Tecnocap S.p.A.

Consolidated financial statements as at December 31st, 2020

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

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Tecnocap S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31^{st}, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Tecnocap S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Tecnocap S.p.A. are responsible for the preparation of the Report on Operations of Tecnocap Group as at December 31st, 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Tecnocap Group as at December 31st, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Tecnocap Group as at December 31st, 2020 and comply with the applicable laws and regulations.

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

Naples, July 26, 2021

EY S.p.A.
Signed by: Mauro Ottaviani, Auditor

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

Tecnocap S.p.A.

Management Report on the Consolidated Financial Statements and the Yearly Financial Statements of Tecnocap S.p.A. as at 31 December 2020

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Introduction

The Board of Directors' Report on operations is based on the Consolidated Financial Statements of the Tecnocap Group and on the Yearly Financial Statements of the Parent Company Tecnocap S.p.A. as at 31 December 2020, drafted in accordance with the IAS/IFRS (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) approved by the European Commission, supplemented by the related interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at the close of the financial year.

The Consolidated Financial Statements are prepared on the basis of the Group's ability to operate as an operating entity. The Group, even within a difficult economic and financial context, caused by the COVID-19 pandemic, considers that there are no uncertainties (as defined by paragraph no. 25 of IAS 1) that may affect the company's ability to continue as a going concern.

The Report must be read jointly with the Accounting Statements and related Explanatory Notes, which are integral parts of the Consolidated Financial Statements of the Tecnocap Group and of the Yearly Financial Statements of Tecnocap S.p.A.

Dear Shareholders,

The Tecnocap Group, as you are well aware, operates in the metal packaging sector. Its activities involve the manufacture of metal closures for glass and plastic containers, used both in the food packaging sector and in the pharmaceutical and cosmetics sectors, as well as the design, production, sale and leasing of machinery, plants and industrial equipment for the manufacturing and use of the closures.

In recent years, the Tecnocap Group has expanded the range of its products, integrating the production of metal closures with that of aluminium aerosol cylinders and aluminium bottles through the Italian company Tecnocap TL S.r.l.

During the 2020 financial year, the Tecnocap Group extended its presence in new emerging markets, acquiring the newly-established Indian company Tecnocap Oriental PVT. Ltd. and establishing the Brazilian company Tecnocap do Brasil Servicos Administrativos Ltda., today called Tecnocap Brasil Embalagens Ltda. In order to expand the end markets of its production offer in new contexts, difficult and complex, but also highly attractive and profitable.

The Group's structure is currently represented as follows:

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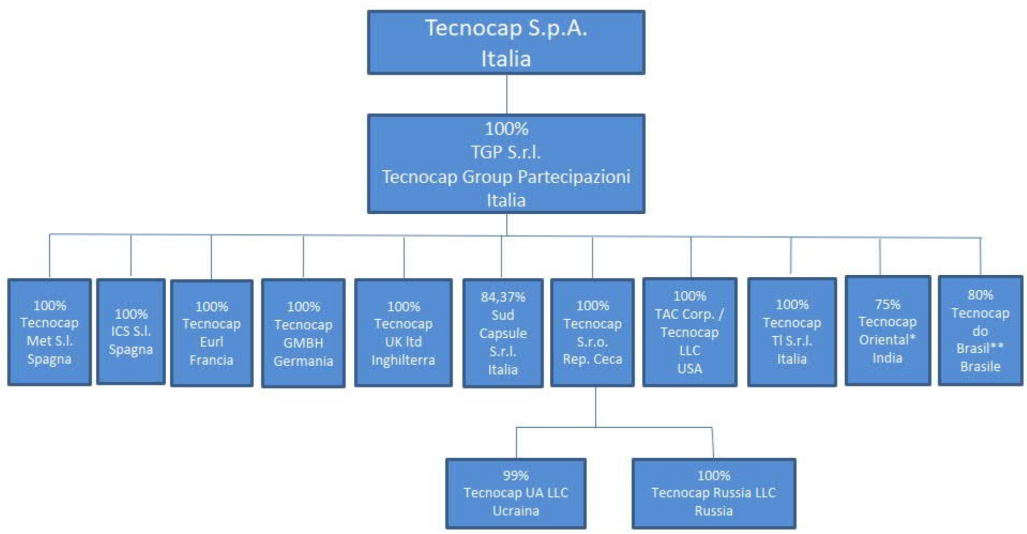

*Tecnocap Oriental was consolidated as from the start date of the activity (last quarter of the 2020 financial year).

**Tecnocap do Brasil was not consolidated as it is not yet operational.

Report on Operations

Group

In 2020, the Tecnocap Group achieved a consolidated turnover of over € 188 million, recording an increase in overall sales of over € 28 million compared to the previous year, due to the significant increase in sales volumes, distributed proportionally among the various companies of the Group, and thanks to the increase in domestic consumption of food products compared to consumption outside the home due to reduced social relations caused by the health emergency. The Group recorded a net improvement on the previous year in the economic performance, achieving a profit of € 9,238,311 (€ 6,992,499 in the previous year).

In terms of operating margins, in 2020 the Group achieved an adjusted EBITDA of € 26.5 million, compared to € 22 million in 2019, with an increase of over € 4 million, which in percentage terms represents an increase of 20%.

Group Net Equity went from € 48.4 million at the end of 2019 to € 51.1 million at the end of 2020, recording an increase of nearly € 3 million, essentially due to the significant economic result realised during the year, net of the decreasing effects related to the translation reserve and dividends distributed to shareholders.

The Group financial debt amounted to € 66.8 million at the end of 2020, compared with € 70.8 million in the previous year. This improvement is essentially due to the greater resources generated by operating activities, in particular by the Parent Company, thanks to the excellent operating result and the better use of the direct and reverse factoring lines.

Operating liquidity at the end of 2020 reflects the significant increase in turnover, amounting to around € 20 million, up compared to the previous year by around € 12 million. The Management is also continuing to pursue the strategy launched in previous years to aim for a financial structure that is even more balanced with the time horizon of investments, more advantageous and more diversified in terms of sources, also evaluating possible new investors interested in investments in minority equity shares with reasonable returns to finance the Group's future international growth and development projects.

Summary data of the economic and financial performance achieved by the Tecnocap Group in 2020 are shown below.

Summary Economic and Financial Data of the Group in 2020:

Economic Indicators (in millions of Euro)

Description	2020 FY	2019 FY	Change
Revenue from sales and services	188.6	160.6	28.0
Adj. EBITDA	26.5	22.0	4.5
EBITDA %	14.1	13.7	0.4
EBIT	15.1	11.3	3.8
Pre-tax income	10.1	8.5	1.5
Consolidated net result	9.2	7.0	2.2

Asset and Financial Indicators (in millions of Euro)

Description	2020 FY	2019 FY	Change
Intangible assets and property, plant and equipment	101.6	101.6	-
Group net equity	51.1	48.4	2.7
NFP	66.8	70.8	(4.1)
Operating cash flow	19.8	8.0	11.8
Net cash flows generated/(absorbed)	5.3	(3.8)	9.1

Financial Indicators of the Level of Debt and Capitalisation:

Description	2020 FY	2019 FY	Change
NFP/EBITDA	2.5	3.2	(0.7)
NFP/NE	1.3	1.5	(0.2)

The Group's economic, asset and financial data in 2020 confirm the constant and continuous growth trend initiated by management in the previous years and prospectively, as outlined in the new 2021-2024 Business Plan, approved by the Board of Directors of the Parent Company on 27 May 2021, above all through the increase in turnover and the continuous improvement of economic margins, and also as a result of new company acquisitions in new and promising emerging markets, which will allow a reduction in consolidated debt and a further strengthening of the capital structure.

The method for calculating the EBITDA is shown below:

	2020	2019	Change
EBIT – Operating Result	15,131,183	11,319,382	3,811,801
+/- Extraordinary write-downs/(Restoration of value) of non-recurring credits	153,816	201,416	(47,600)
+/- Extraordinary and non-recurring costs and revenue	426,725	1,076,206	(649,480)
+/- Provisions for funds and restructuring costs	453,875	190,784	263,091
+ Amortisation/depreciation	10,376,113	9,229,535	1,146,578
Adj. EBITDA	26,541,713	22,017,322	4,524,391

As at 31 December 2020, the Group adjusted EBITDA amounted to more than € 26.5 million, compared to € 22 million in the previous year, with an increase of more than € 4 million. This improvement is attributable to higher sales revenues and to the continuous reduction in operational costs thanks above all to new investments in automation of the production process that have made it possible to achieve greater production efficiency.

The parent

The Parent Company Tecnocap S.p.A. achieved a turnover of more than € 78 million in 2020, with an increase of almost € 13 million compared to the previous year, deriving from the increase in sales volumes due to the favourable change in consumer purchasing habits of food products towards increasingly increasing domestic consumption and a substantial stability in sales prices. In terms of operating margins, in 2020 the Parent Company achieved an adjusted EBITDA of over € 11 million (+14% compared to the previous year), equal to over 14% of sales, along with an excellent net profit of € 6.9 million, continuing the growth trend initiated in previous years.

As at 31 December 2020, the net equity reached € 41.1 million, compared to € 36.3 million in the previous year, an increase of more than € 4.8 million due to the combined effect of the further capitalisation of the profit for the year, along with a moderate distribution of dividends to shareholders.

It is noted that the Company has 304,575 own shares in its portfolio for an overall nominal value of € 158,379.

The net financial indebtedness amounts to € 16.7 million at the end of 2020 compared to € 22.1 million at the end of 2019, recording an important decrease of over € 5 million in financial payables. This excellent result was achieved thanks to the greater operating liquidity generated by the Parent Company through a better use of the various direct and reverse factoring lines and a greater use of medium/long-term bank loans backed by public guarantees of the SME Guarantee Fund of Mcc Mediocredito Centrale, used for the repayment of loans, including other more expensive loans, also allowing the further reduction of financial expenses.

Summary data of the economic and financial performance achieved by the Parent Company Tecnocap S.p.A. in 2020 are shown below.

Summary Economic and Financial Data of the Parent Company in 2020:

Economic Indicators (in millions of Euro)

Description	2020 FY	2019 FY	Change
Revenue from sales and services	78.1	65.4	12.7
Adj. EBITDA	11.1	9.7	1.3
EBITDA %	14.2	14.8	(0.7)
EBIT	8.0	6.5	1.4
Pre-tax income	6.2	5.9	0.3
Net profit / loss	6.9	4.8	2.0

Asset and Financial Indicators (in millions of Euro)

Description	2020 FY	2019 FY	Change
Intangible assets and property, plant and equipment	27.9	27.7	0.2
Net equity	41.1	36.3	4.8
NFP	16.7	22.1	(5.4)
Operating cash flow	10.5	5.1	5.4
Net cash flows generated/(absorbed)	1.4	(3.3)	4.7

Financial Indicators of the Level of Debt and Capitalisation:

Description	2020 FY	2019 FY	Change
NFP/EBITDA	1.5	2.3	(0.8)
NFP/NE	0.4	0.6	(0.2)

The method for calculating the EBITDA is shown below:

	2020	2019	Change
EBIT – Operating Result	7,952,169	6,548,269	1,403,900
+/- Extraordinary write-downs/(Restoration of value) of shares	0	0	0
+/- Extraordinary and non-recurring costs and revenue	273,668	606,511	(332,843)
+/- Provisions for funds and restructuring costs	46,408	113,814	(67,405)
+ Amortisation/depreciation	2,798,068	2,458,422	339,646
Adj. EBITDA	11,070,312	9,727,016	1,343,297

As at 31 December 2020, the Parent Company adjusted EBITDA amounted to more than € 11 million, compared to around € 10 million in the previous year, with an increase of more than € 1 million. This improvement in EBITDA is mainly due to the substantial increase in turnover and the further reduction in operating costs thanks to the continuous streamlining of the production process.

Macroeconomic Scenario

2020 was characterised by the COVID-19 pandemic, which originated in China at the end of 2019 and quickly spread to Europe and subsequently to the American continent. Within a few months, the pandemic caused an unprecedented serious health and economic emergency, assimilating to the period of the “Great Depression” of 1929.

The collapse of global economic activity recorded in the first part of the year was caused by the severe virus containment measures adopted by the governments of the most affected countries and which led to the complete closure of the production activities of the sectors considered non-essential. The international economy, after reaching downward peaks in the second quarter of 2020, began to show signs of recovery in the third quarter, coinciding with the slowdown in the spread of the pandemic, the adoption of less restrictive containment measures and the announcement of the availability of effective vaccines in the short term. However, while China reached a situation of near-normality in the fourth quarter of the year with the economy returning to full capacity, Europe and the United States, on the contrary, found themselves facing the second wave of the virus with the reintroduction of strict containment measures and the consequent deceleration of economic growth.

In this context, in 2020 there was an economic contraction similar to that seen in the post-war period. In fact, the International Monetary Fund recorded a drop in global GDP of 3.5%, albeit lower than expected (-4.4%). Among the large economies, only the Chinese one avoided a decline in GDP, providing a positive contribution to the world economy. The recovery of the United States and Europe was less rapid and intense than that of China due to the persistence of the pandemic and the health measures adopted as a result.

The abrupt contraction of the world economy was mainly caused by a significant limitation of the non-essential services sector, strongly affected by the containment measures adopted against the pandemic, and by a drop in trade and investments. In the manufacturing sector, the growth in production did not suffer the same effects observed in the services sector, both due to the effect of public economic stimulus programs and to the increase in consumption of food products. Among the negative effects caused by the pandemic, we can also highlight the interruption in international trade and global supply chains, moderately attenuated in the second half of 2020.

Global inflation decreased, in parallel with the fall in international demand, driven down by the fall in the prices of energy products. In the first half of the year, oil prices fell sharply, as a result of the drastic drop in global demand, in particular due to the reduction in consumption caused by restrictions on travel. In 2020, the Brent price reached a minimum value of $ 20 per barrel, the lowest reached in the last twenty years. At the end of the year, the average price fell by 32.6%, from $ 64 per barrel in 2019 to $ 43.2 per barrel in 2020.

In this macroeconomic scenario, the United States recorded a contraction of 3.4% in GDP, a figure better than expected; however, the weakness of the labour market remains, to which the new Biden administration has decided to respond with a package of federal aid to support companies and workers in difficulty.

In Europe, however, the recovery due to the easing of restrictions in the summer months contributed to a strong improvement in the general economic scenario. As a whole, the GDP of the Eurozone decreased by 6.6% and demand decreased by 8%, decreasing particularly strongly in the first part of the year, followed by a slight improvement during the third quarter. Business investments also fell sharply, due to the containment measures and the consequent sharp contraction in revenues. Therefore, most companies have postponed their investment projects to periods of less uncertainty.

In order to deal with the severe economic crisis, the European Community approved an important aid program for the Member States called Next Generation European Union, for a total amount of € 750 billion, which will make it possible to obtain funds on the capital market, with the aim of repairing the economic and social damages caused by the pandemic and, in the long term, to create the conditions for a post-COVID-19 economy based on greater environmental protection and the development of a digital and resilient economy.

The United Kingdom, despite having had a strong recovery in the third quarter, did not reach the levels of GDP before the pandemic, recording one of the worst results in Europe.

Although employment growth was also strongly affected by the economic crisis, the performance of the Eurozone labour markets was shaped by the support policies implemented by the various governments, as occurred in our country, with the introduction of the freezing of lay-offs, thus helping to preserve the human capital of companies. Compared to the sharp and rapid contraction of economic activity, the workers received various economic subsidies in order to limit the damages deriving from the blocking of activities.

In 2020, the main world currencies were affected, as well as other indicators, by the impact of COVID-19 on the major economies. The currencies suffered a strong volatility also due to the manoeuvres of the main Central Banks in response to the health and economic emergency. The Euro appreciated by around 7% in actual nominal terms; in bilateral terms, the Euro/Dollar exchange rate stood at 1.22 at the end of 2020; the value of the Euro against the Pound Sterling also increased, highlighting considerable volatility, mainly linked to the changing events of Brexit. The Czech Koruna depreciated slightly against the Euro, reaching 26.24 at the end of 2020 compared with 25.41 at the end of 2019. During 2020, the value of the Hryvnia, the official currency of Ukraine, depreciated against the Euro, going from 26.61 at the end of 2019 to 34.76 at the end of 2020.

In this general framework, the Italian economy, despite being dominated by strong uncertainty following the crisis caused by COVID-19, has shown good resilience. In fact, with the end of the strong closures imposed in the first part of the year, a strong rebound in GDP was recorded in the third quarter; the manufacturing sector supported this change of course, although production levels still remain distant from those pre-COVID pandemic. However, the positive trend of the third quarter was limited not only by the recovery of infections in the autumn months, but also by the rapidity with which the healthcare system was once again under stress, imposing new and extensive containment measures. 2020 ended with a drop in GDP of 8.9% compared to 2019, when a negative figure was already recorded. The forecasts of a strong economic recovery will be attainable only with the completion of the vaccination campaign already underway.

An important stimulus for the economic recovery could derive from the Next Generation EU programme, on whose implementation there are still many critical issues. On the basis of this programme, public investment should reach 3.4% of GDP, compared to an average of 2.2% in recent years, forcing public administrations, both national and local, to complete the projects that will be submitted and approved by the European Commission. Under these conditions, the investments, together with the additional spending induced by them, will undoubtedly lead the Italian economy to very robust growth rates. An unprecedented challenge for the entire Italian economic system.

In this macroeconomic context, the Tecnocap Group, through its sustainable development model, has achieved and exceeded the economic and financial objectives set for 2020, clearly improved compared to the previous year, constantly monitoring the impacts that the pandemic may cause on its business and the opportunities deriving from the new growth forecasts of the global economy starting from 2021.

Sector and Market of Reference

The Tecnocap Group operates in the metal packaging sector, through the industrial manufacture of metal closures for glass and plastic containers and aluminium aerosol cylinders and bottles, largely used for food and beverage packaging, and in the cosmetics and pharmaceutical sectors. The Group strives to provide its customers with an integrated metal packaging system, through the design and creation of packages that contribute to strengthening the brand identity of its customers while at the same time guaranteeing product integrity and long-term preservation.
The Tecnocap Group's business model, the "Closing System", is based on the provision of products made from technical specifications provided by customers, alongside the installation of capping machines to automatically close those products and a technical assistance service provided at its customers' operating sites in order to guarantee correct closure of the products.
Analysing the economic trends of the packaging market, particularly Metal Packaging, shows how this sector is closely connected to the reference food and beverage markets, considered essential and characterised by a particularly non-cyclical nature compared to other manufacturing sectors. This characteristic made it possible to mitigate the negative economic effects deriving from the health crisis. It is also possible to observe that the metal packaging sector, being able to guarantee stable growth even in phases of economic depression, and above all being able to supply other more appealing and profitable reference markets as well as pharma and cosmetics, in addition to spirits and wine, is confirming itself as to be increasingly more appealing for operators and international investors.
Lastly, metal materials for packaging are increasingly evidently benefitting from the anti-plastic campaigns conducted at global level, especially by younger generations and millennials, so as to orient market participants increasingly towards transitioning to the use of more sustainable metal and aluminium packaging. The packaging sector for food products should in the coming years benefit from the growing focus towards the topics of nutrition of the planet and on food waste, since it can contribute with air-tightness, preservation and safety of packaging to their improvement and development.

The Tecnocap Group continues its growth and diversification strategy aiming to become a global operator in the light metal packaging sector, confirming itself as the third player in the world in the market of metal capsules with a share of over 13%, with the aim of increasing its market share up to reach 15% in the coming years. Furthermore, the Group has expanded its production and commercial scope, by including in the range of products offered also aluminium aerosol cylinders and bottles for cosmetic product packaging, the pharmaceutical sector, food products and beverages.

The Group's main global competitors are two US multinationals, both listed on the New York Stock Exchange:

► Silgan White Cap Group, with an estimated share of 39%;

► Crown Group, with an estimated share of 30%.

Over the last two decades, the sector's growth has been driven by consolidation and M&A policies. The three main market players (Silgan, Crown, and Tecnocap) have made numerous acquisitions to increase their territorial presence and market shares, absorbing numerous competitors over time.

Entry into the metal closures sector in which Tecnocap operates is characterised by various obstacles, due to the technological content of the product and production process and the highly technical and qualitative service provided to customers through a particular business model, the “Closing System”.

Tecnocap is also present in the Baby Food segment, after becoming accredited with major multinationals that produce homogenised foods, purées and various foods for infants, within a highly specialised segment with high technical/quality risk.

For a few years now, Tecnocap has been offering PVC-free caps that are better for consumer health and the respect of the environment to its more specialised customers that are most sensitive to the topics of social responsibility and sustainability.

The operating, production and commercial sites of the Tecnocap Group are as follows:

- Production site in Cava de’ Tirreni (Italy) owned by Tecnocap S.p.A.;
- Production site in Lecco (Italy) leased to Tecnocap TL S.r.l.;
- Production site in Strmilov (Czech Republic) owned by Tecnocap S.r.o.;
- Production site in Soposhyn (Ukraine) owned by Tecnocap UA L.L.C.;
- Production site in Glen Dale (West Virginia, USA) owned by Tecnocap L.L.C.;
- Production site in Warren (Ohio, USA) leased to Tecnocap L.L.C., where the lithography activity is carried out;
- Production site in Aprilia (Italy) leased to Tecnocap S.p.A. in which the capping machines leased to the customers are assembled and technical assistance is managed through visits, interventions and analysis of issues;

- Production site in Scafati (Italy) leased to Sud Capsule S.r.l.;
- Production site in Murcia/Valencia (Spain) leased by International Closures Solution S.l. (hereinafter also “ICS”).

During 2020, the production plant located in the industrial area of Mumbai in India was added to host Tecnocap Oriental Pvt. Ltd.

The Group also has three R&D and Engineering centres installed within the Parent Company Tecnocap S.p.A. and the US subsidiary Tecnocap L.L.C.

The structure of the Tecnocap Group includes the Italian Parent Company Tecnocap S.p.A. which, through its sub-holding vehicle company, TGP Tecnocap Group Partecipazioni S.r.l., holds the group’s various strategic Italian and foreign investments.

The French company Tecnocap Eurl, the German company Tecnocap GmbH and the company in the United Kingdom, Tecnocap UK Ltd, on the other hand, are commercial service units with their own employees. Another 11 sales offices are operational in Croatia, Egypt, Greece, Israel, the Netherlands, Poland, Belarus, Romania and Turkey, with personnel directly employed by the Parent Company and by Tecnocap S.r.o.

