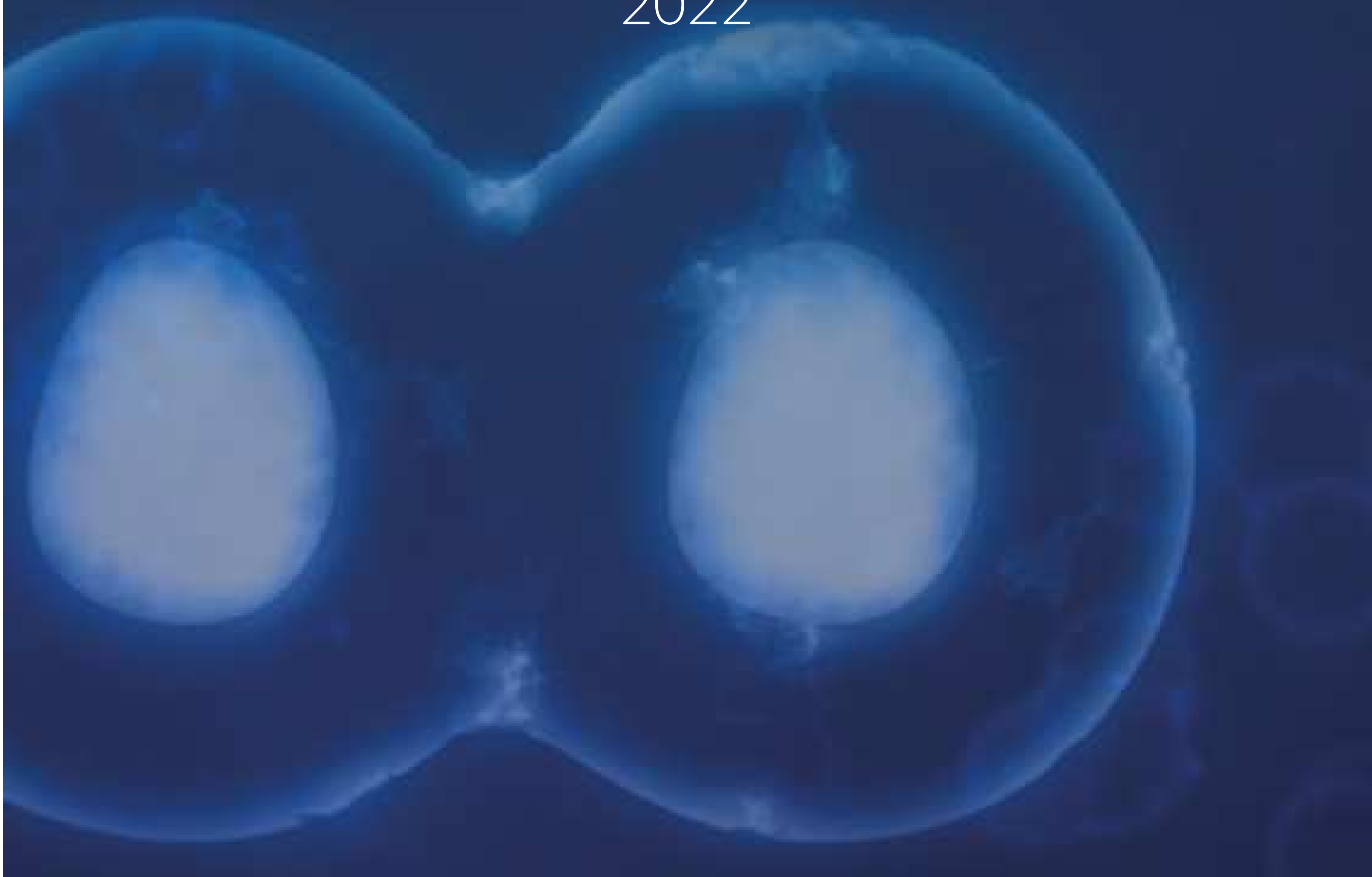
CONSOLIDATED FINANCIAL STATEMENTS

Fidia Farmaceutici S.p.A.
2022



fidia

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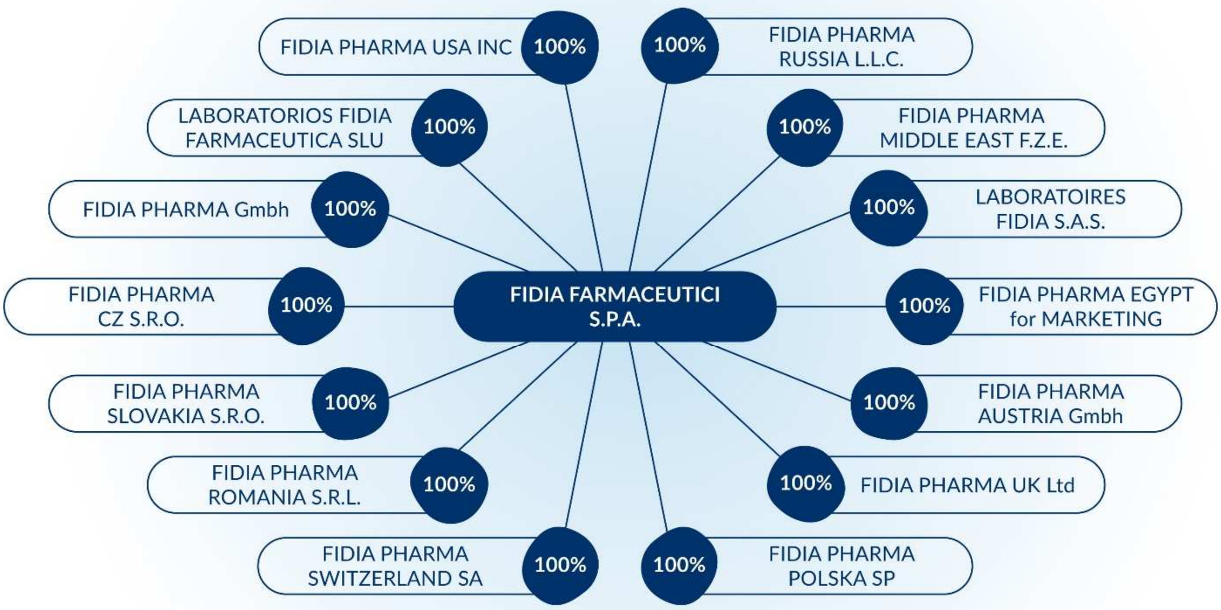
REPORT ON OPERATIONS OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

THE GROUP STRUCTURE

The chart below shows the consolidation scope as at 31.12.2022: the Parent Company Fidia Farmaceutici S.p.A. is 95.3% controlled by P&R Farmaceutici S.p.A.

In November, the company Fidia Pharma Polska sp. z o.o., 100% controlled by Fidia Farmaceutici S.p.A., was established; the new entity is the vehicle for the acquisition of a business unit specialised in the distribution of ophthalmic products in the Polish market. Please refer to the following events for further information on the company.

Both the Polish and English companies were not consolidated, as they did not have any significant operating activities during the period.



COMPANY BODIES

Board of Directors

Carlo Pizzocaro	Chairman
Francesco Pizzocaro	Director
Claudia Adreani	Director
Giovanni Angela	Director
Paolo Rossi	Director

Board of Statutory Auditors

Mario Canevari	Chairman
Donatello Cecchinato	Standing Auditor
Luisa Savio	Standing Auditor
Daniele De Martini	Alternate Auditor
Riccardo Spadaro	Alternate Auditor

Supervisory Body

Professional Governance Overview S.r.l.	SB Member
Franco Cerritelli	SB Member
Lawyer Giulia Chiara Paoloni	SB Member

Independent Auditors

KPMG S.p.A.

OPERATIONS AND MARKETS

The Parent Company and its subsidiaries manufacture and distribute drugs, medical devices and APIs (Active Pharmaceutical Ingredients). Reference should be made to the section of this report entitled “Overview of the Group’s operations, financial trend and cash flows” for a discussion of the relevant therapeutic areas.

Fidia has a leading presence in the hyaluronic acid (HA) market with a product portfolio in 5 therapeutic areas (Joint Care, Skin Care, Eye Care, Aesthetic Care, Regenerative Care) and with over 1,100 patents developed in over 60 years of experience.

The past financial year was characterised by a mixed trend, with a first half in which growth was particularly strong, driven by the post-pandemic recovery in both Europe and the US. The second half of the year saw a slowdown influenced in particular by the negative impacts of raw material availability and energy price dynamics, which certainly affected consumption. The following graph shows the seasonality of the business compared to the previous year:

The 2022 financial year is characterised by double-digit sales growth in both the national and international markets. The breakdown of revenues is as follows:

Thousands of Euros	2022	%	2021	%	Change	%
National	210.744	51	187.187	50	23.557	12,6
International	193.577	47	172.217	46	21.360	12,4
Total revenues from sales and services	**404.321**	**98**	**359.404**	**97**	**44.917**	**12,5**
Other revenues	7.753	2	11.796	3	(4.043)	(34,3)
Total net revenues	**412.074**	**100**	**371.200**	**100**	**40.874**	**11,0**

Italian market
Generally speaking, 2022 saw the national pharmaceutical market heavily influenced by the stock reduction policy implemented by intermediary distributors, but also by major issues related to the availability of product and components such as raw materials and packaging materials such as paper, glass, aluminium and plastic.

In 2022 in the Italian market, the Group recorded an excellent performance, achieving a turnover of €210.7 million, up +12.6% over the previous year and well above the reference market, despite the fact that some of the issues mentioned in the introduction partly impacted the results of the second half of the year.

With reference to market data [(1)] for ethical products, the increase in sales of Fidia-branded products was +18.7%, in a market registering +5.3%.

In the remaining markets for over-the-counter Drugs, Medical Devices, Supplements and Cosmetics, Fidia was also successful with a 6% increase in sell-in pharmacy values.

Of note is also the sales performance of the Connettivina brand, the iconic symbol of Fidia products, which after almost sixty years of presence on the market has seen a growth of about €3.3 million compared to 2021, consolidating its leadership in the reference market.

Worthy of special mention is the 2022 performance of Eye Care products, which is the result of a strategic reorganisation of the therapeutic area at all corporate levels, with a specific focus of promotion on the target group of ophthalmology specialists.

There was also a major shift in the surgical range of products, which was heavily impacted in 2021 by the Covid-19 pandemic.

The company has been able to follow up on the high standards of scientific medical information in recent years; as proof of this, in 2022 it was awarded first place in the "*Scientific Information and Patient Centricity Competition*", the only prize where doctors decide, awarded under the patronage of SIMG, Farmindustria and Cittadinanza Attiva, creating new synergies and enhancing the corporate digital promotional initiatives and e-commerce activity.

Lastly, the company maintains and consolidates its undisputed leadership in the HA market for osteoarticular infiltration, exceeding €24 million[(2)], a result that could have been more significant in the absence of the critical issues mentioned in the introduction.

(1) Source: IQVIA - IMF - Sell-in Pharmacy and IQVIA - IMF OFTA Database (sell-in all channels)
(2) Source: Fidia Direct Sales

International markets
The International Pharmaceuticals Division achieved a turnover of about €193.6 million, 12.4% higher than the previous year's result, which confirms a solid positive growth trend of our subsidiaries and distributors in strong recovery after the pandemic crisis.

This positive result was achieved despite difficult conditions in many of the markets due to the continuing post-pandemic effect on the availability of raw materials which caused delays and cost increases in production, the conflict between Russia and Ukraine, which negatively affected the CIS markets, and some critical component supply issues, which made products unavailable for a significant period of time.

As regards sales through direct branches, the results for the year were particularly positive in all the countries covered by the Group with direct presence. Particularly noteworthy is the result of the European subsidiaries, which achieved a double-digit growth realised due to the contribution of the hyaluronic acid product portfolio (organic growth) and to the contribution of the product portfolio recently acquired from third parties and now integrated into operations.
The result of the US subsidiary, the largest in terms of turnover, was also positive, with a 9% increase in turnover over last year, thanks to the development of product volume and the favourable exchange rate against the Euro. Of note is the continued growth of Fidia's presence in the Middle East Africa region (+18%) thanks to the development of commercial activities in the main markets, coordinated by the Dubai-based structure and implemented through a mixed commercial model involving a direct presence with subsidiaries in the main markets and partnerships with distributors for continuous expansion in all the markets in the region.

Signs of positive growth are also to be found in sales to international distributors, despite the fact that rising raw material and transport costs and the conflict between Russia and Ukraine negatively affected the result in some regions.

Finally, sales of CMO (Contract Manufacturing Operation) products also showed a positive trend, up year-on-year, net of fluctuations in vaccine orders and sales of API (Active Pharmaceutical Ingredient) up year-on-year by +15%.

All therapeutic areas contributed to sales growth in 2022 through an increased penetration in direct markets achieved by our subsidiaries and the expansion into new markets achieved through new partnerships with distributors. Noteworthy among the initiatives undertaken in order to support commercial development in the main markets are the launch of the aesthetic medicine line (Aesthetic Care) in Spain, the completion of the acquisition of the commercial start-up in Poland, which will allow Fidia to operate directly from 2023 in the fifth largest pharmaceutical market in Europe, and the commercial agreement with a major Brazilian distributor to market a first group of products in the largest pharmaceutical market in Latin America.

RELEVANT EVENTS

Corporate events
January 2022 saw the completion of the liquidation of Fidia Pharma Kazakhstan LLC, which had already been excluded from consolidation last financial year, and was therefore eliminated from the corporate organisation chart.

In November 2022, Fidia Pharma Polska sp. z o.o., a company incorporated under Polish law and based in Warsaw, was established for the purpose of acquiring a business unit related to a well-established pharmaceutical company present in the Polish market since 1992. The acquisition of the business relates to a package of products with its own brands that will complement Fidia products in the Eye Care therapeutic area, as well as some vitamin D supplements. The business being acquired, the closing of which took place on 10 January 2023, includes not only the brands and technology, but also the organisation consisting of nine resources. The M&A transaction is part of the growth process in the international area that aims to expand the Fidia Group's direct presence in foreign markets with the greatest potential. The goal of the subsidiary will be to develop the current business in the field of ophthalmology by introducing Fidia-branded products into its offering in addition to the products covered by the acquisition. The plan is then to centralise the distribution of Joint Care products on the subsidiary, and at a later stage also Skin Care products.

New business acquisition
During 2022, the transfer of products acquired in 2021 from third parties continued. At year-end, about 33% of the Marketing Authorisations for the 60 references in the 14 different countries had been distributed.

Evolution of major research projects
Developments continued in the Oncofid-P projects for the treatment of bladder cancer and mesothelioma, the Collagenase project for the treatment of Dupuytren's contracture and Peyronie's disease, and the HyCar project for the treatment of rheumatoid arthritis and osteoarthritis. With reference to the first project (Oncofid) already in phase 3, €4.8 million were capitalised under assets under construction.

Patent Box ruling
The renewal of the ruling for the 2020-2024 five-year period for intangible assets subject to the facilitation as per L. 190 23/12/2014 has not yet been finalised with the Regional Revenue Agency with which the contradictory phases are underway. Pending finalisation of the agreement, it was not possible to estimate the tax benefit, which, therefore, has not yet been accounted.

Decree-Law No. 146 of 21 October 2021, converted, with amendments, by Law No. 215 of 17 December 2021, as subsequently amended by Law No. 234 of 30 December 2021, introduced an optional tax regime (hereinafter referred to as the “new patent box”) for business income holders that provides for a super-deduction, for IRES and IRAP purposes, equal to 110% of the research and development costs incurred in relation to software protected by copyright, industrial patents, designs and models used directly or indirectly in the performance of their business activities. The Provision of the Director of the Revenue Agency of 15 February 2022 subsequently defined the implementing provisions and the ways for exercising the option. This option is valid for five years and is irrevocable and renewable.

During the financial year, a reporting activity was initiated in compliance with the legal provisions relating to the new patent box, which resulted in a recovery of the higher taxes paid during the 2021 financial the year in the amount of €742 thousand set aside under contingent assets in the income statement.

Introduction of medical device payback regulations
The payback on medical devices was introduced by Art. 9-ter of the D.L. of 19 June 2015 No.78 converted into Law 125/2015. During 2022, the implementing decrees were issued with the publication, in the O.J. on 15/09/2022, of the decree of the Ministry of Health and the Mef certifying the exceeding of the expenditure ceiling for medical devices for the years 2015-2018. Following this decree, the regions issued the relevant measures with which the supplier companies were notified of the amounts to be paid for the expenditure overruns, for the years 2015-2018. The Parent Company challenged the measure, on the basis of an initiative coordinated by several companies in the sector, by appealing to the regional court (TAR) of Lazio, which is expected to rule by June 2023. An estimate of the contingent liability arising from the possible application of these provisions has been set aside in the financial statements, not only for the 2015-2018 period, but also for the subsequent years 2019-2022, as better specified in the notes to which reference is made.

SARS-CoV-2 (Covid-19) emergency
Fidia, at all Group facilities and throughout 2022, has continued with the application of the National Protocol in the workplace in compliance with national legislation, the guidelines of trade associations, and the instructions given by the Employers, the Competent Doctors and the Prevention and Protection Service Managers (RSPP) of the various facilities.

Preventive and accurate information is the first precautionary initiative, and for this reason, Fidia Farmaceutici S.p.A. has undertaken to bring to the attention of its employees and third parties, who systematically or occasionally enter the company, by means of specific written notes and also using IT tools, all the information necessary for health and safety protection.

In addition, activities included maintaining the Plexiglass partitions in the dining areas, canteens and offices, ensuring daily sanitisation protocols and extraordinary cleaning protocols in the event of positive case reports, and quota restrictions in common areas. CoViD technical committees met periodically.

Fidia Farmaceutici S.p.A. has always ensured the availability of FFP2 facial filtering masks, in order to allow all workers to use them, taking care that they were rationally distributed.

Operating activities
The Parent Company, Fidia Farmaceutici S.p.A., with registered office in Abano Terme (PD), carries out its operations at 4 operating facilities: Abano Terme (PD) - Via Ponte della Fabbrica 3/A, Noto (SR) - Contrada Pizzuta, Paderno Dugnano (MI) - Via Ampère 19/21 and Monte Giberto (FM) - Via del Lavoro, 2/4.

Abano Terme plant
The Abano Terme (PD) plant covers an area of 215,000 m^2 and produces both APIs (mainly hyaluronic acid) and finished products in various pharmaceutical forms (injectable and sterile lyophilised, solid oral, topical, etc.). In particular, the following are produced: pre-filled bottles, vials and syringes, multi-dose and single-dose eye drops, topical products (creams, gels, ointments and wet gauze), oral solids (tablets and capsules), active pharmaceutical ingredients (APIs) obtained from tissues and by fermentation, and finally, the facility produces lyophilised vaccines for third parties.

