards and interpretations in force and the accounting policies adopted to prepare the separate financial statements at 31 December 2020;
- the reconciliation schedules of the balance sheets as at 1 January 2019 and 31 December 2019 included in the financial statements prepared in accordance with the OIC with those resulting from the application of IFRS;
- the reconciliation schedules of the profit or loss figures included in the financial statements prepared in accordance with the OIC (2019) with those resulting from the application of IFRS;
- the notes to the above reconciliation schedules.

No reconciliation schedule of the statement of cash flows for 2019 is presented because the effects of applying IFRS were not significant.

These documents, prepared solely for transition purposes for the preparation of the separate financial statements at 31 December 2020, are not accompanied by comparative figures and the notes thereto that would be required for a complete representation of the Company's financial position and financial performance in accordance with the IFRS.

The opening statement of financial position as at 1 January 2019, the statement of profit or loss for 2019 and the statement of financial position as at 31 December 2019 have been prepared in

accordance with the pronouncements of the IASB, including IAS, IFRS and the interpretations issued by the IFRIC (formerly SIC), as endorsed by the European Community.

The effect of the adjustment of the opening balances of assets and liabilities to the IFRS was reflected in the opening equity at the transition date (1 January 2019) in retained earnings, net of the tax effect.

In the transition to the IFRS, the estimates previously made in accordance with the OIC were maintained, unless the adoption of the IFRS did not require the preparation of estimates under different methods.

Reconciliations of the statement of financial position and the statement of profit or loss

<i>(in thousands of Euros)</i>	Note	OIC 31.12.18	IFRS adjustments	IFRS 01.01.19	OIC 31.12.19	IFRS adjustments	IFRS 31.12.19
Goodwill	a1	-			22,010	(22,010)	-
Intangible assets	a1	259	-	259	3,034	(2,575)	459
Property, plant and equipment	a1	43,173	65	43,238	68,860	(20,237)	48,623
Equity investments		528	-	528	2,452	-	2,452
Non-current financial assets		44	-	44	44	-	44
Deferred tax assets	a1	188	4	192	224	1,806	2,030
Total non-current assets		44,192	69	44,261	96,624	(43,016)	53,608
Inventories		9,662	-	9,662	10,027	-	10,027
Trade receivables		9,767	-	9,767	11,028	-	11,028
Other current assets		3,293	-	3,293	5,927	-	5,927
Cash and cash equivalents		15,104	-	15,104	25,839	-	25,839
Total current assets		37,826	-	37,826	52,821	-	52,821
Total assets		82,018	69	82,087	149,445	(43,016)	106,429
Share capital		8,367	-	8,367	2,440	-	2,440
Reserves and undistributed earnings	a1,a2	46,241	(13)	46,228	119,553	(39,030)	80,523
Profit for the year	a1,a2	12,243	-	12,243	7,221	(4,089)	3,132
Total equity		66,851	(13)	66,838	129,214	(43,119)	86,095
Non-current financial liabilities		222	33	255	-	20	20
Employee benefits	a2	256	16	272	387	44	431
Provisions for risks and charges		-	-	-	-	-	-
Deferred tax liabilities	a1	2,338	-	2,338	8,372	(6,033)	2,339
Total non-current liabilities		2,816	49	2,865	8,759	(5,969)	2,790
Current financial liabilities	a1	1,333	33	1,366	222	6,072	6,294
Trade payables		9,028	-	9,028	9,174	-	9,174
Other current non-financial liabilities		1,990	-	1,990	2,076	-	2,076
Employee benefits		-	-	-	-	-	-
Total current liabilities		12,351	33	12,384	11,472	6,072	17,544
Total liabilities		15,167	82	15,249	20,231	103	20,334
Total equity and liabilities		82,018	69	82,087	149,445	(43,016)	106,429

<i>(in thousands of Euros)</i>	Note	OIC 2019	IFRS adjustments	IFRS 2019
Revenue		55,914	-	55,914
Cost of goods sold	a1	(35,328)	1,676	(33,652)
Gross operating profit		20,586	1,676	22,262
Selling expenses		(3,183)	6	(3,177)
Research and development expenses		(1,557)	(3)	(1,560)
General and administrative expenses	a1,a2	(7,616)	(7,044)	(14,660)
Other income		493	(10)	483
Operating profit		8,723	(5,375)	3,348
Net financial income		21	3,833	3,854
Profit before taxes		8,744	(1,543)	7,201
Income taxes	a1,a2	(1,523)	(2,546)	(4,069)
Profit for the year		7,221	(4,089)	3,132

Notes to the adjustments resulting from the application of IFRS

a.1) Relevant transaction – Reverse acquisition

As described in paragraph 3 “Relevant transaction”, from an accounting point of view, SprintItaly’s acquisition of Sicit 2000 qualifies as a reverse acquisition as, after the merger, control over 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 SICIT Group.

Since the transaction does not configure a business combination under IFRS 3 - i.e., Sicit 2000 (the accounting acquirer) is an operating company and SprintItaly (the accounting acquiree) is a non-operating company - the transaction cannot be recognised in accordance with said standard because it does not meet the definition of business set out therein. 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 was recognised under “general and administrative expenses” as listing cost, for a total of Euro 10.2 million.

Under the OIC, this transaction was accounted for as a direct merger, which resulted in goodwill arising from such merger being allocated to “Goodwill”, “Intangible assets” and “Property, plant and equipment” for a total of Euro 47.8 million, in addition to the related deferred tax effect recognised in “Deferred tax liabilities” (Euro 6.5 million), and subsequently amortised in 2019 for a post-tax effect of Euro 3.7 million. For transition purposes, the residual carrying amount of the above allocations at 31 December 2019 and the economic effect of the amortisation of the year, including the related tax effect, were reversed.