The Tecnocap Group geographical markets of reference are: Western Europe (in which the main countries are Italy, Germany, Spain and France); Eastern Europe (in which the main countries are the Czech Republic, Ukraine and Poland); North America and, to an extent, North Africa and South America.

The Group also established itself in the Far East market, having acquired the company Tecnocap Oriental in India and South America, where it established the Brazilian company Tecnocap do Brasil.

The COVID-19 pandemic has affected the global economy, causing a contraction. To this end, the Group has prepared various corrective strategies to be adopted if necessary, in line with its strategic objectives.

Main Events and Transactions during the Year

- 2020 was dominated by the COVID-19 pandemic, which determined a state of health emergency at global level to which the various countries, despite the diversity of the measures adopted, took steps to contrast with the closure of all commercial, manufacturing, and services activities considered not strictly essential, in order to stem the contagion. During the emergency period, the Tecnocap Group, whose activity is closely linked to the agri-food and pharmaceutical chains, considered essential activities, continued to operate by safeguarding the health of its employees and carefully monitoring the impact of the pandemic on the company business. In particular, Tecnocap complied with the regulatory provisions issued by the various Governments, adopting various safety protocols in the countries where the Group's plants are present. In addition to the prevention measures adopted, such as the distribution of personal protective equipment, adequate distancing between employees, monitoring the body temperature at entrance at the workplace, limited and regulated access for external parties and periodic disinfection of the premises, screening days were organised on a monthly basis in order to immediately isolate positive cases. Furthermore, the digital communication systems were strengthened, including those for remote communications, while favouring smart working arrangements when possible.

  The prospective analysis of the impact of COVID-19 on our business shows that the increase in our sales volumes in 2020, deriving from the change in the consumption habits of food products from the Ho.Re.Ca. channel (bars and restaurants) in favour of domestic consumption, will be more structural than expected and projected to subsequent years.

- During 2020, on the financial front, the Group constantly monitored current and future liquidity, maintaining a prudent approach and diversifying financial sources between the short and medium-long term and between banking and financial operators. There were no significant impacts on the collection or payment times referable directly or indirectly to the health emergency. In order to protect economic operators from the risks of potential financial problems, the Government issued a number of measures to support business liquidity, including a moratorium on bank loans for instalments falling due in 2020 and the abolition of the payment of the IRAP tax, by way of the balance for the year 2019 and the first advance payment for 2020, as well as the temporary extension of the public guarantees

of the SME Guarantee Fund managed by MCC Mediocredito Centrale in favour of Mid Cap to support medium/long-term bank financing.
In particular, Article 56 of Law Decree no. 18/2020, known as "Cura Italia", converted with amendments by Law no. 27 of 24 April 2020 and subsequently supplemented by Article 65 of Italian Law Decree 104/2020, has ordered a moratorium on mortgages and other loans in favour of companies.
With this option, the subsidiary Tecnocap TL took advantage of the moratorium of 12 months on two bank loans, postponing the amortisation plan relating to the repayment of the principal portions.

- During 2020, the subsidiary Tecnocap TL, being still in the start-up phase of its activities, started a few years ago, required a further stabilisation of the equity and financial structure through a recapitalisation of € 3 million carried out by the sub-holding company TGP. This choice was necessary to make it easier to achieve both short and medium/long-term corporate objectives. In support of these objectives, Tecnocap TL made significant investments during the year in order to improve its production efficiency and expand the range of products for customers, by purchasing a plant for conifying aluminium bottles.

- In 2020, the Parent Company has paid off the remaining “Minibond” and Amundi bond loan by relying on the right to early repayment compared to the established maturity of 2021. As a result of its constant resource and financial asset management and consolidation policies, Tecnocap has achieved a high degree of financial autonomy and strength, which has allowed it to pay off the loan in advance, also achieving a significant reduction in its financial expenses.

- In February 2020, the joint venture with the Indian partner Oriental Container (OEL) was completed with the acquisition of the TO/LUG caps business for the Asian market, merged into a new company incorporated under Indian law called Tecnocap Oriental Pvt. Ltd. After the initial phase, Tecnocap Oriental started its industrial activities in October, with a significant delay due to COVID. For the Group, this project represents an entry into the Indian and Asian market, which has appealing growth outlooks, due to considerable economic development under way for a few years now and the priorities of the Indian government placed on the food processing and food packaging sectors, deemed essential to guarantee food safety and preservation in a country characterised by a high degree of waste of the main food products.

- In 2020, a new industrial project was launched for the production of twist-off capsules, establishing the new Brazilian company called Tecnocap do Brasil Servicos Administrativos Ltda., now Tecnocap Brasil Embalagens Ltda., with the equity investment of two Brazilian technicians in order to promote the development and commercial entry of the Group in the South American market.

- During the year, company Management confirmed sustainability and innovation as the main drivers of its business strategy, considering technological and digital innovation as a function of its sustainable development model. Therefore, a Sustainability Committee was launched to coordinate the various activities and promote the new ESG objectives and organise the drafting of the new Sustainability Report in compliance with the new GRI (Global Reporting Initiative) standards, in which the strategies of Sustainability and Corporate Social Responsibility are in line with the Sustainable Development Goals (SDGs) of the United Nations. For further details, please refer to the paragraph “Production and environment”.

  The Company has adopted the new concept coined by Deloitte of Innovability, considering the complementarity and integration of the two areas of innovation and sustainability as the true and only solution of competitiveness and business success.

- Over the course of 2020, the Group completed the investment in the PVC Free department with the acquisition of new machines to create PVC-free caps, made with a particular internal seal specifically developed to guarantee greater food safety for consumer health and less environmental impact thanks to better disposal after use. The biggest Food multinationals are demonstrating increasing interest in these caps to add value to their own more specialised product lines: Premium and Bio. Currently the Group is able to satisfy the growing needs of European customers through its PVC-free cap production lines installed in several production sites.

- During 2020, the Parent Company, as part of the "Digital Transformation" process, continued the “Industry 4.0” investment project, already launched a few years ago, significantly improving production efficiency through automation and the interconnection of its production processes. In particular, projects for the use of digital technologies aimed at product and process innovation have been completed, with a particular focus on innovative caps and various evolved and connected packaging solutions.

- In 2020, the Group strengthened the Corporate Governance Compliance Function to oversee, together with the Supervisory Body of the 231/01 model, the various business areas subject to violations and offences of the various rules and regulations and collaborate with the Sustainability Committee on the integration of the issues of innovation and sustainability considered strategic for the future of the business.

- In 2020, the Group strengthened its attention to the issue of Cyber Security, adopting all the processes and measures suitable and evaluated with a positive opinion by the consulting firm Assiteca. The Group has taken out an insurance policy to protect itself from Cyber Risks and Crime Risks, especially with regard to the risk of business interruption, which would have serious economic and reputational consequences.

- In 2020, the Parent Company started the adoption of an Antitrust Compliance program with an important international consulting company, in order to assess and prevent the risks deriving from the stipulation of agreements and the establishment of commercial relations that do not comply with the regulations. Therefore, the Parent Company will carry out all the activities necessary to respect free competition and consumer protection, adjusting its Articles of Association in 2021.

Analysis of the Main Asset and Financial Data

With reference to the analysis of the Group's asset and financial data, the composition of the Net Financial Position is shown below:

Net financial position	31/12/2020	31/12/2019	Change
Cash and cash equivalents	(8,986,907)	(3,654,661)	(5,332,245)
Other current financial assets	(574,935)	(1,886,045)	1,311,110
Current financial liabilities	36,816,735	36,229,731	587,004
Short-term Net Financial Position	27,254,893	30,689,024	(3,434,132)
Other non-current financial assets	(2,239,064)	(2,269,954)	30,890
Non-current financial liabilities	41,739,724	42,398,474	(658,750)
Net financial position	66,755,553	70,817,545	(4,061,992)

The Net Financial Position at the closing date in 2020 amounted to € 66.8 million, compared to around € 70.8 million in 2019.

The amount of the Group's net financial debt decreased by over € 4 million, mainly due to the increase in cash and cash equivalents following the increase in turnover of the various Group companies and the greater operating liquidity generated by the Italian Parent Company.

Short-term financial exposure increased slightly compared to the previous year, from € 36.2 million at the end of 2019 to € 36.8 million at the end of 2020. This change is mainly due to the accounting reclassification from long-term to short-term payables of existing bank loans and lease liabilities.

The changes made by Management in previous years to the Group's financial structure enabled it to rebalance its financial position, by obtaining various sources of funds under particularly advantageous economic conditions. Medium- and long-term sources of financing represent more than 50% of net financial debt in 2020, distributed between banking and financial operators.

The composition of the Net Financial Position of the Parent Company is shown below:

Net financial position	31/12/2020	31/12/2019	Change
Cash and cash equivalents	(2,984,028)	(1,573,351)	(1,410,678)
Other current financial assets	(32,309)	(586,309)	554,000
Current financial liabilities	14,796,507	15,539,648	(743,141)
Short-term Net Financial Position	11,780,169	13,379,988	(1,599,819)
Other non-current financial assets	(18,182,391)	(17,448,459)	(733,932)
Non-current financial liabilities	23,074,642	26,157,558	(3,082,916)
Net financial position	16,672,420	22,089,087	(5,416,667)

The net financial position of Tecnocap S.p.A. went from € 22.1 million in 2019 to € 16.7 million in 2020, with a reduction of over € 5 million.

The financial situation of the Parent Company is characterised by a decrease in current and non-current financial liabilities, due to the effect of repayment of the instalments of the loans maturing in the year, the early repayment of the "Minibond" bond loan for € 2 million and the greater use of credit lines for non-recourse factoring and reverse factoring that contribute to the reduction of financial debt, generating greater operating liquidity.

The data relating to the Group's cash flow statement are shown below:

Cash flow statement	2020 FY	2019 FY	Change
Cash and cash equivalents at beginning of year	3,654,661	7,424,600	(3,769,939)
Net cash flow from operating activities	19,806,798	7,988,099	11,818,699
Cash flows from investment activities	(8,504,459)	(13,361,765)	4,857,307
Cash flows from financing activities	(1,579,171)	359,886	(1,939,057)
Translation differences	(4,390,922)	1,243,840	(5,634,761)
Cash and Cash Equivalents at Year End	8,986,907	3,654,661	5,332,248

The Group closed the year as at 31 December 2020 with cash and cash equivalents of around € 9 million, compared to € 3.7 million in the previous year.

Cash flow generated by operating activities amounted to € 19.9 million compared to € 8 million in the previous year. This increase in operating cash flows made it possible to self-finance the investments and at the same time repay the short-term portion of the loans.

The data relating to the Parent Company's cash flow statement are shown below:

Cash flow statement	2020 FY	2019 FY	Change
Cash and cash equivalents at beginning of year	1,573,351	4,907,456	(3,334,105)
Net cash flow from operating activities	10,455,320	5,084,018	5,371,302
Cash flows from investment activities	(3,158,425)	(7,224,642)	4,066,217
Cash flows from financing activities	(5,886,217)	(1,193,481)	(4,692,735)
Cash and Cash Equivalents at Year End	2,984,028	1,573,351	1,410,678

The Parent Company Tecnocap S.p.A. closed the 2020 financial year with cash and cash equivalents of around € 3 million, generated mainly by the cash flow from operating activities, which amounted to € 10.5 million, after having financed the investments and repaid part of the financial debt.

With reference to the Group Net Equity, the following composition is provided:

	2020 FY	2019 FY	Change
Share capital	6,319,490	6,319,490	0
Legal reserve	1,335,029	1,092,856	242,173
Other reserves	34,217,080	33,983,669	233,411
Profit (loss) for the financial year	9,197,602	6,964,885	2,232,716
GROUP NET EQUITY	51,069,201	48,360,901	2,708,301
Borrowed Capital	799,504	180,936	618,568
Profit (loss) for the financial year from minority interest	40,709	27,614	13,096
MINORITY INTEREST NET EQUITY	840,213	208,550	631,664
CONSOLIDATED NET EQUITY	51,909,414	48,569,450	3,339,964

As at 31 December 2020, the Group Net Equity amounted to over € 51 million, compared to € 48.1 million in 2019. The approximately € 3 million increase is to be attributed essentially to the 2020 financial year result.

With reference to the Parent Company's Net Equity, the following composition is provided:

	2020 FY	2019 FY	Change
Share capital	6,319,490	6,319,490	0
Legal reserve	1,335,029	1,092,856	242,173
Other reserves	26,556,499	24,015,368	2,541,132
Profit (loss) for the financial year	6,892,546	4,843,464	2,049,083
NET EQUITY	41,103,564	36,271,177	4,832,387

The Net Equity as at 31 December 2020 of Tecnocap S.p.A. amounted to € 41.1 million, with an increase in value compared to 31 December 2019 of around € 5 million, largely attributable to the positive result for 2020, up compared to the economic result in 2019, net of the low dividend distribution for the year, continuing the profit capitalisation policy in order to strengthen the Group's capital and financial soundness.

The Company holds 304,575 own shares for an overall nominal value of € 158,379.

Management outlook

The management results obtained in 2020 by the Tecnocap Group and by the Parent Company Tecnocap S.p.A. derive from the choices carried out in previous years and made to develop volume growth in the approved business plan for the 2021-2024 period.

In particular, it is highlighted how through the results achieved, the Group and Tecnocap S.p.A. obtained a continuous improvement in the economic and financial-asset performance indicators.

With reference to future prospects, the strategic objectives outlined by the Management of the Tecnocap Group use the following guidelines:

- Increase in sales volumes of metal closures, in particular of higher value sustainable capsules, on the one hand increasing the sales quotas at the major food and beverage multinationals, extending in a structural way the change in the purchasing habits of food products from consumption outside the home in favour of domestic consumption, especially due to the still slow recovery of ordinary society, and on the other hand increasing sales to new customers thanks to the continuous transition from plastic to metal in the choices of packaging of many operators, in line with anti-plastic campaigns and greater environmental awareness of millennials and new generations.

- Increase in sales of aluminium aerosol cylinder and bottles, both due to the continuous transition from plastic to aluminium for the packaging of food and beverages as a result of increasing attention to the environment, and due to the continuous growth of the new sales channel of e-commerce, especially in the choices of consumers of food products, which requires lighter and stronger aluminium packaging than the conventional one.
- The management pursues a careful policy of procurement and containment of raw materials costs, in a phase characterised by scarcity of materials and increase in prices due to the strong demand for raw materials in the Chinese market and the slow recovery of production after numerous lockdowns on a global level.
- Constant control of the financial structure implemented through a suitable diversification of external financing sources, aiming to further increase mid/long-term financial resources, also taking advantage of the low interest rates in the banking system.

Furthermore, the possibility of further growth in volumes thanks to diverse M&A strategies that will allow penetration into Asian and South American areas still not covered by the Group and will lead to a greater geographical diversification of the markets.

The growth strategy, internally and externally, adopted by the Management should allow the Tecnocap Group to aim for an EBITDA of up to 15% in the coming years, continuing to strengthen the financial leverage and capital strength ratios, despite the considerable increase in costs of raw materials only partially transferable to sales prices, thanks to the continuous review of the main operating costs and the continuous production and industrial efficiency.

The Business Plan was prepared on the basis of forecasts and assumptions that, due to their nature, are hypothetical and have elements of uncertainty inherent to future management dynamics, because of the volatility connected to future events, such as the increase of the revenue volume and margins provided in the plans, also with effects on the corporate financial situation and on the process to balance the net working capital.

In light of the positive overall results achieved in past years, which have in fact confirmed the targets predicted in the previous business plans, and of the scenarios currently available, supported by the favourable guidelines described, it is considered that the Company and the Group would be able to achieve the results outlined in the approved Plan, despite difficulties due to the ongoing pandemic crisis, the financial statements were therefore drawn up on the basis of the going concern assumption.

Investment Policy of the Group and Parent Company

The Group places a particular focus on production investments in order to follow the contiguous changes originating from the market, and to satisfy the increasing demand from customers who are more aware of food safety and the environment. In this sense, investments by the Parent Company, in part for improving the production efficiency of machinery able to make particular closures with the necessary characteristics to meet these needs, and in part for the acquisition of manufacturing machinery with digital capabilities according to the "Industry 4.0" plan, were made to guarantee a boost in economic margins. Indeed, in the course of 2020, the Parent Company's project of upgrading plant and machinery continued to achieve interconnection and data digitalisation in accordance with the "Industry 4.0" plan, allowing for the monitoring and predictive analysis of production activities in order to plan technical interventions in a more organised manner.

The cash flows used in 2020 for the Group's investment activities amounted to € 8.5 million, mainly intended for tangible and intangible assets, whereas the Parent Company used over € 3 million of the 2020 cash flows for investments in production factors.

As regards sustainability, the Group's production investments were identified for the years 2020 and 2021, including in a Circular Economy key, to include them in new Sustainable Finance projects that envisage special economic conditions for the achievement of environmental and social targets, proposed by the main international financial institutions.

The Tecnocap Group considers the strategy of continuous investment in production capacity and innovation combined with R&D activities to be the main factor of company competitiveness for the creation of long-term value in the interest of shareholders and the various business stakeholders.

Research and Development

The Group's Research and Development was prevalently concentrated in the R&D and Engineering centres of the Parent Company, Tecnocap S.p.A.

During 2020, using the information previously gathered during a research project on PVC-free compounds and on the basis of the environmental protection demanded by the market, our R&D Department continued research projects with a view to replacing PVC and plasticisers with new biodegradable and recyclable polymers equipped with the required technical and mechanical characteristics to ensure the strength and tightness of the compounds. For these projects, our R&D Department is cooperating with qualified research centres and university departments.

During 2020, our Engineering Department continued to develop new technical solutions for the production process to be transferred exclusively to the various companies of the Group.

The Company Management pays particular attention to Research & Development activities in order to equip itself with the know-how of technical information, which can then be made available exclusively to the various Group companies, as an effective competitive advantage over the competition.

Strategies and Objectives

The metal packaging sector is increasingly more strategic within the world economy for long-lasting food safety and preservation, in terms of nutrition, food waste and consumer health. The Tecnocap Group designs and creates metal packaging for its customers, who can then strengthen their brand identity and guarantee product integrity and preservation. Packaging, as understood by the Group, is not only functional but also a valuable marketing tool. In order to enhance the position it has gained until now in the market, Tecnocap provides assistance to its customers, using a team of specialists, to develop more effective and personalised designs, with an absolute focus on the primary features of the packaging, being the safety and the proper preservation of the product, and proposing new sustainable packaging developed through research into new materials, chemical formulae and avant-garde technologies in order to package increasingly healthier foods – the “free from” and “rich in” foods. Furthermore, with a view to providing comprehensive customer service, Tecnocap guarantees 24-hour technical assistance capable of resolving issues at customers which may crop up from the use of our packaging machines. The Aprilia (LT) technical assistance division responsible for this area relies on the work of specialised technicians and mechanics.

The products created are mainly divided into two macro-categories:

- Metal closures for the food, cosmetics and personal care, pharmaceutical and nutraceutical sectors;
- Aluminium aerosol cylinders and bottles intended mainly for the cosmetics, personal care, para-pharmaceutical and food sectors.

The business model of the Tecnocap Group consists of providing an integrated system of packaging products, plants and services that allows its customers to achieve the best performance in the use of the products.

The business model proposed by the Tecnocap Group, the “Closing System”, envisages the supply of lightweight packaging, the installation of capping machines for the automatic vacuum-sealed closure of metal closures, and 24-hour technical assistance by specialised personnel, so as to guarantee the safety and integrity of food products.

Founded in 1993, over the years the Tecnocap Group has become the world’s third player in the metal closures sector, through continual organic growth in volumes and a targeted M&A growth strategy through different company acquisitions carried out in Italy and abroad.

Specifically, with the latest acquisition in the aluminium aerosol cylinders and bottles sector, the Tecnocap Group expanded the product range offered to its customers, achieving an initial production diversification that allows it to exploit the commercial and technical experience acquired in the metal closures sector, with the aim of becoming a veritable global leader in metal packaging.

Continuing its strategy of growth through M&A, in 2020 the Tecnocap Group acquired shares in new companies to preside over emerging market areas, such as the Asian and South American continents, considered amongst the most interesting developing areas. Furthermore, the business plan for the next four years presents some economic and financial objectives for turnover, margins, operating liquidity, debt and capitalisation that are ambitious but consistent, confirmed by the results achieved in previous years, which should confirm the Tecnocap Group as a global leader in metal packaging with over € 200 million in overall turnover. Moreover, the Group’s strategy is to expand its product range through the acquisition of industrial companies that allow the diversification of its offer.

Organisation and Corporate Governance

The corporate governance system is characterised by a group of rules, conduct and processes intended to guarantee efficient and transparent corporate governance and effective operation of the governance bodies and control systems.
Corporate governance takes inspiration from the principles of reliability and transparency in the management of information in the interest of all shareholders, in addition to the various business stakeholders.

The system was put in place by the Company by adopting and applying models, principles, regulations and procedures that govern how the activities of all organisational and operational structures are carried out.
A qualified and authoritative corporate governance, but today above all responsible and social, represents the key factor of the ESG parameters, to implement a sustainable development model as a solution to the distortions of capitalist development, based solely on profit, represented by social inequalities and by environmental disasters. Governance, authoritative but responsible, will increasingly be the decisive element in investment decisions.
The Group companies adopt the traditional corporate governance system, or Conventional Governance, by virtue of which the company’s governing body is the Board of Directors; the supervisory body for observance of the law, the Articles of Association and the principles of correct administration is the Board of Statutory Auditors, whilst the Audit Firm exercises legal control of the accounts and the Rating Agency assesses the financial soundness and creditworthiness of the Company.

Shareholders’ Meeting: authorised to resolve in ordinary and extraordinary session on issues reserved to it by the Law or the Articles of Association.

Board of Directors: vested with the widest powers for the ordinary and extraordinary management of the Company, without limitations, with the power to carry out all acts it deems necessary to implement and achieve the social purpose, excluding only those that the law reserves for the Shareholders’ Meeting.