During the financial year, the following were achieved:
- achievement of the ISO 14001 environmental certification;
- consolidation of production for all pharmaceutical forms;
- start-up of a project to analyse warehouse flows and space with a view to adequately support the planned increase in production for a CMO business from 2024.

Paderno Dugnano plant
The 7,500 m^2 plant in Paderno Dugnano (MI) produces oral and cutaneous drug delivery systems (skin patches, medicated patches, rapid cooling hydrogels, oral dissolvable films).

The facility also has gauze and liquid filling lines (solutions, foams and sprays).

The plant is authorised by AIFA and holds GMP certification, while the quality system is certified ISO 9001, ISO 22716 AND ISO 13485. The facility is also authorised for the production of food supplements in solid form.

During the financial year, the following were achieved:
- increased production of the main pharmaceutical forms, medicated plasters and medical devices disinfectant wipes;
- completion of the doubling of areas dedicated to pharmaceutical production and the warehouse.

Noto plant
The plant includes a production plant and a research laboratory covering an area of 2,100 m^2.

The Noto plant produces Collagenase solution for topical use and Collagenase solution for injection use.

The facility specialises in studying the production processes of new enzymes, proteins and polysaccharides by fermentation or through biotechnological processes, using non-pathogenic strains.

The facility has been authorised by AIFA since 2013 for the production of active ingredients and therefore it holds GMP certification.

The laboratory is active in funded research projects, including 3 applications for funding submitted, namely a “Bando Innovazione” (innovation call) funded by PNRR funds, which was approved; a “Bando Sviluppo” (development call) funded by PNRR and/or national funds and the “Bando IPCEI” (Important Projects of Common European Interest Call) also funded by mixed PNRR and national funds.

During the financial year, the following were achieved:
- increased production of topical collagenase;
- completion of activities in order to obtain fire prevention certification, issued in the last quarter of 2022;
- completion of the connection to the municipal water and sewage pipeline.

Monte Giberto plant
The plant in Monte Giberto (FM) produces medical devices (sterile gauze for periocular cleansing) and performs primary and secondary packaging of food supplements (tablets and soft capsules).

The building has a capacity of 1,800 pallets, where drugs, medical devices and food supplements are stored for later distribution.

The plant is authorised for the wholesale distribution of medicinal products for human use, pursuant to Articles 100 and 108 of Legislative Decree No. 219/2006 and subsequent amendments and supplements.

During the financial year, the following were achieved:
- increase in the production of Medical Devices and Food Supplements and introduction of new references;
- upgrade and completion of the project to automate the warehouse (radio frequency);
- completion of the revamping of new production areas;
- start of activities for the introduction of the purified water production system for GMP purposes.

OVERVIEW OF THE GROUP'S OPERATIONS, FINANCIAL TREND AND CASH FLOWS

Consolidated net revenues

Consolidated net revenues came to €412,074 thousand in 2022, a growth of some 11% over 2021.
Net revenues include revenues from the sale of products and services for €404,321 thousand and other revenues for €7,753 thousand mainly referring to miscellaneous income, indemnities and tax credits.

Revenues from products and services broken down by geographic macro-area are shown below:

Consolidated revenues by geographic area

Thousands of Euros	2022	%	2021	%	Change	%
ITALY	210.744	52	187.187	52	23.557	12,6
EUROPE	111.908	28	95.862	27	16.046	16,7
MENA	15.753	4	13.291	4	2.462	18,5
USA	58.389	14	53.564	15	4.825	9,0
RoW	7.527	2	9.500	3	(1.973)	(20,8)
Total revenues from sales and services	**404.321**	**100**	**359.404**	**100**	**44.917**	**12,5**

Growth at current exchange rates benefits from a positive exchange rate effect of €6,420 thousand, net of which growth would have been 10.7 %.

Net revenues by therapeutic area are set out below:

Consolidated revenues by therapeutic area

Thousands of Euros	2022	%	2021	%	Change	%
JOINT CARE	153.867	38	145.705	41	8.162	5,6
SKIN CARE	47.537	12	43.517	12	4.020	9,2
CORTICOSTEROIDS	34.322	8	28.629	8	5.693	19,9
EYE CARE	82.156	20	72.057	20	10.099	14,0
ACTIVE PRINCIPLES	5.149	1	4.474	1	675	15,1
OTHER	81.290	20	65.022	18	16.268	25,0
Total revenues from sales and services	**404.321**	**100**	**359.404**	**100**	**44.917**	**12,5**

The different therapeutic areas all showed significant increases compared to the previous financial year, with the Eye Care area in particular, which had particularly suffered last year, showing an excellent recovery. Joint Care continues to be the main therapeutic area, whose weight in the total rose from 41% last year to 38%.

Key consolidated income statement data

Thousands of Euros	2022	%	2021	%	Change	%
Net revenues	**412.074**	**100**	**371.200**	**100**	**40.874**	**11,0**
Cost of goods	(155.247)	(38)	(136.625)	(36,8)	(18.622)	13,6
Industrial Margin	**256.826**	**62**	**234.575**	**63**	**22.252**	**9,5**
Commercial	(131.410)	(32)	(113.483)	(31)	(17.927)	15,8
R&D	(25.965)	(6)	(22.597)	(6)	(3.368)	14,9
G&A	(48.041)	(12)	(44.170)	(12)	(3.871)	8,8
Others	257	0	(488)	(0)	745	(152,6)
Operative costs	**(205.159)**	**(50)**	**(180.738)**	**(49)**	**(24.421)**	**13,5**
Ebit	**51.667**	**13**	**53.836**	**15**	**(2.170)**	**(4,0)**
Net financial income (charges)	(4.990)	(1)	(2.269)	(1)	(2.721)	119,9
Ebt	**46.677**	**11**	**51.568**	**14**	**(4.891)**	**(9,5)**
Tax	(8.845)	(2)	(15.096)	(4)	6.251	(41,4)
Net profit for the year	**37.832**	**9**	**36.471**	**10**	**1.360**	**3,7**
Amortisation and depreciation and write-off	(25.484)	(6)	(21.755)	(6)	(3.728)	17,1
EBITDA	**77.150**	**19**	**75.592**	**20**	**1.559**	**2,1**

Total OPEX breakdown

Thousands of Euros	2022	%	2021	%	Change	%
Personnel expenses	(107.107)	(26)	(95.951)	(26)	(11.156)	11,6
Operating costs	(95.578)	(23)	(83.444)	(22)	(12.134)	14,5
Variable sales costs	(20.013)	(5)	(17.164)	(5)	(2.849)	16,6
Pers.costs Capitalization	1.184	0			1.184	
Total	**(221.513)**	**(54)**	**(196.559)**	**(53)**	**(24.954)**	**12,7**

Key consolidated balance sheet data

Thousands of Euros	2022	2021	Change
Non-current assets	292.339	274.923	17.416
Operating Working capital	89.135	89.452	(317)
Defined benefit plans	(19.379)	(19.216)	(163)
Other assets/liabilities	(12.288)	(22.907)	10.619
Net invested capital	349.807	322.252	27.555
Net financial debt	(93.528)	(109.569)	16.041
Equity	256.279	212.683	43.596

Breakdown of net financial position

Thousands of Euros	2022	2021	Change
Cash and cash equivalents	170.530	139.017	31.513
Long-term financing	(167.523)	(173.132)	5.609
Short-term financing	(46.535)	(46.454)	(81)
Bonds	(50.000)	(29.000)	(21.000)
Net financial debt	**(93.528)**	**(109.569)**	**16.041**

Breakdown of working capital

Thousands of Euros	2022	2021	Change
Trade receivables and other current assets	99.042	102.403	(3.361)
Inventories	54.113	47.573	6.540
Trade payables and other current liabilities	(64.020)	(60.524)	(3.496)
Operating Working capital	**89.135**	**89.452**	**(317)**
% on revenue	*21,6%*	*24,1%*	
Other assets/liabilities	(12.288)	(22.907)	10.619
Total Net Working capital	**76.847**	**66.545**	**10.302**

Key consolidated financial statement ratios

INDEX	2022	2021	Change
ROS (1)	12,5%	14,5%	-2,0%
ROI (2)	14,8%	16,7%	-1,9%
ROE (3)	14,8%	17,1%	-2,4%
Inventory turnover (4)	3,1	2,8	0,2
Average DSO (5)	89	100	-10
Average DPO (6)	99	89	10
Tax rate (7)	-18,9%	-29,3%	10,3%
Leverage (8)	1,2	1,4	-0,2

Condensed consolidated cash flow statement

Thousands of Euros	2022	2021
Net profit for the year	**37.832**	**36.471**
Gross profit for the year (1)	**72.164**	**72.453**
Income taxes and interest paid	(17.365)	(17.595)
Cash flows from changes in net working capi	2.621	27.248
Cash flows from operating activities (A)	**57.420**	**82.106**
Cash flows used in investing activities (B)	(41.672)	(114.447)
Cash flows from financing activities (C)	15.765	(9.721)
Cash flow from A+B+C	**31.512**	**(42.062)**
Opening cash and cash equivalents	139.017	181.079
Closing cash and cash equivalents	**170.530**	**139.017**

[1] *Profit for the year net of depreciation and amortization, provisions, financial expense (income), taxes and disposals of fixed assets*

Note: for a description of the ratios, see page 15

OVERVIEW OF THE PARENT COMPANY'S OPERATIONS, FINANCIAL TREND AND CASH FLOWS

The data below refer to the financial statements data of the Parent Company Fidia Farmaceutici S.p.A. according to the national accounting OIC standards.

Revenues by type

Thousands of Euros	2022	%	2021	%	Change	%
Revenues from third parties	292.702	83	265.846	85	26.856	10,1
Revenues from group companies	50.936	14	31.961	10	18.975	59,4
Total revenues from sales and services	**343.638**	**98**	**297.807**	**95**	**45.831**	**15,4**
Other revenues	8.768	2	15.385	5	(6.617)	(43,0)
Total net revenues	**352.405**	**100**	**313.192**	**100**	**39.213**	**12,5**

Revenues by geographic area

Thousands of Euros	2022	%	2021	%	Change	%
ITALY	210.744	61	187.187	63	23.557	12,6
EUROPE	85.387	25	67.911	23	17.476	25,7
MENA	15.753	5	13.250	4	2.502	18,9
USA	24.228	7	20.605	7	3.623	17,6
RoW	7.527	2	8.854	3	(1.327)	(15,0)
Total net revenues	**343.638**	**100**	**297.807**	**100**	**45.831**	**15,4**

Key income statement data

Thousands of Euros	2022	%	2021	%	Change	%
Net revenues	**352.405**	**100**	**313.192**	**100**	**39.213**	**12,5**
Consumption of materials and change in inventory	(110.590)	(31)	(97.160)	(31)	(13.430)	13,8
Variable sales costs	(9.681)	(3)	(8.328)	(3)	(1.354)	16,3
Operating costs	(86.455)	(25)	(74.669)	(24)	(11.786)	15,8
Personnel expenses	(81.407)	(23)	(74.469)	(24)	(6.938)	9,3
EBITDA	**64.272**	**18**	**58.566**	**19**	**5.706**	**9,7**
Amortisation and depreciation	(36.973)	(10)	(33.188)	(11)	(3.786)	11,4
EBIT	**27.298**	**8**	**25.378**	**8**	**1.921**	**7,6**
Net financial income (charges)	2.993	1	1.261	0	1.732	137,3
EBT	**30.292**	**9**	**26.639**	**9**	**3.653**	**13,7**
Tax	(8.119)	(2)	(7.385)	(2)	(733)	9,9
Net profit for the year	**22.173**	**6**	**19.254**	**6**	**2.919**	**15,2**

Key balance sheet data

Thousands of Euros	2022	2021	Change
Non-current assets	270.052	264.710	5.342
Operating Working capital	87.039	81.118	5.921
Defined benefit plans	(16.171)	(15.732)	(439)
Other assets/liabilities	(11.780)	(13.633)	1.853
Net invested capital	**329.140**	**316.463**	**12.677**
Net financial debt	(98.507)	(111.975)	13.468
Equity	230.633	204.488	26.145

Breakdown of net financial position

Thousands of Euros	2022	2021	Change
Cash and cash equivalents	109.951	81.259	28.692
Current financial assets/liabilities	49.447	46.102	3.345
Long-term financing	(163.797)	(167.527)	3.730
Short-term financing	(44.108)	(42.809)	(1.299)
Bonds	(50.000)	(29.000)	(21.000)
Net financial debt	**(98.507)**	**(111.975)**	**13.468**

Breakdown of working capital

Thousands of Euros	2022	2021	Change
Trade receivables and other current assets	101.044	96.971	4.073
Inventories	47.991	39.798	8.193
Trade payables and other current liabilities	(61.996)	(55.651)	(6.345)
Operating Working capital	**87.039**	**81.118**	**5.921**
% on revenue	*24,7%*	*25,9%*	
Other assets/liabilities	(11.780)	(13.633)	1.853
Total Net Working capital	**75.259**	**67.485**	**7.774**

Main financial statement ratios

Thousands of Euros	2022	2021	Change
ROS (1)	7,7%	8,1%	-0,4%
ROI (2)	8,3%	8,0%	0,3%
ROE (3)	9,6%	9,4%	0,2%
Inventory turnover (4)	2,5	2,7	-0,2
Average DSO (5)	103	106	-3
Average DPO (6)	104	84	20
Tax rate (7)	-26,8%	-27,7%	0,9%
Leverage (8)	1,5	1,9	-0,4

Condensed cash flow statement

Thousands of Euros	2022	2021
Net profit for the year	**22.173**	**19.254**
Gross profit for the year (1)	**68.645**	**64.711**
Other adjustments	(11.124)	(11.351)
Cash flows from changes in net working capital	1.179	16.441
Cash flows from operating activities (A)	**58.700**	**69.801**
Cash flows used in investing activities (B)	**(47.077)**	**(148.376)**
Cash flows from financing activities (C)	**17.069**	**(11.348)**
Cash flow from A+B+C	**28.692**	**(89.923)**
Opening cash and cash equivalents (Including cash flow from business combination in 2021)	81.259	160.614
Cash flow from business combination	n.a.	10.568
Closing cash and cash equivalents	**109.951**	**81.259**

(1) *"Return on Sales" (ROS) is the ratio of operating profit (loss) to revenues.*
(2) *"Return on Investment" (ROI) is the ratio of operating profit (loss) to Net Invested Capital.*
(3) *"Return on Equity" (ROE) is the ratio of net profit (loss) for the financial year to shareholders' equity.*
(4) *Inventory turnover is the ratio of (i) purchases of raw materials, consumables and goods and changes in inventory, to (ii) the average closing inventory of the previous financial year and the closing inventory at the reporting date. This ratio is multiplied by 365.*
(5) *DSO is calculated as the ratio of (i) average trade receivables at the end of the previous financial year and trade receivables at the reporting date, to (ii) revenues. This ratio is multiplied by 365.*
(6) *DPO is calculated as the ratio of (i) average trade payables at the previous financial year end and trade payables at the reporting date, to (ii) the sum of purchases of raw materials, consumables and goods plus changes in inventory plus services.*
(7) *The Tax Rate is the ratio of income taxes to pre-tax profit (loss).*
(8) *"Leverage" is calculated as the ratio between (i) Net Financial Position and (ii) EBITDA.*

HUMAN RESOURCES AND WORKFORCE

In 2022, the initiatives aimed at organisational change and at the consolidation of the Group's international vocation continued at a global level through the harmonisation of numerous processes in the HR area.

Recruitment, training and development

A total of 147 people were hired across the Abano Terme, Noto, Paderno Dugnano, and Monte Gilberto facilities.

At Abano Terme, 130 new people (4 Managers, 13 middle managers, 68 white collars and 45 blue collars) were hired during the year, while 50 people resigned, some of whom retired.
The induction of the new hires involved all corporate areas.

At Fidia's international facilities, 88 people were hired (45 in Europe and 43 in the rest of the world).

The development of Fidia's human capital continued with actions aimed at the entire corporate population.

In order to continue working on the development of people managers, a specific advanced training course was organised with the aim of providing the necessary skills to manage the entire life cycle of employees within the company more effectively. The course was divided into 5 modules of 2 hours each (employment relationship management, selection and recruitment, performance measurement, meritocratic policies and personnel budgeting). During 2022, the first 3 modules were conducted, with 4 sessions per module, in order to ensure the widest possible participation. Training sessions for the remaining two modules will be organised during 2023.

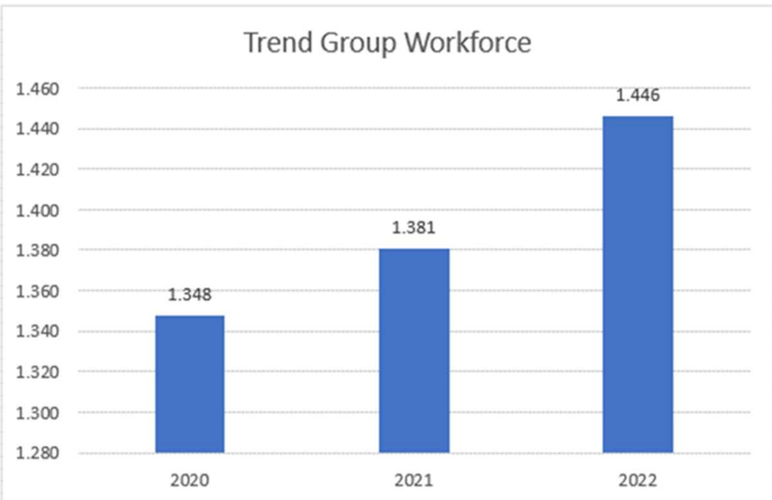
During the year, we also continued the initiative started in 2021 that saw the certification of 16 internal coaches through a training course developed according to the internationally recognised methodology of the ICF (International Coaching Federation), conducting over 240 coaching sessions for 54 colleagues who requested it.

Training was planned and carried out in order to support the revision of processes that were necessary to implement the new organisational structure of the supply chain, aimed at a unified end-to-end process control.

As part of the far-reaching change management project underway, initiatives have been launched involving the entire corporate population, both in Italy and abroad, aimed at creating the new Fidia Organisational Culture.

During the year, a project was launched to harmonise the payroll system in all the countries outside Italy in which Fidia is present, with the aim of ensuring harmonisation, improving control and approval processes, and creating the prerequisites for a unified labour cost monitoring and budgeting system.

The growth trend of the Group's resources over the last years is as follows:



Fidia group's workforce by gender and average age:

	Female		Male		Total	
	Workforce	Average age	Workforce	Average age	Workforce	Average age
Italy	553	42	582	45	1.135	43
International	145	43	166	41	311	42
Total	**698**	**42**	**748**	**44**	**1.446**	**43**

The average age remained constant, as did the gender breakdown compared to last year.

Industrial relations
The year was characterised by a positive trend in industrial relations characterised by frequent meetings that made it possible to finalise agreements aimed at providing timely responses to the needs that emerged.