As a result of the Relevant transaction, the warrants were assigned free of charge 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 to those who held the ordinary shares at the effective date of the Relevant transaction (an additional 4,124,988 warrants). At 31 December 2019, the outstanding warrants measured at fair value amounted to Euro 6.1 million and were recognised under current financial liabilities, with a deferred tax effect of Euro 1.5 million. The change in the warrants’ fair value in 2019 resulted in financial income of Euro 3.9 million, before the related tax effect of Euro 0.9 million.

a.2) Current and non-current employee benefits - Deferred tax assets

Under the OIC, post-employment benefits (TFR) are recognised at their nominal amount calculated in accordance with the provisions of the Italian Civil Code. Conversely, under the IFRS, the TFR is

considered a defined benefit plan and, therefore, it is subject to actuarial valuation, which was recognised in full at the transition date, resulting in higher non-current liabilities of Euro 16 thousand at 1 January 2019 and in the recognition of deferred tax assets of Euro 4 thousand. The effect of the measurement of the TFR at 31 December 2019 in accordance with the IFRS results in higher liabilities (Euro 44 thousand) and in the recognition of higher costs in profit or loss (Euro 12 thousand, net of the tax effect).

IFRS 15

On 28 May 2014, the IASB published this standard, endorsed by the European Union on 22 September 2016, whereby companies are required to recognise revenue upon transfer of control of goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those products or services. To achieve this goal, the new revenue recognition model defines a five-step process:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when (or as) the entity satisfies a performance obligation.

The new standard also requires additional information on the nature, amount, timing and uncertainty relating to revenue and cash flows from contracts with customers.

The Company has applied the modified retrospective approach, i.e., with cumulative effect at the date of initial application (1 January 2019).

The adoption of this standard had no significant changes in the recognition of revenue. Compared to the previous regulations and in compliance with IFRS 15, the Company recognises the sales with a right of return as a decrease in revenue (gross approach) and recognises the cost of the return as a decrease in the cost of goods sold. Furthermore, it also recognises the amount corresponding to the sale of the expected return under "Trade payables" and the amount corresponding to the cost of the returned products under "Inventories", as the right to recover the returned goods. However, this representation had no impact on the profit for the year or on the opening equity at 1 January 2019.

IFRS 16

IFRS 16 introduces a single lessee accounting model whereby a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are exemptions from the application of IFRS 16 for short-term (lease term of 12 months or less) leases and leases for which the underlying asset is of low value.

For the purposes of the presentation in the separate financial statements at 31 December 2020, at the date of initial application, the lease liabilities were determined for an amount equal to the present value of the residual lease payments, discounted using the Company's interest rate implicit in the lease at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The definition of lease provided in IFRS 16 was applied to all contracts existing at the date of initial application, i.e., 1 January 2019.

The Company used the following practical expedients to apply IFRS 16 to leases classified as operating leases applying IAS 17 at 1 January 2019:

- it applied a single discount rate to a portfolio of leases with similar characteristics;
- it adjusted the right-of-use assets by the amount of any provision for onerous leases recognised in accordance with IAS 37 immediately before the date of initial application, as an alternative to performing an impairment review;
- it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- it used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

In adopting IFRS 16, the Company intends to avail itself of the exemption described in IFRS 16.5(a) about short-term leases (lease term of 12 months or less) and IFRS 16.5(b) leases for which the underlying asset is of low value.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The impact of the application of IFRS 16 on the opening statement of financial position as at 1 January 2019 is as follows:

- higher non-current assets following the recognition of right-of-use assets (Euro 65 thousand at 1 January 2019);
- higher lease liabilities of Euro 65 thousand at 1 January 2019.

IFRS 9

IFRS 9 Financial Instruments, published by the IASB in July 2014 and endorsed by the European Union in November 2016, replaced, with effect from 1 January 2018, IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities, a new model for the calculation of impairment of financial assets and new provisions for hedge accounting.

A) Classification and measurement of financial instruments

Financial assets

Under IFRS 9, loans, receivables and debt securities recognised under financial assets are classified into the following three categories based on the cash flow characteristics of those assets (SPPI Test) and the business model with which they are managed:

- at amortised cost;
- at fair value through other comprehensive income ("FVOCI");
- at fair value through profit or loss ("FVTPL").

Embedded derivatives where the host is a financial asset within the scope of this standard are no longer separated. The hybrid instrument is instead examined for the purpose of classification as a whole.

The above categories replace the previous categories under IAS 39, i.e., held-to-maturity investments, loans and receivables, available-for-sale assets and assets measured at FVTPL.

Specifically, a financial asset is measured at amortised cost if it is not designated at FVTPL and if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it is not designated at FVTPL and both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that do not fall into the two categories above are measured at FVTPL.

The application of the new provisions on opening equity at 1 January 2019 was not significant.

With reference to equity instruments represented by interests other than those in subsidiaries, associates and joint ventures and not held for trading purposes, the Company decided not to make use of the option that allows measurement at FVOCI. Therefore, these interests are measured at FVTPL.

Financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities, except for financial liabilities measured at FVTPL, for which fair value changes related to the own credit risk are recognised in other comprehensive income rather than in profit or loss, unless this results in an accounting mismatch.

The initial application of IFRS 9 had no impact on the Company's financial liabilities.

B) Impairment

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. Under the new provisions, the event causing the loss (impairment trigger) needs not to occur in order to recognise the loss, rather the expected future loss is to be immediately recognised, using past and present data and the so-called forward-looking information about future circumstances.

The Company measured trade receivables using the simplified approach provided for by IFRS 9 for trade receivables that do not contain a significant financing component: specifically, a loss allowance was recognised at an amount equal to lifetime expected credit losses. This allowance, recognised from the date of initial recognition of the receivables, was determined on the basis of reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. This approach did not generate material differences with respect to the previous model applied by the Company, which provided for the calculation of an allowance based on a specific analysis of incurred losses on existing receivables, plus an additional allowance determined on the basis of past experience.

28. Share-based long-term incentive (LTI) plan

The “2020-2022 Incentive Plan” approved by the shareholders of the Company in their meeting on 20 April 2020 is a long term incentive plan for directors and employees of the Company entitled to receive incentive remuneration partly in cash and partly through the free allocation of shares.