The Board of Directors of Tecnocap S.p.A., appointed for three years until the date of approval of the last financial statements of the three-year period, is formed of four directors, including one Independent Director in possession of the requirements of expertise and professionalism. The Chairman of the Board of Directors, Michelangelo Morlicchio, exercises powers of ordinary and extraordinary administration, excluding those that cannot be delegated as provided by paragraph 4 of Article 2381 of the Italian Civil Code.
The Board of Directors of the sub-holding company TGP Tecnocap Group Partecipazioni S.r.l., in office for three years, is renewed on the date of approval of the last financial statements of the three-year period and is composed of three members, including the Chief Executive Officer, Massimo Santomauro that exercises powers of ordinary and extraordinary administration, excluding those that cannot be delegated as provided by paragraph 4 of Article 2381 of the Italian Civil Code, and the Legal Representation of the Company.

Board of Statutory Auditors: responsible by law for the task of overseeing: observance of the law and the Articles of Association and compliance with the principles of correct administration; the suitability of the Company's organisational structure for those aspects within its jurisdiction, of its internal control and risk management system and the accounting administrative system, in addition to the system's reliability in correctly representing management events.
The Board of Statutory Auditors, consisting of three standing members and two alternates in office for three years, is appointed until the date of approval of the last financial statements of the three-year period.

The Auditing Company: the legal audit of the accounts pursuant to Italian Legislative Decree 39 of 27 January 2010 for the 2018-2020 three-year period is entrusted to the auditing company EY S.p.A.

Alongside the Conventional Governance system, the Parent Company has an extraordinary Governance system, made up of the Compliance Function and the Supervisory Body pursuant to Model 231/01, in order to verify compliance with and observance of the various national and international laws and regulations and prevent the commission of offences and violations by company managers and employees. During 2020, the new Sustainability Committee was established, chaired, and guided by the specifically appointed Manager, to implement and integrate the activities of technological innovation and sustainability.

The Supervisory Body, which is made up of one internal member and two external lawyers pursuant to Legislative Decree No. 231/01, governs corporate liability for the administrative offences resulting from violations carried out by managers and employees in the interest or to the advantage of the company. Tecnocap has created a specific email address for sending alerts, suggestions, clarifications, information, etc. to the Supervisory Body: odv.tecnocap@gmail.com. Tecnocap has voluntarily implemented the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001, updated to take into account Law 179/2017 in the matter of the administrative liability of entities. The Supervisory Body has the obligation to periodically report any critical issues that have emerged in the company system in respect of the application of the Model and to prepare at the beginning of each year the checks to be carried out. The Model comprises the Code of Ethics, the Internal Regulations and the Mapping of Powers, the Protocols Manual and the Sanctioning System, which are risk management tools.
In 2020, the Supervisory Body regularly met, including through videoconferencing systems, with the Management and the internal Compliance Function, to monitor evolutions within the company and respect for the procedures and obligations concerning occupational health and safety and procurement management, as well as all checks required by the Model pursuant to Legislative Decree 231/2001. As at 31 December 2020 there were no legal proceedings outstanding, nor any other type of proceeding regarding anti-competitive behaviour, antitrust violations or monopoly violations.

Over the years, the Company has acquired the status of a private company issuing securities quoted on non-regulated markets, becoming a party under obligation of the various provisions of Regulation (EU) No. 596/2014 MAR (Market Abuse Regulation), which came into force on 3 July 2016, and of the ExtraMOT PRO Regulation, also paying particular attention to the various directives and regulations issued by the competent authorities such as Consob and the Bank of Italy.

Personnel and Human Capital

Tecnocap dedicates a great deal of attention to its Personnel and to Human Capital, through continuous basic training and specialisation courses on specific skills and disciplines required by the “Industry 4.0” plan, a policy of motivation through recognition and results-based awards and a growing valorisation of the most deserving individuals through exchanges of experience and knowledge between the various employees of the Italian Parent Company and the overseas subsidiaries.

Over the course of the year, there were no deaths at work of the personnel in the company's register, nor were there accidents that led to serious or extremely serious injuries to personnel. Over the course of the year, no charges for occupational diseases on employees, former employees or bullying cases were filed.

In the same year, in compliance with anti-COVID regulations and security protocols, the Group favoured, to the greatest extent possible, the smart working method and the reorganisation of work spaces in the company, in order to limit the possibilities of contagion, thus making it possible to immediately isolate suspicious cases without interrupting any activity.

The company has been committed for several years to the fight against corruption, recognising its negative effects on the country's social and economic growth. This commitment is reflected in the tools implemented for the identification, prevention, and control of corruption risks reported in the Organisational Model pursuant to Legislative Decree no. 231/01 and in the Code of Ethics, as an integral part thereof, to which reference is made for further details (see the paragraph "Organisation and Corporate Governance").

Production and Environment

The products made by the Tecnocap Group are mainly formed of tinplate and aluminium. Aluminium and iron ores are the third and fourth most common elements on Earth. To support its policies of safeguarding the environment, metal is 100% recyclable and can be infinitely reused without losing any physical properties. Throughout the entire lifecycle, from extraction of the raw material to production, to use and recycling, the advantages of metal as a permanent material are incomparable against any other material, like non-recyclable plastics, and represent the essence of sustainability and circular economy.

As regards paints and inks, some of the main materials applied to the caps, the Tecnocap Group uses UV painting and drying systems, obtaining a two-fold advantage. On the one hand, Volatile Organic Compound (VOC) emissions are reduced compared to results achieved with solvent-based paints, in addition to a cost reduction from purchasing and managing abatement systems (e.g. activated carbon, post-combustor). On the other hand, there is an increased level of consumer safety in the use of the obtained products.

On the other hand, as regards chemical components, technological progress is now leading to the complete reduction in the quantity of migration or release of plasticisers from the seals to the food products, through a series of constant research carried out by internal personnel as well as by external companies to reduce their use.

In this regard, Tecnocap offers the market PVC-free seals, without plasticisers and with extremely low migrations. The process of applying these seals on metal closures does not cause any emissions into the atmosphere nor does it require the presence of plasticisers. From the point of view of energy efficiency, this type of seal does not require time in the furnace. This involves a reduction in the ecological footprint deriving from the consumption of methane gas and represents a further positive aspect with regard to the environmental impact. Lastly, as a Research & Development activity, Tecnocap collaborates with the University of Salerno for the development of "Environmentally Friendly" seals, that are biodegradable and made from "Bio-based" raw material.

In addition, Tecnocap has signed an agreement with a large European group that produces aluminium allowing the Group to produce and market a line of aerosols and bottles made entirely of recycled aluminium throughout the world. The line made from 100% recycled aluminium is called "PURE" and represents the spearhead of the range of products already offered by Tecnocap in the field of circular economy, made with a certified lower percentage of recycled aluminium.

In terms of collecting, managing and recycling waste, Tecnocap has adopted procedures to reduce production waste, installing a telematics system that monitors in real time the production efficiency and promptly reports any anomalies. External specialised companies are also used for the disposal of residual non-recyclable production waste, as required by related legislation.

Tecnocap grants maximum attention to atmospheric emissions, using the necessary tools to filter and contain emissions and monitoring through external and independent bodies.

As evidence of the environmental protection policy undertaken by the Group, in 2020 the LCA (Life-Cycle Assessment) studies regarding the analysis of the life cycle of metal closures and aluminium aerosol cylinders and bottles were completed. These studies showed room for improvement in terms of the environment, through the progressively greater use of renewable energy sources or with low environmental impact. Moreover, they represent the necessary basis for obtaining the EPD, i.e. a certified environmental declaration of the product that provides data on its life cycle based on the international standard ISO 14025. Moreover, the Group, aware of the increasing importance of ESG (Environmental, Social, Governance) issues, has launched a project consisting of a Specific Sustainability Committee, dedicated to the structuring of a specific internal procedure in order to define roles, responsibilities, activities, controls and coordination and management policies, whose main objectives are the development of the company towards the Benefit Corporation status, obtaining the B-Corp Certification and the knowledge of the main Sustainable Finance Instruments, as well as disseminating these strategies to the entire Corporate Group.

Over the years, some of the most important certifications that guarantee the quality of the processes and products have been achieved, described as follows:

Tecnocap S.p.A.: UNI EN ISO 9001 – UNI EN ISO 14001 - CERT 122 BRC/IOP - SMETA for Pillars - ISO 45001;
Tecnocap LLC: UNI EN ISO 9001- AIB International;
Tecnocap UA LLC: UNI EN ISO 9001;
Tecnocap Sro: UNI EN ISO 9001 – UNI EN ISO 14001 - CERT 122 BRC/IOP - SMETA for Pillars;
Tecnocap TL S.r.l.: UNI EN ISO 9001.
The Tecnocap Group also pays particular attention to objectives and policies in favour of occupational health and safety, in order to effectively control real and potential risks.
During the year no damage to the environment was registered for which sanctions or penalties for environmental crimes or damages were imposed.

Human Rights and Social Aspects

The Tecnocap Group undertakes to support, within its sphere of influence, the global standard of conduct on human rights, which foresees policies and procedures to manage human resources in line with Italian legislation and the main international standards.
Furthermore, in respect of the employment contracts required in the category it belongs to, the Group pursues a balanced and proportional wage policy among the different company positions, nor does it use workers younger than the age admitted by the current regulations of the countries in which it operates, nor does it discriminate against the sex, race or religion of its workers. In respect of relations with confederal parties, it also guarantees freedom of

association with trade unions and does not subject workers to working hours that exceed the limits of the legislation in force.

Financial Capital

Tecnocap dedicates a lot of attention to its investors, shareholders and financiers, above all through the Investor Relations Department, which organises regular informative meetings, including by means of distance communication tools, to present the business performance and corporate strategies. In particular, the institutional investors, such as those already present in the Tecnocap Group (EIB, CDP, Simest), increasingly request more non-financial information alongside the financial information, for a complete overview of the choices and strategies of companies in which they invest their capital, favouring precisely those firms which combine profit-seeking and value creation with respect to ethical principles and the presence of responsible governance.

Significant Events after the Close of the Financial Year

- In the course of 2021, the Group carefully monitored the impact of the pandemic on business activities. The prospective analysis of the impact of COVID on our business confirms the positive effects, in terms of sales volumes, recorded in the first part of the year, deriving from the increase in domestic consumption of long-life food products, an increasingly structural phenomenon, and consolidated in the habits and choices of consumers still worried and now used to the new normality.

- In the course of 2021, the Group is closely monitoring the issue of procurement and the significant increase in the prices of raw materials at global level, considering it a transitory phenomenon, due to the strong and sudden Chinese demand and the prolonged blockade of main world productions. In any case, the Group is also evaluating the opportunity to adopt various financial instruments to hedge the risks deriving from the increase in the prices of raw materials, in particular steel and aluminium, while being able to count on consolidated relations with the main suppliers of raw materials, to guarantee supplies on time and under suitable conditions.

- In the course of 2021, Tecnocap Oriental is completing the construction of a new production plant in India, in order to install the new production lines for the expansion of the production capacity of metal capsules.
  The new Indian initiative also includes the investment of Simest which, through a Venture Capital Fund, subscribed a minority share of the new company and provided a shareholder loan at advantageous conditions to finance the production and real estate investments.

- In the course of 2021, following the establishment of the Brazilian company Tecnocap Brasil Embalagens Ltda., with the support of two local partners, the Management identified the site where to install the new production plant of twist-off capsules to start operating in a market area with strong growth, such as South America. In addition, the necessary authorisations and administrative concessions are being obtained in order to extend the marketing of our various packaging products in this market area.

- In 2021, negotiations were started and are still in progress for the acquisition of a small Italian company, active in the sector of self-adhesive labels. This acquisition would allow the Tecnocap Group to enter a new packaging sector, such as that of labels, and in the future the possibility of launching the flexible packaging business, further expanding and consolidating its presence in the global packaging sector. Moreover, this acquisition would allow a considerable increase in sales deriving from the different synergies and commercial strategies with current and potential customers.

- In the course of 2021, the company Management is also evaluating the possible acquisition of a new industrial initiative in India in the sector of twist-off capsules that would allow, with our Indian Newco, to become one of the main operators of capsules on the Indian market; moreover, the integration of the two companies would result in a series of industrial and commercial synergies, such as to guarantee significant returns in terms of operating efficiency and company competitiveness.

- The two research projects into the PVC-free compound also continued in 2021, also with the evaluation of the possibility of submitting an industrial patent application order to protect the possible use and applications of new biodegradable or recyclable polymer-based materials for food packaging.

- Over the course of 2021, the Tecnocap Group's Finance Department is continuing the analysis of the various financial instruments offered by the capital market and new digital platforms to integrate and strengthen the financial structure. Relations with the company Elite of Borsa Italiana were confirmed to continue to evaluate and use the different Alternative Finance instruments proposed by the capital market, also in consideration of the new opportunities offered by the entry of Borsa Italiana and Elite into the Euronext Pan-European Stock Exchange after the recent acquisition. The Finance Department is also analysing the evolution of new Private Market instruments, such as Private Equity funds, also interested in acquiring minority interests in unlisted companies, new Private Debt funds, as alternative lenders and patients for long-term development projects, but especially the new Club Deals, as an investment solution in Mid Cap selected and co-financed by private and institutional investors, which in addition to financial intervention can make a commercial and managerial contribution, always looking carefully at the markets reserved for medium-sized companies, such as AIM Italia or the Star segment of Borsa Italiana. The Finance Department is analysing with great interest the new tools offered by Digital Finance, particularly with regard to ICO (Initial Coin Offering), STO (Security Token Offering) and the new NFT (Non Fungible Token) transactions, and the opportunities offered by the new digital technologies such as Block Chain, smart contracts, and crypto currencies. Relations with the Milan Fintech District, an ecosystem of Fintech start-ups, are continuing in order to evaluate and share the various innovative digital solutions, such as crowdfunding and digital factoring. The Finance Department is also assessing the opportunities offered by the new Sustainable Finance, relating to the various financing transactions to be used for so-called sustainable investments or linked to ESG and Circular Economy targets for better conditions and rates.

- In 2021, the publicly held company Invitalia S.p.A. approved the disbursement of the remaining non-repayable grant to the Parent Company as part of the industrial development project called CDS000409 Quality Pack, concerning investments aimed at the requalification of processes through the acquisition of new technologically advanced machinery, and the adaptation of the industrial building. The disbursement will take place in the third quarter of 2021.

- In the course of 2021, the Group, continuing its evolutionary path towards sustainability, is evaluating, with leading consulting and auditing companies, the certification of the Sustainability Report and, with independent rating agencies such as Standard Ethics, the assignment of the ESG rating. In this perspective, the company management is monitoring with great attention, for the near future, the transition from a sustainable company to a Benefit company, as well as B-Corp certified at international level, to effectively become a company with a positive impact on the planet and on the company, generating economic results and values, but also common, environmental, and social benefits for shareholders and the various company stakeholders.

- At the beginning of 2021, the Parent Company obtained the assignment of the new rating of financial strength and creditworthiness, by the Crif agency, based on the 2019 financial statements, a judgment that had been postponed by a few months to allow the agency an assessment based on the final and complete results, reporting a further improvement in the outlook. The new rating, that will be assigned by the end of 2021 on the basis of the financial statements filed in 2020, should show a further improvement in our assessment, given the excellent economic and financial results of 2020.

- In the course of 2021, with regard to Open Innovation, the company management is also organising the establishment of a new company to be called Tecnocap Innovation, a sort of incubator in which to contain the technical-digital solutions and applications, developed internally by the various company departments for the companies of the group, together with the promising investments in Start-ups and innovative SMEs, researched and selected on the market by different functions and organisations, implementing that process of Open Innovation and Corporate Venture Capital (CVC) that allows more structured companies such as Tecnocap to extend its internal research and innovation activities, investing in new initiatives also with innovative solutions and applications that could implement and increase the company business.

Own Shares

Tecnocap S.p.A. holds 304,575 own shares in its portfolio for a nominal value of € 158,379, representing 2.5% of the Share Capital.

Risk Management

With reference to risk management, see the explanatory notes to the yearly financial statements.

Objectives and Policies of the Company on Assuming, Managing and Covering Risk

A series of qualitative information is provided below to give indications on the dimension of the company's exposure to risk.

It must be borne in mind that the Group's financial activities have a good credit quality.

There are no financial activities whose recoverability is doubtful.

It is noted that:

- The Group owns financial assets for which a liquid market exists and which are ready to be sold to satisfy liquidity requirements;
- there are debt instruments or other credit lines to take on liquidity requirements;
- there are different sources of financing.

Furthermore, the Group has adopted a risk coverage policy on the interest rates of some loans. For details on the situation relating to the fair value of those derivative instruments, see the explanatory notes.

The Group is in talks with specialised companies to assess the potential use of financial instruments for risk coverage on the prices of raw materials.

Allocation of the Operating Result

Dear Shareholders, we ask you to approve the Yearly Financial Statements and Consolidated Financial Statements as at 31 December 2020, formed of the following statements respectively:

- statement of financial position and consolidated statement of financial position;
- income statement and consolidated income statement;
- statement of comprehensive income and consolidated statement of comprehensive income;
- cash flow statement and consolidated cash flow statement:
- statement of changes in equity and consolidated statement of changes in equity;

- explanatory notes to the yearly financial statements and to the consolidated financial statements and related appendices.

The Board of Directors, in accordance with legal provisions and the Articles of Association, proposes that the Shareholders' Meeting distribute the net profit for the year, equal to € 6.892.546, as follows:

- 5% of net profit, equal to € 344,627, pursuant to Article 2430 of the Italian Civil Code, to the legal reserve;
- € 6.547.919 to the extraordinary reserve.

ADMINISTRATIVE BODY

27 May 2021

Tecnocap Group

Consolidated Financial Statements as at 31 December 2020

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Tecnocap Group - IAS/IFRS Consolidated Financial Statements as at 31 December 2020

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STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	31/12/2020	31/12/2019
NON-CURRENT ASSETS			
Property, plant and equipment	4	79,244,733	78,494,216
Assets under construction and payments on account		5,746,230	7,137,330
Land and buildings		23,036,617	24,376,969
Plant and machinery		45,814,849	43,248,537
Equipment and other assets		4,647,037	3,731,380
Intangible fixed assets	5	22,326,224	23,138,643
Development costs		91,512	183,025
Patents, trademarks and other rights		124,182	102,391
Software		142,965	124,021
Goodwill		21,424,633	22,151,954
Other intangible assets		542,932	577,253
Rights of use	6	4,359,408	4,759,245
Financial fixed assets	7	3,390,419	3,181,061
- Equity investments measured at cost		511,011	404,844
- Other financial assets		2,879,408	2,776,217
Deferred tax assets	8	3,542,628	3,111,548
Non-current assets, Total		112,863,412	112,684,714
CURRENT ASSETS			
Inventories	10	50,605,898	47,360,732
Tax assets	11	3,039,487	2,069,468
Trade credits and other receivables	12	27,274,022	22,827,809
Cash and cash equivalents	13	8,986,907	3,654,661
Current assets, Total		89,906,313	75,912,670
Assets held for sale	9	-	-
ASSETS, TOTAL		202,769,725	188,597,384

LIABILITIES	NOTES	31/12/2020	31/12/2019
NET EQUITY	14		
Share capital		6,319,490	6,319,490
Other reserves		35,552,109	35,076,525
Profit (loss) for the period		9,197,602	6,964,885
- Group Net Equity		51,069,201	48,360,901
- Minority interest Net Equity		840,213	208,550
Consolidated Net Equity		51,909,414	48,569,450
NON-CURRENT LIABILITIES			
Payables to Banks and other lenders	15	41,739,724	42,398,474
Employee severance indemnity and other employee benefits	16	1,744,535	1,569,035
Deferred tax liabilities	17	7,937,024	8,397,546
Other provisions	18	424,464	94,000
Other liabilities	19	1,986,254	1,723,110
Non-current liabilities, Total		53,832,002	54,182,166
CURRENT LIABILITIES			
Payables to Banks and other lenders	15	36,816,735	36,229,731
Tax payables	20	860,507	886,559
Trade and other payables	21	53,712,448	43,705,616
Other liabilities	19	5,638,618	5,023,863
Current liabilities, Total		97,028,308	85,845,768
LIABILITIES, TOTAL		150,860,310	140,027,933
NET EQUITY AND LIABILITIES, TOTAL		202,769,725	188,597,384

CONSOLIDATED INCOME STATEMENT	NOTES	31/12/2020	31/12/2019
OPERATING REVENUES		192,576,030	172,451,847
Revenue from sales and services	22	187,885,775	165,611,940
Other revenues and income	23	3,070,982	3,891,012
Increases of non-current assets from in-house production	24	1,619,272	2,948,894
OPERATING COSTS		177,444,846	161,132,465
Raw materials, consumables and supplies	25	104,381,853	92,912,836
Other operating costs	26	24,850,599	23,847,064
Personnel costs	27	37,836,282	35,143,029
Depreciation of property, plant and equipment and rights of use and amortisation of intangible assets	28	10,376,113	9,229,535
OPERATING EARNINGS		15,131,183	11,319,382
Interest and other financial income	29	44,336	29,842
Interest and other financial charges	29	(3,168,768)	(3,548,213)
Exchange gains and losses		(1,952,328)	731,781
NET FINANCIAL INCOME AND CHARGES		(5,076,759)	(2,786,590)
PRE-TAX INCOME		10,054,424	8,532,792
TAX CHARGES/(INCOME)	30	816,113	1,540,293
- Current taxes		1,678,426	1,376,001
- Deferred tax assets/liabilities		(862,313)	164,293
PROFIT (LOSS) OF THE OPERATING ACTIVITY		9,238,311	6,992,499
Net gains (losses) deriving from assets held for sale		0	0
PROFIT (LOSS) FOR THE YEAR		9,238,311	6,992,499
- PROFIT (LOSS) for the year attributable to minority interest		40,709	27,614
- PROFIT (LOSS) FOR THE YEAR attributable to owners of the parent		9,197,602	6,964,885