With this in mind, the guidelines underlying the process of cultural change that is affecting the entire corporate population were shared, and the processes managed by Human Resources aimed at the development of all workers were also explored.

Also during 2022, special attention was paid to the continuous dialogue aimed at defining and implementing pandemic containment measures with excellent results.

2022 ended without a single new labour litigation case.

ENVIRONMENT

The Fidia Farmaceutici Group strives to constantly reduce the negative effects of its activities on the environment, trying to find technological solutions that cause the lowest environmental impact and it has a specific Health, Safety and Environment Policy. In addition, since 2019, it has joined the voluntary "Responsible Care" program for the sustainable development of the Chemical Industry.

Fidia has an Integrated Environmental Authorisation (*Autorizzazione Integrata Ambientale* - A.I.A.) and provides an annual report in compliance with the current legislative requirements imposed with the A.I.A. authorisation, as well as other specific documentation which contributes to maintaining a system of monitoring and control of consumption and emissions.

With regard to waste, the company drafts an annual Environmental Declaration Form (MUD), in which the quantity and type of waste produced and/or managed during the year in question is indicated; for the transport of dangerous goods, pursuant to Legislative Decree 35/2010, the ADR report (Accord Dangereuses Route, i.e. the European agreement relating to the international carriage of dangerous goods by road) is drawn up annually by a specially appointed qualified technician; lastly, pursuant to art. 5 of (EC) Regulation 166/2006, the company has to submit the PRTR (Pollutant Release and Transfer Register) declaration relating to pollutant emissions and transfers.

Pursuant to Legislative Decree no. 231/01 and for all production facilities, the company reports to the Supervisory Body (SB) annually on health, safety and the environment, with a series of environment-related information and performance indicators.

Routine maintenance scheduled in the annual plan is punctually carried out for all plants, in order to ensure optimal consumption efficiency and minimisation.

Energy and fuel consumption
The fuels used in the Italian plants are of two types: natural gas, used to guarantee the operation of the steam generators serving production and space heating at the Abano Terme, Paderno Dugnano and Monte Giberto facilities, the trigenerative co-generator at the Abano Terme facility, and the thermal co-generators for the abatement of gaseous emissions at the Abano Terme and Paderno Dugnano facilities; diesel fuel to guarantee the operation of the steam generators serving production and space heating at the Noto facility and to maintain the functionality of the emergency generators and motor pumps serving the water storage tanks for the fire-fighting system at all facilities. The

group also consumes fuel (petrol and diesel oil) for corporate vehicles, which are mainly used by the external sales force network comprised of the pharmaceutical reps.

The facility's energy consumption is mainly related to the production plants, lighting and air conditioning of the workplaces.

The following tables summarise and compare with the previous year direct and indirect energy consumption and the energy intensity calculated in accordance with the GRI 302-1 and 302-3 standards of the Parent Company.

Internal direct energy consumption	u.m.	2022	2021
Total direct energy consumption	Gj	321.887	316.982
From non-renewable sources			
Natural gas (diesel oil used in the owned plant)	m^3	7.246.401	7.264.242
Diesel oil	l	17.420	16.417
From company vehicles	l		
Petrol	l	26.712	18.616
Diesel oil	l	852.595	712.760

Indirect internal energy consumption by source type:	u.m.	2022	2021
Total indirect energy consumption	Gj	54.979	47.308
Electricity	kWh	15.271.828	13.141.564
From non-renewable sources	kWh	7.693.257	7.878.321
From renewable sources	kWh	7.578.571	5.263.243
Overall energy status	TEP	9.682	9.172

Total energy intensity	u.m.	2022	2021
Energy intensity per m2	Gj/m^2	6	7
Energy intensity per number of employees (*)	Gj/n°	303	382

Emissions
The following tables set out the emissions of the Parent Company calculated in metric tons of CO_2 equivalent, including direct and indirect emissions and the emission intensity calculated in accordance with GRI 305-1, 305-2 and 305-4, compared with the data of the previous year.

Direct energy emissions by source (Scope 1)	u.m.	2022	2021
Total direct energy emissions	t. CO2e	**16.892**	**16.518**
From non-renewable sources:			
Natural gas (diesel oil used in the owned plant)	t. CO2e	14.609	14.645
Diesel oil	t. CO2e	45	41
LPG	t. CO2e		
Other (e.g. coal, etc.)	t. CO2e		
From company vehicles:			
Petrol	t. CO2e	58	41
Diesel oil	t. CO2e	2.181	1.791
Indirect energy emissions by source (Scope 2)	**u.m.**	**2022**	**2021**
Total indirect energy emissions	t. CO_2e	**1.487**	**1.673**
Electricity			
from non-renewable sources	t. CO_2e	1.487	1.673
Greenhouse gases (GHG) emissions intensity	**u.m.**	**2022**	**2021**
Total emissions (direct + indirect)	t CO2e	**18.380**	**18.191**
Area (space in m2) (*)	m^2	63.862	62.937
Emissions intensity per area	t CO2e/m^2	**0,288**	**0,289**
Total number of employees	N°	1.242	1.170
Emissions intensity per number of employees	t CO2e/N°	**14,799**	**15,548**

(*) The surface has increased due to the enlargement of the Paderno Dugnano plant

Total CO_2 emissions, compared to 2021, remained virtually unchanged. The slight increase (189 t CO_2) is due to the expansion of the Paderno Dugnano plant and to the increase in the total number of employees within the group. The emission intensity ratios per unit area and per number of employees are both decreasing.
It should be noted that the table does not include the trigenerative function of the co-generator installed at the Abano Terme facility, the absence of which would result in the boilers using more gas and more energy needed for summer cooling. It was calculated that, in the absence of the trigenerator, CO_2 production would have been around 300 t higher.

Improvement activities

In 2022, the Abano Terme facility obtained the ISO 14001 environmental certification.
At the Paderno Dugnano facility, during 2022, a renewal of the Single Environmental Authorisation was issued, authorising Fidia to build a by-pass at the inlet of the thermal burner, in order to convey into the atmosphere the pollutant-free emissions generated by water-based coatings, thus allowing savings in terms of natural gas consumption needed to operate the abatement system.

Also at the Paderno facility, the reverse osmosis plant for the production of purified water used for production purposes was replaced. The new plant allows a reduction in consumption, as it produces at a 1:1 ratio compared to the previous plant, which required three times the water supply in order to perform the treatment.

At the Noto facility, a campaign was launched to replace the lighting sources present with low-energy consumption LED lamps, and the refrigeration system was modernised with the introduction of new pumps equipped with inverters to modulate operation and optimise energy consumption.

At the Monte Giberto facility, following the revamping of the new area for the production of bulk gauze, the new HVAC system dedicated to this area was installed.

Water consumption

The Fidia group implements a rational and responsible use of water resources at all its facilities. For each production facility, water mostly comes from the public aqueduct, only one facility has a well.

In view of the fact that freshwater withdrawals are attributable to both sanitary and industrial use, responsible management of the resource includes a careful process design and consumption monitoring in order to identify areas for improvement and intercept possible leaks at an early stage.

In order to safeguard water resources, at the Fidia facility in Abano, which accounts for about 98% of the consumption of all facilities, in 2022, more than 17,700 cubic metres of purified water were reused for cooling the evaporative towers, about 10% of the water purchased from the aqueduct network.

In 2022, the Group's total water withdrawal was approx. 184,959 cubic metres, compared to the 177,307 cubic metres consumed in 2021. The increase of about 7,600 cubic metres compared to the previous year, corresponding to +4.3%, is mainly due to the 19% increase, by weight, in the production of active ingredients (API).

KPI DESCRIPTION	2022	2021
m3/Kg API totali	25,99	26,79

OCCUPATIONAL HEALTH AND SAFETY

All Fidia Farmaceutici S.p.A. facilities pursue the same Group values oriented towards the protection of occupational Health and Safety, promoting and supporting the health and well-being of employees as a fundamental priority and an important key to development.

Specifically, the Group is committed to achieving the following internal and external goals:
- disseminating Fidia's vision and values, such as the importance of human capital, responsible partnerships, high quality, strong technological expertise, ongoing investments in research and development, as well as customer satisfaction;
- contributing to sustainable development by acting responsibly in the areas of environmental, safety, health and social impact;
- pursuing ongoing improvement in employee health and safety through prevention, the assessment of risks and their elimination or reduction;
- promoting and disseminating a health and safety culture among employees and the importance of compliance with regulations, through continuous example and the systematic control of all major aspects;
- demonstrating senior management's deep commitment to this issue.

Each employee is required to pay close attention in carrying out their duties, stringently complying with all safety and prevention measures, in order to avoid any risks to themselves and their co-workers, thereby minimising the risk of occupational injuries and diseases. In order to protect health and safety, Fidia provides its employees with suitable and properly maintained work equipment and methods, as well as the collective and personal protective equipment made available by the technical and scientific progress.

Moreover, in order to swiftly identify, resolve or mitigate issues that affect health and safety, the Fidia facilities have a procedure for the reporting of accidents, injuries and near-misses, for the analysis of the related causes and for the implementation of corrective actions.

Pursuant to the enacted national legislation, at least once a year in the various production facilities:
- the company doctor performs a general inspection accompanied by the prevention and protection officer, and updates the health protocol;
- the members of the corporate prevention system (the employer, officers, employees' safety representatives, the company doctor and the prevention and protection officer) attend the periodic meeting required by Legislative Decree 81/2008.

Training
The Fidia Group pays great attention to the education, information and training of all its employees, in order to make them work with awareness in a healthy environment, protected from the dangers present in the workplace.

At all facilities there are training programs in place that, starting from the needs of workers and in compliance with legal requirements, provide appropriate interventions monitored over time both for adherence of learners and for effectiveness. The pandemic emergency has increased the use and familiarity of digital tools, that will continue to be used thereafter.

In 2022, new hires were trained in accordance with the State-Regions Agreement, refresher courses for specific training as required every five years were provided, as well as role-related training. Workers' safety representatives (RLS) and supervisors were trained; where deemed necessary, new emergency team members were trained (firefighting and first aid).

Safety supervision at the production facilities
Each local unit has workers' safety representatives authorised pursuant to Legislative Decree 81/08.

Injuries and accidents
During the 2022 financial year, neither deaths nor cases of occupational disease were recorded at any of the Group's facilities.
The following tables show the aggregate data of the injuries that occurred and the injury ratios processed with

reference to the personnel of the Fidia Abano Terme (PD), Paderno Dugnano (MI), Noto (SR) and Monte Giberto (FM) facilities.

Compared to the previous financial year, the number of injuries during working hours has increased slightly (from 7 to 8), as has the number of injuries during commuting (from 2 to 3). The total frequency ratio increased from 4.975 to 6.087. The total severity index, also taking into account the days of prognosis of injuries occurred in 2021 with continuation in 2022, went from 0.067 to 0.235; without including the days of prognosis of injuries occurred in 2021 with continuation in 2022 in the data processing, the total severity index for 2022 stands at 0.147.

Number of TOTAL accidents	2022	2021
In the workplace	8	7
Commuting	3	2

Accident indices	2022			2021		
	Cases during working hours	Cases commuting	Total	Cases during working hours	Cases commuting	Total
Severity Index	0,147	0,087	**0,234***	0,056	0,011	**0,067**
Frequency Index	4,427	1,660	**6,087**	3,869	1,106	**4,975**

** considering also the days of prognosis of the accidents happened in 2021 with continuation in 2022*

Improvement activities

In 2022, demonstrating the constant commitment of the Group, numerous interventions were completed and numerous investments were authorised, in order to improve the health and safety level of employees.

By way of example, the most significant events are listed below:

At the Abano facility, the upgrading with renovation of the main conference hall, with annexed catering area, was authorised and completed. Investments were implemented with the purchase of new plant and equipment, and premises and equipment were revamped. Following the mapping of architectural barriers, the access ramp to the infirmary was completed with the installation of sliding doors, the installation of five AED semi-automatic defibrillators (including an external one available to the community) was completed, and dozens of employees were trained in their use.

At the Paderno facility in 2022, the purchase of mechanical aids for the handling of drums and reels was finalised within the pharmaceutical departments, whose production activity grew during the year until it was fully operational. Work is also in progress for the submission of the fire prevention SCIA for the future area dedicated to the second pharmaceutical production line.

At the Noto facility, the collagenase lyophilisation department has been set up, which will eliminate the use of dry ice in shipments.

At the Monte Giberto facility, horizontal signs were implemented in the warehouse, delimiting working areas, in order to increase safety measures and prevention of occupational risks and accidents.

RESEARCH AND DEVELOPMENT

The Fidia Group invests about 6.5% of its turnover into research and development. A total of almost **€27 million** (**+18.6%** compared to 2021) were invested in 2022, divided between personnel costs and operating costs.

The new Research and Development Department, operational as of March 2022, in addition to ensuring the continuous and full support of the clinical programme for the renewal of the AIC of Fidia long list of products, has started an intensive internal reorganisation in order to support the shift of its activities towards the "drug" area, which is known to have a higher economic value. The Oncofid-P projects for the treatment of bladder cancer and mesothelioma, Collagenase for the treatment of Dupuytren's contracture and Peyronie's disease, and HyCar for the treatment of rheumatoid arthritis and osteoarthritis are examples already in place, with more to follow.

The most significant activities are summarised below, with reference to the various Departments that, since 2022, have made up the Research and Development Department, and specifically: *Discovery*, *Preclinical Development*, *Formulation Development*, *Clinical Research*, *Patents*, *Pharmacovigilance*, *Medical Affairs*, *Scientific Service and Non-Dilutive Funding*, listed below with a description of their respective core activities.

Discovery

At its laboratories in Abano Terme in 2022, the Discovery group focused its activities mainly on the development of processes and technologies based on hyaluronic acid (HA) and its derivatives, as well as on their chemical-physical and biological characterisation, with a focus on traditional business areas; in detail, operations can be summarised as follows:

- completion of the first set of *in vivo* efficacy trials of drug candidates for **osteoarthritis** in the form of HA-based delivery systems;
- development of applications of HA and derivatives in **ophthalmology**: design and test preparation of new eye drops based on HA and derivatives for applications in other eye diseases, such as dry eye;
- formulation trials for cataract surgery;
- completion of screening of various formulations and subsequent identification of cross-linked HA and gelatin mixtures as ideal bioinks in 3D printing applications in **regenerative medicine**;
- comparative trials of cross-linking technologies in **aesthetic medicine** with competitors on the market; first development tests of new HA cross-linking technologies for application in the same area;
- modifications of HA derivative syntheses for the purpose of substituting solvents by other green ones; design of the scale-up phase of some of the new processes;
- industrial process improvement trials, in cooperation with Pre-industrial Development and Raw Material Production: fermentation process of HA with very high molecular weight, with the aim of obtaining a product of higher weight and more stable over time, with analysis of possible contaminants.

Finally, the Analytical Methods Development and Cellular Biology laboratories, in addition to following the internal projects of the Discovery group, have given increasing support in the analytical and biological characterisation of the products under development in the entire Fidia R&D and in the external units, as well as in the gap analysis of products acquired or already on the market in terms of specifications and methods of analysis.

Pre-Clinical Development

The Pre-Clinical Development department, in addition to managing in vitro and in vivo trials for some experimental products under development (drugs and medical devices), dedicated in 2022 a strong commitment in adjusting the pre-clinical documentation, necessary for the renewal of the CE marking in the delicate phase of transition from Directive 93/42 EC to the New European Regulation 745/2017, for all Medical Devices already on the market in all the various therapeutic areas where Fidia operates. Overall, the pre-clinical development department has adjusted as many as 20 medical devices (MD), meeting the target set for 2022. The team also worked actively on the development of new products.

In 2022, the collaboration with UniMI began to define the mechanism of action of the new product for rheumatoid arthritis in collaboration with the Noto Team, an activity that will continue in 2023 with the pharmaco-toxicological characterisation of the molecule as part of the "Agreements for Innovation" funded project.

Formulation Development
In relazione al Team di Sviluppo Formulativo, nel 2022 le principali attività hanno riguardato il completamento della fase di progettazione per adeguamento a MDR 2017/745 di 4 Dispositivi medici afferenti alle aree Speciality e Skin Care; sviluppo formulativo di un nuovo Medical Device in ambito ginecologico; completamento delle attività di riformulazione di 2 Medical Devices per modifica del sistema conservante in ambito Skin Care oltre a due nuovi cosmetici: Connettivina Stick Sun e Connettivina Skin; nell'area area Joint Care: completamento delle attività di sviluppo del nuovo integratore Cartijoint D1000; infine nell'area Eye Care: conclusione delle attività di sviluppo formulativo di un nuovo integratore alimentare in formulazione liquida, per la prevenzione e rallentamento delle neurodegenerazione del nervo ottico.

Clinical research
- **Specialty Care:** the Phase 1 trial on Collagenase for Dupuytren's contracture ended in 2022; at the same time, the Phase 2 clinical trial involving 11 centres in 4 European countries started and will end in 2023.
- **Joint Care:** during 2022, the activities started in 2021 continued, which involve various clinical trials for the collection of evidence necessary for the renewal of the CE marking according to the New European Regulation 745/2017. In addition, the Clinic Team worked on the clinical development of two medical devices, the results of which will be the subject of potential new extra-EU registrations.
- **Skin Care:** the results of two clinical trials were published in 2022; the work will support the renewal of the CE marking according to MDR. New Connettivina Bio and Hyalo4 Skin Gel clinical trials were also initiated to cover specific indications for use of currently marketed devices. Finally, a trial began for the new registration of Hyalosilver, and it will be completed in 2023.
- **Gynaecology area:** a trial with the HYALOGYN prefilled cannulae device was published in a leading scientific journal, and a review on the use of topical HA on Breast Cancer Survivors patients was also published in an international journal. Start-up activities for a new clinical trial with HYALOYN Gel began in 2022. The trial will start in 2023.
- **Aesthetic Care**: the Clinic Team is actively monitoring activities in support of clinical trials on the Hyal System line required for registration according to new MDR 745/2017.
- **Oncology:** the set-up of the phase III trial with Oncofid-P-B in superficial bladder cancer began in 2022, following approval by the US regulator FDA in 2021.
- **Urology:** as a result of the revision and reformulation of the HYDEAL CYST DM, the Clinic closed 2 previously initiated clinical trials. Partial results of one of the two clinical trials will be published in 2023. Activities were carried out in support of DM remarks (HYDEAL CYST).
- **Neuroscience:** two post-authorisation efficacy trials (PAES) are underway.
- **Regenerative medicine:** the enrolment of two trials with HY-TISSUE SVF has been completed and they have now entered the Clinical Follow-up phase. The trial, which was the subject of a targeted research call, has been launched and is currently being monitored by the Clinic Team. The results of a clinical trial involving HY-TISSUE SVF were also published in an important journal in 2022.
- **Eye Care:** with the conclusion of some clinical trials, the results of two of them were published in indexed scientific journals. During 2022, the Clinic Team prepared all the necessary documentation for the approval and subsequent start-up of four clinical trials on four different MD. Of the four clinical trials, three have been authorised by the competent authorities, while a fourth one will be authorised in early 2023. The evidence gathered in these trials is instrumental in the renewal of the CE marking according to the New European Regulation 745/2017. Finally, a clinical trial comparing two products, the results of which will be published in 2023, was concluded with positive results.