The plan is divided into three vesting periods, each lasting four years (2020-2023, 2021-2024 and 2022-2025) during which incentives will be granted after checking that the performance objectives have been met.

The first vesting period covers the period 2020-2023. The number of granted shares and the cash part depend on the achievement of specific performance targets based on revenue, adjusted EBITDA, adjusted profit and operating cash flow, in addition to the trend of the share price, the employment of the beneficiaries within the Group and the achievement of other individual performance targets set out in the plan. The targets are independent of each other and are determined separately for each vesting period.

With respect to the equity component, as required by IFRS 2 - Share-based payments - the fair value of the plan at the grant date was determined by recognising the cost under personnel/directors' expense on a straight-line basis over the vesting period, with a balancing entry in equity. Fair value at the grant date was determined using the Montecarlo method, based on the following assumptions:

- conventional amount for calculating the number of shares to be assigned: Euro 10;
- expected dividend yield percentage: 6%;
- average volatility: 21.5%;
- average rate of return: -0.29%;
- unit fair value: Euro 11,40.

In 2020, a cost of Euro 319 thousand was recognised (of which Euro 80 thousand related to the equity-settled component).

29. Guarantees

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

30. 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.

31. Related party transactions

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

They are mainly attributable to the following transactions:

- transactions carried out with the ultimate parent: they refer to the contract for accounting services provided by the Company in favour of Intesa Holding S.p.A.;
- transactions carried out with its subsidiaries: they refer to trade transactions with SICIT USA for the sale of products and SICIT Chemitech for quality control services;
- transactions carried out by SICIT Group with its subsidiaries: they relate to the sale of goods and services that are part of the Company's ordinary business. They were carried out at market conditions;
- transactions carried out by SICIT Group with subsidiaries of parents: they mainly relate to commercial support, research and laboratory use and quality control activities. Since 2 May 2019, the quality control services provided by SICIT 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 with other related parties: they were carried out mainly with companies related to SICIT Group S.p.A.'s and Intesa Holding S.p.A.'s directors. They mainly relate to the collection of animal by-products and other leather processing residues and are part of the Company'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 Company 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 deadlines within which the information must be sent, specifies the content and regulates the procedures applicable to related party transactions.

The table below shows the **revenue and costs** of related party transactions carried out by the Company in 2020 and 2019.

<i>(in thousands of Euros)</i>	Ultimate parent (IH)	Subsidiaries	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Revenue							
Year ended 31 December 2020	-	2,088	-	1,030	3,118	62,515	5.0%
Year ended 31 December 2019	-	2,097	-	826	2,923	55,914	5.2%
Cost of goods sold							
Year ended 31 December 2020	-	(3,860)	-	-	(3,860)	(37,575)	10.3%
Year ended 31 December 2019	-	(2,224)	(1,467)	-	(3,691)	(33,652)	11.0%
Trade costs							
Year ended 31 December 2020	-	-	-	-	-	(3,224)	0.0%
Year ended 31 December 2019	(3)	-	-	(136)	(139)	(3,177)	4.4%
Research and development							
Year ended 31 December 2020	-	-	-	-	-	(1,463)	0.0%
Year ended 31 December 2019	-	-	(175)	-	(175)	(1,560)	11.2%
General and administrative expenses							
Year ended 31 December 2020	-	-	-	(192)	(192)	(6,021)	3.2%
Year ended 31 December 2019	-	-	-	(115)	(115)	(14,660)	0.8%
Other income							
Year ended 31 December 2020	10	126	-	-	136	342	39.7%
Year ended 31 December 2019	-	67	59	-	126	483	26.0%
Net financial income (expense)							
Year ended 31 December 2020	-	-	-	-	-	(13,893)	0.0%
Year ended 31 December 2019	-	-	-	1	1	3,854	0.0%
Income taxes							
Year ended 31 December 2020	-	-	-	-	-	6,713	0.0%
Year ended 31 December 2019	-	-	-	-	-	(4,069)	0.0%

The table below shows **assets and liabilities** at 31 December 2020, 31 December 2019 and 1 January 2019 arising from transactions with related parties.

<i>(in thousands of Euros)</i>	Ultimate parent (IH)	Subsidiaries	Related companies (IH)	Other related parties	Total	Fin. stat. caption	% of fin. stat. caption
Other current assets							
Year ended 31 December 2020	-	-	-	80	80	7,140	1.1%
Year ended 31 December 2019	-	-	-	79	79	5,927	1.3%
Balance at 1 January 2019	359	-	-	101	460	3,293	14.0%
Trade receivables							
31 December 2020	6	744	43	213	1,006	13,793	7.3%
31 December 2019	-	474	43	48	565	11,028	5.1%
Balance at 1 January 2019	-	283	51	60	111	9,767	4.0%
Trade payables							
31 December 2020	-	1,124	-	161	1,284	12,301	10.4%
31 December 2019	-	1,310	-	73	1,383	9,174	15.1%
Balance at 1 January 2019	-	-	1,171	58	1,229	9,028	13.6%

32. 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 Company has no separate business units. Consequently, the Board of Directors takes strategic decisions on the basis of the financial reporting for the entire company.

33. Directors', statutory auditors' and independent auditors' fees

The fees paid to Directors, Statutory Auditors and the independent auditors are shown below.

<i>(in thousands of Euros)</i>	31.12.20	31.12.19
Board of Directors	520	515
Board of Statutory Auditors	33	20
Independent auditors	301	324
<i>of which: statutory audit</i>	58	37
<i>of which: general and administrative expenses</i>	243	287

34. Significant events after the reporting date

Reference should be made to the Directors' report for information about the significant events after the reporting date.