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31/12/2020	31/12/2019
Consolidated profit	9,238,311	6,992,499
Other components of the statement of comprehensive income:		
Translation differences of foreign statements	(4,390,922)	1,243,840
Discounting effect IAS 19	19,915	(29,000)
Net (Loss)/profit from cash flow hedge	0	0
Other	0	0
Total other components of the statement of comprehensive income	(4,371,007)	1,214,840
Total comprehensive profit/loss, net of taxes	4,867,304	8,207,339
Attributable to:		
Shareholders of the parent company	4,826,595	8,179,725
Minority shareholders	40,709	27,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Result	Total Group	Cap. and res. minority interest	Res. minority interest	Total minority interest
31/12/2018	6,319,490	28,739,050	6,601,405	41,659,946	139,299	41,636	180,936
2019 consolidated result attributable to the group			6,964,885	6,964,885			0
2019 consolidated result attributable to minority interest				0		27,614	27,614
Net gains/losses from cash flow hedge				0			0
Exchange rate difference and other minor impacts		1,214,840		1,214,840			0
Total statement of comprehensive income		1,214,840	6,964,885	8,179,725	0	27,614	27,614
2018 consolidated group result carried forward		6,601,405	(6,601,405)	0			0
2018 minority interest result carried forward				0	41,636	(41,636)	0
Dividends paid		(1,400,296)		(1,400,296)			0
Other changes		(78,473)		(78,473)			0
31/12/2019	6,319,490	35,076,525	6,964,885	48,360,901	180,936	27,614	208,550
2020 consolidated result attributable to the group			9,197,602	9,197,602			0
2020 consolidated result attributable to minority interest				0		40,709	40,709
Exchange rate difference and other minor impacts		(4,390,922)		(4,390,922)			0
Total statement of comprehensive income		(4,390,922)	9,197,602	4,806,680	0	40,709	40,709
2019 consolidated group result carried forward		6,964,885	(6,964,885)	0			0
2019 minority interest result carried forward				0	27,614	(27,614)	0
Dividends paid		(2,000,073)		(2,000,073)			0
Other changes		(98,307)		(98,307)	590,954		590,954
31/12/2020	6,319,490	35,552,109	9,197,602	51,069,201	799,502	40,709	840,213

Consolidated cash flow statement	31/12/2020	31/12/2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Result for the year	9,238,311	6,992,499
ADJUSTMENTS FOR NON-MONETARY ELEMENTS	8,634,348	7,724,577
- Depreciation of property, plant and equipment and amortisation of intangible assets	10,376,113	9,229,535
- Loss / (Profit) on the sale of assets	0	0
- Capitalisation	(1,619,272)	(2,948,894)
- Other	(122,493)	1,443,936
OPERATING EARNINGS BEFORE CHANGES IN WORKING CAPITAL	17,872,659	14,717,076
- Changes in inventories	(3,245,166)	(8,490,550)
- Changes in trade credits and other receivables	(4,446,213)	(137,772)
- Changes in tax assets	(970,019)	(127,232)
- Changes in trade payables	10,006,833	1,463,804
- Changes in other liabilities and tax payables	588,704	562,773
Changes in working capital	1,934,139	(6,728,976)
NET CASH FLOW FROM OPERATING ACTIVITIES	19,806,798	7,988,099
CASH FLOWS FROM INVESTMENT ACTIVITIES	(8,504,459)	(13,361,765)
(Investments) / divestments in property, plant and equipment and intangible fixed assets	(8,295,101)	(15,293,178)
(Investments)/divestments in financial fixed assets and assets held for sale	(209,358)	1,931,413
FREE CASH FLOW	11,302,338	(5,373,666)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,579,171)	359,886
Increase / (Decrease) in Net Equity excluding result	(1,507,425)	(1,507,770)
Increase / (Decrease) in debt to Banks and Other lenders	(71,746)	1,867,656
Translation differences	(4,390,922)	1,243,840
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	5,332,246	(3,769,940)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,654,661	7,424,600
CASH AND CASH EQUIVALENTS AT YEAR-END	8,986,907	3,654,661

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

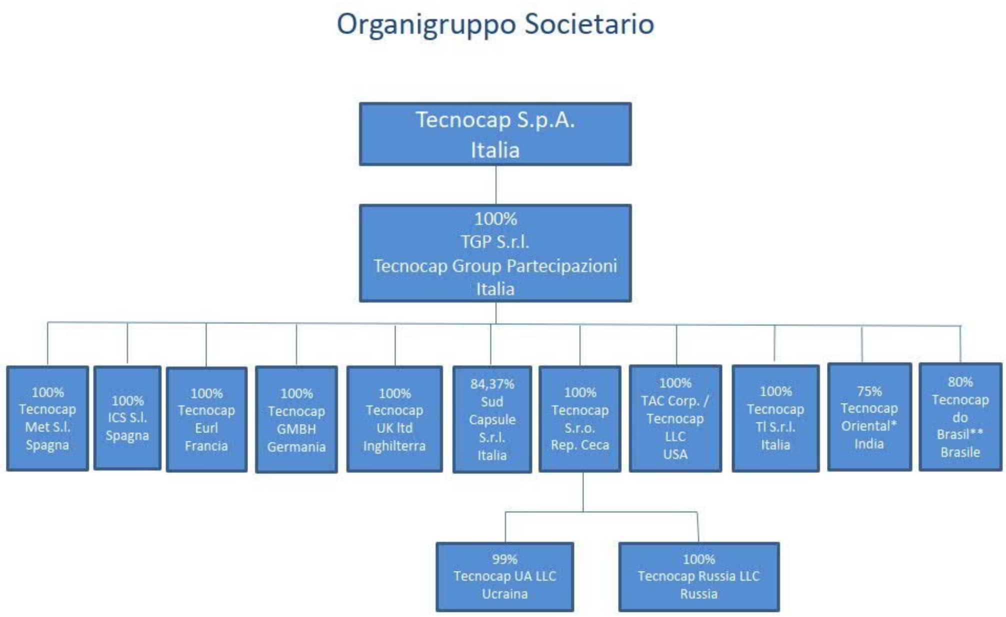
1. Company information

Tecnocap S.p.A. (hereinafter the “Parent Company” or “Tecnocap”) is a joint-stock company registered and domiciled in Italy. It is noted that the Company has benefited from the longer period of 180 days for the approval of the financial statements, compared to the established 120 days, in order to examine the correct preparation of the financial statements of the Group companies.

The Tecnocap Group, operating in the metal packaging sector, specialises in the industrial production of metal closures for metal, glass and plastic containers, used both in the industrial food packaging sector and in health and well-being products, as well as the design, production, sale and leasing of machinery, plants and industrial equipment for the manufacturing and use of the closures.

For several years now, the Tecnocap Group has expanded its range of products offered, adding to the production of metal capsules also the production of aluminium aerosol cylinders and aluminium bottles, thus achieving an initial diversification of its product offer.

The Group's structure is represented graphically, as follows:



*Tecnocap Oriental was consolidated as from the start date of the activity (last quarter of the 2020 financial year).

**Tecnocap do Brasil was not consolidated as it is not yet operational.

The companies of the Group are mainly divided into manufacturing, commercial services and commercial distribution.

The manufacturing companies are:

Tecnocap S.p.A. – the Parent Company based in Italy, carries out the production of metal packaging as well as the design and construction of capping machines for closing the packaging, through research and development and technical design activities;

Tecnocap S.r.o. – a company based in the Czech Republic, carries out the production of metal packaging, as well as lithography; this company in turn controls the Ukrainian company Tecnocap UA LLC which carries out the same activity;

Tecnocap LLC (controlled through the vehicle company TAC Tecnocap Acquisition Company Corp.) - a company based in the USA, which operates in the field of production of metal closures and lithography, which has its own research and design centre;

Tecnocap TL S.r.l. - a company established in 2017, based in Italy, which produces aluminium aerosol cylinders and bottles.

Tecnocap Oriental Pvt. Ltd. (hereinafter "TOPL") - a company based in India, established in 2020, which produces and sells metal closures.

Moreover, in 2020 the company based in Brazil called Tecnocap do Brasil Ltda. was established, which will be operational from next year.

The commercial services companies are:

Tecnocap Eurl – a company based in France, through which sales in the French territory can be monitored and promoted;

Tecnocap GmbH – a company based in Germany, through which sales in the German territory can be monitored and developed;

Tecnocap UK Ltd – a company based in England, through which sales in the English territory are developed;

Tecnocap Russia LLC – a company based in Russia, through which sales in the Russian territory are tracked, not yet operational;

Tecnocap-Met S.L.U. – a company based in Spain, not operational as from 2019;

The commercial distribution companies are:

Sud Capsule S.r.l. – a commercial company based in Italy, through which it is possible to better follow and serve the market segment, consisting of many small and medium-sized national businesses;

International Closures Solution Sl – a commercial company established in 2017 based in Spain, operational as from 2018 to serve and develop the Iberian peninsula and North African markets.

Finally, TGP Tecnocap Group Partecipazioni S.r.l. (hereinafter "TGP") is a sub-holding of participations, based in Italy, and company vehicle wholly-owned by the Parent Company Tecnocap S.p.A., through which it holds the various strategic equity investments of the Tecnocap Group;

Starting from 2014, the Italian Parent Company Tecnocap S.p.A. opted for the taxation regime under the national consolidated tax convention, as a consolidator, as did its direct subsidiary TGP, and its indirect subsidiaries Tecnocap TL S.r.l. and Sud Capsule S.r.l., as consolidated companies.

2.1 Reporting principles and accounting standards

Pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002, the consolidated financial statements as at 31 December 2020 have been prepared in accordance with the International Accounting Standards IAS/IFRS (hereinafter IFRS) approved by the European Commission, supplemented by the related interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB) and in force at year-end.

The general principle adopted in preparing these financial statements is the historical cost principle, with the exception of the balance sheet items that, according to IFRS, are mandatorily recognised at fair value, as indicated in the measurement criteria of the individual items.

The financial statements consist of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, a Statement of Changes in Equity, and the relevant Explanatory Notes.

The assets and liabilities in the Tecnocap Group financial statements are classified according to the current/non-current criterion.

An asset is current when: (i) it is supposed to be realised, or is held for sale or use, in the normal course of the operating cycle; (ii) it is held primarily for the purpose of trading it; (iii) it is expected to be realised within twelve months of the closing date of the financial year; (iv) it is comprised of cash or cash equivalents unless it is prohibited from exchanging or using it to settle a liability for at least twelve months from the reporting date. All other assets are classified as non-current.

A liability is current when: (i)it is supposed to be realised, or is held for sale or use, in the normal course of the operating cycle; (ii) it is held primarily for the purpose of trading it; (iii) it must be settled within twelve months from the closing date of the financial year; (iv)consists of cash or cash equivalents unless it is prohibited to exchange it or use it to settle a
liability for at least twelve months from the reporting date. The Group classifies all other liabilities as non-current.

The income statement is presented for the period, classifying costs by type; the Statement of comprehensive income/loss and the Statement of changes in equity have been prepared in a separate format in accordance with IAS 1 Revised. The Cash Flow Statement was prepared using the indirect method as permitted by IAS 7.

The financial statements were drafted on a going concern basis, pursuant to Article 2423 bis of the Italian Civil Code, as, even within a difficult economic and financial context, caused by the COVID-19 pandemic, it is not deemed that there are significant uncertainties and effects (as defined by paragraph no. 25 of IAS 1 - Presentation of financial statements) on the going concern assumption. This conclusion was reached considering the evidence of the results achieved in 2020 and the substantial stability of the business in which the Tecnocap Group operates, whose activity, belonging to the typically anti-cyclical production chains of Food and Pharma, reduces the risk of negative impact on the business continuity perspective.

For more details on the economic, financial and equity performance of the Group, refer to the Management Report.

The preparation of the financial statements required the use of estimates by management: the main areas characterised by particularly significant valuations and assumptions, as well as those with significant effects on the statements presented, are reported in paragraph 3 to which reference is made.

In compliance with Article 2497 bis of the Italian Civil Code, it is noted that the Tecnocap Group is not subject to management and coordination activities.

These financial statements, prepared according to IFRS, have been audited by the audit firm EY S.p.A., which was also entrusted with the legally-required audit of the accounts.

Transactions in currencies other than the functional currency

The financial statements are presented in Euro, which is the functional currency.

The amounts shown are rounded to the unit, including the amounts indicated in the Explanatory Notes, unless otherwise indicated, in order to facilitate their reading and understanding.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the reporting date.

The exchange differences realised or those deriving from the conversion of monetary items are recorded in the income statement, with the exception of the monetary elements that constitute part of the coverage of a net investment in a foreign operation. These differences are recognised in the statement of comprehensive income until the sale of the net investment, and only then is the total amount reclassified to the income statement. The taxes attributable to foreign exchange differences on monetary items are also recognised in the statement of comprehensive income.

Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rates on the date of initial recognition of the transaction. Non-monetary items recorded at fair value in foreign currency are converted at the exchange rate on the date of determination of this value. The profit or loss that arises from the conversion of non-monetary items is treated consistently with the recognition of profits and losses related to the change in fair value of the aforementioned items (i.e. the translation differences on the items whose change in fair value is recognised in the statement of comprehensive income or in the income statement are recorded, respectively, in the statement of comprehensive income or in the income statement).

Intangible assets

Intangible assets comprise clearly identifiable non-monetary items without physical substance and from which future economic benefits are expected to flow to the company. These elements are recognised at purchase and/or production cost, including expenses directly attributable during preparation to the activity to bring it into operation, net of accumulated amortisation (with the exception of fixed assets with an indefinite useful life) and any losses. Amortisation begins when the asset is available for use and is systematically distributed according to the residual useful life, i.e. on the basis of useful life. In the financial year in which the intangible asset is recognised for the first time, amortisation is determined taking into account the actual use of the asset.

Goodwill

Goodwill is initially recorded at cost and represents the excess of the purchase cost compared to the quota pertaining to the buyer of the fair value referred to the values of the assets, liabilities and contingent liabilities identified at the purchase date. Under IAS 36, goodwill is not subject to amortisation, but to impairment testing at least yearly, at the time of preparing the consolidated financial statements. If the recoverable amount (defined as below) is lower than its carrying amount, the asset is written down to its recoverable value. Where goodwill is attributed to a cash-generating unit that is partially sold/disposed, the goodwill associated with the sold/disposed unit is considered for the purpose of determining any capital gains/losses deriving from the operation.

Improvements on third-party assets

Improvements on third-party assets with the characteristics of fixed assets are capitalised in the category of the asset to which they refer and are amortised according to their useful life or, if lower, for the entire duration of the lease.

Development costs

An intangible asset generated in the development phase of an internal project is recorded as an asset if it is probable that the Group will benefit from expected future benefits attributable to the developed project and if the cost of the project-related asset can be measured reliably. Research costs are charged to the income statement. Similarly, if the Group purchases externally a fixed asset that qualifies as research and development expense, only the cost attributable to the development phase, if the above requirements are met, is recognised under fixed assets.
Costs for development projects are capitalised under the item “Assets under development” and are subject to amortisation only when the development phase is completed and the developed project begins to generate economic benefits. During the period in which internal development costs eligible for capitalisation are incurred, these are suspended in the income statement as increases of non-current assets from in-house production. The amortisation of development costs is calculated over five years, the average duration representing the useful life of the benefits linked to the developed products.

Trademarks, patents, and other rights

Trademarks and patents with a finite useful life are amortised using the linear method based on their estimated useful life and on the basis of the strategic plans envisaged for use.

The period and the amortisation method applied to them are reviewed at the end of each financial year. Changes in the expected useful life or in the manner in which the future economic benefits linked to the intangible fixed asset will be achieved by the Group are recognised by modifying adequately the amortisation period or method and treated as changes in accounting estimates.

The amortisation charges of intangible fixed assets with a finite useful life are recorded in the income statement in the cost category consistent with the function of the related intangible asset. The amortisation rates based on the estimated useful life as at 31 December 2020, by category of intangible asset, are as follows:

Description	Rate Applied	Estimated Useful Life
Development Costs	20%	5
Software	20%	5
Patents, trademarks and other rights	20%	5
Other	20%	5

Property, plant, machinery, and other equipment

Recognition and measurement

Property, plant, machinery and other equipment are recorded at cost, net of the related accumulated depreciation and any impairment losses. The cost includes the purchase or production price and the costs directly attributable to bringing the asset to the place and in the conditions necessary for its operation; financial charges are also included if they meet the conditions envisaged by IAS 23.

Following the initial recognition, the cost criterion is maintained, depreciated based on the useful life of the asset and net of any loss in value, taking into account any residual value.

Land, including that pertaining to buildings, is accounted for separately and is not depreciated as it has an indefinite useful life.

Subsequent expenses

Costs for improvements and conversions with an incremental nature of tangible assets (since they determine probable future economic benefits that can be measured reliably) are recorded in assets as an increase in the reference fixed asset or as a separate asset. Maintenance or repair costs that have not led to any significant and measurable increase in production capacity, or in the useful life of the asset concerned, are recognised in the income statement for the year in which they are incurred.

Depreciation

Depreciation reflects the financial and technical deterioration of the asset and begins when the asset becomes available for use; it is calculated according to the linear model using the rate deemed representative of the estimated useful life of the asset.

The economic-technical lives of tangible assets, on the basis of which the depreciation process is determined, are as follows:

Description	Rate Applied	Estimated Useful Life
Land	n.a.	indefinite
Buildings	3%	33 years
Plant and machinery	8% - 10%	13 - 10 years
Equipment and other assets	12% - 25%	8 - 4 years

The useful life of the individual assets is periodically retested, in order to determine the consistency with respect to the financial - technical deterioration.

If the asset being depreciated comprises distinctly identifiable elements whose useful life differs significantly from that of the other parts that make up the asset, depreciation is calculated separately for each of the parts that make up the asset in application of the component approach principle.

In 2012, the Parent Company reduced the depreciation rate of plant and machinery to take into account the effective useful life of the assets, which was estimated, by technical appraisal, as 13 years (compared to the previous 7 years of the financial years prior to 2012).

Impairment of assets

Intangible assets with an indefinite life are subject to a systematic testing of impairment at least annually and in any case if impairment indicators emerge.

Property, plant and equipment, as well as intangible assets subject to amortisation, are subjected to an impairment test if impairment indicators emerge. The reductions in value correspond to the difference between the book value and the recoverable value of an asset. The recoverable value is the greater between the fair value of an asset or cash-generating unit, less costs to sell, and its value in use, defined on the basis of the discounted cash flow method. The value in use is given by the sum of the cash flows expected from the use of an asset, or from their sum in the case of several units generating flows. In the event that the recoverable amount is lower than the book value, the latter is reported at the recoverable value, recognising the impairment in the Income Statement. If the impairment of the asset (excluding goodwill) is subsequently lost, the book value of the asset (or cash-generating unit) is increased until the new estimate of the recoverable value, without exceeding the value initially recorded.

Leases

Lease agreements are accounted for in application of IFRS 16, according to which the Group assesses at the time of signing a contract whether it is, or contains, a lease. In fact, IFRS 16 establishes a single model for the recognition and measurement of lease agreements (including operating) for the lessee, with the recognition of the leased asset in the balance sheet assets (“Right of use”) against a financial liability. This does not apply only to short-term lease agreements (i.e., lease agreements with a duration equal to or lower than twelve months) and those in which the underlying asset is a low-value asset (or underlying assets that do not exceed the value of € 5 thousand, when new), for which the Group continues to recognise lease payments in the income statement.

The Group recognises right of use assets at the start date of the lease (i.e., the date on which the underlying asset is available for use). Right of use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of right of use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and lease payments made at the start date or prior, net of all other incentives received. Right of use assets are depreciated on a straight-line basis as of the start date until the end of the useful life of the right of use asset or, if prior, the end of the term of the lease.

If the lease transfers ownership of the underlying asset to the lessee at the end of the term of the lease or if the cost of the right of use asset reflects the fact that the lessee will exercise the purchase option, the latter must depreciate the right of use asset on a straight-line basis as of the start date until the end of the useful life of the underlying asset.

At the start date of the lease, the Group recognises lease liabilities by measuring them at the present value of the payments due for the lease not yet done at that date. The payments due include fixed payments net of any incentives, variable lease payments that depend on an index or a rate, and the amounts that are expected to need to be paid by way of guarantee of the residual value. The lease payments also include the exercise price of a purchase option if it is reasonably certain that such option will be exercised by the Group and payments of penalties for the early termination of the lease, if the lease duration takes into account the exercise by the Group of the lease termination option.

Variable lease payments that do not depend on an index or a rate are recognised as costs in the period in which the event or the condition that generated the payment takes place.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at the start date if the implicit interest rate cannot be easily determined.

The carrying amount of lease liabilities is redetermined in the event of any modifications in the lease or due to the revision of contractual terms for the modification of payments; moreover, it is also redetermined if there are modifications with respect to the valuation of the purchase option on the

underlying asset or due to changes in future payments deriving from a modification of the index or the rate used to determine such payments.

The depreciation of right of use assets and interest expenses accrued on the financial liability are recognised in the income statement.

Assets under finance leases (for which the Group assumes substantially all the risks and rewards associated with ownership of the asset) are recognised as assets and therefore recorded, from the start date of the leasing contract, at the fair value of the leased asset or, if lower, at the current value of the lease payments. The corresponding liabilities to the lessor are recognised under financial liabilities. The amortisation methods and subsequent valuation of the asset are consistent with those of the directly owned fixed assets.

Lease agreements, already previously classified according to IAS 17 as finance leases, have not undergone any modification with respect to the current accounting method, continuing as in the past.

The following table provides the accounting representation of the lease contracts as at 31 December 2020:

NON-CURRENT ASSETS	EURO
Right of use - Land and buildings	2,919,849
Right of use - Plant and machinery	1,099,445
Right of use - Motor vehicles	330,608
Right of use - Other	9,506
TOTAL	4,359,408
NON-CURRENT LIABILITIES	
Financial liabilities for non-current leases	2,857,852
CURRENT LIABILITIES	
Financial liabilities for current leases	1,296,721
LIABILITIES, TOTAL	4,154,574

Receivables and financial assets

These are represented by equity investments, financial receivables, tax assets, trade credits, other current assets.

IFRS 9 provides for the following types of financial assets:

• financial assets at fair value through profit or loss;

• financial assets at amortised cost;

• investments held to maturity;

• available-for-sale financial assets

The management determines the classification of the same at the time of their first recognition according to the following parameters:

i. Financial assets at fair value through profit or loss

This category includes the assets held for trading and the assets intended at the time of initial recognition as financial assets at fair value with changes charged to the Income Statement, in addition to derivative instruments for which reference should be made to the specific paragraph. Assets held for trading are those assets acquired with the intention of being sold in the short-term. Gains or losses on assets held for trading are recognised in the income statement. As at 31 December 2020, the Group has not classified any financial assets at fair value with a corresponding asset item in the income statement, which is not attributable to derivative instruments.

ii. Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following requirements 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; and

• 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.

Financial assets at amortised cost are then measured using the effective interest method and are subject to impairment testing. Gains and losses are recognised in the income statement when the asset is derecognised, amended or revalued.