Patents
During 2022, Fidia's patent portfolio grew with the filing of:
- 3 international patent extension applications lodged via the PCT system (Patent Cooperation Treaty);
- 51 national or regional phases for applications previously extended through the PCT system.

In addition, in 2022, 5 patents were registered in Italy and 30 worldwide (including endorsements of European patents).

At the end of 2022, the group has about 1,300 patents, about 1,150 of which focused on the production, therapeutic applications and pharmaceutical composition of hyaluronic acid. In 2022, the Patent office actively contributed to the preparation of all the technical/scientific documentation required to obtain the tax breaks offered by the **Tax Credit** procedures for **fundamental research, industrial research and experimental development** in science and technology, and the **patent box;** it also collaborated on MISE and PNRR funded projects.

Pharmacovigilance
In line with the corporate digitalisation strategy, in the context of which clinical data are an important asset for Fidia, the department has coordinated the Blue Eyes project for the implementation of a centralised electronic archive for the long-term storage of data and documents supporting clinical trials.

In addition to the ordinary activities of continually monitoring and updating the risk profiles of the products in the portfolio, new “Corporate” Standard Operating Procedures (SOPs) were drafted and a standardised process for managing the Group's Pharmacovigilance System Master File (PSMF) was defined, in compliance with current international regulatory requirements.

As part of the project to expand the portfolio of medicinal products, the Pharmacovigilance Data Migration Plan was completed, involving the introduction into Fidia's Safety Database of the reports associated with the acquired products.

During 2022, the department successfully completed the Corrective Action/ Preventive Action Plan (CAPA Plan) related to the 2021 AIFA Inspection.

Other activities concerned adjustments to the requirements of the new European regulations (536/2014-06/2019-745/2017) with publication of the relevant reports.

Lastly, with the support of Fidia's Data Protection Officer (DPO) and in compliance with Regulation (EU) No. 2016/679 (GDPR General Data Protection Regulation), a Data Protection Impact Assessment (DPIA) on the department's processes was carried out and completed for both Fidia Farmaceutici S.p.A. and all European Affiliates holding Marketing Authorisation for medicinal products.

Medical Affairs
The Medical Affairs department worked in 2022, aligned with corporate strategies, in planning, conducting and processing the following activities:

- educational, concerning hospital meetings (11), training for distributors and ISF (15), and the creation of training material for the e-learning project totalling about 2,000 slides;
- congresses, with active participation in 25 events including International, National and Fidia Academies with the following timely drafting, dissemination and archiving of Reports;
- medical review of scientific content for a total of 500 promotional materials;
- portfolio analysis in the competitive scenario;
- scientific assessment of submitted products according to business development opportunities;
- creation of 23 “Focus on” literature articles shared with MKT according to the area concerned;
- scientific medical support for regulatory activities.

Scientific Service
The Scientific Service was structured according to the following activities:

- creation of FAQs, where applicable;
- validation and archiving of scientific content for a total of 500 promotional materials;
- drafting and dissemination of annual reports with analysis on medical information activities;
- co-ordination of the distribution of 23 Focus On created with the Medical Affairs department;
- drafting and implementation of SOPs for the management of Medical Information of Promotional Material;
- establishment of the Medical Network Corporate organisational unit by identifying local medical affairs departments within the affiliates (in the 14 affiliates 8 reference figures have been identified; for the remaining countries these figures are either missing in the workforce or still being launched);
- creation and maintenance of a Scientific Library;

- creation and archiving of a monthly "intelligence scientific literature screening" in cooperation with the Patent Office, Discovery, Medical Affairs and internal corporate dissemination to the relevant departments.

Establishment and Activities of the Non-Dilutive Funding Team
In 2022, the Non-Dilutive Funding Team was established with the aim of obtaining public funding to support various research projects for new drugs in different therapeutic areas. The Team consists of researchers from the Local Unit in Noto, supported as needed by researchers from the Research & Development Department in Abano.

The following funding applications were submitted during 2022:
- IPCEI (Important Projects of Common European Interest) call in the area of strategic value chains in the health sector, funded by the PNRR. Fidia was selected to coordinate the Vaccines Project in collaboration with several European partners.
- Innovation agreements (MISE: complementary fund to the PNRR): the project presented and approved provides for Industrial Research and Experimental Development activities, dedicated to the preclinical characterisation and early clinical development phases of HyCar in the osteoarticular area.

Industrial development contract: the project presented includes activities for the clinical development of collagenase in Peyronie's disease and for investments in the production plant. The application has been positively assessed and is awaiting funding from the MISE with PNRR funds.

MAIN RISKS AND UNCERTAINTIES

The following are the main risks to which the Group is exposed:

Credit Risk
Credit risk relates to potential losses as a result of the inability of commercial counterparties to meet their obligations.

The Group mainly operates with private customers, represented by pharmacies, medical clinics, opticians, wholesalers and distributors, but also with large industrial groups, as well as with the Public Administration (hospital sector).

The group carefully monitors its credit exposure through an internal reporting system, in order to contain potential losses. Each Group company handles credit recovery on the sales made in their respective markets. Coordination between the companies that operate on the same market is based on the electronic exchange of information on common customers and on the coordination of any halts on deliveries or commencement of legal actions.

The bad debt provision is the nominal amount due, less any receivables secured by guarantees. The recoverability of all guarantees shall be assessed critically. The provision is based on the individual analysis of overdue amounts, of the customers known to have financial difficulties and of those receivables for which legal action has commenced. A generic analysis based on historical losses is also carried out.

Liquidity Risk
It is related to the possibility of having insufficient liquidity to manage the Group's normal operations. The group closely monitors this risk on the basis of thorough weekly financial reporting on its net financial position. About 89% of the Group's gross debt is represented by fixed-rate debt with an average term of approximately 3 years. Any excess liquidity, i.e. liquidity in excess of free cash flow requirements, is invested in working capital securities, as described in greater detail in the notes, to which reference should be made. For this reason, part of the liquidity is subject to the risk arising from the market assessment of the underlying securities.

Price Risk
The Group sells products reimbursed by the National Health System and other (OTC) non-reimbursable products.
The first group of products is a major public spending item for countries, exposing the Group to uncontrollable external risks, such as changes to the products covered by the National Health Service, the removal or reduction of reimbursability, the expenditure payback mechanism and patent expirations with the consequent introduction of generic drugs.

The second group of products is more influenced by macroeconomic factors, such as inflation and interest rate trends, which could impact the spending capacity of consumers.
In order to avoid these risks, the sales department closely monitors the group's markets, analysing their trends and possible developments.

Currency Risk
Since it sells its products in various countries, the Group is exposed to risks arising from exchange rate fluctuations. Currency risk mainly relates to sales transactions in US Dollar and Russian Ruble. The group's treasury unit closely monitors exchange rate trends, carrying out Euro translation transactions to reduce the translation risk.
The Parent Company also holds equity investments in companies whose share capital is denominated in currencies other than the Euro. Changes in shareholders' equity arising from exchange rate fluctuations are recognised in a "translation reserve" under shareholders' equity. The risk arising from the translation of shareholders' equity is not currently hedged.

Risks of changes in the pharmaceutical legislative and regulatory framework
The pharmaceutical sector is highly regulated both nationally and internationally, thereby affecting activities at all levels. In order to reduce its dependence on the decisions of the individual national governments in terms of pharmaceutical expenditure, the Group pursues a strategy of diversifying and expanding its sales in various geographic areas. The pharmaceutical sector is also subject to national and international technical regulations governing how pharmaceutical research, development, production, distribution, and reporting are carried out. By policy, the Group constantly monitors regulatory developments in all the markets in which it operates through internal and external organisational structures.

MANAGEMENT AND COORDINATION

The Parent Company, Fidia Farmaceutici S.p.A., is not managed and coordinated pursuant to art. 2497-bis.4 of the Italian Civil Code.

ADMINISTRATIVE LIABILITY

By resolution of the Board of Directors on 18 October 2022, an update to the Company's Organisational Model was approved, amended as a result of the merger by incorporation in 2021 of the former subsidiary Sooft Italia S.p.A. and as a result of the following regulatory changes: Legislative Decree 184/2021, which introduced offences relating to non-cash payment tools; Legislative Decree 195/2021, which made changes to the offences of receiving stolen goods, money laundering and self-laundering, Law No. 238 of 23 December, which made changes to computer crimes, offences against the individual and market abuse, Law No. 22 of 09 March 2022, which introduced offences against cultural heritage, expanding the scope of predicate offences under Legislative Decree 231/2001.

The Supervisory Body met periodically in 2022 to verify the adequacy of the organisation model with respect to the sensitive activities identified. It also monitored the activities carried out to prevent crimes against the Public Administration, involuntary manslaughter and injury, crimes against the environment, corporate crimes, money laundering, counterfeiting, copyright infringements and tax offences, with detection of the results of this significant formalisation of procedures.

With reference to EU Regulation 2016/679 of the European Parliament and of the Council of 27/04/2016 regarding the protection of personal data, the Company has continued with the management process of the corporate privacy policy, in adjustment to the various decisions and opinions of the competent authorities in the matter.

Still on the compliance front, the company has continued to adjust its procedures, particularly in the area of the various medical promotion activities and clinical trials, as well as in the area of the transparency of transfers of value, again in compliance with the guidelines issued by the trade association Confindustria Medical Devices, however with particular attention to the broader duties of disclosure of economic relations between entities operating in the healthcare sector, introduced by Law 62/2022 (so-called Sunshine Act), although still lacking, with reference to the activities concerning the tracking and management of data required by the new legislation, concrete implementation due to the lack of issuance of the relevant implementing measures.

RELATIONS WITH SUBSIDIARIES, ASSOCIATED COMPANIES, PARENT COMPANIES AND COMPANIES SUBJECT TO CONTROL OF THE LATTER

As regards Fidia's relations with the Parent Company, its subsidiaries, associated companies and companies controlled by the Parent Company, the following is a summary of the data relating to receivables, payables, revenues and costs as at 31 December 2022 (in thousands of Euro):

	Assets			Liabilities		
thousands of Euros	Trade receivables	Other receivables	Financial activities	Trade payables	Other payables	Financial liabilities
FIDIA PHARMA AUSTRIA GMBH	7	-	25	383	-	-
FIDIA PHARMA CZ SRO	796	-	-	1	-	-
FIDIA PHARMA EGYPT FOR MARKETING	510	-	-	494	-	-
FIDIA PHARMA GMBH	3.478	-	220	113	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	782	25	-
FIDIA PHARMA ROMANIA SRL	386	-	-	102	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	372	-	-
FIDIA PHARMA SLOVAKIA SRO	614	-	-	1.399	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	16	-	-
FIDIA PHARMA USA INC	502	-	-	-	-	-
LABORATOIRES FIDIA SAS	1.964	-	1.047	228	-	-
LABORATORIOS FIDIA FARMACEUTICA	8.542	-	600	1.180	-	-
Total subsidiaries	**16.799**	**-**	**1.892**	**5.070**	**25**	**-**

thousands of Euros	Revenues	Revenues Other revenues	Net financial income	Costs of services	Expenses Costs of products	Net financial expenses
FIDIA PHARMA AUSTRIA GMBH	-	-	4	997	-	-
FIDIA PHARMA CZ SRO	5.144	-	-	4.288	-	-
FIDIA PHARMA EGYPT FOR MARKETING	-	-	-	1.721	-	-
FIDIA PHARMA GMBH	10.105	11	6	199	10	1
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	2.357	-	-
FIDIA PHARMA ROMANIA SRL	1.989	-	1.053	102	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	3.840	-	-
FIDIA PHARMA SLOVAKIA SRO	1.356	-	-	1.515	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	497	-	-
FIDIA PHARMA USA INC	21.034	17	6.427	-	-	-
LABORATOIRES FIDIA SAS	2.157	-	24	97	128	-
LABORATORIOS FIDIA FARMACEUTICA	9.151	217	23	745	129	-
Total subsidiaries	50.936	245	7.537	16.358	267	1

OWN SHARES

The Parent Company, Fidia Farmaceutici S.p.A., holds 333,513 own shares for an amount of €11,211,523, corresponding to 4.7% of the share capital. They are recognised in a negative reserve for own shares in portfolio.

Reference is made to the notes for further details.

No new own shares were acquired during the financial year.

SUBSEQUENT EVENTS

January 2023 saw the completion of the acquisition from the Unipharm group of the business unit of some products for the Eye Care line and vitamin D supplements. The acquisition took place through the newly established (November 2022) Fidia Pharma Polska sp. z o.o., which will thus assume the function of developing the Polish market, constituting another step in strengthening the strategy of geographic expansion in Europe and in particular, in a country such as Poland, with a high potential for economic growth.

In March 2023, the Parent Company's Board of Directors authorised the signing of a loan agreement with a major US pension institution, which will provide the company with a credit line of USD 150 million with amortisation foreseen up to a maximum of 10.5 years, an amount that will be used to finance forthcoming acquisition transactions currently being assessed. The line provides for the issuance of bonds for minimum amounts of 10 million (in Euro or Dollar currency) at a fixed rate determined at market conditions set at the time the line is drawn.

With reference to the global macroeconomic framework characterised by tensions in supply chains, especially in the second half of 2022, a downsizing in energy and gas costs can be seen in the first months of 2023, even if, on the other hand, inflationary pressures at a global level do not yet seem to have abated, or at least not as much as was expected by the world's central banks, so much so that they have repositioned their expectations of rate hikes to what was declared at the end of 2022. This situation also caused a recovery in the US-European rate differential, which led to a strengthening of the Dollar against the Euro. It is clear, therefore, that the markets are still in a volatile situation and it is not possible at the moment to determine the impacts that may arise as a result of the framework described above, as recessionary risks induced by the dynamics of access to credit cannot be ruled out at present.

With regard to the serious geo-political tensions linked to the Russian-Ukrainian war, which have also contributed to the worsening of the entire global economic-financial context, if on the one hand the risk on the front of repercussions on inflation caused by the finding of gas seems mitigated, the restrictive measures adopted by the European Union, including the inclusion of Russia among the blacklisted countries, may not be without consequences. Certainly, this situation could have some repercussions on the Group's business in those markets which, however, represent around 1% of turnover.

In order to provide a better understanding of the effects on the financial statements deriving from the risk linked to the trend of the Ruble, a specific sensitivity analysis was carried out to determine the impact on the balance sheet of fluctuations in the exchange rate against the Euro. Therefore, reference is made to the notes for further details on the matter.

The Fidia Group considers the aforementioned events as a non-adjusting, pursuant to IAS 10. In view of a constantly and rapidly evolving overall situation, it is not currently possible to make a quantitative estimate of the potential impact that the geopolitical tensions in question could have on the Group's economic and financial situation (in fact, there are many factors involved that are difficult to assess, and many of them have not yet been fully defined). As a result, these analyses will be progressively updated as part of the accounting estimates for the 2023 financial year.

OUTLOOK

Considering what stated above, it is currently not possible to provide any forecasts in relation to the year underway.

Abano Terme, 29 March 2023
For the Board of Directors
The Chairman
Carlo Pizzocaro

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Fidia Farmaceutici S.p.A.
2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands of Euros	Note	2022	2021
Property, plant and equipment	4.1	94.317	83.031
Intangible assets	4.2	80.761	81.644
Equity investments	4.4	423	118
Goodwill	4.3	90.002	89.876
Other equity investments and securities	4.4	89	89
Non current financial assets	4.5	1.369	1.317
Deferred tax assets	4.6	25.377	18.847
Non current assets		**292.339**	**274.923**
Inventory	4.7	54.113	47.573
Trade receivables	4.8	99.042	102.403
Current tax assets	4.9	7.582	3.808
Current financial assets	4.10	9.747	8.155
Derivatives financial instruments - fair value	4.11	6.937	95
Cash and cash equivalents	4.12	170.530	139.017
Current assets		**347.950**	**301.051**
Total assets		**640.290**	**575.974**
Share capital		36.120	36.120
Share premium reserve		-	-
Treasury shares		-	-
Reserve for financial derivatives - fair value		5.272	(199)
Foreign exchange translation differences		2.564	1.430
Other reserves		7.544	6.885
First Time Adoption reserve		8.953	8.953
Undivided profits		157.995	123.023
Profit / (Loss) for the year		37.832	36.471
Interim dividend		-	-
Group equity		**256.279**	**212.683**
Minority Interests			
Equity	**4.13**	**256.279**	**212.683**
Long term financial payables	4.14	167.523	173.132
Employees' leaving entitlement	4.15	9.118	10.856
Deferred tax liabilities	4.17	3.913	2.444
Provisions for risks and charges	4.16	5.147	5.116
Derivatives financial instruments - fair value	4.18	-	358
Other liabilities	4.19	-	589
Non current liabilities		**185.702**	**192.495**
Trade payables	4.20	64.020	60.524
Tax payables	4.21	5.568	4.020
Other current liabilities	4.22	30.986	29.999
Provisions for risks and charges	4.23	1.200	800
Derivatives financial instruments - fair value	4.24	-	-
Short term financial payables	4.25	96.535	75.454
Current liabilities		**198.308**	**170.796**
Total shareholders equity and liabilities		**640.290**	**575.974**

CONSOLIDATED INCOME STATEMENT

Thousands of Euros	Note	2022	2021
Net revenue	5.1	**412.074**	**371.200**
Cost of goods sold	5.2	(155.247)	(136.625)
Industrial Margin		**256.826**	**234.575**
Sales and Marketing expenses	5.2	(131.410)	(113.483)
R&D expenses	5.2	(25.965)	(22.597)
G&A expenses	5.2	(48.041)	(44.170)
Other income and expenses	5.2	257	(488)
Operating profit		**51.667**	**53.836**
Net financial (expense)/income	5.3	(4.990)	(2.269)
Profit before tax		**46.677**	**51.568**
Income taxes	5.4	(8.845)	(15.096)
Profit for the year		**37.832**	**36.471**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousands of Euros	2022	2021
Profit for the year	**37.832**	**36.471**
Items that may be subsequently reclassified to profit or loss:		
Fair value gains (losses)	7.199	(1.072)
Exchange differences	1.134	1.565
Income taxes on items that may be subsequently reclassified to profit or loss	(1.728)	257
Items that may not be subsequently reclassified to profit or loss:		
Revaluation of net liabilities / (assets) for employee benefits	915	(53)
Equity investments accounted for using the equity-quota method	-	-
Taxes on components that will not be reclassified in profit / (loss) for the year	(255)	15
Profit for the year	**45.096**	**37.184**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Group equity											
Thousands of Euros	Share Capital	Share premium reserve	Treasury shares	Reserve for financial derivatives measured at fair value	Foreign exchange translation differences	Other reserves	First Time Adoption reserve	Undivided profits	Profit/(Loss) for the year	Interim dividend	Minority equity investments	Equity
Balance at 31.12.2021	**36.120**	**-**	**-**	**(199)**	**1.430**	**6.885**	**8.953**	**123.023**	**36.471**	**-**	**-**	**212.683**
Allocation of prior year profit								36.471	(36.471)			-
Variazione area di consolidamento						-						-
Utili (perdite consolidate a nuovo)												-
Dividend distributions								(1.500)				(1.500)
Other changes				5.471	1.134	659						7.264
Profit for the year									37.832			37.832
Balance at 31.12.2022	**36.120**	**-**	**-**	**5.272**	**2.564**	**7.544**	**8.953**	**157.995**	**37.832**	**-**	**-**	**256.279**