Proposed allocation of the profit for the year

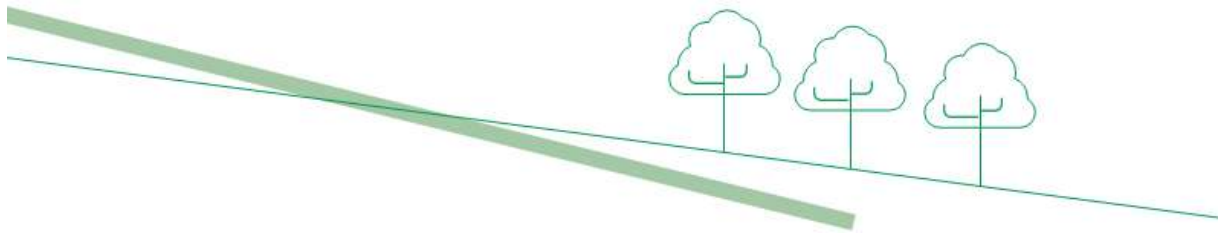
We invite you to allocate the profit for the year of Euro 7,393,580 as follows:

- a) Euro 204 to increase the “legal reserve” pursuant to article 2430 of the Italian Civil Code, thereby reaching one fifth of the share capital provided for in that article,
- b) Euro 0.33 to be distributed as a dividend per each ordinary share of the Company (excluding ordinary treasury shares) on the record date, amounting on today’s date to Euro 6,844,619,
- c) Euro 548,757 to the extraordinary reserve, specifying that the maximum amount of the profit distributed under b) and of the profit to be allocated to the extraordinary reserve under c) could vary depending on the ordinary shares entitled to profit distribution at the record date.

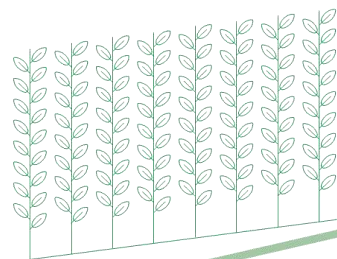
The Board of Directors of SICIT Group S.p.A. also proposes to distribute, at the same time as the distribution of the ordinary profit described above, an additional dividend of Euro 0.22 per each ordinary share of the Company (excluding ordinary treasury shares) on the record date, amounting to Euro 4,563,080 on today’s date, using the “extraordinary reserve” referred to in sub-paragraph c) in its entirety, and for the additional amount necessary for the distribution of a dividend of Euro 0.22 per share, using the corresponding amount of the “share premium reserve”, specifying that the maximum amount of the distribution and, therefore, the amount of the “share premium reserve” to be used for this purpose, could vary depending on the ordinary shares entitled to profit distribution at the record date.

Chiampo, 12 March 2021

The Chairman of the Board of Directors
Giuseppe Valter Peretti



STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS



Statement about the separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Massimo Neresini, Chief Executive Officer, and Giampaolo Simionati, Manager in charge of financing reporting of SICIT Group S.p.A. hereby confirm, also taking into account the provisions of article 154-bis.3 and 4 of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy, considering the company's characteristics, and
 - the effective application of the administrative and accounting procedures for the preparation of the 2020 separate financial statements.
2. There is nothing to report in this respect.
3. Furthermore, it is confirmed that:
 - 3.1 the separate financial statements at 31 December 2020:
 - have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
 - are consistent with the accounting books and records;
 - are suitable to give a true and fair view of the financial position and financial performance of the issuer;
 - 3.2 The Directors' report includes a reliable analysis of the performance, the results of operations and the position of the issuer and the consolidated companies, taken as a whole, together with a description of the main risks and uncertainties to which they are exposed.


Chiampo, 12 March 2021

Chief Executive Officer

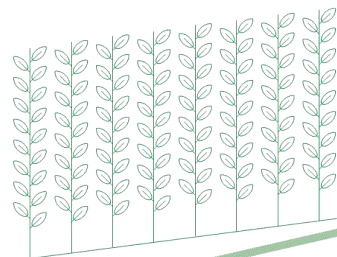
Massimo Neresini

The Manager in charge of financial reporting

Giampaolo Simionati



REPORT OF THE BOARD OF STATUTORY AUDITORS



Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Sicit Group S.p.A. convened for the approval of the Financial Statements for the year ended 31 December 2020, pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

Shareholders,

with this Report, drafted up pursuant to art. 153 of Legislative Decree No 58 of 24 February 1998 (the Italian Consolidated Law on Finance, hereinafter "TUF") and in accordance with the recommendations provided by the CO.N.SO.B. (the "CONSOB") with Communication no. DEM/1025564 of 6 April 2001 and subsequent updates, the Board of Statutory Auditors (hereafter also, "Board") reports on the activity carried out during the year ended December 31, 2020 and until today, in accordance with the reference legislation and also taking into account the Rules of Conduct of the Board of Statutory Auditors of Listed Companies recommended by the Italian National Board of Chartered Accountants and Accounting Experts (the "CNDCEC").

Composition and functioning of the Board of Statutory Auditors

The Board of Statutory Auditors in office on the date of this report has been appointed by the Shareholders' Meeting of Sicit Group S.p.A. (hereafter, "Sicit Group" or "Company") held on 20 April 2020.

Following the appointment, on 24 November 2020, Dr. Paolo Ludovici and Dr. Michele Aprile, members of the Board and professionals of the Ludovici Piccone & Partners Firm, resigned, with effect from 1 January 2021, respectively from the position of Chairman of the Board of Statutory Auditors and Alternate Auditor of the Company. These resignations were motivated by the merger, effective from 1 January 2021, between Ludovici Piccone & Partners and Studio Gatti Pavesi Bianchi, the latter legal advisor of the Company.

As of January 1, 2021, the chairmanship of the Board of Statutory Auditors of the Company has been assumed by Dr. Manfred Turchetti (formerly Statutory Auditor) and the Alternate Auditor Dr. Sergio Zamberlan has taken over the position of Statutory Auditor, and therefore, as of today, the Board of Statutory Auditors is composed as follows:

- Statutory Auditors: Dr. Manfred Turchetti (President), Dr. Elena Fornara and Dr. Sergio Zamberlan;
- Alternate Statutory Auditors: none.

The next Shareholders' Meeting convened, in a single call, on 29 April 2021 is called to decide on the integration of the Board and precisely on the appointment of an Effective Auditor, an Alternate Auditor and the Chairman of the Board of Statutory Auditors.