As at 31 December 2020, the Group recorded trade credits, tax assets, financial receivables related to loans to related parties and third parties and other current assets.

iii. Investments held to maturity

Financial assets that are not derivatives and which are characterised by fixed or determinable payments are classified as “Investments held to maturity” when the Group has the intention and the ability to keep them in the portfolio until maturity. Current assets include those whose contractual expiry is expected within the following 12 months. If there is objective evidence of indicators of impairment, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows obtainable in the future: the losses in value determined through impairment tests are recorded in the Income Statement. Should the reasons for the previous write-downs cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from the application of the amortised cost if the impairment was not carried out.

iv. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above three categories. These financial assets are valued at fair value, recognising the changes in value with a corresponding asset item in a specific equity reserve (“reserve for available-for-sale assets”), except when the fair value cannot be determined reliably. In this case, the aforementioned assets are valued at cost, adjusted for any impairment.

Financial derivatives IFRS 9, the application of which is obligatory from 1 January 2018, replaces IAS 39 according to which derivative financial instruments were measured at fair value through profit or loss for the period, unless they were designated as hedging instruments. Also on the basis of IFRS 9, derivatives are measured at fair value through profit or loss, unless they are part of a hedging relationship; therefore, since there are no different rules for the classification and valuation of derivatives in IAS 39 and IFRS 9, no transitional rules in relation to the measurement of derivatives have been provided.

For the purposes of proper recognition, classification, presentation in the financial statements and subsequent measurement, the existing financial derivative transactions can be divided as follows:

- Hedging transactions defined in accordance with IFRS 9: these are cash flow hedges. For cash flow hedges, the accrued result is included in the net result when realised, while the forecast value is shown in net equity.
- Operations not definable as hedge accounting in accordance with IFRS 9, albeit for hedging purposes: the Company may hold derivative instruments for the purpose of hedging its exposure to the risk of changes in rates. In line with the strategy chosen, the Group has not engaged in derivative transactions for speculative purposes. If these operations cannot be classified as hedges pursuant to IFRS 9, the accrued result and the forecast value are included in the operating earnings.

Determination of Fair value

The fair value of instruments listed on public markets is determined by reference to the quotations (bid price) at year-end. The fair value of unlisted instruments is measured by reference to financial valuation techniques.

Financial assets and liabilities measured at fair value are classified in the three hierarchical levels described below, based on the relevance of the information (input) used in determining the fair value itself. In particular:

Level 1: financial assets and liabilities whose fair value is determined on the basis of quoted prices (unadjusted) on active markets for identical assets or liabilities;

Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than quoted prices referred to in Level 1 but observable directly or indirectly;

Level 3: financial assets and liabilities whose fair value is determined on the basis of unobservable input data.

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower value between the purchase or manufacturing cost and the presumed net realisable value inferable from the market trend.

The purchase cost is inclusive of the costs incurred to bring each asset to the storage location.

The manufacturing cost of finished products and semi-finished products includes direct costs and a portion of indirect costs reasonably attributable to products on the basis of normal production capacity use, while financial charges are excluded. With regard to the work in progress, the valuation was made at the production cost of the year, taking into account the progress of the work performed.

The cost of inventories of raw materials, finished products, goods for resale and semi-finished products is determined by applying the FIFO method. For raw materials, consumables and supplies, the presumed net realisable value is represented by the replacement cost. For finished and semi-finished products, the presumed net realisable value is the estimated selling price during ordinary business activities, net of estimated costs of completion and those necessary to make the sale. Obsolete inventories and slow-moving items are written down in relation to their possibility of use or future realisation, by means of inserting a specific value adjustment provision in the financial statements.

Assets held for sale

Assets held for sale refer to those assets whose book value will be recovered through the sale, which should be completed within 12 months from the date of classification of this item, rather than through continuous use. Assets held for sale are valued at the lower of their net book value and the fair value net of the related selling costs.

In accordance with IFRS 5, the data relating to assets held for sale are presented in two specific items of the balance sheet: "Assets held for sale" and "Liabilities directly related to assets held for sale".

Cash and cash equivalents

Cash and cash equivalents include the cash balance, unrestricted deposits and other treasury investments with an original maturity not exceeding three months. A cash investment is considered a cash equivalent when it is readily convertible into cash with a non-significant risk of change in value and when it is intended to meet short-term cash commitments and it is not held for investment purposes.

For the purposes of the cash flow statement, cash and cash equivalents are shown net of bank overdrafts at year-end.

Net Equity

Share capital

The share capital comprises the subscribed and paid up capital. The costs related to the issue of the shares or units are classified as a reduction of the share capital, net of the deferred tax effect.

Retained earnings/ (Losses carried forward)

This item includes the net results for the year for the part not distributed or allocated to reserves (in the case of profits) or to be repaid (in case of losses). The item also includes transfers from other equity reserves when the restriction to which they were subjected is lifted, as well as the effects of the recognition of changes in accounting policies and material errors.

Provisions for liabilities and charges

Provisions for liabilities and charges relate to costs of a determined nature and of certain or probable existence which at the closing date of the financial year are indeterminate in the amount or the date of occurrence.

Provisions are made if the following conditions are met:

- there is a current obligation (legal or contractual) as a result of a past event;
- it is probable that an outflow of resources will be needed to resolve the obligation;
- a reasonable estimate of the amount of the obligation can be made.

The funds are recorded at the current value of the expected financial resources to be used against the obligation.

The funds are periodically updated to reflect the change in estimates of costs, completion time and any discounted value; the review of estimates of the funds are charged to the same item in the Income Statement which previously included the provision and in the income statement for the period in which the change occurred. In the event of discounting, the change in provisions due to the lapse of time or changes in interest rates is recorded in the item "Net financial income and charges".

Employee benefits

The following is a distinction between defined contribution plans, defined-benefit plans that are fully not funded, partially or fully funded defined benefit plans, and other long-term benefits.

Defined contribution plans

Defined contribution plans are formalised plans for the supply of benefits after the termination of the employment relationship on the basis of which the Group makes payments to a separate entity (insurance company or a pension fund) and will not have a legal or implicit obligation to pay additional contributions if the fund did not have sufficient assets, when the right accrues, to pay all the benefits for employees relating to the work performed during the current and prior periods. These contributions, paid in exchange for the work rendered by the employees, are recorded under costs in the relevant period.

Defined benefit plans and other long-term benefits

The cost related to defined benefit plans is determined using the Projected Unit Credit Method, carrying out actuarial valuations at each year-end. The cost related to past work benefits is recognised immediately, to the extent that the benefits have already accrued, or otherwise is amortised on a straight-line basis, within the average period in which the benefits are expected to accrue. The financial charges accrued on the basis of the annual technical discounting rate are immediately recognised in the Income Statement. Actuarial gains and losses are recognised through other changes in the Statement of Comprehensive Income in the specific item of net equity.

The liabilities for post-employment benefits recognised in the financial statements represent the current value of the liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or benefits for termination of employment.

Financial liabilities

The Group’s financial liabilities consist of medium/long-term loans, current and non-current financial liabilities relating to loans from related parties and third parties, short-term payables to banks, and financial liabilities relating to finance leases.

Financial liabilities are initially recorded at market value (fair value) increased by transaction costs; subsequently, they are valued at amortised cost and, in other words, at initial value, net of capital repayments already made, adjusted (up or down) based on amortisation (using the real interest rate calculation method) of any differences between the initial value and the value at maturity. Payables and other liabilities are classified under current liabilities, unless the contractual right to settle the obligations exceeds twelve months from the reporting date.

Revenues, other revenues and income

IFRS 15 applies, with few exceptions, to all revenues arising from contracts with customers. IFRS 15 establishes a five-step model to recognise the revenue arising from contracts with customers and requires that revenues are recognised in an amount that reflects the consideration that the entity expects to receive in exchange for the transfer of goods or services to a customer.

Revenues are recognised in the income statement according to the matching and accruals principle of accounting and are recognised to the extent that it is probable that the Group will receive the economic benefits associated with the sale of goods or the provision of services and the amount thereof can be determined in a reliable manner. Revenues are recorded net of returns, discounts, rebates and taxes directly associated with the sale of the product or the provision of the service. Sales are recognised at fair value of the consideration received for the sale of products and services, when the following conditions are met:

- the substantial transfer of the risks and benefits connected to the ownership of the asset takes place;
- the value of revenues is determined reliably;
- it is probable that the economic benefits deriving from the sale will be enjoyed by the company;
- the costs incurred, or to be incurred, are determined reliably.

Government grants

Government grants are recognised at fair value when it is reasonably certain that all the conditions necessary to obtain them have been met and that they will be received. Grants related to specific expenses are recognised under liabilities and taken to profit or loss on a systematic basis over the years in order to offset the related expenses. Grants related to specific assets the amount of which is recognised under non-current assets are recognised under non-current liabilities and taken to profit or loss over the amortisation/depreciation period of the relevant asset.

Costs

Costs are recognised in the Income Statement according to the criterion of direct association between the costs incurred and obtaining specific revenue items, unless specific provisions are contained in a standard.

Financial income and charges

Interest is recognised in the Income Statement on an accruals basis using the effective interest method, i.e. using the interest rate that renders all incoming and outgoing flows financially equivalent (including any additions, discounts, commissions, etc.) that make up a determined operation.

Financial charges that are directly attributable to the acquisition, construction or production of an asset that requires a rather long period before being available for use, are capitalised as part of the cost of the asset. All other financial charges are recognised as the cost for the period in which they are incurred. Financial charges are made up of interest and other costs incurred by an entity in connection with obtaining loans.

Current and deferred taxes

Current taxes are set aside in accordance with the legislation in force. The payable for current taxes is accounted for in the Statement of financial position, net of any tax advances paid. Deferred tax assets and liabilities are recorded to reflect all the temporary differences existing at the reporting date between the value attributed to an asset / liability for tax purposes and that attributed according to the accounting standards applied. The valuation is carried out in accordance with the tax rates that are expected to be applied in the year in which these assets will be realised or these liabilities will be extinguished considering the rates in force or those already issued or substantially issued at the reporting date.

Deferred tax liabilities are recorded on all taxable temporary differences. Deferred tax assets are recognised for unused tax losses or credits carried forward, as well as for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which such differences, losses, or assets may be utilised.

The value of deferred tax assets is reviewed at each year-end and is reduced to the extent that it is no longer probable that sufficient fiscally recognised profits may become available in the future for the use of all or part of this credit. Taxes (current and deferred) relating to components recognised directly in equity are also charged to equity. Current and deferred tax assets and liabilities are only offset if such offsetting is legally permissible and are, therefore, recognised as receivables or payables in the statement of financial position.

Deferred tax assets and deferred tax liabilities are determined by adopting the tax rates expected to be applicable, in the respective legal systems of the countries in which the Group companies operate, in the years in which the temporary differences will be cancelled out.

Dividends

Dividends are recognised when the shareholders' right to receive payment arises, in accordance with local regulations in force.

Transactions with related parties

Transactions with related parties occur at normal market conditions.

Cash flow statement

The cash flow statement is prepared using the indirect method. The net cash flows from operating activities are therefore determined by adjusting the result for the period of the effects deriving from changes in net working capital, non-monetary elements and all the other effects linked to investment and financing activities. Opening and closing cash and cash equivalents reflect the Group's net current financial position.

2.2 Consolidation Scope

The Consolidated Financial Statements of the Tecnocap Group include the balance sheet, income statement and financial data of Tecnocap S.p.A. and of all the companies with respect to which it has the right to exercise control, directly or indirectly.

The companies included in the Group’s scope of consolidation as at 31 December 2020 are as follows:

Company name	Registered office	Share capital	Shareholders	Share of port. on capital (%)	Share Cons. of Group (%)
TGP S.r.l.	Italy	24,690,375	Tecnocap S.p.A.	100.00	100.00
Tecnocap GmbH	Germany	25,000	TGP S.r.l.	100.00	100.00
Tecnocap LLC	USA	83	TGP S.r.l.	100.00	100.00
Tecnocap Eurl	France	1,000	TGP S.r.l.	100.00	100.00
Tecnocap Met	Spain	1,650,000	TGP S.r.l.	100.00	100.00
Tecnocap S.r.o	Czech Republic	4,757,188	TGP S.r.l.	100.00	100.00

Tecnocap UA	Ukraine	3,695,892	Tecnocap S.r.o	99.00	99.00
Tecnocap UK	Great Britain	1,000	TGP S.r.l.	100.00	100.00
Tecnocap TL	Italy	2,342,568	TGP S.r.l.	100.00	100.00
Sud Capsule S.r.l.	Italy	1,250,000	TGP S.r.l.	84.37	84.37
ICS SL	Spain	3,000	TGP S.r.l.	100.00	100.00
Tecnocap Oriental Pvt. Ltd.	India	110,119	TGP S.r.l.	75.00	75.00

2.3 Consolidation principles

For the purposes of the consolidated financial statements of the Tecnocap Group, prepared in accordance with IAS/IFRS accounting standards, the subsidiaries are consolidated on a line-by-line basis according to the full consolidation method.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. has valid rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns deriving from its relationship with the investee;
- the ability to use its power over the investee to affect the amount of its returns.

The financial statements of subsidiaries (if not under common control) are consolidated starting from the date on which control was acquired and until the date on which such control ceases.

The financial statements used to prepare the consolidated financial statements of the Tecnocap Group as at 31 December 2020 are the draft financial statements approved by the relevant Administrative Bodies. These financial statements have been modified, where necessary, in order to render them consistent with the Group's accounting policies, which comply with IAS/IFRS.

At the closing date, the financial statements of foreign companies with a functional currency other than the Euro are converted into the presentation currency as follows:

- all assets and liabilities are translated using the exchange rates in effect at the reporting date (current exchange rate method);
- the related revenues and costs are converted at the average exchange rates for the year.

The exchange rate differences resulting from the application of this method are recorded in other comprehensive income and classified as net equity items (Foreign exchange and other differences) until the sale of the equity investment.

In preparing the consolidated financial statements, all the assets, liabilities and costs and revenues of the consolidated companies are taken on line by line, attributing to minority shareholders the portion of Net Equity and the result for the year attributable to them.

The accounting value of the investment in each of the subsidiaries is eliminated against the corresponding share of the Net Equity of each of them, including any adjustments to the fair value, measured at the acquisition date, of the related assets and liabilities; any emerging residual difference is allocated to the goodwill item. If this difference is negative, it is recognised in the Income Statement at the time of acquisition.

The minority interest and the share of profit or loss for the year of consolidated subsidiaries attributable to minority interest are identified separately in the Consolidated Statement of Financial Position and in the Consolidated Income Statement. Losses attributable to minority interest exceeding the share of the investee's capital are allocated to minority interest.

All intra-group balances and transactions, including any unrealised profits deriving from transactions between companies subject to consolidation, are eliminated net of any theoretical tax effect, if significant. Intra-group losses are eliminated with the exception of cases in which these are representative of impairment.

Equity investments in associated companies are consolidated using the equity method. Pursuant to IAS 28, companies in which the Group is able to exercise significant influence are considered as associated companies. The influence is presumed to be significant if the Group owns at least 20% of the voting rights in the investee's shareholders' meeting. Tecnocap does not directly and/or indirectly hold investments in associated companies. Investments in companies under joint control may be consolidated using the proportional consolidation method or, alternatively, with the condensed equity method. The Group does not hold investments in companies under joint control.

2.4 Changes in accounting standards and disclosures

The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2020 comply with those followed for the preparation of the consolidated financial statements as at 31 December 2019.

Several other amendments and interpretations shall apply for the first time in 2020, but have no impact on the Group's financial statements. The Tecnocap Group has not adopted in advance any other standard, interpretation or amendment published but not yet in force.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that together contribute significantly to the ability to create an output. Furthermore, it was clarified that a business can exist without including all the inputs and processes necessary to create an output. These amendments had no impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments provide a new definition of materiality, which states that information is material if it is reasonable to assume that its omission, misstatement, or concealment could influence the decisions that key users of financial statements prepared for general purposes take on the basis of these financial statements, which provide financial information about the specific entity preparing the financial statements.

The materiality depends on the nature or extent of the information, or on both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements, taken as a whole. The information is concealed if it is communicated in such a way as to have, for the key users of the financial statements, an effect similar to that of the omission or misstatement of the same information. These amendments had no impact on the Group's financial statements nor are future impacts expected.

Amendment to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB published an amendment called "COVID-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides for lessees the right to account for the reduction in fees related to COVID-19 without having to assess, through the analysis of lease agreements, whether the definition of lease modification of IFRS 16 is respected. Therefore, the lessees who apply this option can record the effects of the reductions in the rent directly in the income statement at the effective date of the reduction.

This amendment applies to financial statements starting on 1 June 2020, except for the possibility of early application by a company to financial statements starting on 1 January 2020. The adoption of the amendment had no effects on the Group's financial statements.

3. Significant accounting estimates

The application of the generally accepted accounting standards for the preparation of the financial statements requires that the company management make accounting estimates based on complex and/or subjective judgments, estimates based on past experience and hypotheses considered reasonable and realistic on the basis of the information known at the time of the estimate.

The use of these accounting estimates affects the values of assets and liabilities in the financial statements and information on contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the financial year in question. The ensuing results may differ from those estimates, due to the uncertainty that characterises the hypotheses and the conditions on which the estimates are based.

Impairment of assets

The Group's assets are subject to impairment tests on at least an annual basis if they have an indefinite life, or more often if there are indicators of impairment loss. Similarly, impairment tests are carried out on all the assets for which there are signs of impairment, even if the amortisation/depreciation process has already started.

The impairment tests are generally conducted using the discounted cash flow method: this method, however, is highly sensitive to the assumptions contained in the estimate of future flows and interest rates used.

For these valuations, the Group uses the plans approved by the corporate bodies and financial parameters in line with those resulting from the current trend of the reference markets.

NOTES TO THE ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4. Property, plant and equipment

Property, plant and equipment as at 31 December 2020 amounted to € 79,244,733 (€ 78,494,216 in the previous year).

The following table shows the breakdown of the item and the changes occurring in the course of the financial year:

Description	Assets under development	Land and buildings	Plant and machinery	Equipment and other assets	Total
Historical cost:					
As at 31/12/2019	7,137,330	34,543,413	97,751,659	11,127,472	150,559,875
Increases	9,632,468	313,344	7,604,347	1,131,969	18,682,128
Decreases	(5,547,103)	0	(1,258,721)	(89,885)	(6,895,709)
Reclassifications	(5,121,272)	84,000	4,382,226	655,045	0
Exchange rate effects and other movements	(355,194)	(1,176,611)	(3,506,418)	(93,269)	(5,131,493)
As at 31/12/2020	5,746,230	33,764,146	104,973,093	12,731,332	157,214,800
Depreciation:					
As at 31/12/2019	0	10,166,444	54,503,122	7,396,091	72,065,658
Charge for the period	0	937,506	7,305,912	806,069	9,049,488
Transfers	0	0	(619,818)	(13,156)	(632,974)
Exchange rate effects and other movements	0	(376,421)	(2,030,973)	(104,709)	(2,512,104)
As at 31/12/2020	0	10,727,529	59,158,243	8,084,296	77,970,068
Net book value:					
As at 31/12/2020	5,746,230	23,036,617	45,814,849	4,647,037	79,244,733
As at 31/12/2019	7,137,330	24,376,969	43,248,537	3,731,380	78,494,216
Changes	(1,391,101)	(1,340,352)	2,566,313	915,658	750,517

The following table shows the breakdown of the net book value of property, plant and equipment:

Description	Gross book value as at 31/12/2020	Accumulated depreciation and write-downs as at 31/12/2020	Net book value as at 31/12/2020
Assets under construction and advances	5,746,230	0	5,746,230
Land and buildings	33,764,146	10,727,529	23,036,617
Plant and machinery	104,973,093	59,158,243	45,814,849
Equipment and other assets	12,731,332	8,084,296	4,647,037
Total	157,214,800	77,970,068	79,244,733

"Assets under construction" amounted to € 5,746,230 (€ 7,137,330 in the previous year), recording a decrease of € 1,391,101 as net balance between new investments under development and the launch of some production lines in 2020.

The item “Land and buildings” amounted to € 23,036,617 (€ 24,376,969 in the previous year) and recorded a net decrease of € 1,340,352 mainly due to the combined effect of costs incurred and capitalised for various reasons relating to the plants of the Group companies, and the negative fluctuation of the exchange rates applied to the financial statement items of foreign companies in currencies other than the euro. The depreciation charge for the year was € 937.506.

“Plant and machinery” amounted to € 45,814,849 (€ 43,248,537 in the previous year) and recorded a net increase of € 2,566,313, confirming the significant investments made by the Group companies, including those included in the production assets of the Indian newco Tecnocap Oriental.
The depreciation charge for the year was € 7.305.912.

The item “Equipment and other assets” consists of specific equipment and formats, laboratory equipment, furniture and furnishings, and means of transport.
This category amounted to € 4,647,037 (€ 3,731,380 in the previous year), recording a net increase of € 915,658 due basically to the acquisition and entry into operation of specific production equipment. The relative depreciation charge for the year was € 806.069.

5. Intangible fixed assets

The following table shows the breakdown of “Intangible fixed assets”, which amounted to € 22,326,224 as at 31 December 2020, and the changes occurring in the course of the financial year:

Description	Assets under development	Development costs	Patents and trademarks	Software	Goodwill	Other intangible assets	Total
As at 31 December 2019	0	183,025	102,391	124,021	22,151,954	577,253	23,138,643
Increases	0	0	60,100	77,860	889,679	33,104	1,060,743
Amortisation	0	91,512	38,309	66,002	0	67,480	263,304
Reclassifications	0	0	0	0	0	0	0
Effects of currency translations	0	0	0	7,087	(1,617,000)	55	(1,609,858)
As at 31 December 2020	0	91,512	124,182	142,965	21,424,633	542,932	22,326,224
Change	0	(91,512)	21,791	18,945	(727,321)	(34,321)	(812,419)

Development costs amounted to € 91,512 (€ 183,025 in the previous year) and relate to investments made by the Group in previous years for the development of new seals and new formats. The amortisation charge for the year was € 91.512.

The Patents and Trademarks category amounted to € 124,182 (€ 102,391 in the previous year) and includes intellectual property rights and trademarks. The increase in this item, totalling € 60,100, is attributable to the implementations to the Sage X3 application software, whose use licence was acquired by Tecnocap TL, in order to streamline and automate activities and the production process. The amortisation charge was € 38.309.