CONSOLIDATED CASH FLOW STATEMENT

Thousand of Euros	2022	2021
Cash flows from operating activities		
Net profit for the year	37.832	36.471
Income taxes	8.845	15.096
Financial income and expenses	2.918	2.895
Net gains/(losses) on the sale of assets	20	(177)
Accruals to/utilisations of provisions	(1.158)	(3.199)
Amortisation and depreciation	25.069	21.084
Write-downs for impairment losses	329	282
Other adjustments for non-monetary items	(1.690)	-
Income taxes paid	(15.256)	(14.690)
Net interest paid	(2.110)	(2.905)
Cash flows before changes in net working capital	**54.799**	**54.858**
Working capital		
Change in trade receivables	3.322	(2.083)
Change in inventories	(6.183)	1.101
Change in other receivables and other current assets	(2.053)	2.546
Change in trade payables	8.865	10.511
Change in other payables and other current liabilities	1.346	3.413
Change in accrued and deferred income and expenses	(2.676)	623
Change in receivables from parents	-	11.136
Changes in net working capital	**2.621**	**27.248**
Cash flows from (used in) operating activities	**57.420**	**82.106**
Cash flows from investing activities		
Investments in tangible fixed assets net of divestments	(30.680)	(23.685)
Investments in intangible fixed assets net of divestment	(10.635)	(90.703)
Investments in financial fixed assets	(357)	(59)
Acquisition of equity investments	-	-
Cash flows from (used in) investing activities	**(41.672)**	**(114.447)**
Cash flows from financing activities		
New loans	61.000	80.000
Repayment of loans	(42.594)	(91.338)
Payment of leasing liabilities	(2.934)	1.031
Change in bank loan	-	-
Other changes in net equity	1.793	1.186
Dividend distributions	(1.500)	(600)
Cash flows from (used in) financing activities	**15.765**	**(9.721)**
Change in cash and cash equivalents	**31.512**	**(42.062)**
Cash and cash equivalents - opening balance (01.01)	139.017	181.079
Cash and cash equivalents - closing balance (31.12)	170.530	139.017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General corporate information

The Fidia Group (hereinafter also referred to as the "Group") operates in the field of the sale of pharmaceutical products, the result of its own research, worldwide through commercial agreements with international companies operating in the pharmaceutical and biomedical sectors and through direct presence in strategic markets.

The Parent Company is Fidia Farmaceutici S.p.A. (hereinafter also referred to as "the Parent Company"). The registered office is in Abano Terme (PD) in via Ponte della Fabbrica 3/A. The Parent Company carries out its activities in 3 operating facilities: Abano Terme (PD) - Via Ponte della Fabbrica 3/A, Noto (SR) - Contrada Pizzuta and Paderno Dugnano (MI) - Via Ampère 19/21.

2. Financial statements adopted

The consolidated financial statements for the financial year ended 31 December 2022, prepared on the assumption that the Parent Company and the other consolidated companies are a going concern, were prepared pursuant to articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the previous International Accounting Standards (IAS) and the interpretations of the Standard Interpretations Committee (SIC) still in force. For the sake of simplicity, the set of all standards and interpretations is hereinafter referred to as the "IFRS".

The consolidated financial statements have been prepared based on the historical cost principle, except for derivative instruments recognised at fair value. Please refer to the assessment for the individual items described in note 3 "Accounting standards and assessment criteria applied".

The consolidated financial statements consist of the consolidated financial statements (statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement) and these notes, applying the provisions of IAS 1 "Presentation of the financial statements" and IAS 7 "Cash Flow Statement".

The following is an indication of the financial statements adopted:

- In the consolidated statement of financial position, it was decided to represent current and non-current assets, and current and non-current liabilities, as separate classifications, in accordance with IAS 1;
- In the Income Statement and in the Comprehensive Income Statement, it was decided to present an analysis of costs using a classification based on their purpose;
- In the Statement of Changes in Consolidated Shareholders' Equity, occurred during the period, these are represented by means of a columnar statement reconciling the opening and closing balances of each item of net consolidated shareholders' equity;
- The Consolidated Cash Flow Statement represents cash flows by classifying them into operating, investing and financing activities. In particular, cash flows from operating activities are reported, as required by IAS 7, using the indirect method, whereby the profit or loss for the financial year is adjusted by the effects of transactions of a non-cash nature, by any deferrals or accruals of past or future operating cash collections or payments, and by items of revenues or costs associated with cash flows from investing or financing activities.

The IFRS are applied consistently with the indications provided in the "Conceptual Framework for Financial Reporting" and no critical issues arose that required recourse to waivers pursuant to IAS 1, paragraph 19.

All amounts are expressed in thousands of Euro, unless otherwise indicated. The Euro is the functional currency of the Parent Company and of its main subsidiaries, as well as the presentation currency of these consolidated financial statements. For comparative purposes, the corresponding value for the previous financial year is shown for each item in the consolidated financial statements.

3. Preparation criteria

3.1 Principles of consolidation

The annual consolidated financial statements include the financial statements of Fidia Farmaceutici S.p.A. and the of companies over which it has the right to exercise control. The definition of control is not solely based on the concept of legal ownership. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company in order to obtain the relative benefits. The financial statements of subsidiaries are included in the annual consolidated financial statements from the date on which control is assumed until it ceases to exist. The shares of shareholders' equity and of the results attributable to minority shareholders, if any, are shown separately in both the consolidated statement of financial position and in the consolidated income statement.

Subsidiaries are consolidated on a line-by-line basis.

The full consolidation method can be summarised as follows:

- assets, liabilities, costs and revenues are taken at their full amount, derecognising the carrying value of the investments against the current value of the investee's shareholders' equity at the acquisition date. The difference resulting from this derecognition, for the part not attributable to specific balance sheet items, is recognised as goodwill under intangible assets if positive, while is charged to the income statement if negative;
- profits and losses deriving from transactions between subsidiaries not yet realised vis-à-vis third parties, as well as receivables and payables, costs and revenues between consolidated companies, if significant, are derecognised;
- dividends distributed by consolidated companies are derecognised from the income statement and added to the profits of previous financial years, if and to the extent that they have been withdrawn from them;
- minority interest in shareholders' equity and minority interest in profit or (loss), if any, are shown in a separate line under shareholders' equity, separately from Group shareholders' equity, and in a separate line under income statement, respectively.

The financial statements of subsidiaries used to prepare the consolidated financial statements are those approved by their respective Boards of Directors and submitted to their respective meetings for approval. The reporting date of the financial statements of the consolidated Companies is the same as that of the Parent Company.

For consolidation purposes, all income statements and balance sheets used for consolidation purposes have been adjusted to adhere to the IAS/IFRS measurement and assessment criteria used for the consolidated financial statements of the Parent Company.

The Companies included in the consolidated financial statements as at 31 December 2022, are shown in the table below:

Legal entity	Legal Headquarter location	Share Capital (Currencies)	Group shareholding %
List of investments consolidated on a line-by-line basis			
Fidia Farmaceutici S.p.A. (Parent Company)	Abano Terme (PD)	Euro 36.120.000	100%
Fidia Pharma Romania S.r.l.	Bucharest (Romania)	Lei 3.400	100%
Fidia Pharma Usa Inc.	Florham Park (USA)	USD 1.000	100%
Fidia Pharma GmbH	Monheim am Rhein (Germania)	Euro 25.000	100%
Laboratorios Fidia Farmacéutica S.L.U.	Madrid (Spagna)	Euro 3.000	100%
Fidia Pharma Russia LLc	Mosca (Russia)	RUB 10.000	100%
Pharma Middle East FZE	Dubai (EAU)	AED 100.000	100%
Fidia Pharma Egypt for Marketing	Il Cairo (Egitto)	EGP 50.000	100%
Fidia Pharma CZ s.r.o.	Praga (Rep. Ceca)	CZK 200.000	100%
Fidia Pharma Slovakia s.r.o.	Bratislava (Slovacchia)	Euro 6.640	100%
Fidia Pharma Austria GmbH	Vienna (Austria)	Euro 35.000	100%
Laboratoires Fidia SAS	Parigi (Francia)	Euro 10.000	100%
Fidia Pharma Switzerland SA	Lugano (Svizzera)	CHF 100.000	100%

Translation of financial statements in foreign currencies
In the consolidated financial statements, income, costs, assets and liabilities are expressed in Euro, which is the presentation currency of the Parent Company.

For the purpose of preparing the consolidated financial statements, the financial statements of consolidated companies with a functional currency different from the presentation currency are converted into Euro by applying to assets and liabilities, including goodwill and consolidation adjustments, the exchange rate in force at year-end, and to income statement items, the average exchange rate for the financial year, provided that it approximates the exchange rates in force at the date of the respective transactions.

The related exchange rate differences are recognised directly in shareholders' equity and are shown separately in a special reserve thereof (Translation Reserve); this reserve is reversed proportionally to the Income Statement at the time of the (partial or total) disposal of the investment.

In order to consider the impact of hyperinflation on the exchange rate of the local currency, the statement of financial position and results of operations (i.e. assets, liabilities, shareholders' equity items, revenues and costs) of a company whose functional currency is the currency of a hyperinflationary economy are converted into the Group's presentation currency (Euro) using the exchange rate in force at year-end, except for comparative amounts presented in the financial statements of the previous year that are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates.

The exchange rates applied are shown in the table below and correspond to those published by the Ufficio Italiano dei Cambi (Italian Foreign Exchange Office):

	2022 Exchange rate		2021 Exchange rate	
	Closing rate	Average annual rate	Closing rate	Average annual rate
RON	4,9495	4,9313	4,949	4,9215
USD	1,0666	1,053	1,1326	1,1827
RUB	78,9716	73,8880	85,3004	87,1527
AED	3,9171	3,8673	4,1595	4,3436
EGP	26,399	20,1636	17,8012	18,5678
CZK	24,116	24,5659	24,858	25,6405
CHF	0,9847	1,0047	1,0331	1,0811

3.2 Discretionary assessments and significant accounting estimates

In connection with the preparation of the consolidated financial statements, management was required to make estimates and assessments that affect the application of accounting policies and the amounts of assets, liabilities, costs and revenues recognised in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that will require, in the future, a significant adjustment to the book value of these assets and/or liabilities. These estimates and the underlying assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognised prospectively.

The following is a brief description of those items in the financial statements that require greater subjectivity on the part of the Directors in developing estimates than others and for which a change in the conditions underlying the assumptions used could have a material impact on the financial data.

Main accounting standards and assessment criteria applied
The most significant accounting standards and assessment criteria applied in the preparation of the consolidated financial statements for the financial year ended 31 December 2022 are described below.

The Consolidated Financial Statements of the Fidia Group for the year ended 31 December 2022 have been prepared using the historical cost assessment criterion, except for the following significant items: investments in financial assets and derivative instruments, which are recognised at fair value.

Tangible assets (Property, plant and equipment)

Property, plant and equipment are recognised at historical cost, including directly attributable ancillary charges necessary to bring the asset into use for the purpose for which it was acquired, with the exception of land (both free of construction and attached to civil and industrial buildings) and assets held for sale, which are not depreciated, but are written down if their fair value is lower than the cost recognised in the financial statements.

Costs incurred for improvements are only charged as an increase to the assets concerned when they produce actual increases in their value.

Maintenance and repair costs that are not likely to enhance and/or extend the residual life of assets are expensed in the financial year in which they are incurred; otherwise, they are capitalised.

Property, plant and equipment are shown net of the related accumulated depreciation and of any impairment losses determined on the basis of the impairment test. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives.

For assets acquired during the financial year, the rates are applied *pro-rata temporis*, taking into account the actual use of the asset during the year.

Depreciation is generally recognised in profit/(loss) for the financial year. Depreciation methods, useful lives and residual values are reviewed at year-end and adjusted if appropriate.

The main economic-technical depreciation rates used are as follows:

Tangible fixed assets	Rates
Non-industrial buildings	5,5%
Industrial buildings	3% - 5,5%
Light constructions	10,0%
Generic plant	9% - 15%
Plant and machinery for slightly corrosive processes	12% - 20%
Plant and machinery for highly corrosive processes	17,5%
Photovoltaic system	9,0%
Small sundry and lab equipment	12% - 40%
Ordinary office furniture and equipment	3% - 33%
Electronic office equipment and computers	9% - 33%
Transport vehicles	20,0%
Cars, motorcycles and similar	20% - 50%

At year-end, the company reviews for objective evidence of impairment with respect to the book values of property, plant and equipment.

If, on the basis of this check, it emerges that the assets have actually been impaired, the company estimates their recoverable amount.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. When the book value of an asset exceeds the recoverable amount, an impairment loss is recognised. Impairment losses are recognised in profit/(loss) of the financial year. Impairment losses recognised in previous financial years are reversed up to the book value that would have been determined (net of depreciation) if the asset impairment loss had never been recognised.

The accounting treatment of assets acquired under finance leases, with regard to their equity, financial and economic effects, is in line with IFRS 16. The aforementioned standard requires that these assets be recognised under owned assets at cost and be depreciated using the same criteria as other tangible assets.

The principal amount of the unpaid instalments is recognised as a liability in the balance sheet, while the financial charges relating to the accrued instalments are included in financial charges in the income statement.

Right of use
On the effective date of the lease, the Group recognises the right-of-use asset and the lease liability. The right-of-use asset is initially assessed at cost, including the amount of the initial assessment of the lease liability, adjusted for the payments due for the lease made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the tenant will have to incur for the dismantling and removal of the underlying asset or for the reversal of the underlying asset or of the site where it is located, net of lease incentives received.

Rights of use are amortised according to the lease term of the contract, which is equal to the “non-cancellable” period together with the effects of any extension or early termination clauses, the exercise of which has been deemed reasonably certain, or according to the useful life of the asset, if shorter. In accordance with IFRS 16:32, if the transfer of the leased asset is contractually agreed and the exercise of this option is deemed reasonably certain, the right of use is amortised over the useful life of the leased asset.

In addition, the right-of-use asset is regularly decreased by any impairment losses and adjusted to reflect any changes resulting from subsequent assessments of the lease liability.

The Group assesses the lease liability at the present value of unpaid lease payments due at the effective date, discounting them using specific marginal financing rates based on the country, the currency and the term of the related leases. The rates identified were between 1.5% and 3.5%. Right-of-use assets were assessed at an amount equal to the lease liability, adjusted by the amount of any accumulated prepayments.

Lease payments due within the assessment of the lease liability include:
- fixed payments (including substantially fixed payments);
- lease payments that depend on a ratio or rate, initially assessed using a ratio or rate on the effective date;
- the amounts expected to be paid as collateral on the residual value;
- lease payments due in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Group is reasonably certain not to terminate the lease early.

The lease liability is assessed at amortised cost using the effective interest method and it is remeasured when there is a change in the future lease payments due resulting from a change in the ratio or rate, when there is a change in the amount the Group expects to have to pay as security on the residual value or when the Group changes its assessment by reference to whether or not it exercises an option to purchase, extend or terminate or when there is a review of the lease payments due that are fixed in substance.

When the lease liability is remeasured, the tenant makes a corresponding change to the right-of-use asset. If the book value of the right-of-use asset is reduced to zero, the tenant recognises the change in profit/(loss) for the financial year.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under ‘Tangible assets’ and lease liabilities under “Financial Payables”.

The Group has decided not to recognise right-of-use assets and lease liabilities related to low-value assets and short-term leases, including computer equipment, for which it recognises the related lease payments as a cost on a straight-line basis over the lease term.

Corporate combinations and goodwill
Acquisitions of companies and business units are accounted for using the acquisition method, as provided for by IFRS 3; to this end, the assets acquired and the liabilities assumed and identifiable are recognised at their respective fair values at the acquisition date. The cost of the acquisition is measured by the total of the fair values, at the date of exchange, of the assets disbursed, the liabilities assumed and any equity instruments issued by Group companies in exchange for control of the acquired entity.

Goodwill is recognised as the positive difference between the cost of the acquisition, plus both the fair value at the acquisition date of any non-controlling interests already held in the acquired company, and the value of non-controlling interests held by third parties in the acquired company (the latter assessed at fair value or in proportion to the current value of the acquired company's identifiable net assets), and the fair value of those assets and liabilities.
As of the acquisition date, the goodwill that has emerged is allocated to each of the substantially independent cash-generating units that are expected to benefit from the synergies resulting from the corporate combination.

In the event of a negative difference between the cost of the acquisition (as increased by the components described above) and the fair value of the assets and liabilities, this is recognised as income in the income statement for the financial year of acquisition.

Any goodwill relating to non-controlling interests is included in the carrying value of the investments relating to those companies. After initial recognition, goodwill, as an intangible asset with indefinite useful life, is not amortised, but is subject to periodic impairment tests on its recoverability based on the expected cash flows of the Cash-Generating Unit (CGU) to which the asset relates. These tests, expressly codified by international accounting standards and called impairment tests, also take into account the riskiness of the investment. If the discounted expected cash flows do not permit recovery of the initial investment, the recognised asset is written down accordingly. The ways are better described in the section "Impairment and reversal of impairment of assets (impairment test)".

IFRS 3 has not been applied retroactively to acquisitions made before 01 January 2019, the date of the Parent Company's transition to IFRS; consequently, the value of goodwill determined under the previous accounting standards, equal to the net book value in place at that date, was maintained for these acquisitions, after testing and recognising any impairment losses.

Intangible assets with definite life

In accordance with the provisions of IAS 38, intangible assets include costs, inclusive of ancillary charges, incurred for the acquisition of assets and resources, without physical substance, to be used in the production of goods or the provision of services, to be leased to third parties, or to be used for administrative purposes, provided that the cost can be reliably measured and the asset is clearly identifiable and controlled by the company that owns it. Goodwill, when acquired for consideration, is also recognised.

Separately acquired intangible assets are recognised at historical cost and expenses incurred subsequent to initial acquisition are added to the cost of intangible assets to the extent that these expenses are capable of generating future economic benefits. Intangible assets acquired through corporate combinations are capitalised at fair value at the acquisition date.