In accordance with Art. 144-*quinduesdecies* of the Italian Issuer's Regulation, the list of corporate offices held by the members of the Board of Statutory Auditors at the companies set out in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, is published by Consob on its website (www.consob.it). It bears remarking that Article 144-*quaterdecies* of the Issuer's Regulation (disclosure obligations to Consob) provides that those who hold the position of member of the supervisory board of a single issuer are not subject to the disclosure obligations provided for in the aforementioned article, and in this case it is not mentioned in the lists published by CONSOB. The Company reports in its Corporate Governance and Ownership Structures Report the main corporate offices held by the members of the Board of Statutory Auditors. The Board here certifies that it has verified compliance, by all its members, with the aforementioned regulatory provisions of CONSOB on the "limit to the accumulation of corporate offices".

Having regard to the applicable Rules of Conduct of the Board of Statutory Auditors of Listed Companies recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ("CNDCEC", the Italian National Council of Chartered Accountants and Accounting Experts) and, specifically, to the new Q.1.1 rule relating to the self-evaluation of the Board (periodic internal evaluation process regarding the existence and permanence of the eligibility requirements of the members and about the correctness and effectiveness of its operation), it is noted that the Board will deliver its appropriate report to the Board of Directors under the terms of law.

The independence requirements have been verified, as provided for in Article 148, paragraph 3, of the TUF and the Sicit Group's Corporate Governance Code, which transposes those provided for by the Corporate Governance Code of Borsa Italiana S.p.A., of honorability and professionalism ex paragraph 4 of the same art. 148 of the TUF, and the aforementioned "limit to the accumulation of corporate offices". The Board, under its own responsibility, certifies that it has not found any deficiency as to the suitability of its members or the appropriate composition of the Board and its operation.

The Board of Statutory Auditors has fulfilled the supervisory duties required by art. 2403 of the Italian Civil Code and art. 149 of the TUF and carried out in addition the supervisory functions provided for in Article 19 of Legislative Decree 39/2010 as amended by Legislative Decree 135/2016 (in force by 5 August 2016), in its role as Internal Control & Audit Committee supervising compliance with the principles of proper administration and, in particular, the suitability of the organizational, administrative and accounting structures adopted by the Company and their effective operation, as well as on the actual implementation of corporate governance rules provided for by relevant applicable regulations. The Board has also overseen the independence of the Independent Auditing Firm in charge of auditing the accounts.

To perform the aforementioned supervisory activity, the necessary information elements have been obtained both through frequent meetings with the managers of the competent corporate structures, especially those of control, and through the participation of the Auditors in the meetings of the Board of Directors, of the Governance Committees established pursuant to the Corporate Governance Code of Borsa Italiana, fully transposed by Sicit Group (the Control Committee, Risks and Sustainability - which also acts as Related Party Transactions Committee and fulfils the duties set out in the of Related Party Transactions Procedure adopted by the Company pursuant to Article 4 of the CONSOB Regulation referred to in resolution n. 17221 of 12 March 2010 and amended by resolution n. 17389 of 23 June 2010 - and the Remuneration & Appointments Committee), as well as in the meetings with of the Supervisory Committee formed in implementation of Legislative Decree 231/2001.

During the 2020 financial year, the Board of Statutory Auditors:

- held no. 5 meetings, and participated in all meetings of corporate bodies and committees, in particular at 1 General Shareholders' Meeting, no. 9 meetings of the Board of Directors, no. 5 meetings of the Control, Risk and Sustainability Committee and no. 5 meetings of the Remuneration & Appointments Committee; the meetings of the Board of Statutory Auditors had an average duration of about 1.5 hours;
- has had regular meetings and exchanges of information with representatives of the Auditing Firm KPMG SpA and with the Supervisory Body.

Pursuant to Article 153 of the TUF and Article 2429, paragraph 2, of the Italian civil code, and in accordance with the CONSOB recommendations, and based on main information obtained during the performance of its duties, the Board reports the following.

Supervisory activity on compliance with the law, the Bylaws and the Corporate Governance Code

1. Based on available information, the Board of Statutory Auditors has not detected violations of the law or the Bylaws, nor outwardly imprudent or risky transactions, that entail a potential conflict of interest or contrary to the Shareholders' Meeting resolutions taken, or such as to compromise the integrity of the company's assets and its ability to continue to operate as a going concern.
2. The Board of Statutory Auditors has constantly obtained from the Directors, during the above-mentioned meetings, exhaustive and detailed information on business performance and its foreseeable outlook, on the activity carried out and on most significant economic, financial and capital transactions performed by the Company and/or its subsidiaries, as well as on the status of activities and strategic projects underway also in the light of the COVID-19 health emergency, on which the Board has no particular comments to report.
3. Since the beginning of the pandemic emergency, the Board has always been promptly informed about the management and evolution of the epidemiological emergency, of all the measures and initiatives taken and implemented in order to ensure business continuity and the protection of people, in full compliance with the provisions issued from time to time by the competent authorities, such as:
 - the preparation of extraordinary measures to combat the virus and protect the health of its employees and collaborators;
 - constant monitoring of business impacts;
 - the maintenance and care of collaboration relationships with the main stakeholders.
4. The Company, by virtue of the resolution of the Board of Directors of 20 May 2020, has joined the Corporate Governance Code for Listed Companies issued by Borsa Italiana and moreover, by virtue of the resolution of the Board of Directors of 26 February 2021, has adopted the new Corporate Governance Code in force since 1 January 2021 and the Board of Statutory Auditors has supervised the methods of actual implementation of the relative recommendations. The Corporate Governance system of Sicit Group is described in the Corporate Governance and Ownership Structures Report drawn up pursuant to Article 123-

bis of the TUF, approved by the Board of Directors on 12 March 2021 and being published on the Company's website.