In recent years, the Group developed a number of Research and Development projects in the R&D department and the Engineering department, the costs of which were in part expensed and in part directly capitalised in the new and evolved assets, tangible and intangible, for exclusive use in the various Group Companies, as another competitive factor.

Software amounted to € 142,965 (€ 124,021 in the previous year). The increase of € 77,860 is mainly due to costs incurred by the Parent Company for the development of applications used in production and sales activities. The amortisation charge for the year was € 66.002.

Goodwill amounts to € 21,424,633 (€ 22,151,954 in the previous year). The increase of € 889,679 is due to the difference between the consideration paid by the newly-established Indian subsidiary TOPL for the acquisition of the capsule business unit sold by the company Oriental Container and the book values of the assets acquired.

The item also comprises the following elements:

- Goodwill deriving from the financial statements of the US subsidiary Tecnocap LLC, recognised for a value of € 17,524,000, originated in 2006 following the acquisition of the US company;
- Goodwill of approximately € 1,278,335 attributable to Tecnocap UA LLC;
- Goodwill of approximately € 1,732,619 attributable to Sud Capsule S.r.l.

In application of IAS 36, the value of goodwill of Tecnocap LLC, Tecnocap UA LLC and Sud Capsule S.r.l. was subjected to impairment tests in order to verify its full reliability and recoverability.

The reference unit for carrying out the impairment test is the Cash Generating Unit (CGU) which represents the most basic level of consolidation of assets and liabilities that generate cash flows that are largely autonomous with respect to the other CGUs, identified as Tecnocap LLC, Tecnocap UA LLC, Sud Capsule S.r.l., Tecnocap TL S.r.l. and finally International Closures Solutions S.l.

The unlevered discounted cash flows were used for each CGU derived from the 2021-2024 business plans, i.e. those generated by operating activities only. The industrial plans prepared were formally approved in their guidelines by the Board of Directors of the Parent Company on 27 May 2021.

The determination of the value of the individual CGUs was made on the basis of the following main assumptions, for the determination of the residual value (Unlevered Discounted Cash Flow Method), which are considered reasonable:

- Normalised free cash flow was assumed equal to NOPLAT (Net Operating Profit Less Adjusted Taxes) of the last year of the explicit forecast period;
- The growth rate g has been assumed within the long-term growth rates of the gross domestic product of the individual countries of location obtained from analyses and studies of accredited international research institutions; the growth rates were 1.59% for the CGU of Tecnocap LLC, 3% for the CGU of Tecnocap UA LLC, 0.59% for the CGUs of Sud Capsule S.r.l. and Tecnocap TL S.r.l., 2.20% for the CGU of Tecnocap S.r.o., and finally 1.19% of the CGU of ICS;
- The rate of weighted average cost of capital invested (WACC) used for the CGU Tecnocap LLC is 6.01%; 9.71% for the CGU Tecnocap UA LLC; 6.53% for the CGU Sud Capsule S.r.l.; 6.21% for the CGU Tecnocap TL S.r.l.; and finally 5.16% for the CGUs of Tecnocap Sro and ICS.

As at 31 December 2020, for the purposes of the impairment test on the carrying amounts recorded in the Group's consolidated financial statements, the analysis carried out shows that there are no negative differences between the recoverable amount and the carrying amount. The estimates obtained were submitted to sensitivity analysis in order to verify the variability of the recoverable amount of the CGU considered, within a WACC oscillation range of 2 percentage points, crossing it with a range of fluctuation of the "g" rate of 1 percentage point. No impairments emerged from these analyses.

6. Right of use assets

Right of use assets deriving from lease or rental agreements or contracts for the use of third-party assets amount to € 4,359,408 as at 31 December 2020 (€ 4,759,245 in the previous year).

RIGHT OF USE AS AT 31/12/2020	ASSETS	DEPRECIATION
Right of use - Land and buildings	2,919,849	577,038
Right of use - Plant and machinery	1,099,445	315,317
Right of use - Motor vehicles	330,608	168,589
Right of use - Other	9,506	2,377
TOTAL	4,359,408	1,063,322

Rights of use assets include the category of land and buildings for a value of € 2,919,849, relating mainly to lease agreements entered into by the Parent Company (€ 345,784), Tecnocap TL (€ 718,105), Tecnocap LLC (€ 1,207,000) and Tecnocap Oriental (€ 322,076) referring to the areas used for production activities as well as a depot.

The “Plant and machinery” category is primarily linked to the contracts entered into by Tecnocap TL (€ 435,88), Tecnocap LLC (€ 341,000) and Tecnocap Sro (€ 312,443) for the use of machinery and plants linked to the production process.

The “Motor vehicles” category refers to lease agreements on the company car fleet held by various Group companies.

The “Other” category refers exclusively to the lease agreement for the telephone switchboard used by the Parent Company.

Depreciation for the period amounted to a total of € 1.063.322.

7. Financial fixed assets

7.1 Equity investments

“Equity investments” totalled € 511,011 (€ 404,844 in the previous year), an increase of € 106,167 compared to the previous year, as set out below:

Description	31/12/2020	31/12/2019	Change
Equity investments in other companies	511,011	404,844	106,167
Total	511,011	404,844	106,167

The following table shows the change in the item compared to the previous year:

Company name	31/12/2020	31/12/2019	Change
Emiliana conserve S.r.l.	190,821	190,821	0
Agrofuturo S.c.a.r.l.	5,533	5,533	0
Consorzio C.I.E.S.	413	413	0
Banca popolare di Salerno	1,902	1,902	0
Banca Cajamar	5,368	5,368	0
Consorzio Packaging Salerno	750	750	0
BCC Scafati e Cetara	1,000	1,000	0
EastWest European Institute	20,000	20,000	0
ST Closures	273,000	179,000	94,000
Quota consortile cial	57	57	0
Tecnocap Do Brasil	12,167	0	12,167
Total	511,011	404,844	106,167

During the year, Tecnocap LLC finalised the share capital increase of its subsidiary St Clorures for € 94,000; the further increase in equity investments, equal to € 12,167, is due to the subscription of the share capital of the Brazilian company Tecnocap do Brasil.

7.2 Non-current financial assets

Other non-current financial assets amounted to € 2,879,408 as at 31 December 2020 (€ 2,776,217 in the previous year), recording an increase of € 103,191.

Details of the changes in the item are shown below:

Description	31/12/2020	31/12/2019	Change
Other financial assets	2,879,408	2,776,217	103,191
Total	2,879,408	2,776,217	103,191

The item includes, among others, the € 1,950,000 financial loan which the Parent Company has recorded in respect of the special purpose vehicle Elite Basket Bond S.r.l. following the participation in 2017 in a transaction for the collective issue of ten-year bonds with another nine companies, € 692,925 for the receivable for the life insurance policy of the Director of Tecnocap S.p.A. and € 170,270 for security deposits in favour of third parties.

8. Deferred tax assets

The following table shows the breakdown of the item “Deferred tax assets”, equal as at 31 December 2020 to € 3,542,628 (€ 3,111,548 in the previous year):

Description	31/12/2020	31/12/2019	Change
Deferred tax assets	3,542,628	3,111,548	431,080
Total	3,542,628	3,111,548	431,080

The allocation of deferred tax assets was made by assessing the existence of the assumptions of future recoverability of the same on the basis of the Group industrial plans.

The breakdown of deferred tax assets by type and by company is shown below:

Description		2020			2019		
		Taxable amount	Rate %	Tax effects	Taxable amount	Rate %	Tax effects
A)	TEMPORARY DIFFERENCES						
	Deferred tax assets						
Tecnocap S.p.A.	Trademark and Know How	2,015,117	28.97%	583,779	2,267,005	28.97%	656,751
Tecnocap S.p.A.	Excess interest expense ROL	1,854,955	24.00%	445,189	1,698,331	24.00%	407,599
Tecnocap S.p.A.	Excess interest expense ROL Tax consolidation	2,765,217	24.00%	663,652	1,402,085	24.00%	336,500
Tecnocap S.p.A.	Bad debt provision	141,028	24.00%	33,847	141,028	24.00%	33,847
Tecnocap S.p.A.	Goodwill	91,111	28.97%	26,395	102,500	28.97%	29,694
Tecnocap S.p.A.	Tarsu	960	24.00%	230			
Tecnocap S.p.A.	Patent Box	441,859	28.97%	128,006			
Tecnocap LLC	Other	1,788,462	26.00%	465,000	1,242,857	21.00%	261,000
Tecnocap LLC	Provisions and write-downs temporarily not deductible	938,462	26.00%	244,000	2,242,857	21.00%	471,000
TGP	Currency losses	98,822	24.00%	23,717	0	24.00%	0
TGP	Excess interest expense ROL Tax consolidation	797,509	24.00%	191,402	797,509	24.00%	191,402
TGP	Remuneration not paid	109,696	24.00%	26,327		24.00%	0
SRO	Provisions and write-downs temporarily not deductible	709,545	19.00%	134,813	732,218	19.00%	139,121
SRO	Various	481,250	19.00%	91,438	476,377	19.00%	90,512
Tecnocap TL	Various	214,952	27.00%	58,039	79,689	27.00%	21,516
Tecnocap S.p.A.	Elimination of intra-group profits on disposal of assets	1,473,225	28.97%	426,793	1,631,363	28.97%	472,606
	Total deferred tax assets	13,922,168		3,542,628	12,813,817		3,111,548
B)	DEFERRED TAX ASSETS AT YEAR-END			3,542,628			3,111,548
C)	DEFERRED TAX ASSETS AT THE END OF THE PREVIOUS YEAR			3,111,548			3,206,264
B-C)	EFFECT OF DEFERRED TAX ASSETS ON PROFIT OR LOSS			431,080			(94,715)

9. Assets held for sale

Assets held for sale amounted to € 0 (€ 0 in the previous year).

10. Inventories

Inventories as at 31 December 2020 amounted to € 50,605,898 (€ 47,360,732 in the previous year).

The breakdown of the item and the changes during the year are described and commented on below:

Description	31/12/2020	31/12/2019	Change
Raw materials, consumables and supplies	25,672,883	21,199,799	4,473,084
Work in progress and semi-finished products	8,743,949	5,337,082	3,406,867
Finished products	17,350,350	22,188,998	(4,838,648)
Payments on account	105,771	75,824	29,947
Allowance for write-down Raw materials, supplies	(577,198)	(165,921)	(411,277)
Allowance for write-down Semi-finished and finished products	(689,856)	(1,275,049)	585,192
Total	50,605,898	47,360,732	3,245,166

The increase for the year of € 3.245.166 is mainly attributable to the higher inventories of raw materials necessary to meet production needs in line with the increase in turnover.

As at 31 December 2020, inventories are shown net of a total write-down of € 1,267,054 (€ 1,440,970 in the previous year) relating to finished products for € 689,856 and to raw materials for € 577,198.

11. Tax assets

As at 31 December 2020, “Tax assets” amounted to € 3,039,487 (€ 2,069,468 in the previous year).

The breakdown is provided below:

Description	31/12/2020	31/12/2019	Change
Direct taxes	621,276	890,504	(269,228)
VAT	2,225,657	1,094,588	1,131,069
Refunds	0	0	0
Other	192,554	84,375	108,179
Total	3,039,487	2,069,468	970,020

The item tax assets recorded an increase in 2020 of € 970,020 compared to the previous year, mainly due to the higher VAT credit due to Parent Company from the Tax Authorities deriving from the related annual tax return.

The item also includes, as at 31 December 2020, € 192,554 attributable to the tax assets due to the Parent Company pursuant to Law 160/2019 and Law 178/2020, both of which incentivise investments in capital goods.

12. Trade credits and other receivables

Trade credits and other receivables, net of write-downs, amounted to € 27,274,022 as at 31 December 2020 (€ 22,827,809 in the previous year), as detailed below:

Description	31/12/2020	31/12/2019	Change
Trade credits	24,785,830	19,489,715	5,296,116
Other receivables	2,488,191	3,338,094	(849,903)
Total Trade credits and other receivables	27,274,022	22,827,809	4,446,213

The trade credits by geographical area are shown below.

Country	Amount	%
Italy	9,243,544	72.00%
EU	7,466,103	20.71%
Non-EU	8,076,183	7.29%
Total	24,785,830	100%

The changes in the bad debt provision, which as at 31 December 2020 amounted to € 2,438,653 (€ 2,444,058 in the previous period) are as follows:

Description	31/12/2019	Increases	Decreases	31/12/2020
Bad debt provision	2,444,058	247,825	253,231	2,438,653
Total	2,444,058	247,825	253,231	2,438,653

13. Cash and cash equivalents

The following table provides a breakdown of “Cash and cash equivalents” equal to € 8,986,907 as at 31 December 2020 (€ 3,654,661 in the previous year):

Description	31/12/2020	31/12/2019	Change
Cash	68,164	43,497	24,667
Bank current accounts	8,918,742	3,611,164	5,307,578
Total	8,986,907	3,654,661	5,332,245

The increase of € 5,332,245 is mainly due to the higher revenues deriving from the increase in total sales volumes achieved by the Group during the year, in addition to the greater use of factoring with the without recourse clause by the Parent Company, and finally the taking out of new medium/long-term loans with leading banks.

14. Net Equity

The following table shows the changes in consolidated Net Equity from 31/12/2018 to 31/12/2020.

	Share capital	Reserves	Result	Total Group	Cap. and res. minority interest	Res. minority interest	Total minority interest
31/12/2018	6,319,490	28,739,050	6,601,405	41,659,946	139,299	41,636	180,936
2019 consolidated result attributable to the group			6,964,885	6,964,885			0
2019 consolidated result attributable to minority interest				0		27,614	27,614
Net gains/losses from cash flow hedge				0			0
Exchange rate difference and other minor impacts		1,214,840		1,214,840			0
Total statement of comprehensive income		1,214,840	6,964,885	8,179,725	0	27,614	27,614
2018 consolidated group result carried forward		6,601,405	(6,601,405)	0			0
2018 minority interest result carried forward				0	41,636	(41,636)	0
Dividends paid		(1,400,296)		(1,400,296)			0
Other changes		(78,473)		(78,473)			0
31/12/2019	6,319,490	35,076,525	6,964,885	48,360,901	180,936	27,614	208,550
2020 consolidated result attributable to the group			9,197,602	9,197,602			0
2020 consolidated result attributable to minority interest				0		40,709	40,709
Exchange rate difference and other minor impacts		(4,390,922)		(4,390,922)			0
Total statement of comprehensive income		(4,390,922)	9,197,602	4,806,680	0	40,709	40,709
2019 consolidated group result carried forward		6,964,885	(6,964,885)	0			0
2019 minority interest result carried forward				0	27,614	(27,614)	0
Dividends paid		(2,000,073)		(2,000,073)			0
Other changes		(98,307)		(98,307)	590,954		590,954
31/12/2020	6,319,490	35,552,109	9,197,602	51,069,201	799,502	40,709	840,213

The reconciliation between the net equity and the result for the year of the Parent Company and the respective figures of the consolidated financial statements are shown below:

Reconciliation between statutory result and consolidated result	31/12/2020	31/12/2019
Operating result Tecnocap	6,892,546	4,843,464
Operating result of subsidiaries	5,204,311	4,865,839
Allocation to third parties of the result	40,709	27,614
Elimination of I/C capital gains/losses	(207,768)	(183,471)
Total economic effects from group consolidation	(2,732,196)	(2,588,561)
Consolidated result pertaining to the group at year-end	9,197,602	6,964,885

Reconciliation between statutory and consolidated NE	31/12/2020	31/12/2019
Statutory Net Equity Tecnocap SpA at year-end	41,103,564	36,271,177
Reopening of entries already present in the consolidated NE at the end of the previous year		
Economic effects from consolidation of previous periods attributable to the group	(17,333,669)	(14,745,108)
Previous year results of the investee companies attributable to the group carried forward	28,004,585	23,138,746
New entries with effect on the consolidated NE of the year		
Exchange rate difference and other minor impacts	2,026,917	6,284,647
Economic effects from consolidation for the year	(2,732,196)	(2,588,561)
Group consolidated net equity at year-end	51,069,201	48,360,901

Group net equity as at 31 December 2020 amounted to € 51,069,201, an increase compared to the value in the previous year (€ 48,360,901) due to the combined effect of the profits achieved and capitalised by the Group in 2020 and the negative effects on exchange rates.

The composition of the main other reserves is as follows:

Description	31/12/2020	31/12/2019
Share premium reserve	13,165,592	13,165,592
Legal reserve	1,335,029	1,092,856
Extraordinary statutory reserve	15,875,990	13,274,773
Other reserves	7,860,364	4,560,271
Consolidation reserve	(28,998)	(28,998)
Retained earnings/(losses carried forward)	(2,655,869)	3,012,031
Total	35,552,109	35,076,525

15. Non-current and current payables to banks and other lenders

Current and non-current payables to banks and other lenders amount to € 78,556,459 as of 31 December 2020 (€ 78,628,206 in the previous financial year), recording a slight decrease due to the combined effect of decrease in the non-current portion for € 658,750 and the increase in the current portion of € 587,004, as follows:

Description	31/12/2020	31/12/2019	Change
Payables to banks and other lenders - Non-current	41,739,724	42,398,474	(658,750)
Payables to banks and other lenders - Current	36,816,735	36,229,731	587,004
Total	78,556,459	78,628,206	(71,746)

Financial liabilities represent the main item of the Group's consolidated Net Financial Position (NFP), which decreased by € 4 million, from € 70.8 million at the end of 2019 to € 66.8 million at the end of 2020, deriving mainly from the reduction of the financial debt of the Italian Parent Company. Refer to the Management Report for more details.

15.1 Payables to banks and other lenders - Non-current

The breakdown of "Payables to banks and other lenders - Non-current" is shown below:

Description	31/12/2020	31/12/2019	Change
Payables to Banks	26,860,062	23,828,984	3,031,078
Payables to other lenders	11,838,022	14,243,017	(2,404,995)
IAS 17 Finance lease liabilities	183,788	648,188	(464,400)
IFRS 16 lease liabilities	2,857,852	3,678,286	(820,434)
Total	41,739,724	42,398,474	161,684

Non-current payables to banks amounting to € 26,860,062, include the portion over one year of mortgage loans and unsecured loans, the short-term portion of which amounts to € 12,589,344. A breakdown of mortgages and loans by maturity is provided below:

Loans	< 1 year	Between 1 year and 5 years	Beyond 5 years	Nominal value 31/12/2020
Unsecured loan Unicredit Corporate Banking	598,993	0	0	598,993
Mortgage loan Intesa Sanpaolo	166,667	166,666	0	333,333
Mortgage loan MPS	202,234	770,975	0	973,209
Unsecured loan Credito Popolare	397,109	1,434,527	0	1,831,637
Unsecured loan Banca BCC Salerno	101,290	86,156	0	187,446
Unsecured loan Banco BCC Scafati e Cetara	42,746	0	0	42,746
Unsecured loan Credit Agricole	247,096	647,528	0	894,624
Unsecured loan UBI 4728	117,043	436,292	0	553,335
Unsecured loan Intesa San Paolo	760,892	0	0	760,892
Unsecured loan Banca MCC del Mezzogiorno	205,807	0	0	205,807
Loans	< 1 year	Between 1 year and 5 years	Beyond 5 years	Nominal value 31/12/2020
Unsecured loan UBI Carime no. 1697	326,419	1,667,581	0	1,994,000
Unsecured loan Banca Campania Centro	50,370	64,688	0	115,058
Unsecured loan BPER	330,478	1,049,112	0	1,379,590
Unsecured loan UBI Carime	347,523	117,669	0	465,192
Unsecured loan Banca Sella	755,282	774,271	0	1,529,553
Unsecured loan Banca Nazionale del Lavoro	329,320	663,153	0	992,472
Unsecured loan Unicredit no. 087	388,412	1,211,096	0	1,599,509

Unsecured loan Intesa San Paolo 151	257,242	1,076,079	23,461	1,356,782
Unsecured loan Banca Popolare di Milano	234,646	709,427	0	944,073
Derivatives	0	60,767	69,000	129,767
BBVA	176,471	179,232		355,703
LT loan RB € 1 mln	142,856	0	0	142,856
LT loan RB € 1,5 mln	187,500	205,545	0	393,045
LT loan RB € 1,7 mln	200,000	800,114	0	1,000,114
LT loan RB € 845 k	84,504	338,016	281,720	704,240
LT loan RB € 2 mln	249,960	999,840	315,439	1,565,239
LT loan ČSOB € 1.55 mln	195,000	460,075	0	655,075
LT loan ČSOB € 2,25 mln	281,250	1,125,000	70,169	1,476,419
LT loan ČS € 1.42 mln	173,214	694,799	0	868,013
LT loan ČS € 2,38 mln	265,000	1,200,000	825,262	2,290,262
Credobank	1,022,584	0	0	1,022,584
Credobank	458,643	0	0	458,643
ProCredit Bank	93,662	0	0	93,662
ProCredit Bank	231,620	0	0	231,620
ProCredit Bank	52,102	0	0	52,102
ProCredit Bank	128,689	0	0	128,689
ProCredit Bank	301,318	0	0	301,318
Huntington Bank	748,000	4,144,000	761,000	5,653,000
Huntington Bank	1,103,000	0	0	1,103,000
Loan BPSO € 300 k	55,608	189,323	0	244,931
Loan UNIC € 1100 k	0	1,100,000	0	1,100,000
Loan BNL € 150 k	112,500	0	0	112,500
Loan BPSO € 1000 k	32,140	967,860	0	1,000,000
Loan BCC € 300 k	58,484	184,475	0	242,959
Loan UBI € 500 k	165,763	292,978	0	458,741
BCC Scafati e Cetara	31,932	0	0	31,932
Banca Promos	138,015	11,731	0	149,746
Banca BCP	39,961	460,039	0	500,000
Loan Cajamar	0	0	224,996	224,996
Total	12,589,344	24,289,015	2,571,047	39,449,406

Unsecured loan Unicredit Corporate Banking

This € 3,000,000 loan was entered into by Tecnocap S.p.A. in 2016 and is backed by a Sace S.p.A. guarantee; it matures in 2021 with repayment in quarterly instalments; the Parent Company has respected the covenants provided for in the loan agreement.

Mortgage loan Intesa Sanpaolo S.p.A.