Assets with definite useful life are systematically depreciated on a straight-line basis over each period, in order to take into account their remaining useful life. The carrying value is reviewed annually, or more frequently if necessary, in order to carry out an adequacy analysis for the purpose of recognising any impairment losses or, more frequently, whenever there is an indication that the asset may have suffered an impairment loss.

Research costs are charged to the consolidated income statement when they are incurred.

In accordance with IAS 38, development costs are recognised to balance sheet assets only if they positively meet the following specific characteristics: they must be related to a clearly defined product or process, as well as identifiable and measurable; they must refer to a feasible project, i.e. technically feasible, for which the company owns or can dispose of the necessary resources; they must be recoverable, i.e. the company must have income prospects, so that the revenues it expects to realise from the project are at least sufficient to cover the costs incurred for the study of the same, after deducting all the other development costs and the production and sales costs that will be incurred for the marketing of the product. Development costs are amortised over their useful life, which is assumed to be a maximum of ten years.

After the initial recognition of development costs, they are assessed at cost, which may be decreased by depreciation or write-downs. Capitalised development costs are amortised on the basis of their future usefulness over the period in which the expected future revenues will arise from the same project.

The carrying value of development costs is reviewed annually in order to carry out an adequacy analysis for the purpose of recognising any impairment losses or, more frequently, whenever there is an indication that the asset may have suffered an impairment loss.

The amortisation of patents, licenses and know-how starts from the year in which the marketing of the relevant products begins.

Concession and license fees are amortised in proportion to the period of use provided for in the contract, using the percentages considered representative of the estimated useful life of the assets.
The main economic-technical depreciation rates used are as follows:

Intangible fixed Assets	Average useful life
Patents	3 - 5 years
Trademarks	10 - 18 years
Software licences	3 - 10 years
Drug licences	according to the agreement
Leasehold improvements	according to the agreement
Development	10 years
Domains	5 years

Gains or losses from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying value of the asset and are recognised in the income statement at the time of disposal.

Impairment losses of assets
IAS 36 requires the assessment of the existence of impairment losses of tangible and intangible assets in the presence of indicators that suggest that this issue may exist. In the case of goodwill and other intangible assets with indefinite life or assets not yet available for use, this assessment must be performed at least annually.

The recoverability of recognised values is verified by comparing the book value recorded in the financial statements with the higher of the net sales price, if an active market exists, and the value in use of the asset.

The value in use is defined on the basis of discounting the cash flows expected from use of the asset, or a combination of assets (so-called cash-generating units) and from the value expected from its disposal at the end of its useful life. The cash-generating units have been identified consistently with the organisational and business structure of the Group, as homogeneous aggregations that generate independent cash inflows from the continuous use of the assets attributable to them.

Impairment losses relating to continuing transaction are recognised in the income statement in cost categories consistent with the function of the impaired asset. At year-end, the Group also assesses the existence of indicators of a decrease in previously recognised impairment losses and, if such indicators exist, it makes a new estimate of the recoverable amount.

Where it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of net selling price and value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using an after-tax rate that reflects current market assessments of the value of money and risks specific to the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than its book value, the book value of the asset is reduced to the lower recoverable amount. The impairment loss is recognised in the income statement.

A previously recognised impairment loss can be reversed only if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognised. In that case, the book value of the asset is increased to the recoverable amount; however, the increased book value must not exceed the book value that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised. Each reversal is recognised as income in the income statement; after a reversal is recognised, the depreciation or amortisation share for the asset is adjusted in future periods to allocate the asset's revised book value, less its residual value, if any, on a systematic basis over its remaining useful life.
An impairment loss in respect of goodwill may not be reversed.

Equity investments in associated or other companies
An associated company is an enterprise in which the Group is able to exercise significant influence, but not control, through participation in the financial and operating decision-making policies of the investee. The results of operations and the assets and liabilities of associated companies are recognised in the consolidated financial statements using the shareholders' equity method.

Other equity investments, which represent long-term investments recognised under financial assets, are assessed on the basis of the purchase price, of the subscription price or of the value attributed to the assets transferred, including any ancillary charges.

Equity investments are tested for impairment annually, or more frequently, if necessary. If there is evidence that these equity investments have suffered an impairment loss, this is recognised in the income statement as a write-down; the original value is reversed in subsequent financial years if the reasons for the write-down no longer apply.

Financial instruments

The Group has adopted IFRS 9 "Financial Instruments". IFRS 9 requires the classification and assessment of financial assets based on the business model by which these assets are managed, taking into account the characteristics of their cash flows. In this regard, the Group classifies financial assets on the basis of how the Group manages them in order to achieve its goals and the contractual cash flow characteristics of these financial assets. It is specified that:

- the Group's financial assets that have been assigned business models the goal of which is the holding of assets for the purpose of collecting contractual cash flows ("held-to-collect") have been assessed at amortised cost;
- the Group's financial assets that have been assigned business models the goal of which is pursued through both the collection of contractual cash flows and the sale of financial assets according to the holding and expected turnover of the financial assets ("held-to-collect and sell") have been classified as financial assets assessed at fair value with an impact on the comprehensive income statement;
- financial assets that have been assigned a different business model from the above ("other") have been classified as financial assets at fair value through the income statement.

For the purposes of classifying financial assets into the new categories under IFRS9, the analysis of the business model was complemented by the analysis of contractual flows (so-called "SPPI Test").

In this regard, the Group assessed whether the characteristics of the contractual cash flows allow for assessment at amortised cost ("held-to-collect") or at fair value with impact on the comprehensive income statement ("held-to-collect and sell").

The aforementioned categories envisaged by IFRS 9 replace the previous categories of IAS 39, that is, assets held to maturity, loans and receivables, assets available for sale and assets assessed at FVTPL.

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

- the financial asset is held as part of a business model whose goal is to hold financial assets for the purpose of collecting contractual cash flows;
- the contractual terms of the financial asset provide for cash flows at certain dates, represented solely by payments of capital and interest on the amount of capital to be repaid.

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

- the financial asset is held as part of a business model whose goal is achieved through both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates, represented solely by payments of capital and interest on the amount of capital to be repaid.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its position against foreign exchange and interest rate risks. Derivative instruments are initially assessed at fair value. After initial recognition, derivatives are assessed at fair value and changes in fair value are usually recognised in net result for the financial year.

Consistent with IFRS 9, derivative financial instruments can be accounted for in accordance with the hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documentation of the hedging relationship;
- it is expected that the hedge will be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value. When derivative instruments have the characteristics to be accounted for under hedge accounting, the following accounting treatments apply:
- *Fair value hedge* – if a derivative financial instrument is designated as a hedge of the exposure to changes in the current value of an asset or liability in the financial statements that can determine effects on the income statement, the profit or loss deriving from subsequent assessment of the current value of the hedging instrument are recognised in the income statement, as are the profit or loss on the hedged item.
- *Cash flow hedge* – if a derivative financial instrument is designated as a hedge of the exposure to the variability of the cash flows of an asset or liability in the financial statements or of a highly probable envisaged transaction that could affect the income statement, the effective portion of the gains or losses on the financial instrument is recognised in shareholders' equity; the cumulative profit or loss is reversed from shareholders' equity and recorded in the income statement in the same period in which the hedged transaction is recognised; the profit or loss associated with a hedge, or with that part of the hedge that has become ineffective, are recognised in the income statement when the ineffectiveness is recognised.

If the conditions for the application of hedge accounting do not exist, the effects deriving from the fair value assessment of the derivative financial instrument are charged directly to the income statement.

At the beginning of the designated hedging relationship, the Group documents the goals in managing the risk and the strategy in carrying out the hedge, as well as the economic relationship and the hedging instrument, and whether the changes in cash and cash equivalents of the hedged item and of the hedging instrument are expected to offset each other.

When a derivative financial instrument is designated as a hedge of exposure to variability in cash flows, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other components of the comprehensive income statement and presented in the cash flow hedge reserve. The effective portion of changes in the fair value of the derivative financial instrument that is recognised in the other components of the comprehensive income statement is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from the beginning of the hedge. The ineffective portion of changes in the fair value of the derivative financial instrument is recognised immediately in net result for the financial year.

If the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges ceases, the amount accumulated in the cash flow hedge reserve remains in shareholders' equity until, in the case of a hedge of a transaction that results in the recognition of a non-financial asset or a non-financial liability, it is included in the cost of the non-financial asset or non-financial liability upon initial recognition or, in the case of other cash flow hedges, it is reclassified to the result in the same financial year or subsequent financial years in which the hedged expected cash flows affect the result for the financial year.

If future hedged cash flows are no longer expected, the amount must be reclassified immediately from the cash flow hedge reserve and from the hedge cost reserve to the result for the financial year.

The company assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets may be impaired.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised from the financial statements when:
- the rights to receive cash flows from the asset no longer apply;
- the Group retains the right to receive the future cash flows of the assets but has assumed a contractual obligation to pass them on to a third party internally without material delay;
- the Group has transferred the right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (ii) has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

If the Group has assigned the right to receive cash flows from an asset and has neither retained nor assigned substantially all of the risks and rewards or has not lost control over the asset, the Group continues to recognise the asset to the extent to which it has a residual involvement in the asset.

This residual involvement, consisting of a guarantee given on the transferred asset, is assessed at the initial book value of the asset or, if lower, at the maximum amount that the Group could be required to pay.

In cases where the residual involvement takes the form of an issued and/or purchased option on the transferred asset (including cash-settled or similar options), the extent of the Group's involvement corresponds to the amount of the transferred asset that the Group may repurchase; however, in the case of a written put option on an asset measured at fair value (including cash-settled or similar options), the extent of the Group's residual involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised from the financial statements when the underlying obligation is either discharged or cancelled or when it expires.

In cases where an existing financial liability is replaced by another of the same lender under substantially different conditions, or there has been a substantial modification of the conditions of an existing liability, this exchange or modification is accounted for as derecognition of the original liability and the recognition of a new liability. Any differences in book values is recognised in the income statement.

Trade and other receivables

Trade receivables, which generally have maturities in the short term, are recognised at the nominal amount stated on the invoice, net of the bad debt provision determined in accordance with the "expected loss" impairment model required by IFRS 9. This impairment model is supplemented by any additional write-downs recognised as a result of specific doubtful collection conditions on individual loan positions, at the time of their identification.

When, due to the payment terms granted, a financial transaction takes place, receivables are assessed using the amortised cost method by discounting the nominal value to be received, and recognising the discount as financial income in the period of its maturity.

Receivables denominated in foreign currencies are aligned with the year-end exchange rate, and gains or losses arising from the adjustment are recognised in the income statement under the item where the transaction was originally recognised.

Medium- and long-term loans

Medium- and long-term loans are initially recognised at fair value, net of any transaction costs incurred. Following initial recognition, financial liabilities are assessed at amortised cost using the original effective interest rate method, represented by the rate that makes the present value of the cash flows and the initial book value equal at the time of initial recognition. Any gain or loss is recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Inventories

Inventories are recognised at the lower of purchase and/or production cost, determined using the weighted average cost method on an annual basis, and the net estimated realisable or replacement value. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.

Obsolete and/or slow-moving inventories are written down in relation to their presumed possibility of future use or realisation. The write-down is derecognised in subsequent financial years if the reasons thereof no longer apply.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and postal sight deposits and investments in securities made in the course of treasury management activities, which have a short-term maturity, are highly liquid and subject to an insignificant risk of changes in value. They are recognised at fair value, which is the same as nominal value, net of any expected impairment.

Shareholders' equity

Shareholders' equity instruments issued by the Company are recognised based on the amount collected. Dividends distributed by the Parent Company are recognised as a liability at the time of the distribution resolution. The purchase cost and the sale price of own shares are recorded directly in the shareholders' equity and therefore they do not pass through the income statement.

Provision for risks and charges
Allocations to provisions for risks and charges are made when the Group must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount.

Provisions for risks and charges are recognised when there is a current obligation (legal or implicit) deriving from a past event, if an outlay of resources to meet the obligation is probable and a reliable estimate can be made of the amount of the obligation. Allocations are recognised at the value representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties at the end of the period. If the effect of discounting is significant, allocations are calculated by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money. If discounting is used, the increase in the allocation due to the passage of time is recognised as financial charge.

When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset when, and only when, collection is practically certain. In this case, any allocations recorded in the income statement are reported net of the amount recognised for the indemnity.

Post-employment benefits to employees
Implementing the provisions of IAS 19, employee benefits to be paid out subsequent to the termination of employment (Employee Severance Indemnity) are subject to an actuarial assessment that must take into account a number of variables (such as mortality, expected future salary changes, expected inflation rate, etc.).

Benefits guaranteed to employees, paid when or after employment is terminated, by means of defined benefit programmes (Employee Severance Indemnity) or other long-term benefits (retirement indemnity) are recognised in the period when the right accrues.

In defined benefit plans, the company's obligation is to grant and guarantee the agreed benefits to employees: consequently, the actuarial and investment risk is borne by the company.

Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned. The liability is assessed by independent actuaries using the projected unit credit method, based on demographic assumptions, in relation to the mortality and turnover rates of the target population, and financial assumptions, in relation to the discount rate reflecting the value of money in time and the inflation rate.

The amendment to IAS 19 "Employee benefits" requires all actuarial gains or losses to be recognised immediately in the "Other comprehensive income", so that the entire net amount of the defined benefit provision is recognised in the statement of financial position. The amendment also stipulated that changes between one financial year and the next in the defined benefit provision must be broken down into the following components:
- social security costs related to current services, recognised under personnel costs;
- the cost of interests, recorded under financial charges;
- the expected return from program assets, if any, still charged to financial components.

Actuarial gains and losses that arise from reassessments of the net defined benefit plan liability are recognised immediately in the other components of the comprehensive income statement.

Trade payables
Trade payables, whose due date falls within normal commercial terms, are not discounted and are recognised at cost (identified by their nominal value). When, due to the payment terms agreed upon, a financial transaction takes place, payables assessed using the amortised cost method are discounted to their nominal value to be paid, with the discount being recognised as a financial charge.

Payables denominated in foreign currencies are aligned with the year-end exchange rate, and gains or losses arising from the adjustment are recognised in the income statement under the item where the transaction was originally recognised.

Other current assets and liabilities
Other current assets and liabilities are recognised at their nominal value.

Revenues
Revenues are recognised on the basis of the accounting model provided for in IFRS 15, which provides for, as fundamental steps:
- the identification of the contract with the customer;
- the identification of the performance obligations contained in the contract;
- the determination of the price;
- the allocation of the price to the performance obligations contained in the contract;
- the criteria for recognising revenue when the entity meets each performance obligation, which may occur at a specific point in time or continuously (over time).

Revenues are recognised based on fees allocated to "performance obligations" arising from contracts with customers.

In cases where a contract with a customer consists of several "performance obligations", the Group allocates a fair contractual fee on the basis of the "expected cost plus margin" criterion.

Revenues are recognised to the extent that it is probable that economic benefits will accrue to the Group and the amount can be reliably determined. Revenue recognition takes place when the relevant "performance obligation" is met, i.e. when the Group has transferred control of the good or service to the customer, in the following ways:

- over time;
- at point in time.

Revenues and income are recognised at fair value less returns, discounts, allowances, premiums and indirect taxes. When the financial effect related to the deferral of collection is significant and the collection dates can be reliably estimated, the related financial component is recognised under financial income (charges).

Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

Revenues for services are recognised on the basis of the satisfaction of each performance obligation as required by IFRS 15, i.e. on completion of the transfer of the promised good or service to the customer when the customer obtains control of the good or service, which may occur at a specific point in time or continuously (over time). Interest income, as well as interest charges, are calculated on the value of the relevant financial assets and liabilities, using the effective interest rate.

Dividends are recognised when the shareholders' right to receive payment arises.

Operating costs and other operating charges
Operating costs and other operating charges are recognised in the financial statements when they are incurred on an accrual basis and related to revenues, when they do not produce future economic benefits or when they do not qualify for recognition as assets in the consolidated statement of financial position.

When the deferred payment agreement includes a financial component, the fee is discounted and the difference between the nominal value and the fair value is recognised in the income statement as a financial charge.
Personnel costs include the amount of wages and salaries paid, provisions for pensions and for vacations accrued but not taken, and social security and welfare contributions, in accordance with contracts and current legislation.

Contributions from public entities
Government contributions are recognised in the financial statements at fair value when there is reasonable certainty that the company will comply with all the conditions for receiving the contributions and that they will be received. When contributions are related to cost components, they are recognised as revenues, but are systematically spread over the financial years so as to be commensurate with the costs they are intended to offset. Where a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and the release to the income statement occurs progressively, on a straight-line basis, over the expected useful life of the relevant asset. Operating contributions, including those relating to research activities, are accounted for on an accruals basis and credited to the income statement under "other revenues".

Where the Group receives a non-monetary contribution, the asset and the contribution are recognised at their nominal value and released to the income statement on a straight-line basis over the expected useful life of the relevant asset.

In the case of loans or similar forms of assistance provided by government or similar institutions with an interest rate below the current market rate, the effect of the favourable interest rate is regarded as an additional government contribution.

Financial income and charges
Financial income and charges are recognised on an accruals basis on the interests accrued on the net value of the related financial assets and liabilities, using the effective interest rate method.

Income taxes
Current income taxes are recognised for each company on the basis of estimated taxable income in accordance with applicable rates and regulations, taking into account applicable exemptions and tax credits.

The provision for current income taxes is shown in the balance sheet net of advances paid and of withholding taxes incurred.

Deferred tax assets and liabilities are also determined, with the exception of goodwill arising from business combinations, in respect of temporary differences between the balance sheet values recognised in the financial statements and the corresponding values recognised for tax purposes. In particular, deferred tax assets are recognised if there is a probability of their recovery, i.e. when it is expected that sufficient taxable profits will be available in the future to allow for their recovery, while deferred taxes are not recognised only if it is doubtful that the related liability will arise.

The value to be recognised in the financial statements of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future in order to allow all or part of this receivable to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are determined according to enacted tax rates that are expected to be applicable to taxable income in the financial years when those temporary differences are expected to be recovered or settled, with reference to the jurisdictions where the Group operates.

In accordance with IAS 12, the Group recognises deferred taxes on shareholders' equity reserves in suspension of tax purposes only when such reserves are not assessed by Management as having been permanently acquired by the Group or when it is not probable that they will be use in a way that would result in a tax liability.

Income taxes related to items recognised directly in shareholders' equity are recognised directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to compensate current tax assets with current tax liabilities and if the deferred taxes refer to the same legal entity and the same tax authority.

Deferred taxes relating to items recognised outside the income statement are also recognised outside the income statement and, therefore, as shareholders' equity or in the comprehensive income statement, in line with the item to which they refer.