5. The Board of Directors, at the date of this report, is composed of 11 members, including 10 "non-executive", 4 of which meet the independence requirements of the TUF and the Corporate Governance Code.
6. The Company is compliant with the provisions introduced by law 27 December 2019, n. 160 (Italian National Budget 2020 Law) and subsequent amendments, with regard to the minimum representation quotas for the least represented gender in the corporate bodies of listed companies.
7. The rules on gender requirements and the rules relating to the list vote applicable to listed companies, and provided for the Company Bylaw in the Articles 13 and 14 respectively, will apply to the Company from the first renewal of the corporate bodies after 15 June 2020. Anyway, the Company has already voluntarily adopted to the discipline regarding gender balance as 4 directors of the 11 currently in office belong to the least represented gender.
8. The policies and criteria regarding the diversity of the Sicit Group's Corporate Bodies are set out in the Corporate Government and the Ownership Structures Report for the financial year 2020.
9. The Board of Directors, by resolution of 26 February 2021, appointed the Lead Independent Director to link the requests and contributions of non-executive directors, in particular independents, and to ensure the timeliness and completeness of the information flows between all the latter, the Chairman of the Board of Directors and the CEO; the Lead Independent Director will also coordinate the meetings of independent directors.

Supervisory activity on compliance with the principles of sound management and on the adequacy of the organizational structure

1. During its periodic audit, the Board of Statutory Auditors met with the Manager in charge of the Company's financial reports, the Managers of the Internal Audit Function and the representatives of the Auditing Firm KPMG SpA, to obtain information on the activity carried out and the control programs.
2. The Board has also constantly and promptly exchanged information relevant to the performance of their respective tasks, with the Risk Control and Related party Committee and with the Supervisory Body. The Board has obtained constant information from the Director in charge for the internal control and risk management system.
3. The Board of Statutory Auditors has acquired knowledge and supervised, as far as it is competent, regarding:
 - adequacy, suitability and functioning of the organizational structure of the Company and the Group, also through the obtainment of information from the managers of the Company's functions;
 - adequacy and functioning of the internal control system and the administrative-accounting system, as well as the reliability of the latter to properly report operating events, in

accordance with the principles of sound management, by obtaining information from the heads of the responsible functions in charge, and the Auditing Firm appointed to conduct auditing and by reviewing Company documents.

4. In addition, the Board has supervised the adequacy of the provisions given by the Company to its subsidiaries.

With regard to the points set out above, the Board has no particular comments to make.

Particular significant transactions - Atypical or unusual transactions - Intragroup or related-party transactions

1. During the financial year 2020, the Company did not carry out atypical or unusual transactions with third parties, intra-groups or related parties, or transactions that could significantly affect the Company's economic, financial and capital situation.
2. Among the events of particular importance that occurred during 2020, the following are noted;
 - the General Shareholders' Meeting of 20 April 2020 appointed the new Board of Directors and the new Board of Statutory Auditors for the three-year period 2020-2022;
 - the governance structure has been adapted to the discipline of listed companies, in particular through the updating and integration of the internal committees on "risk control and related parties" and "remunerations and nomines";
 - in May 2020, the Company paid dividends for a total amount of € 8.8 million, pursuant to the resolution of the General Shareholders' Meeting of 20 April 2020;
 - as of 15 June 2020 - with the positive conclusion of the listing admission process - the Company's ordinary shares and warrants are negotiated on the STAR segment of the Italia Stock Exchange Electronic Stock Market (MTA); from the same date the Company's ordinary shares and warrants have been revoked (by measure of Borsa Italiana) from trading on AIM Italia;
 - as of 15 June 2020, the Company is governed by the new Bylaw, in the text approved by the General (extraordinary) Shareholders' Meeting of 20 April 2020;
 - on 30 June 2020, the Company released the accounting values attributed to "Marchio Plastretard" and "Avviamento" that emerged when allocating the merger deficit resulting from the merger by incorporation of Sicit 2000 S.p.A. into SprintItaly S.p.A. in accordance with Article 15 paragraph 10a of Decree No 185/2008, with payment of the substitute tax approximately EUR 3.7 million; the related accounting effects were described by the Directors in their Annual Report and in the Financial Statements as of 31 December 2020;
 - during 2020 year, the Company has made the transition from the national accounting standards OIC to the IFRS international accounting standards; their effects are described in the Note to the Financial Statements as of 31 December 2020;
 - the Company has drawn up the "Consolidated Financial statements at 31 December 2017 and 31 December 2018 re-established in accordance with IFRS principles and drawn up for specific purposes" and "Consolidated Financial Statements as of 31 December 2019 drafted in accordance with IFRS principles and drafted for specific purposes" with a declaration of full compliance with IFRS for their inclusion in the Prospectus as part of the process of admitting their ordinary shares and warrants to listing on the MTA.
 - by resolution of 20 May 2020, the Board of Directors has implemented the "2020-2022 Incentive Plan" approved by the General Shareholders' Meeting of 20 April 2020 which consists of a medium-long-term plan (LTI), intended for executive directors and key

employees of the Company and its subsidiaries that are invested with the most strategically relevant functions within them. The plan provides for the allocation to beneficiaries of the right to receive from the Company a variable incentive remuneration, partly in cash and partly in shares. The right to receive incentive remuneration will accrue in the three-year period 2020-2022 on the basis of specific conditions; the plan is structured in such a way as to align, in the medium to long term, the interests of shareholders and those of managers with top or strategic functions.

3. With regard to intragroup transactions or with related parties of an ordinary nature that occurred during the period, of which the Company has provided specific and timely information in the periodic financial reports (and in the notes to the Consolidated Financial Statements of the Group), the Board acknowledges that these transactions have been carried out in compliance with the Transactions with Related Parties Procedure from time to time in force, and lastly in compliance with the procedure adopted by resolution of the Board of Directors of 20 April 2020, and have not highlighted any critical issues regarding their adequacy and compliance with the interest of the Company.
4. As part of the plan to buy and sell its own shares, approved by the General Shareholders' Meeting, on the date of approval of this Report, the Company owns no. 255,654 own shares with no nominal value, of which no. 15,654 were purchased during 2020 year, equal to about 1.3% of the share capital.