This € 2,000,000 loan was entered into in 2006 by Tecnocap S.p.A. and is secured by mortgage on the Company’s buildings. It matures in 2021 with repayment in six-monthly instalments. An Interest Rate Swap was concluded to hedge the change in rate. Moreover, the Parent Company took advantage of the short moratorium granted by the bank on this loan in order to improve liquidity.

Mortgage loan Monte dei Paschi di Siena S.p.A.

This € 4,000,000 loan was entered into by Tecnocap S.p.A. in 2005 and is secured by mortgage on the Parent Company’s buildings. It matures in 2025 with repayment in six-monthly instalments.

Unsecured loan Credito Popolare

This € 2,000,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by Tecnocap S.p.A. in 2020; it matures in 2025 with repayment in monthly instalments.

Unsecured loan BCC Campania Centro (formerly BCC di Salerno)

This € 500,000 loan was entered into by Tecnocap S.p.A. in 2017; it matures in 2022 with repayment in monthly instalments.

Unsecured loan Banca di Credito Cooperativo di Scafati e Cetara

This € 400,000 loan was entered into by Tecnocap S.p.A. in 2016; it matures in 2021 with repayment in monthly instalments.

Unsecured loan Credit Agricole

This € 1,000,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by the Parent Company in 2020; it matures in 2024 with repayment in monthly instalments.

Unsecured loan UBI Carime

This € 555,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by Tecnocap S.p.A. in 2020; it matures in 2024 and the repayment of the principal is expected to take place in monthly instalments from 2021. An Interest Rate Swap was concluded to hedge the change in rate.

Unsecured loan Banca Intesa San Paolo (formerly Banca Popolare di Vicenza)

This € 3,000,000 loan was entered into in 2017; it matures in 2021 with repayment in quarterly instalments. The Parent Company has respected the financial covenants provided for in the loan agreement. On this loan, the Parent Company took advantage of the short moratorium granted by the bank in order to improve liquidity.

Unsecured loan Banca del Mezzogiorno MedioCredito Centrale S.p.A.

This € 1,000,000 loan, backed by the Sace S.p.A. guarantee for 50% of its value, was entered into by Tecnocap S.p.A. in 2017; it matures in 2021 with repayment in six-monthly instalments; the Parent Company has respected the covenants provided for in the loan agreement.

Unsecured loan UBI Carime

This € 2,000,000 loan was entered into by Tecnocap S.p.A. in 2020; it matures in 2025 and the repayment of the principal is expected to take place in monthly instalments from 2021. An Interest Rate Swap was concluded to hedge the change in rate.

Unsecured loan Banca Campania Centro S.p.A.

This € 250,000 loan was entered into in 2018; it matures in 2023 with repayment in quarterly instalments.

Unsecured loan Banca Popolare dell'Emilia Romagna S.p.A.

This € 2,000,000 loan was entered into by Tecnocap S.p.A. in 2018; it matures in 2025 with repayment in quarterly instalments.

Unsecured loan Unione di Banche Italiane S.p.A.

This € 1,200,000 loan was entered into by Tecnocap S.p.A. in 2018; it matures in 2022 with repayment in quarterly instalments.

Unsecured loan Banca Sella S.p.A.

This € 3,000,000 loan was entered into by the Parent Company in 2018; it matures in 2022 with repayment in quarterly instalments. An Interest Rate Swap was concluded to hedge the change in rate.

Unsecured loan Banca Nazionale del Lavoro S.p.A.

This € 1,500,000 loan, backed by the Sace S.p.A. guarantee for 50% of its value, was entered into in 2019; it matures in 2023 with repayment in quarterly instalments. The Parent Company has respected the financial covenants provided for in the loan agreement.

Unsecured loan Unicredit Corporate Banking

This € 2,000,000 loan was entered into in 2019; it matures in 2024 with repayment in quarterly instalments. An Interest Rate Swap was concluded to hedge the change in rate.

Unsecured loan Intesa San Paolo S.p.A.

This € 1,600,000 loan was entered into by the Parent Company in 2019; it matures in 2025 with repayment in monthly instalments. Moreover, the Parent Company took advantage of the short moratorium granted by the bank on this loan in order to improve liquidity.

Unsecured loan Banca Popolare di Milano

This € 1,200,000 loan was entered into by Tecnocap S.p.A. in 2019; it matures in 2024 with repayment in monthly instalments.

BBVA Loan

This € 2,100,000 loan was entered into by Tecnocap Met S.l.; it has been secured by a mortgage on a property of FinMedea. It matures in 2022 with repayment in quarterly instalments.

Raiffeisen Bank Loan no.1

This € 1,000,000 loan was entered into by Tecnocap S.r.o. in 2014; it matures in 2021 with repayment in quarterly instalments.

Raiffeisen Bank Loan no.2

This € 1,500,000 loan was entered into by Tecnocap S.r.o. in 2015; it matures in 2021 with repayment in quarterly instalments.

Raiffeisen Bank Loan no. 4

This € 1,700,000 loan was entered into by Tecnocap S.r.o. in 2017; it matures in 2025 with repayment in quarterly instalments.

Raiffeisen Bank Loan no.3

This € 845,000 loan was entered into by Tecnocap S.r.o. in 2018; it matures in 2026 with repayment in monthly instalments.

Raiffeisen Bank Loan no. 5

This € 2,000,000 loan was entered into by Tecnocap S.r.o. in 2019; it matures in 2027 with repayment in monthly instalments.

CSOB Loan no.1

This € 1,550,000 loan was entered into by Tecnocap Sro in 2016; it matures in 2024 with repayment in monthly instalments.

CSOB Loan no. 2

This € 2,250,000 loan was entered into by Tecnocap Sro in 2018; it matures in 2026 with repayment in quarterly instalments.

CS Loan no.1

This € 1,420,000 loan was entered into by Tecnocap S.r.o. in 2018; it matures in 2025 with repayment in monthly instalments.

CS Loan no. 2

This € 2,380,000 loan was entered into by Tecnocap S.r.o. in 2019; it matures in 2028 with repayment in quarterly instalments.

Credobank Loan no. 1

This € 1,045,000 loan was entered into by Tecnocap UA in 2018, with repayment in monthly instalments.

Credobank Loan no. 2

This € 475,000 loan was entered into by Tecnocap UA in 2019, with repayment in monthly instalments.

Procredit Loan no. 1

This loan was entered into by Tecnocap UA in 2016; it matures in 2024 with repayment in monthly instalments.

Procredit Loan no. 2

This loan was entered into by Tecnocap UA in 2017; it matures in 2022 with repayment in monthly instalments.

Procredit Loan no. 3

This loan was entered into by Tecnocap UA in 2018; it matures in 2020 with repayment in monthly instalments.

Procredit Loan no. 4

This loan was entered into by Tecnocap UA in 2018; it matures in 2025 with repayment in monthly instalments.

Procredit Loan no. 5

This loan was entered into by Tecnocap UA in 2020; it matures in 2027 with repayment in monthly instalments.

Huntington Bank Loan

This USD 2,750,000 loan was entered into by Tecnocap LLC in 2009, and subsequently increased in 2010 by an additional USD 6,500,000. In October 2020, the previous loan was renegotiated, obtaining a new loan for USD 7,200,000.

The loan matures in 2027 with repayment in monthly instalments; the Company has respected the covenants provided for in the loan agreement. An Interest Rate Swap was concluded to hedge the change in rate.

Unsecured loan Banca Popolare di Sondrio no. 1

This € 300,000 loan was entered into by Tecnocap TL S.r.l. in 2018; it matures in 2023 with repayment in monthly instalments. The Company benefited from the 12-month moratorium on the principal portion of the loan pursuant to Law 178/2020.

Unsecured loan Unicredit Corporate Banking

This € 1,100,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by Tecnocap TL S.r.l. in 2020 with maturity in 2028.

Unsecured loan Banca Nazionale del Lavoro S.p.A.

This € 150,000 loan was entered into by Tecnocap TL S.r.l. in 2019; it matures in 2020 with repayment in monthly instalments. The Company benefited from the 12-month moratorium on the principal portion of the loan pursuant to Law 178/2020.

Unsecured loan Banca Popolare di Sondrio no. 2

This € 1,000,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by Tecnocap TL S.r.l. in 2020 with maturity in 2027.

Unsecured loan Banca di Credito Cooperativo di Scafati e Cetara

This € 300,000 loan was entered into by Tecnocap TL S.r.l. in 2019; it matures in 2024 with repayment in monthly instalments.

Unsecured loan UBI Carime

This € 500,000 loan, assisted by the Central Guarantee Fund of MCC MedioCredito Centrale, was entered into by Tecnocap TL S.r.l. in 2020 with maturity in 2023.

Unsecured loan Banca di Credito Cooperativo di Scafati e Cetara

This € 200,000 loan was entered into by Sud Capsule S.r.l. in 2016; it matures in 2021 with repayment in monthly instalments.

Unsecured loan Banca Promos

This € 400,000 loan was entered into by Sud Capsule S.r.l. in 2018; it matures in 2021 with repayment in monthly instalments. The Company requested and obtained a moratorium on some instalments, postponing the original due date to 2022.

Cajamar loan

This € 250,000 loan was entered into by ICS in 2020; it matures in 2025 with repayment in monthly instalments.

“Other non-current financing” as at 31 December 2020 amounted to € 11,838,022 (€ 14,243,017 in the previous year).

A breakdown of the item is provided below:

Description	Interest rate	31/12/2020	31/12/2019
Medea S.p.A.	2.50%	0	1,542,123
Elite Basket Bond loan	3.63%	9,584,465	11,154,453
Natural persons	2-3%	759,954	759,954
Genoa Poliplast	2.50%	677,125	780,253
Genoa Poliplast	2.00%	700,000	0
Genoa Poliplast	0.00%	114,400	0
Other	0.00%	2,078	6,234
Total		11,838,022	14,243,017

Elite Basket Bond Long-Term Bond

Elite Basket Bond is a highly innovative financial instrument consisting of a collective ten-year bond issue, created by the Parent Company Tecnocap together with 9 other medium-sized companies belonging to the Elite platform of Borsa Italiana, at the end of 2017, characterised by the release of a joint and mutual guarantee of the issuing companies in favour of institutional investors. The 10 SME companies respectively issued bond loans for a total amount of € 122 million, of which the share issued by Tecnocap amounted to € 13 million, (accounted for according to the amortised cost, as required by IFRS 9), fully subscribed by a securitisation vehicle company named Elite Basket Bond S.r.l., which financed the subscription of each bond through the issue of a single type of securities, so-called ABS (Asset Backed Securities), of an amount and maturity equal to the sum of the individual debt instruments, in turn subscribed by leading institutional investors including the EIB and the CDP.

The issuing companies provided a mutual guarantee, depositing in a restricted reserve 15% of the loan received, equal to € 18 million, of which € 1.95 million from Tecnocap, to guarantee its obligations and those of other issuing companies (this amount is entered in the financial statements under the item "Other financial assets" to which reference is made in paragraph 7.2 of this document).

This reserve of resources is invested in securities with high rating classes and the dividend yield will be reversed to the issuing companies. Among the main advantages of the collective bond issue is the possibility also for small and medium-sized companies to receive loans facilitated by primary institutional investors such as the EIB, overcoming the obstacle of the single dimension, in addition to the possibility of checking conditions and particularly advantageous rates thanks to the joint guarantee formula which together with the diversification of the operating sectors of the various issuing companies would reduce considerably the risks of the operation for the Investors. In particular, the EIB - European Investment Bank, which for corporate purposes is oriented towards supporting industrial investments, will reimburse part of the interest paid by the issuing companies upon the occurrence of decisive conditions provided for in the agreements signed between the parties. The net rate paid by Tecnocap amounts to approximately 3.625% against a nominal interest rate of 4.3%. In 2020, the Parent Company repaid the first two half-yearly instalments of the principal and interest. The Group has complied with the financial covenants established for 2020.

Genoa Poliplast loans

In respect of Genoa Poliplast s.r.l., an affiliated company, the Parent Company has:

- an interest-free debt of € 114,400, for the purchase of 31,597 own shares in order to complete a 2013 corporate reorganisation project;
- a debt of € 677,125, related to the transformation of trade payables into financial assets in 2013, on which interest accrues at 2.50%;
- a debt of € 700,000, related to the granting of a loan disbursed in 2020, on which interest accrues at a rate of 2%.

Non-current payables for finance leases amount to € 3,041,641 (€ 4,102,474 in the previous year).

Below is the breakdown by maturity of the leasing debt:

Description	< 1 year	1- 5 years	Beyond 5 years
IAS 17 Finance lease liabilities	242,685	183,788	0
IFRS 16 lease liabilities	1,296,721	2,857,852	0
Total	1,539,407	3,041,641	0

The item "IAS 17 finance lease liabilities" is equal to a total of € 426,474 and includes the liabilities from finance lease agreements entered into in previous years and valued on the basis of IAS 17; the item "IFRS 16 lease liabilities" is equal to a total of € 4,154,574 and includes liabilities relating to lease and rental agreements recognised in accordance with IFRS 16.

15.2. Payables to banks and other lenders - Current

"Payables to banks and other lenders - Current" amounted to € 36,816,735 as at 31 December 2020, recording an increase of € 431,617 compared to the previous year.

A breakdown of the item is provided below:

Description	31/12/2020	31/12/2019	Change
Payables to Banks	31,738,945	29,781,588	1,957,358
Payables to other lenders	3,538,383	4,817,223	(1,278,840)
IAS 17 Finance lease liabilities	242,685	489,586	(246,901)
IFRS 16 lease liabilities	1,296,721	1,141,335	155,387
Total	36,816,735	36,229,731	431,617

Current "Payables to Banks" amount to € 31,738,945 and include € 12,589,344 for the short-term portion of payables to banks for loans and unsecured loans, and € 19,149,601 for short-term payables for advances.

Current "Payables to other lenders", amounting to € 3,538,383, mainly include the short-term portion of the Bond Loan to Elite Basket Bond for € 1,594,354 and the short-term portion of the loan to the shareholder Me.de.a. for € 1,588,845, recorded by the Parent Company.

16. Employee severance indemnity and other employee benefits

The "Employee severance indemnity and other employee benefits" item amounts to € 1,744,535 (€ 1,569,035 in the previous year). The amount is shown net of the discounting effect of € 20.841. Below are the assumptions used to calculate the discounting according to the provisions of IAS 19:

Description	31/12/2020
Annual technical discounting rate	0.35%
Annual inflation rate	1.00%
Annual increase rate ESI	2.25%
Annual remuneration increase rate	N/A

The sensitivity analysis was carried out considering a coefficient of +/- 0.5%.

The breakdown and movements during the year are described and commented on below.

Description	31/12/2020	31/12/2019	Change
Employee severance indemnity	945,471	894,595	50,876
Other benefits	799,064	674,440	124,624
Total	1,744,535	1,569,035	175,500

Other benefits relate to the end-of-office entitlement to be paid to the director, in part paid to subscribe to a policy for social security purposes. Below is a breakdown of the changes in the employee severance indemnity fund:

Description	
Final value as at 31/12/2019	894,595
Operating accrual	105,509
Liquidations	(33,792)
Discounting effect	(20,841)
Final value as at 31/12/2020	945,471

17. Deferred tax liabilities

Deferred tax liabilities amounted to € 7,937,024 as at 31 December 2020 (€ 8,397,546 in the previous year). A breakdown of this item is provided below.

Description	31/12/2019	Increases	Decreases	31/12/2020
Deferred tax provision	8,397,546	584,249	(1,044,770)	7,937,024
Total	8,397,546	584,249	(1,044,770)	7,937,024

Deferred tax liabilities have been calculated on the temporary differences between the assets recognised in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates that will be applied when the differences are cancelled.

The following table shows the deferred tax provision:

Description		31/12/2020			31/12/2019		
		Taxable amount	Rate %	Tax effects	Taxable amount	Rate %	Tax effects
	TEMPORARY DIFFERENCES						
	Deferred tax liabilities						
Tecnocap S.p.A.	Capital gains	110,804	24.0%	26,593	191,046	24.0%	45,851
Tecnocap S.p.A.	Taxed revaluation of the building	0	28.97%	0	3,539,911	28.97%	1,025,512
Tecnocap SpA	Deferred taxes on dividends from investments	4,958,243	1.2%	59,499	4,958,243	1.2%	59,499
Tecnocap S.r.o.	Difference between fiscal and statutory value of Property, plant and equipment and Intangible fixed assets	11,882,887	19.0%	2,257,749	11,909,581	19.0%	2,262,821
Tecnocap L.l.c.	Difference between fiscal and statutory value of Property, plant and equipment and Goodwill	20,677,778	27.0%	5,583,000	23,771,429	21.0%	4,992,000
TGP	Deferred taxes on dividends from investments	848,600	1.2%	10,183	958,175	1.2%	11,498
TGP	Other	0	24.0%	0	1,519	24.0%	364
A)	Total deferred tax liabilities at year-end	38,478,312		7,937,024	45,329,903		8,397,546
B)	Deferred tax liabilities at end of previous year			8,397,546			6,100,075
A-B)	Effect of deferred tax liabilities on profit or loss for the year			(460,523)			2,297,471

18. Other provisions

“Other provisions” amounted to € 424,464 as at 31 December 2020 (€ 94,000 in the previous year); the increase in this item is mainly due chiefly to the payment made by the US subsidiary for a potential compensation for a labour dispute with its employees for € 273,000.

19. Other current and non-current liabilities

The non-current portion of this item as at 31 December 2020 amounted to € 1,986,254 (€ 1,723,110 in the previous year), while the current portion was equal to € 5,638,618 (€ 5,023,863 in the previous year).

Below is a breakdown of other non-current liabilities.

Description	31/12/2020	31/12/2019	Change
Accrued liabilities and deferred income	1,559,592	1,504,402	55,190
Tax payables	69,091	6,701	62,390
Other debts	357,572	212,008	145,564
Total	1,986,254	1,723,110	263,144

The increase in other non-current liabilities of € 263,144, compared to the previous year, must be attributed to the item “tax payables” due to the recognition of the substitute tax following the tax realignment envisaged by Article 110 of Law Decree 104/2020 on the value of the industrial building owned by the Parent Company and the item accrued liabilities and deferred income, which recorded an increase of € 55,190, mainly attributable to deferrals on public grants due for investments in capital goods pursuant to Laws 160/2019 and 178/2020.

Below is a breakdown of other current liabilities:

Description	31/12/2020	31/12/2019	Change
Payables to employees	2,941,301	2,342,630	598,670
Payables to social security institutions	795,615	780,934	14,682
Accrued liabilities and deferred income	223,839	207,439	16,400
Other debts	1,677,863	1,692,860	(14,997)
Total	5,638,618	5,023,863	614,755

The increase compared to the previous year is mainly due to payables for the remuneration of Group employees, which will be paid in the following year.

20. Tax payables

Tax payables as at 31 December 2020 amount to € 860,507 (€ 886,559 in the previous year); a breakdown of the item is shown below:

Description	31/12/2020	31/12/2019	Change
VAT payables	93,698	353,359	(259,661)
Payables for current taxes	270,413	35,952	234,461
Payables for withholding taxes on employees/self-employed individuals	419,608	381,204	38,404
Other tax payables	76,788	116,043	(39,255)
Total	860,507	886,559	(26,051)

The item includes the VAT payable of € 93,698 attributable to the subsidiaries ICS and Tecnocap UA, the payable for withholding taxes on employees' income of € 419,608 paid in January 2021 by the Parent Company and the subsidiaries Tecnocap Sro and Tecnocap TL. The item also includes € 270,413 for payables for income taxes of the various Group companies, an increase compared to the previous year.

21. Trade and other payables

"Trade and other payables" as at 31 December 2020 amounted to € 53,712,448 (€ 43,705,616 in the previous year)

Below are recorded the debts by geographical area:

Country	31/12/2020	%
Italy	37,081,318	69.04%
EU	12,333,461	22.96%
Non-EU	4,297,670	8.00%
Total	53,712,448	100%

Trade payables do not generate interest expense and are normally adjusted for 60/90 days. For the terms and conditions relating to related parties, see paragraph 31 "Other information".

NOTES TO THE ITEMS OF THE INCOME STATEMENT

22. Revenue from sales and services

Revenue from sales and services as at 31 December 2020 was € 187,885,775 (€ 165,611,940 in the previous year).

The breakdown of this item is described and commented on below.

Description	31/12/2020	31/12/2019	Change
Sale of goods	180,532,970	153,706,307	26,826,663
Supply of services	8,100,309	6,853,518	1,246,791
Change in inventories of work in progress, semi-finished, and finished products	(747,504)	5,052,115	(5,799,619)
Total	187,885,775	165,611,940	22,273,835

During the 2020 financial year, the Group achieved an actual growth in turnover of over € 28 million, equal to approximately 17.5%, from € 160.6 million in 2019 to over € 188.6 million in 2020, attributable to the significant increase in sales volumes distributed proportionally among the various Group companies due to the combined effect of the acquisition of new market shares and the significant increase in retail sales of long-life packaged food products, thanks to the increase in domestic consumption compared to that outside the home, influenced by the health emergency, through the traditional channels of large-scale retail chains (GDO) and growing e-commerce.

23. Other revenues and income

Other revenues and income totalled € 3,070,982 (€ 3,891,012 in the previous year) and relate mainly to the resale of raw materials and waste materials.

24. Increases of non-current assets from in-house production

Increases of non-current assets from in-house production amounted to € 1,619,272 (€ 2,948,894 in the previous year) and refer to the internal construction of plant and production machinery carried out in Tecnocap S.r.o., Tecnocap S.p.A. and Tecnocap TL S.r.l., pertinent in particular to the following projects:

- integration of assembled equipment;
- implementation of TO capsule production lines;
- development and modernisation of aerosol cylinder production lines;
- construction of capping machines.

25. Raw materials, consumables and supplies

The cost of Raw materials, consumables and supplies as at 31 December 2020 amounted to € 104,381,853 (€ 92,912,836 in the previous year).

A breakdown of the item is provided below:

Description	31/12/2020	31/12/2019	Change
Raw materials, consumables and supplies	98,580,862	85,626,143	12,954,719
Consumables and miscellaneous	9,164,335	8,996,620	167,715
Changes in raw materials, consumables and supplies	(3,363,345)	(1,709,926)	(1,653,418)
Total	104,381,853	92,912,836	11,469,016

The cost of raw materials, supplies and consumables is up on the previous year by € 11.469.016, net of changes in inventories, in proportion to the increased volumes produced and sold.