In accordance with IAS 12, when an asset is reassessed for tax purposes and the reassessment relates to a previous financial year, or to a reassessment that is expected to take place in future financial years, the tax effects of both the reassessment of the asset and the adjustment of the value for tax purposes must be recognised in shareholders' equity in the financial years in which they occur. Conversely, if the reassessment for tax purposes does not relate to an accounting reassessment of a previous financial year, or one that is expected to be made in a subsequent financial year, the tax effects of the value adjustment for tax purposes are recognised in profit or loss.

Value-added tax
Revenues, costs and assets are recognised net of value-added taxes except where:
- such tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- it refers to trade receivables and payables shown including the value of the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the Treasury is included in the financial statements under trade receivables or trade payables, depending on the sign of the balance.

Translation of foreign currency items

The functional and reporting currency adopted by the Group is the Euro. Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are subsequently adjusted to the exchange rate in force at year-end, and any exchange differences arising are reflected in the income statement. Non-monetary assets and liabilities denominated in foreign currency and recognised at historical cost are translated using the exchange rate in force on the date the transaction is initially recognised.

For consolidation purposes in the Group's accounts, the reporting packages of consolidated companies denominated in functional currencies other than the Euro are translated into Euro by applying the exchange rate in force at year-end to assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rates for the financial year (if these approximate to the exchange rates in force at the date of the respective transactions) or for the period being consolidated, whichever is lower. The related exchange rate differences are recognised directly in the comprehensive income statement and reclassified in the income statement upon loss of control of the equity investment and, therefore, of its deconsolidation.

3.3 Amendments and new principles and interpretations

New documents issued by the IASB and endorsed by the EU to be mandatorily adopted starting with financial statements for financial years beginning on 01 January 2022.

The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2022 are the same as those used for the preparation of the consolidated financial statements as at 31 December 2021, with the exception of the new accounting standards and interpretations, approved by the IASB and endorsed for adoption in Europe, the adoption of which is mandatory for accounting periods beginning on or after 01 January 2022, listed in the table below:

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication
Improvements to IFRS (cycle 2018-2020) [Amendments to IFRS 1, IFRS 9, IFRS 16* and IAS 41]	May 2020	1° January 2022	28 June 2021	(UE) 2021/1080 2 July 2021
Property, Plant and Equipment - Income before intended use (Amendments to IAS 16) (**)	May 2020	1° January 2022	28 June 2021	(UE) 2021/1080 2 July 2021
Costly Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37) (***)	May 2020	1° January 2022	28 June 2021	(UE) 2021/1080 2 July 2021
Reference to the Conceptual Framework (Amendments to IFRS 3) (****)	May 2020	1° January 2022	28 June 2021	(UE) 2021/1080 2 July 2021

(*) The amendment to IFRS 16 has not been endorsed by the European Union because the amendment refers to an illustrative example that is not an integral part of the Standard.

(**) With the amendments to IAS 16, the IASB Board clarified that income from the sale of goods produced by an asset during the period before the date on which the asset is in the place and conditions necessary for it to operate in the way intended by management should be recognised in profit/(loss) for the financial year [IAS 16.20A]. As a result of the aforementioned amendment, it will no longer be permitted to recognise as a direct reduction of the cost of the asset income from the sale of goods produced before the asset is available for use, for example, from the sale of samples produced during the testing phase of the proper functioning of the asset.

(***) With the amendments to IAS 37, the IASB Board clarified that the costs necessary to perform a contract include all costs directly related to the contract and thus [IAS 37.68A]:

- incremental costs, i.e. costs that would not have been incurred in the absence of the contract (e.g. raw materials, direct labour costs, etc.);
- a share of other costs that, although not incremental, are directly related to the contract (e.g., share of depreciation of assets used to perform the contract).

(****) With the amendment to IFRS 3, the new definitions of assets and liabilities in the new Conceptual Framework published in March 2018 will have to be used to identify the assets and liabilities of the acquiree, with the exception of liabilities assumed in the acquiree, which after the acquisition date are accounted for in accordance with IAS 37 Allocations, Contingent Liabilities and Contingent Assets or IFRIC 21 Taxes. The purpose of this exception is to prevent an acquirer from recognising a liability or contingent liability based on the new Conceptual Framework definition and then reversing it by applying the recognition criteria of IAS 37 and IFRIC 21.

These are amendments to standards and/or interpretations that did not have a significant impact on the consolidated financial statements as at 31 December 2022.

IAS/IFRS and related IFRIC interpretations applicable to financial statements for financial years beginning after 01 January 2022

Below are the EU-endorsed documents applicable to financial statements for financial years beginning after 01 January 2022.

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication
IFRS 17 – Insurance contracts (including changes published in June 2020)	May 2017 June 2020	1st January 2023	19 November 2021	(UE) 2021/2036 23 November 2021
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1st January 2023	2nd March 2022	(UE) 2022/357 3 March 2022
Disclosure of Accounting policies (Amendments to IAS 1) (*)	February 2021	1st January 2023	2nd March 2022	(UE) 2022/357 3 March 2022
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1st January 2023	11 August 2022	(UE) 2022/1392 12 August 2022
Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	December 2021	1st January 2023	8 September 2022	(UE) 2022/1491 9 September 2022

(*) The document published by the IASB includes amendments to 'IFRS Practice Statements 2 - Making Materiality Judgements' that have not been endorsed by the European Union, as they do not relate to an accounting standard or interpretation.

The Group will adopt these new standards and amendments and is assessing their potential impact on the consolidated financial statements. These are amendments to standards and/or interpretations that are not expected to have a significant impact on the Group's consolidated financial statements.

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed for adoption in Europe as at the date of these financial statements. It should be noted that these documents will only be applicable once they have been endorsed by the EU.

Document title	Date of issue by the IASB	Effective date of IASB document	Expected date of EU approval
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1st January 2016	Approval process suspended on hold of the new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until the completion of the IASB project on the equity method	Approval process suspended on hold of the conclusion of the IASB equity method project
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1st January 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1st January 2024	TBD

The Group will adopt these new standards and amendments based on their expected date of application, and it will assess their potential impact on the consolidated financial statements when they are endorsed by the European Union.

4. Information on the items of the statement of financial position

Below are notes on the items of the consolidated statement of financial position as at 31 December 2022. For details of the items of the consolidated statement of financial position deriving from transactions with related parties, reference to note 6.5 Transactions with related parties should be made.

4.1 Property, plant and equipment

Thousands of Euros	Land	Buildings	Plant and machinery and industrial equipments	Other tangible assets	Assets under construction	Total
Historical cost	5.051	100.252	243.608	21.993	7.358	378.263
Accumulated depreciation and write-downs	-	(83.002)	(217.972)	(16.432)	(374)	(317.780)
Balance at 1st January 2021	**5.051**	**17.250**	**25.636**	**5.562**	**6.984**	**60.483**
Increases	-	1.713	4.544	4.183	27.024	37.464
Decreases	-	-	(4.009)	(466)	(179)	(4.655)
Reclassifications	-	(2.247)	1.672	575	-	-
Other changes	274	1.797	(10.359)	135	(1.142)	(9.296)
Depreciation	-	(2.703)	(7.747)	(3.545)	-	(13.996)
Other changes accumulated depreciation	-	(1.396)	13.908	518	-	13.029
Total changes in FY2021	**274**	**(589)**	**(3.664)**	**824**	**25.703**	**22.547**
Historical cost	5.325	101.516	235.455	26.420	33.061	401.777
Accumulated depreciation and write-downs	-	(87.101)	(211.811)	(19.459)	(374)	(318.746)
Balance at 31 December 2021	**5.325**	**14.415**	**23.644**	**6.960**	**32.687**	**83.031**
Increases	-	2.023	3.271	1.781	20.936	28.011
Decreases	-	(379)	(1.389)	(11)	-	(1.779)
Reclassifications	-	-	-	-	-	-
Other changes	-	289	1.099	275	(1.124)	540
Depreciation	-	(2.899)	(8.176)	(2.931)	-	(14.005)
Other changes accumulated depreciation	-	(880)	952	(1.553)	-	(1.481)
Total changes in FY2022	**-**	**(1.846)**	**(4.242)**	**(2.438)**	**19.812**	**11.286**
Historical cost	5.325	103.449	238.437	28.465	52.872	428.549
Accumulated depreciation and write-downs	-	(90.880)	(219.035)	(23.942)	(374)	(334.232)
Balance at 31 December 2022	**5.325**	**12.569**	**19.401**	**4.523**	**52.498**	**94.317**

The value of Property, plant and equipment as at 31 December 2022 is €94,317 thousand, an increase of €11,286 thousand compared to 31 December 2021 (€83,031 thousand).

The increases for the financial year relate to:
- €2,023 thousand of the item Buildings and mainly referable for €295 thousand to construction works on buildings in Abano Terme and €139 thousand to the accounting standard IFRS 16 for the rights of use on property rental contracts of the Parent Company and its subsidiaries;
- €3,271 thousand of the item Plant and equipment and industrial equipment, mainly referable for €2,027 thousand to investments made by the Parent Company in the production departments of Abano Terme;
- €1,781 thousand of the item Other assets and mainly referable for €1,002 thousand to the effect of the accounting standard IFRS 16 for the rights of use of motor vehicles used by scientific representatives and other employees of the Group and for €800 thousand to investments in the Quality Control and Research and Development laboratories of Abano Terme;

Assets under construction and advances, amounting to €52,498 thousand (€32,687 thousand in 2021), mainly refer to the following investment orders of the Parent Company: production departments for €42,857 thousand, of which €38.843 thousand related to the vaccine production department, of which €615 thousand related to capitalisation of internal labour; adjustments and improvements to production departments, laboratories and plant for €1,777 thousand; advances on equipment for €369 thousand; purchase of a building in Milan to be used as offices for €7,363 thousand.

4.2 Intangible assets

thousands of Euros	Development expenses	Industrial patents and intellectual property rights	Concessions, licences and trademarks	Other intangible assets	Assets under development	Total	Goodwill	Total
Balance at 1st January 2021	844	25.167	29.754	11.670	12.334	79.770	100.464	180.234
Accumulated amortization and write-downs	(786)	(23.362)	(12.568)	(11.154)	(9.610)	(57.482)	(34.567)	(92.049)
Balance at 1st January 2021	**58**	**1.805**	**17.186**	**516**	**2.724**	**22.288**	**65.897**	**88.185**
Increases	-	124	63.871	141	2.343	66.479	24.060	90.539
Decreases	-	(75)	(24)	(89)	(54)	(242)	(90)	(332)
Accumulated depreciation and write-downs	(7)	1.637	(1.540)	(57)	-	33	-	33
Other changes	-	544	776	(1.524)	(2.038)	(2.243)	20	(2.223)
Amortizations	(28)	(1.313)	(5.553)	(226)	-	(7.121)	-	(7.121)
Other changes accumulated amortization	-	721	(208)	1.937	-	2.450	(11)	2.439
Total changes in FY2021	**(36)**	**1.638**	**57.322**	**181**	**250**	**59.356**	**23.979**	**83.335**
Historical cost	837	27.397	92.838	10.141	12.584	143.797	124.453	268.250
Accumulated amortization and write-downs	(815)	(23.954)	(18.330)	(9.444)	(9.610)	(62.153)	(34.578)	(96.730)
Balance at 31 December 2021	**22**	**3.443**	**74.508**	**697**	**2.974**	**81.644**	**89.876**	**171.520**
Increases	-	712	1.854	39	8.096	10.701	121	10.822
Decreases	-	(8)	(492)	(97)	(448)	(1.046)	-	(1.046)
Reclassifications	-	-	-	-	-	-	-	-
Other changes	-	679	889	(470)	(935)	162	12	174
Amortizations	(22)	(1.674)	(9.186)	(182)	-	(11.063)	-	(11.063)
Other changes accumulated amortization	-	(10)	-	372	-	362	(6)	356
Total changes in FY2022	**(22)**	**(302)**	**(6.935)**	**(338)**	**6.713**	**(883)**	**127**	**(757)**
Historical cost	837	28.779	95.089	9.613	19.297	153.615	124.586	278.201
Accumulated amortization and write-	(837)	(25.638)	(27.516)	(9.253)	(9.610)	(72.854)	(34.584)	(107.438)
Balance at 31 December 2022	**-**	**3.141**	**67.573**	**359**	**9.687**	**80.761**	**90.002**	**170.763**

The value of intangible assets as at 31 December 2022 was €170,763 thousand, a decrease of €757 thousand compared to 31 December 2021 (€171,520 thousand).

Industrial patents and intellectual property rights are represented by the external costs incurred in obtaining patent registrations from the competent authorities. Software use rights refer to the costs incurred for the purchase of application software by way of user license. Concessions, licenses, trademarks and similar rights are represented by costs incurred to register trademarks and acquire licenses for products from third parties for marketing purposes.

The item Licences and Trademarks of €67,573 thousand mainly refers to the filing of trademarks and the acquisition of product licences from third parties for marketing.

The item Assets under construction and advances, amounting to €9,687 thousand, mainly includes capitalisations made during the financial year in relation to the following investment orders of the Parent Company:

- €769 thousand (€733 thousand in 2021) of costs relating to the process of registering patents and trademarks, incurred in the current period and in previous ones. These costs will be amortised from the time the patent registration is obtained or the trademark is filed;
- €170 thousand (€491 thousand in 2021) of advances paid to suppliers for the purchase of licences, production and marketing rights for products or active ingredients for which authorisation has not yet been obtained from the Ministry of Health Market Authorisation (A.I.C.);
- €940 thousand (€367 thousand in 2021) of advances paid for the purchase of management software;
- €6,126 thousand (€983 thousand in 2021) of external costs for activities related to development projects on phase 3 products and trials for the creation of new formulations on medical devices (compliance with the new Regulation MDR 2017/745).
- €1,641 thousand from capitalised costs related to projects in the operation area. Costs are split between external costs of €1,072 thousand and internal personnel costs of €569 thousand;
- €67 thousand (€325 thousand in 2021) from costs related to the licence of a pharmaceutical speciality under registration.

4.3 Goodwill

Goodwill as at 31 December 2022 amounted to €90,002 thousand, an increase of €126 thousand compared to 31 December 2021 (€89,876 thousand). The breakdown of the item Goodwill is shown in the table below:

thousands of Euros	Stress test (WACC)	at 31 December 2022	at 31 December 2021
Glynn group	30,40%	1.761	1.756
Sooft group	13,00%	59.217	59.217
Laboratorios SLU	22,50%	4.843	4.843
Corticosteroids	12,00%	24.180	24.060
Total goodwill		**90.002**	**89.876**

The change of €126 thousand reflects the capitalisation of ancillary charges paid in the financial year related to corticosteroid products.

As indicated in the note on "Summary of accounting standards" and as provided for by IFRS 3, goodwill is not systematically amortised but subject to an impairment test to determine its recoverable amount. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and markets in which the acquired companies operate. A cash-generating unit to which goodwill has been allocated must be tested for impairment annually. Whenever there is an indication that the unit may be impaired, by comparing the book value of the unit, which includes goodwill, with the recoverable amount of the unit: if the recoverable amount of a unit exceeds the book value of that particular unit, the unit and the goodwill allocated to that unit are treated as not impaired; if, on the other hand, the book value of the unit exceeds the recoverable amount of that particular unit, the entity should recognise the impairment loss.

The impairment test exercise was conducted from the three-year multi-year plans prepared by management and, with reference to the financial variables, using a discounted cash flow rate (WACC) of 8.76% for the Glynn Group, of 8.95% for the Sooft Group, of 7.76% for Laboratorios SLU and of 8.95% for corticosteroid products. The discount rate used is represented by the weighted average cost of capital, estimated after tax, which reflects current market assessments of the cost of money and the specific risk associated with the cash-generating unit. The growth rates adopted for the period following the explicit forecast period have been conservatively estimated, taking into account the peculiarities of the various countries concerned.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units. The main assumptions used in the calculation of value in use regard the expectations of operating cash flows during the period assumed for the calculation, the discount rate and the growth rate.

Operating cash flow forecasts for the explicit period assumed for the calculation (2023-2025) derive from the business plan approved by the Parent Company's Board of Directors on 18 October 2022.

With regard to the recoverability of goodwill relating to the cash-generating units (CGUs) indicated above, impairment tests were carried out and no impairment losses were found in the financial years under review.

The column "Stress test (WACC)" shows the discount rates above which the respective goodwill is written down.

4.4 Other equity investments and securities

Equity investments and investments in other companies are summarised in detail in the tables below:

	Book value		% of ownership	
thousands of Euros	at 31 December 2022	at 31 December 2021	at 31 December 2022	at 31 December 2021
Fidia Pharma Kazakhstan LLC	0	580	100%	100%
Fidia Pharma UK Ltd	24	24	100%	100%
Fidia Pharma Switzerland SA	-	94	100%	100%
Fidia Pharma Polska Sp Zoo	399	-	100%	100%
Fisior	21	21	100%	100%
Accumulated amortizations other equity investments	**(21)**	**(600)**		
Total other equity investments	**423**	**118**		

During the financial year, the investment Fidia Pharma Kazakhstan LLC was liquidated. Fidia Pharma Uk Ltd and Fidia Pharma Polska sp. z o.o. have been assessed at cost and not included in the scope of consolidation, as they did not carry out any significant activities during the period.

From the 2022 financial year, the subsidiary Fidia Pharma Switzerland Sa was fully consolidated.

	Book value		% of ownership	
thousands of Euros	**at 31 December 2022**	**at 31 December 2021**	**at 31 December 2022**	**at 31 December 2021**
Consorzio Dafne	20	20	2%	2%
CONAI Consorzio Nazionale Imballaggi	0	0	0%	0%
Consorzio Universitario Unifarm	73	73	10%	10%
Other	0	0	0%	0%
Accumulated amortizations other equity investments	**(4)**	**(4)**		
Total other equity investments	**89**	**89**		

Investments in other companies include equity instruments of unlisted companies, which fall within level 3 of the fair value hierarchy.

4.5 Receivables

As at 31 December 2022, the item Non-current receivables amounted to €1,369 thousand, up €52 thousand compared to 31 December 2021 (€1,317 thousand).

The item Receivables mainly refers to:
- insurance policy for €586 thousand;
- guarantee deposits for €735 thousand relating to utilities, rents and leases.

See note 6 for information on the Group's exposure to credit and market risks and fair value.