Supervision on the financial reporting process, the non-financial reporting process, the efficacy of internal control, internal auditing and risk management systems and the statutory auditing of annual and consolidated accounts

1. the Board of Statutory Auditors has supervised and verified the adequacy of the financial reporting process, based on the constant updating, at Group level, of the set of administrative-accounting procedures, which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree 58/1998. The actual application and reliability of accounting and administrative procedures have been verified by the Manager in charge of the Company's financial reports.
2. The Board of Statutory Auditors has supervised the adequacy of the administrative-accounting system through meetings with the Chief Administration and Finance Officer and Manager Executive in charge of the Company's financial reports and with the Auditing Firm KPMG S.p.A., also for the purpose of exchanging data and information.
3. During the periodic checks, the Board of Statutory Auditors received constant information on the always positive trend of business performance, and on the positive economic and financial situation of the Company.
4. The Board of Statutory Auditors has supervised the adequacy and functioning of the Internal Control and Risk Management System through participation in the meetings of the Risk Control and Related Parties Committee, participation in the meetings with the outsourced Internal Audit and Risk Management function, and through the obtaining of direct information from internal Managers, the Auditing Firm and the Supervisory Body.
5. The audit carried out and the information received showed that the Risk Control and Management System as a whole is adequate.

6. The Board of Statutory Auditors has supervised the implementation of the systems and on the correct compliance with EU Regulation no. 2016/279 on the protection of personal data (GDPR), acquiring information from the DPO (Dr. Paolo Dal Medico).
7. The Board of Statutory Auditors has supervised the constant updating of the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001 (hereafter, "Model 231"), its suitability and its concrete functioning, through meetings with the Supervisory Body (monocratic) and the examination of the reports of the Supervisory Body periodically made to the Board of Directors. In general, it should be noted that the Supervisory Body has confirmed the efficiency of Model 231, through a structured and organic system of control procedures and activities aimed at preventing and monitoring the risk of commissioning the alleged crimes referred to in Legislative Decree no. 231/2001.
8. The Company is not obliged to draft and disclose the Non-Financial Information referred to in Italian Legislative Decree 254/2016, as it does not exceed the legal dimensional levels. The Company drafts, on a voluntary basis, the Sustainability Report.
9. The Board of Statutory Auditors acknowledges that as a result of the audit carried out for its duties, no objectionable facts, omissions or irregularities worthy of being reported in this report have emerged.

Remuneration of directors and managers with strategic responsibilities

The Board of Statutory Auditors has expressed a favourable opinion on the "2020-2022 Incentive Plan" approved by the General Shareholders' Meeting of 20 April 2020 which consists of a medium-long-term share-based plan (LTI_Long Term incentive).

Supervisory on the information process on the independence of the Auditing Firm, with regard, in particular, to the provision of non-auditing services

1. The Board of Statutory Auditors met periodically with the Auditing Firm KPMG S.p.A., constantly exchanging information on the work plans and the results of the periodic audits; no data and/or relevant aspects have emerged worthy of being reported in this Report.
2. The Board of Statutory Auditors has supervised compliance with the rules of procedure governing the drafting and publication of the Consolidated Financial Statements, pursuant to Article 41 of Legislative Decree No. 127 of 4 April 1991 and Article 154-ter of the TUF.
3. The Auditing Firm KPMG S.p.A., today, March 29, 2021, has released the reports provided for in Articles 14 of Legislative Decree 39/2010 and 10 of Regulation (EU) No. 537/2014 of 16 April 2014; in the opinion of the Auditor, the financial statements and the consolidated financial statements provide a true and fair representation of the financial position of Sicit Group SpA and Sicit Group as of 31 December 2020 as well as the economic result and cash flows, in accordance with the IFRS adopted.

4. In the paragraphs entitled "Key aspects of the audit" of the afore mentioned reports dated 29 March 2021, the Auditing Firm KPMG S.p.A. identified, as a key aspect, the income statement revenue item, without, however, making a separate judgment.
5. In the paragraphs entitled "Report on other legal and regulatory provisions" of the reports dated 29 March 2021 mentioned above, the Auditing Firm KPMG S.p.A. expresses, pursuant to Article 14, paragraph 2, point c), Legislative Decree 39/2010 and Article 123-bis paragraph 4 of Legislative Decree 58/98, an assessment of the consistency of the Directors' Report on Operations and some specific information contained in the Corporate Governance and Ownership Structures Report with the Company's Financial Statements and the Consolidated Group Financial Statements as of 31 December 2020.
6. the Auditing Firm KPMG S.p.A., following what was illustrated and discussed with the Board of Statutory Auditors during the meeting of 15 March 2021, has delivered even on 29 March 2021 to the Board of Statutory Auditors, the Additional Report for the Internal Control and Accounting Audit Committee provided for by art. 11 of Regulation (EU) No 537/2014, pursuant to Article 19 of Legislative Decree 39/2010, following the legal audit of the Company' Financial Statement and Consolidated Group Financial Statements as of 31 December 2020; from this Additional Report there are no significant issues or aspects to report.
7. The Additional Report also contains the declaration of "Annual confirmation of independence pursuant to art. 6(2)(a) of European Regulation 537/2014 and in accordance with paragraph 17 of the international audit principle (ISA Italia) 26". The Board of Statutory Auditors has supervised the independence of the Auditing Company.
8. For information on the amount of fees charged by the Auditing Firm KPMG S.p.A., pertaining to 2020 financial year, reference is made to what is indicated in the appropriate prospectus referred to in paragraph 33 of the Notes to the Company's Financial Statements and in paragraph 31 of the Notes to the Group's Consolidated Financial Statements as of 31 December 2020. In the opinion of the Board of Statutory Auditors, the fees relating to tasks other than those of accounting audit (not belonging to those prohibited by Art. 5(1) of Regulation (EU) 537/2014) are appropriate to the size and complexity of the work carried out and compatible with the task of legal audit.
9. The Board of Statutory Auditors has taken note of the Transparency Report published by KPMG S.p.A. on its website pursuant to Art. 18 of Legislative Decree 39/2010.
10. The Board of Statutory Auditors has supervised the independence of the Auditing Company referred to in Article 19 of Legislative Decree 39/2010, verifying the nature and extent of all the tasks entrusted by Sicit Group and/or by the other companies of Group Sicit Group for services other than accounting audit.