26. Other operating costs

"Other operating costs" as at 31 December 2020 amounted to € 24,850,599 (€ 23,847,064 in the previous year).

A breakdown of the item is provided below:

Description	31/12/2020	31/12/2019	Change
Purchases of services	22,678,424	21,160,012	1,518,412
Costs for leased assets	192,447	345,747	(153,300)
Other operating expenses	1,372,036	1,949,105	(577,069)
Provisions and write-downs	607,691	392,200	215,492
Total	24,850,599	23,847,064	1,003,534

26.1. Purchases of services

Purchases of services as at 31 December 2020 amounted to € 22,678,424 (€ 21,160,012 in the previous year).

The breakdown is provided below:

Description	31/12/2020	31/12/2019	Change
Transport	7,782,517	6,787,156	995,361
Utilities (water, gas, electricity)	4,865,128	5,084,217	(219,089)
External processing	163,850	0	163,850
Maintenance	1,961,203	1,918,360	42,843
Technical and legal advice	1,129,380	888,991	240,389
Auditors', statutory auditors' and directors' fees	343,245	198,698	144,547
Services equivalent to those provided by employees	266,164	451,890	(185,726)
Commissions	435,133	453,492	(18,359)
Advertising	67,388	87,725	(20,337)
Post and telephone	204,115	185,796	18,319
Insurance	555,037	426,828	128,209
Entertainment expenses	119,265	206,517	(87,252)
Business travel and transfers	224,941	641,962	(417,021)
Updating and training	99,330	86,219	13,112
Other purchases of services	4,461,726	3,742,163	719,563
Total	22,678,424	21,160,012	1,518,412

The item recorded an increase compared to the previous year, equal to € 1,518,412, mainly due to the combined effect of the increase in transport costs due to higher sales volumes and to the significant decrease in travel and transfer expenses of Group employees and managers, following the restrictions imposed on travel by the various Governments due to the pandemic emergency.

27. Personnel costs

The following table provides a breakdown of "Personnel costs", equal to € 37,836,282 as at 31 December 2020 (€ 35,143,029 in the previous year):

Description	31/12/2020	31/12/2019	Change
Salaries and wages	28,117,511	25,499,515	2,617,996
Social security contributions	6,063,876	5,764,989	298,888
Employee severance indemnity	681,451	601,112	80,338
Other costs	2,973,443	3,277,412	(303,969)
Total	37,836,282	35,143,029	2,693,253

The increase in the item, equal to € 2.693.253, compared to the previous year is attributable to the larger workforce recruited by manufacturing companies to handle increased production.

Below is a breakdown of staff by geographical area:

Country	No. of employees 31/12/2020	No. of employees 31/12/2019
Italy	257	250
Czech Republic	343	314
USA	229	175
Spain	6	6
Ukraine	135	136
Germany	5	5
France	2	2
Great Britain	2	2
India	17	-
Total Group employees	996	890

It is noted that the Group uses seasonal labour during the periods in which it must use the greater production capacity required by the market, typically in the summer months, in which the orders of some typically seasonal productions are concentrated.

28. Amortisation and depreciation

Amortisation and depreciation, amounting to € 10,376,113 as at 31 December 2020 (€ 9,229,535 in the previous year) comprises the items listed below.

28.1 Property, plant and equipment

The depreciation of property, plant and equipment is equal to € 9,049,488 as at 31 December 2020 (€ 8,104,414 in the previous year).

The breakdown is provided below:

Description	31/12/2020	31/12/2019
Depreciation Land and buildings	937,506	904,880
Depreciation Plants and production machinery	7,305,912	6,555,980
Depreciation Furniture and Equipment	648,737	501,410
Depreciation Other property, plant and equipment	157,332	142,144
Total	9,049,488	8,104,414

28.2 Intangible fixed assets

Amortisation of intangible fixed assets amounted to € 263,304 as at 31 December 2020 (€ 236,420 in the previous year).

The breakdown is provided below:

Description	31/12/2020	31/12/2019	Change
Amortisation Installation and expansion costs	0	0	0
Amortisation Development costs	91,512	93,512	(2,000)
Amortisation Patents, trademarks and similar rights	38,309	18,654	19,655
Amortisation Software	66,002	59,232	6,771
Amortisation Other intangible fixed assets	67,480	65,022	2,458
Total	263,304	236,420	26,884

28.3 Rights of use

The Depreciation of rights of use amounted to € 1,063,322 as at 31 December 2020 (€ 888,701 in the previous year).

The breakdown is provided below:

Description	31/12/2020	31/12/2019
Depreciation Right of use - Land and buildings	577,038	509,532
Depreciation Right of use - Plant and machinery	315,317	279,741
Depreciation Right of use - Motor vehicles	168,589	91,995
Depreciation Right of use - Other	2,377	7,434
Total	1,063,322	888,701

29. Interest and other financial charges/income

The following table provides a breakdown of the net financial income and charges equal to € 5,076,759 as at 31 December 2020 (€ 2,786,590 in the previous year):

Description	31/12/2020	31/12/2019	Change
Interest and other financial charges/income	(3,124,432)	(3,518,371)	393,939
Exchange gains and losses	(1,952,328)	731,781	(2,684,109)
Total	(5,076,759)	(2,786,590)	(2,290,169)

Interest and financial charges recorded a significant decrease thanks to the better conditions of financial debt, while significant exchange losses were recorded due to negative currency fluctuations compared to the previous year.

30. Income taxes

Income taxes for the period amounted to € 816,113 (€ 1,540,293 in the previous year), of which current taxes for € 1,678,426 and deferred tax assets and liabilities, negative for € 862,313.
A breakdown of tax charges/(income) is provided below:

Description	31/12/2020	31/12/2019	Change
Current taxes	1,678,426	1,376,001	302,426
Net deferred tax assets/liabilities	(862,313)	164,293	(1,026,606)
Total	816,113	1,540,293	(724,180)

The negative balance of deferred tax assets/liabilities is mainly attributable to the reversal of deferred tax liabilities of the Parent Company following the tax realignment of the Building pursuant to Article 110 of Law Decree 104 of 2020.
The Parent Company Tecnocap S.p.A. adheres to the national consolidated tax convention, as a consolidator, as did its direct subsidiary TGP Tecnocap Group Partecipazioni S.r.l., and its indirect subsidiaries Tecnocap TL S.r.l. and Sud Capsule S.r.l., as consolidated companies.

31. Other information

The following information is required by the IAS/IFRS, by the SIC/IFRIC interpretative documents, by Consob communications and resolutions and by the national legislation, with reference to the applicable provisions of the Italian Civil Code and other provisions issued by the national legislator.

31.1 Contingent liabilities and commitments

The guarantees provided by the Parent Company in addition to the guarantees received are shown below.

Guarantees provided by Tecnocap in favour of	In the interest of	Type	Guaranteed amount	Guarantee value
BANCA INTESA	OWN	2ND MORTGAGE ON PROPERTY	3,500,000	334,328
MPS	OWN	1st MORTGAGE ON PROPERTY	8,000,000	975,726
MB FACTA	I.C.S. S.L.	SURETY	1,250,000	641,132
XPO TRANSPORT SOLUTION SPAIN SL	I.C.S. S.L.	SURETY	100,000	100,000
BANCA SELLA	LUMOR SRL	SURETY	180,000	150,000
BANCA IFIS	SUD CAPSULE SRL	SURETY	300,000	31,234
BANCA PROMOS	SUD CAPSULE SRL	SURETY	546,000	149,746
BANCO BPM	SUD CAPSULE SRL	SURETY	500,000	343,713
BCC SCAFATI E CETARA	SUD CAPSULE SRL	SURETY	800,000	79,629
UNICREDIT SPA	SUD CAPSULE SRL	SURETY	1,170,000	49,023
LAMINAZIONE SOTTILE	TECNOCAP LLC	SURETY	200,000	200,000
ČSOB	TECNOCAP SRO	LETTER OF COMFORT	2,872,885	
ČSOB	TECNOCAP SRO	LETTER OF COMFORT	3,935,458	
ČSOB	TECNOCAP SRO	LETTER OF COMFORT	1,550,000	
ČSOB	TECNOCAP SRO	LETTER OF COMFORT	2,550,000	
LAMINAZIONE SOTTILE	TECNOCAP SRO	SURETY	300,000	300,000
RAIFFESEIN	TECNOCAP SRO	LETTER OF COMFORT	3,148,367	
RAIFFESEIN	TECNOCAP SRO	LETTER OF COMFORT	1,500,000	
RAIFFESEIN	TECNOCAP SRO	LETTER OF COMFORT	1,000,000	
US Steel Kosice sro	TECNOCAP SRO	SURETY	1,500,000	
UNICREDIT LEASING	TECNOCAP SRO	SURETY	144,000	
VINNOLIT	TECNOCAP SRO	SURETY	700,000	
ALBA LEASING SPA	TECNOCAP TL SRL	SURETY	286,695	286,695
ALBA LEASING SPA	TECNOCAP TL SRL	SURETY	59,182	59,182
ALUMAN S.A.	TECNOCAP TL SRL	SURETY	130,000	130,000
BANCA POPOLARE DI SONDRIO	TECNOCAP TL SRL	SURETY	300,000	244,931
BANCA POPOLARE DI SONDRIO	TECNOCAP TL SRL	SURETY	350,000	285,487
BANCO BPM	TECNOCAP TL SRL	SURETY	900,000	647,695
BCC CAMPANIA CENTRO	TECNOCAP TL SRL	SURETY	500,000	47,299
BCC FACTORING	TECNOCAP TL SRL	SURETY	1,500,000	61,770
BCC SCAFATI E CETARA	TECNOCAP TL SRL	SURETY	1,000,000	700,219
BCC SCAFATI E CETARA	TECNOCAP TL SRL	SURETY	600,000	242,959
BNL	TECNOCAP TL SRL	SURETY	150,000	112,500
DE LAGE LANDEN INT. B.V.	TECNOCAP TL SRL	SURETY	35,267	10,858
ENI GAS E LUCE (electricity)	TECNOCAP TL SRL	SURETY	495,000	
ENI GAS E LUCE (Gas)	TECNOCAP TL SRL	SURETY	383,000	
INTESA S.PAOLO (formerly Vicenza)	TECNOCAP TL SRL	CREDIT MANDATE	1,000,000	939,829
MB FACTA	TECNOCAP TL SRL	SURETY	2,000,000	1,147,160

Guarantees provided by Tecnocap in favour of	In the interest of	Type	Guaranteed amount	Guarantee value
NEUMAN Aluminium Austria GmbH	TECNOCAP TL SRL	SURETY	100,000	
ODDO BHF SCA	TECNOCAP TL SRL	SURETY	2,000,000	2,000,000
TALUM Tovarna aluminija d.d.	TECNOCAP TL SRL	SURETY	1,000,000	
UBI BANCA	TECNOCAP TL SRL	SURETY	550,000	130,091
UNICREDIT	TECNOCAP TL SRL	SURETY	1,100,000	1,100,273
UNICREDIT	TECNOCAP TL SRL	SURETY	650,000	0
VINNOLIT GMBH	TECNOCAP UA	SURETY	250,000	250,000
MB FACTA	I.C.S. S.L.	SURETY	1,250,000	641,132
XPO TRANSPORT SOLUTION SPAIN SL	I.C.S. S.L.	SURETY	100,000	100,000
BANCA SELLA	LUMOR SRL	SURETY	180,000	150,000

Guarantees received from Tecnocap	In the interest of	Type	Guaranteed amount	Guarantee value
SACE SPA	BNL	SURETY	541,650	541,650
ICCREA BANCA IMPRESA SPA	BCC FACTORING	SURETY	3,611,000	21,101
ME.DE.A. SPA	MPS CAPITAL SERVICES	SURETY	975,726	975,726
SACE	UNICREDIT	SURETY	1,500,000	300,000
MCC Guarantee Fund	Credit Agricole	SURETY	900,000	807,000
MCC Guarantee Fund	Banca Credito Popolare	SURETY	2,000,000	1,652,000
MCC Guarantee Fund	Ubi BANCA	SURETY	2,000,000	1,800,000
MCC Guarantee Fund	Ubi Banca	SURETY	555,000	499,500

Based on the information available, at the date of preparation of these financial statements, there are no risks that could generate contingent liabilities.

31.2 Transactions with related parties

Pursuant to IAS 24, related party information is provided below.

The following table provides a breakdown of the receivables and payables vis-à-vis related parties:

Description	Trade receivables	Trade payables	Financial payables	Costs	Revenues
Medea S.p.A.	2,623	10,408,651	1,588,845	35,035,230	5,000
Genoa Poliplast S.r.l.			1,491,525	24,616	3,006
Natural persons			759,954	17,518	
Total	2,623	10,408,651	3,840,324	35,077,364	8,006

Sales and purchases with related parties are made under terms and conditions equivalent to those prevailing in free transactions. No guarantees have been received or provided for receivables and payables with related parties. In the financial year ended 31 December 2020, the Group did not record any impairment of receivables contracted with related parties. This valuation is carried out annually, at each reporting date, evaluating the financial position of the related party and the market in which the related party operates.

31.3 Management of financial risk, objectives and criteria (IFRS 7)

The Group’s main financial liabilities, other than derivatives, include bank loans, trade payables, other payables and financial guarantees. The aim of these liabilities is to finance the operations of the Group, which has financial assets and other receivables, of a trading and non-trading nature, and cash and cash equivalents which originate directly from operations. The Parent Company also enters into derivatives.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's management is responsible for managing these risks. The corporate policy in force envisages that no derivatives must be subscribed for trading or speculative purposes.

The Board of Directors reviews and approves the management policies for each of the risks described below.

A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. This includes three types of risk: interest rate risk, foreign exchange risk, commodity price risk. Financial instruments affected by market risk include loans and financial derivatives.

- Interest rate risk and derivatives

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will change due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is related in first instance to long-term debt with a variable interest rate.

To manage this risk, the Group subscribes to Interest Rate Swaps (IRS) in which it agrees to exchange, at set intervals, the difference in amount between the fixed rate and the floating rate, calculated by reference to an agreed notional amount.

Financial derivatives are only used to reduce the risk of changes in interest rates. The use of financial derivatives is reserved for the management of the exposure of interest rates connected to monetary flows and asset and liability balance sheet items, and speculations are not allowed. The existing contracts are as follows:

- an Interest Rate Swap concluded by Tecnocap S.p.A. with Intesa San Paolo on a notional amortisation value that reflects the repayment plan of a loan at floating rate granted by the same counterparty.
- an Interest Rate Swap concluded by the Parent Company with Banca Sella on a notional amortisation value that reflects the repayment plan of a loan at floating rate granted by the same counterparty;
- an Interest Rate Swap concluded by the Parent Company with Unicredit on a notional amortisation value that reflects the repayment plan of a loan at floating rate granted by the same counterparty.
- two Interest Rate Swaps concluded by Tecnocap S.p.A. with Ubi Carime on a notional amortisation value that reflects the repayment plan of a loan at floating rate granted by the same counterparty.
- an Interest Rate Swap concluded by Tecnocap LLC with Huntington Bank on a notional amortisation value that reflects the repayment plan of a loan at floating rate granted by the same counterparty.

The following is a summary of the mark-to-market as at 31 December 2020 for each outstanding contract:

Contracting Bank	Contract Date	Expiry date	Operation Type	CCY	Notional value	MTM
Intesa San Paolo	09/02/2007	31/12/2021	Interest Rate Swap	EUR	2,000,000	(6,117)
Banca Sella	16/10/2018	19/04/2022	Interest Rate Swap	EUR	1,538,120	(14,368)
Unicredit	14/10/2019	31/10/2024	Interest Rate Swap	EUR	2,000,000	(16,675)
Ubi Carime	02/09/2020	02/09/2024	Interest Rate Swap	EUR	555,000	(4,602)
Ubi Carime	02/09/2020	02/09/2025	Interest Rate Swap	EUR	2,000,000	(19,005)
Huntington Bank	29/10/2020	30/09/2027	Interest Rate Swap	EUR	5,867,492	(69,000)
TOTAL						(129,767)

The negative mark-to-market, amounting to € 129.767, was recognised under financial liabilities.

- Foreign exchange risk

The exposure to the risk of changes in exchange rates derives from the company's operations in currencies other than the Euro (mainly the US dollar and the Czech Koruna) and determines the impact on the individual economic result due to the different significance of costs and revenues denominated in foreign currency with respect to the time when the price conditions have been defined (economic risk) and as a result of the conversion of trade or financial receivables/payables denominated in foreign currency (transaction risk); on the consolidated financial statements (net result and net equity) as a result of the conversion of assets and liabilities of companies that prepare financial statements with functional currency other than the Euro. In general, an appreciation of the US dollar against the Euro has a positive effect on the operating profit of the Group and vice versa. The objective of the management is to minimise the foreign exchange risk and to optimise the exchange rate risk associated with commodity price risk; the risk deriving from the accrual of the operating income in foreign currency or from the conversion of the assets and liabilities of companies that prepare the financial statements with a functional currency different from the Euro is not normally subject to hedging, unless otherwise specified.

The official exchange rates used for the conversion into Euro of the financial statements of the subsidiaries expressed in foreign currencies as at 31 December 2020 and 31 December 2019 are shown below:

Description	Exchange rate	
	end of period 31/12/2020	2020 Average
US DOLLAR - EURO	1.23	1.14
CZECH KORUNA - EURO	26.24	26.46
UKRAINIAN HRYVNIA - EURO	34.77	30.85
INDIAN RUPEE - EURO	89.66	84.64
Description	Exchange rate	
	end of period 31/12/2019	2019 Average
US DOLLAR - EURO	1.12	1.13
CZECH KORUNA - EURO	25.41	25.57
UKRAINIAN HRYVNIA - EURO	26.72	29.23

- Commodity price risk

The Group is affected by the volatility of the price of some commodities. Over the years, the Board of Directors has developed a strategy to manage the commodity price risk and is also evaluating the use of new hedging instruments on commodities with specialised companies.

B) Credit risk

Credit risk is the risk that a counterparty will not fulfil its obligations under a financial instrument or contract with a client, thus leading to a financial loss.

The Group is exposed to credit risk deriving from its operating activities (especially for trade receivables and credit notes) and from its financing activities.

The commercial credit risk is managed according to the procedures of controls established for the management of credit risk. Credit limits are established for all customers based on internal rating criteria. Customer credit quality is assessed on the basis of a detailed credit rating sheet. Pending receivables from customers are regularly monitored and shipments to major customers are generally covered by letters of credit or other forms of insurance. At each reporting date an analysis is carried out on the need for an individual write-down.

The maximum exposure to credit risk at the reporting date is the book value of each class of financial assets.

In compliance with the requirements of accounting standard IFRS 7, the following tables provide information on the categories of financial assets and liabilities and on the credit risk analysis of financial assets and liabilities:

Description	Carrying value 31.12.2020	2020 Credit risk	2020 Foreign exchange risk
Assets			
Non-current financial assets	2,879,408	2,879,408	0
Trade credits and other receivables	27,274,022	27,274,022	0
Cash and cash equivalents	8,986,907	0	0
Liabilities			
Non-current payables to banks and other lenders	41,739,724	0	0
Other non-current liabilities	1,986,254	0	0
Current payables to banks and other lenders	36,816,735	0	0
Trade payables	53,712,448	0	0
Other current liabilities	5,638,618	0	0

C) Liquidity risk

Liquidity risk is the risk that in the future the Group will not be able to obtain the financial resources necessary to meet its liabilities.

In any case, the objective of managing liquidity risk is not only to guarantee financial resources available that are sufficient to cover short-term commitments, but also to ensure, where necessary, the availability of an adequate level of operational flexibility.

At present, the Group believes, based on the availability and expected cash flows, to meet the foreseeable financial needs.

A breakdown of the maturities of assets and liabilities is provided below:

Description	Carrying value	Within 1 year	1 - 5 years	Beyond 5 years
Assets				
Non-current financial assets	2,879,408	0	2,879,408	0
Trade credits and other receivables	27,274,022	27,274,022	0	0
Cash and cash equivalents	8,986,907	8,986,907	0	0
Liabilities				
Non-current payables to banks and other lenders	41,739,724	0	39,168,677	2,571,047
Other non-current liabilities	1,986,254	0	1,986,254	0
Current payables to banks and other lenders	36,816,735	36,816,735	0	0
Trade payables	53,712,448	53,712,448	0	0
Other current liabilities	5,638,618	5,638,618	0	0

D) Risk of Suspension of Activities due to the COVID-19 coronavirus:

The Group has constantly monitored the risks associated with the health emergency. However, in light of what is described in the Management Report and the results that have been achieved in 2020, there is a small risk for the operations and activities of the Group, as it is able to promptly meet customer orders and run operating activities, while avoiding negative effects on the economic, capital and/or financial situation.

Moreover, the Group is also evaluating with various insurance companies the possible coverage of the risk of interruption of activities due to health emergency and the listing of the related insurance products.

Fair value - hierarchy

In relation to the financial instruments recorded in the Statement of Financial Position at fair value, IFRS 7 requires that these values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in determining the fair value. The following levels are distinguished:

Level 1 - quotes recorded in an active market for assets or liabilities subject to valuation;

Level 2 - inputs other than quoted prices mentioned in the preceding paragraph, which are directly (price) or indirectly (price derivatives) observable in the market;

Level 3 - inputs that are not based on observable market data.

The table below shows the Company's assets and liabilities which are valued at fair value as at 31 December 2020 by hierarchical level of evaluation of the fair value:

Description	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current financial assets	-	-	-	-
Liabilities measured at fair value				
Current financial liabilities for financial derivatives	-	129,767	-	129,767

31.4 Fees paid to corporate bodies

The table below provides information concerning the remuneration of directors and statutory auditors:

Position	Remuneration
Directors	704,705
Board of Statutory Auditors	18,940
Audit Firm	135,702

Dear Shareholders, we confirm that these financial statements, comprising the Statement of Financial Position, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, and the Explanatory Notes truthfully and correctly represent the financial and economic standing as well as the economic result for the year and correspond to the results of the accounting records.

These financial statements prepared in accordance with the IAS/IFRS International Accounting Standards are exempt from the .xbrl format, and full compliance with all the international accounting standards in effect at the time these financial statements are prepared is declared. We therefore invite you to approve the draft financial statements as at 31/12/2020 together with the proposed allocation of the operating result, as prepared by the management body. This Annual Report is truthful and accurate and corresponds to the accounting records.

ADMINISTRATIVE BODY

27 May 2021