Further activity by the Board of Statutory Auditors; opinions and comments and information requested by Consob

1. The Board of Statutory Auditors acknowledges that during the audit carried out and on the basis of the information obtained, no omissions, objectionable facts, irregularities or in any case significant circumstances have been detected such as to request the reporting to the Authorities or the mention in this Report; Moreover, no complaints were received by the Board under Article 2408 of the Italian Civil Code, nor exposed or reports in general.

2. The Board of Statutory Auditors acknowledges that on 16 February 2021 occurred the condition provided for by Article 6.4(d)(i) of the Company's Bylaw for the automatic conversion of the remaining SICIT Group Special Shares into Ordinary Shares. In accordance with the Bylaw' provisions, the no. 195,000 Special Shares have been converted into the ratio of 6 Ordinary Shares for each Special Share held and, therefore, in total no. 1,170,000 newly issued SICIT Group Ordinary Shares, without changing the total value of the share capital.
3. The Board of Statutory Auditors acknowledges that on 1 March 2021 the Acceleration Condition provided for in the Regulation of the "SICIT Group warrants" occurred and therefore, pursuant to Article 3.3 of the Regulation, warrant holders must request to subscribe to the Compendium Shares no later than 60 (sixty) days after the Acceleration Communication, without prejudice to the provisions of Article 3.7 of the Regulation on the suspension of the exercise in the Restricted Periods.

Assessments of the impacts of the COVID-19 pandemic

Since the onset of the pandemic emergency, Sicit Group has set up a dedicated team adopting timely adequate prevention, control and containment measures at globally level, for the protection of the health of its employees and collaborators.

There have been no particular events or critical issues and despite the pandemic the Company has been able to achieve positive results.

In the Director' Report on Operation, information on the impacts of the pandemic on the reference markets, the Company and the Group is provided.

Proposals to the Shareholders' Meeting regarding the Financial Statements for the year ended on 31 December 2020 and the allocation of the profit for the year

The Board of Statutory Auditors, to the best of its duties, considers that the structure and content of the Financial Statements for the year ended on 31 December 2020 submitted for examination and approval by the Shareholders' Meeting comply with the legal provisions and the applicable accounting principles.

The Board of Statutory Auditors, in view of the positive economic performance and the positive current and prospective financial situation of the Company, expresses a favorable opinion on the proposal made by the Directors regarding the allocation of the operating profit euro 7,393,580.

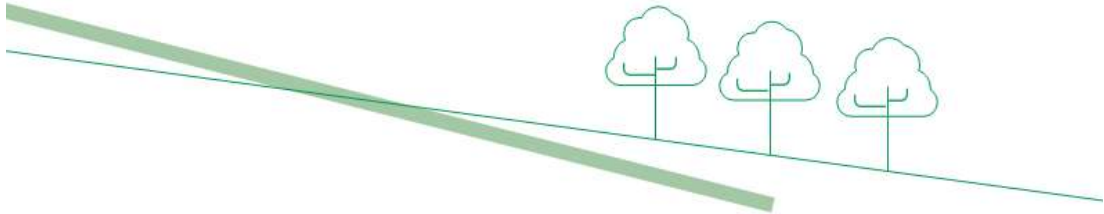
L.C.S., 29 March 2021.

THE BOARD OF STATUTORY AUDITORS

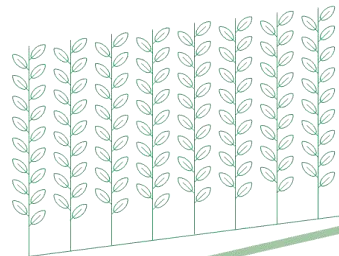
Dr. Manfredo Turchetti (President)

Dr. Elena Fornara (Statutory Auditor)

Dr. Sergio Zamberlan (Statutory Auditor)



INDEPENDENT AUDITORS' REPORT



Independent auditors' report



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
 Sicit Group S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Sicit Group S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Sicit Group S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

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 separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These



Sicit Group S.p.A.
 Independent auditors' report
 31 December 2020

matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Notes to the separate financial statements: section 4 "Accounting policies – Revenue" and note 5 "Revenue"

Key audit matter	Audit procedures addressing the key audit matter
<p>The 2020 statement of profit or loss and other comprehensive income includes revenue of €62,515 thousand, mainly attributable to sales of finished goods.</p> <p>Recognition of revenue from contracts with customers depends on when the company transfers control of the good or product to the customer and all requirements of IFRS 15 have been met.</p> <p>Since revenue is one of the most significant captions of the statement of profit or loss and other comprehensive income, its incorrect recognition would generate a material misrepresentation of the profit or loss for the year. For this reason, as part of our audit procedures, revenue recognition was treated as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the recognition of revenue and the related IT environment; — assessing the design, implementation and operating effectiveness of controls deemed material for the revenue recognition process, especially its existence and recognition on an accruals basis; — comparing the main components of revenue to the budgeted and previous year figures and discussing the results with the relevant internal departments; — checking the documentation supporting a sample of sales and whether revenue has been correctly recognised in profit or loss; — sending requests for written confirmation in order to obtain audit evidence supporting the trade receivables recognised in the separate financial statements; — assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation



Sicit Group S.p.A.
 Independent auditors' report
 31 December 2020

of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are 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 these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial



Sicit Group S.p.A.
 Independent auditors' report
 31 December 2020

statements represent 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.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 April 2020, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.



*Sicit Group S.p.A.
Independent auditors' report
31 December 2020*

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Padua, 29 March 2021

KPMG S.p.A.


(signed on the original)


Silvia Di Francesco
Director of Audit



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 [SICIT Group](#)