4.6 Deferred tax assets

As at 31 December 2022, deferred tax assets amounted to €25,377 thousand (€18,847 thousand as at 31 December 2021). The overall change is as follows:

thousands of Euros	Historical losses	Revenues / (costs) with deferred tax effect	Tax credits	Other	Total
Balance at 31 December 2021	**1.023**	**17.738**	**-**	**86**	**18.847**
Recognitions in the income statement	(61)	6.677	-		6.616
Recognitions in the comprehensive income statement				(86)	(86)
Other changes					-
Balance at 31 December 2022	**962**	**24.415**	**-**	**-**	**25.377**

The composition of deferred tax assets and liabilities is shown in the table below:

thousands of Euros	at 31 December 2022	at 31 December 2021	Changes
Tax effect on reversal of intercompany profits on assets	2.705	2.997	(292)
Taxed provision for risks	2.838	3.393	(555)
Changes in the value of fixed assets	-	-	-
Tax set up of intangible assets	4.227	6.294	(2.067)
Goodwill step up	9.084	-	9.084
Effect of derivative financial instruments	-	86	(86)
Actuarization of severance pay	125	381	(256)
Benefit on carried forward tax losses	962	1.023	(61)
Tax effect of leasing	17	16	1
Intercompany profit effect on inventory	3.745	2.528	1.217
Other deferred tax assets	1.673	2.130	(457)
Deferred tax assets (A)	**25.377**	**18.847**	**6.530**
Changes in the value of fixed assets	(2.305)	(2.309)	4
Effect of derivative financial instruments	(1.665)	(23)	(1.642)
Effect on depreciation of leasing assets	(74)	(91)	17
Other deferred tax liabilities	131	(21)	152
Deferred tax liabilities (B)	**(3.913)**	**(2.444)**	**(1.469)**
Net balance of deferred tax assets (A -B)	**21.464**	**16.403**	**5.061**

The increase in deferred tax assets is mainly due to the effect generated by the redemption of goodwill arising from the merger of the company Sooft S.p.A. into Fidia Farmaceutici S.p.A. against the payment of the substitute tax pursuant to D.L. 185/2008 Article 15. In the consolidated financial statements, the entire tax benefit from redemption was recognised in the amount of €9,084 thousand net of the substitute tax (16%) in the amount of €5,210 thousand charged to the income statement, as detailed in note 5.4.

The accounting of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions and hypotheses that the Directors have considered as reasonable.

With regard to the change of the item Deferred taxes, reference to note 4.17 should be made.

4.7 Inventories

Inventories as at 31 December 2022 amounted to €54,113 thousand (€47,573 thousand as at 31 December 2021), net of a bad debt provision of €4,816 thousand (amounting to €6,506 thousand as at 31 December 2021).

The table below shows the breakdown of the item Inventories:

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Raw materials and consumables	13.939	10.041	3.899
Finished products and semi-finished products	44.990	44.039	951
Total gross closing inventory	**58.929**	**54.079**	**4.850**
Write-down provision	(4.816)	(6.506)	1.690
Total net closing inventory	**54.113**	**47.573**	**6.540**

Raw, ancillary and consumable materials consist of raw materials, excipients and packaging material used for the production of products for sale and for the production of active ingredients.

The amount relating to inventories is prudentially written down through the recognition of a bad debt provision, designed to cover any future usability limits, obsolescence or slow turnover phenomena.

The growth of raw materials has also been impacted, in part, by increased stock to compensate for the uncertainty in the availability of materials.

4.8 Trade receivables

Trade receivables at 31 December 2022 amounted to €99,042 thousand, down €3,361 thousand from 31 December 2021 (€102,403 thousand). The values indicated are expressed net of the bad debt provision.

The following table summarises the breakdown of the item Trade receivables and details of the bad debt provision:

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Trade receivables to Customer	101.834	105.779	(3.945)
Trade receivables to Customer	**101.834**	**105.779**	**(3.945)**
Provision for bad debts	(2.792)	(3.376)	584
Net trade receivables to Customer	**99.042**	**102.403**	**(3.361)**

The Group carries out a detailed analysis of the positions with the highest recoverability risk, considering the relationship with the customer and the geo-political situation of the country in which the customer operates, and a generic analysis of historical and expected credit losses. Credit losses are estimated using a method based on the probability of credit deterioration by considering exposures in different categories based on common characteristics of credit risk, geographic area, credit seniority, presence of litigation and length of customer relationship.

4.9 Tax receivables

Tax receivables amounted to €7,582 thousand, up compared to 31 December 2021 (€3,808 thousand) of €3,774 thousand. These are mainly represented at group level by VAT credits of €4,741 thousand and tax credits of €1,255 thousand derived from the Parent Company (research and development credit, energy, capital goods).

4.10 Other current assets

Other current assets amounted to €9,747 thousand, up €1,592 thousand compared to 31 December 2021 (€8,155 thousand) and relate to other receivables and accrued income and prepaid expenses. The following table provides a breakdown of this item.

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Accrued income	210	271	(62)
Deferred charges	2.639	1.524	1.115
Other remaining Credits	5.512	6.307	(795)
Advance payments from customers	1.386	53	1.333
Other current assets	**9.747**	**8.155**	**1.592**

The change in other current assets in the amount of €1,592 thousand is mainly attributable to the decrease in advances to suppliers for services, included in the item Receivables from others, net of the increase in advances to suppliers for goods in the amount of €1,333 thousand.

4.11 Derivative instruments assessed at fair value

The item derivative instruments assessed at fair value as at 31 December 2022 amounted to €6,937 thousand and refers to the positive fair value of hedging instruments (IRS) on medium/long-term loans as at 31 December 2022.

4.12 Short-term financial investments and cash and cash equivalents

The composition of the item Cash and cash equivalents is summarised in the table below:

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Current financial assets	47.579	42.118	5.461
Deposit accounts	122.932	96.881	26.051
Cash on hand and equivalent	19	19	1
Cash and cash equivalents reported in the statement of financial position	**170.530**	**139.017**	**31.512**
Bank overdrafts used for liquidity management	-	-	-
Cash and cash equivalents reported in the statement of cash flows	**170.530**	**139.017**	**31.512**

Unrestricted financial assets are represented by unrestricted term loans that are remunerated with liquidity. This item had a net increase of €5,461 thousand during the financial year, while free liquidity in current accounts increased by €26,051 thousand.

4.13 Shareholders' equity

Shareholders' equity attributable to the Group amounted to €256,279 thousand, up €43,596 thousand compared to 2021 (€212,683 thousand). The main changes during the financial year, shown in detail in the statement of changes in shareholders' equity, primarily concern:

- recognition of the profit for 2022, equal to €37,832 thousand;
- negative impact of the distribution of dividends to shareholders for €1,500 thousand;
- positive impact of the translation reserve of accounts denominated in foreign currency, amounting to €1,134 thousand;
- positive impact from the fair value of hedging derivatives for a change of €5,471 thousand;
- other positive changes amounting to €659 thousand.

A more detailed description of the item Shareholders' equity is listed below.

Share capital
The share capital as at 31 December 2022 amounted to €36,120 thousand.

Reserve for derivative financial instruments assessed at fair value
The cash flow hedge reserve includes the effective share of the cumulative net change in the fair value of hedging instruments used in the cash flow hedge, pending subsequent recognition in net income/(loss) for the financial year, or included directly in the initial cost or other book value of a non-financial asset or non-financial liability. The value as at 31 December 2022, net of the tax effect, was positive for €5,272 thousand.

Translation reserve
The translation reserve arises from the translation into Euro of the shareholders' equity of group companies whose financial statements are drawn up in a different local currency and it corresponds to the overall change in reserves due to purely exchange rate effects, recognised at year-end and compared with the historical one. The reserve increased by €1,134 thousand due to the general reassessment of the currencies of the consolidated companies against the Euro. As at 31 December 2022, the reserve amounted to €2,564 thousand.

Other reserves
As at 31 December 2022, these amounted to €7,544 thousand and include:

- Legal reserve, amounting to €7,224 thousand, is unchanged compared to the previous financial year;
- Own shares reserves in portfolio, equal to €11,212 thousand, did not change during the financial year; this item was recognised as part of the merger between Fidia Farmaceutici S.p.A. and Solmag S.p.A., which took place in 2008;
- Negative reserve for treasury shares in portfolio of €11,212;
- Positive OCI reserve amounting to €320 thousand.

First-Time Adoption Reserve
The reserve of €8,953 thousand originated as a result of the transition to the IFRS international accounting standards.

The Group's goals in managing capital are aimed at creating value for shareholders, safeguarding the going continuity, guaranteeing the interests of stakeholders, as well as enabling efficient access to external sources of financing, such as to adequately support the development of the Group's activities.

A reconciliation of the consolidated shareholders' equity with that of the Parent Company is provided below.

thousands of Euros	Net Equity at at 31 December 2022	Profit for the year 2022	Net Equity at at 31 December 2021	Profit for the year 2021
Balances in the parent's financialstatements	**230.633**	**22.173**	**204.488**	**19.254**
Effect of IFRS entries	9.428	18.112	(9.408)	9.365
Balances in the parent's financialstatements (Ifrs)	**240.061**	**40.285**	**195.080**	**28.619**
Consolidation adjustments:				
Consolidation of the carrying amount of net equity and net profit (loss) for the year of the investees, net of the carrying amount of the parent's investments therein	17.230	7.114	16.082	9.494
Net effect of other consolidation entries	6.433	(2.114)	4.516	1.353
Elimination of intragroup dividends	(7.479)	(7.479)	(2.994)	(2.994)
Change in consolidation scope	34	26	-	-
Balances in the consolidated financial statements of the Group	**256.279**	**37.832**	**212.683**	**36.471**
Effect of minority equity	-	-	-	-
Balances in the consolidated financial statements	**256.279**	**37.832**	**212.683**	**36.471**

4.14 Loans due beyond one year

As at 31 December 2022, loans due beyond the financial year amounted to €167,523 thousand with a net decrease of €5,609 thousand compared to €173,132 thousand as at 31 December 2021, broken down as follows:

- Increase of €40,000 thousand related to the disbursement of a new loan signed on 31 August 2022 with a term of 6 years, with quarterly instalments in arrears and expiring on 29 February 2029);
- Decrease of €32,676 thousand related to the payment of principal amounts of outstanding mortgages;
- Decrease of €1,715 related to leasing and IFRS16.

Conditions and repayment plans of the loans

The following table shows the breakdown of medium- and long-term loans as at 31 December 2022 and 31 December 2021:

				at 31 December 2022		at 31 December 2021	
thousands of Euros	**Currency**	**Nominal interest rate**	**Maturity**	**Nominal value**	**Accounting value**	**Nominal value**	**Accounting value**
Granted to Fidia Farmaceutici S.p.A.							
Amortizing loan	€	Fixed	2025	20.250	20.228	29.250	29.202
Amortizing loan	€	Fixed	2024	8.084	8.084	12.084	12.084
Amortizing loan	€	Variable	2025	46.400	46.522	57.600	57.382
Amortizing loan	€	Fixed	2025	10.050	10.050	13.350	13.350
Amortizing loan	€	Fixed	2025	18.333	18.309	21.667	21.631
Amortizing loan	€	Fixed	2026	26.063	26.063	30.000	30.000
Amortizing loan	€	Fixed	2026	38.158	38.158	46.052	46.052
Amortizing loan	€	Fixed	2029	40.000	40.000		
Other loans	€			491	491	635	635
Lease liabilities and IFRS 16				2.910	2.910	5.486	5.412
Bonds				50.000	50.000	29.000	29.000
Total loans granted to the parent company				**260.739**	**260.814**	**245.124**	**244.748**
Granted to other Group companies							
Other loans				-	-	25	25
Lease liabilities and IFRS 16				3.243	3.243	4.057	3.814
Total loans granted to other Group companies				**3.243**	**3.243**	**4.082**	**3.838**
Total loans (by and over)				**263.982**	**264.058**	**249.206**	**248.586**
Total loans at amortised cost				76		(302)	
Loans due within the year - current liabilities				**96.535**	**96.535**	**75.454**	**75.454**
Loans due over the year - non-current liabilities				**167.447**	**167.523**	**173.752**	**173.132**
Total loans (by and over)					**264.058**		**248.586**

Financial payables to third parties were recognised following the introduction of the IFRS 16 standards for a value of €5,127 thousand related to the lease commitments undertaken by the Group.

During the financial year, the non-convertible bond was renewed and supplemented in the amount of €21,000 thousand by notarised resolution of the Board of Directors on 26 September 2022. The loan is scheduled to mature on 30 September 2023.

The maturities of financial liabilities in terms of the nominal value of the expected outlay, as contractually defined, are described below:

thousands of Euros	at 31 December 2022
2023	96.784
2024	48.640
2025	62.631
2026	32.976
2027	7.739
over	15.288
Total loans (by and over)	**264.058**

Derivative financial instruments
As at 31 December 2022, these loans refer entirely to the Parent Company. In order to hedge the risk of fluctuations in interest rates, the Company has entered into Interest rate swap (IRS) transactions, whose original notional values are described in the table below and whose repayment schedules coincide with those of the underlying loans. As at 31 December 2022, these transactions had a positive mark-to-market of €6,937 thousand before the tax effect.

Hedging derivatives relating to items classified among financial liabilities are shown in the following table:

		at 31 December 2022		at 31 December 2021	
thousands of Euros	Risk covered	Fair value positive/(negative)	Notional amount	Fair value positive/(negative)	Notional amount
Cash flow hedge					
Interest rate Swap	Interest rate	-	-	-	-
Interest rate Swap	Interest rate	723	20.250	(289)	29.250
Interest rate Swap	Interest rate	495	23.200	-	-
Interest rate Swap	Interest rate	621	10.050	(69)	13.350
Interest rate Swap	Interest rate	1.392	18.333	49	21.666
Interest rate Swap	Interest rate	2.748	38.158	46	46.052
Interest rate Swap	Interest rate	958	40.000	-	-
Total derivatives		6.937	149.991	(263)	110.318

Interest rate risk hedging transactions are classified as cash flow hedges in accordance with IFRS 9.

The carrying value of hedging transactions falls within level 2 of the fair value hierarchy.

Please refer to paragraph 5.2 for a description of the company's exposure to liquidity risk.

Loan covenants
In view of the bank loans, the company is bound to comply with certain financial ratios to be calculated on the consolidated financial statements as follows:
- ratio of net financial position to EBITDA not exceeding 3;
- ratio of EBITDA to Financial Charges not exceeding 6.

The parameters as at 31 December 2022 are met.

Reconciliation of financial liabilities deriving from loans
As required by IAS 7, the following table summarises the cash flows relating to financial and derivative liabilities that occurred during the financial year:

			Non cash changes		
thousands of Euros	at 31 December 2021	Cash flow	Acquisitions	Other	at 31 December 2022
Non-current bank loans	167.552	(4.133)	-	378	163.797
Other non-current financial liabilities	5.580	(1.854)	-	-	3.726
Non-current financial liabilities (A)	173.132	(5.987)	-	378	167.523
Current bank loans	42.809	1.299	-	-	44.108
Other current financial liabilities	32.645	19.782	-	-	52.427
Current financial liabilities (B)	75.454	21.081	-	-	96.535
Financial liabilities (A) + (B)	248.586	15.094	-	378	264.058

Financial lease liabilities
The following table illustrates the maturity dates of finance lease liabilities recognised as at 31 December 2022 and 2021.

thousands of Euros	Minimum payments for leasing		Interex		Minimum payments present value	
	2022	2021	2022	2021	2022	2021
Within the year	2.364	3.725	-	141	2.364	3.584
Over the year	2.762	4.653	-	176	2.762	4.477
Total payables for leasing	**5.127**	**8.379**	**-**	**318**	**5.127**	**8.061**

Leases exempt from IFRS 16 relate to low-value leases (worth less than US$5 thousand) and leases with a contractual duration of less than 12 months.

The table below shows the classes of financial instruments held by the Company.

thousands of Euros	Loans and receivables	Financial assets at fair value	Derivative instrument	Investments held to maturity	Financial assets available for sale	Total
Financial assets:						
Trade receivables	99.042	-	-	-	-	99.042
Tax receivables	7.582	-	-	-	-	7.582
Other current assets	9.747	-	-	-	-	9.747
Derivative instruments at fair valu	-	-	6.937	-	-	6.937
Non-current receivables	1.369	-	-	-	-	1.369
Cash and cash equivalents	141.690	-	28.840	-	-	170.530
Total Financial assets	**259.430**	**-**	**35.777**	**-**	**-**	**295.207**

thousands of Euros	Liabilities at amortized cost	Liabilities at fair value	Derivative instrument at fair value	Total
Financial liabilities:				
Loans	264.058			264.058
Provisions for risks and charges	6.347			6.347
Derivative instruments at fair valu	-			-
Other non-current payables	-			-
Trade payables	64.020			64.020
Tax payables	5.568			5.568
Other current liabilities	30.986			30.986
Total Financial liabilities	**370.979**	**-**	**-**	**370.979**

The Group only assessed derivative contracts at fair value. The value of amounts due to banks and other loans, recognised at amortised cost and contracted at variable interest rates, does not differ appreciably from their fair value.

All financial instruments recognised at fair value can be classified into the three categories defined below:
Level 1: Market quotation.
Level 2: Assessment techniques (based on observable market data).
Level 3: Assessment techniques (not based on observable market data).

All assets and liabilities that are assessed at fair value as at 31 December 2022 are classified within fair value hierarchy level number 2. In addition, there were no transfers from Level 1 to Level 2 or Level 3 and vice versa during the financial year.

Net financial position
In order to complete the analysis of the Group's financial position, the following summary is also provided.

thousands of Euros	at 31 December 2022	at 31 December 2021
Cash and cash equivalents	122.951	96.899
Short-term bank deposits	47.579	42.118
Other financial assets	-	-
cash	170.530	139.017
Loans due within the year	(44.108)	(42.809)
Lease liabilities due within the year	(2.427)	(3.645)
Bonds	(50.000)	(29.000)
Current financial debt	(96.535)	(75.454)
Short-term financial debt	73.995	63.563
Bonds	-	-
Loans due over the year	(163.797)	(167.552)
Lease liabilities due over the year	(3.726)	(5.580)
Non-current financial debt	(167.523)	(173.132)
Net financial debt	(93.528)	(109.569)

4.15 Employee severance indemnities and other benefits

This item includes the actuarial value of the Group's actual debt to all employees determined by applying the criteria set forth in IAS 19 and amounted to €9,118 thousand as at 31 December 2022 (€10,856 thousand as at 31 December 2021):

The breakdown and the changes in payables for employee benefits are shown in the table below:

	Employees' leaving entitlement and 'Other employee benefits	
thousands of Euros	**2022**	**2021**
Balance at 31 December 2021	*10.856*	*11.777*
Included in profit (loss) for the year:	**(1.379)**	**(974)**
Cost related to job positions	-	430
Employee benefits paid	(1.478)	(1.399)
Net financial (income) expense	99	(5)
Included in the other components of the income statement:	**(359)**	**53**
Actuarial losses	(916)	53
Other employee benefits	557	-
Balance at 31 December 2022	**9.118**	**10.856**

Employee severance indemnities relate to the Italian companies of the Group and, on the basis of national legislation, they accrue on the basis of service rendered and are paid out when the employee leaves the company.

The treatment due to the termination of the employment relationship is calculated based on its duration and on the taxable remuneration of each employee. The liability, annually reassessed on the basis of the official cost of living and statutory interest rate, is not associated with any accrual condition or period, nor with any financial funding obligation; therefore, there is no activity at the service of the provision.

The discipline was subsequently supplemented by Legislative Decree no. 252/2005 and by Law no. 296/2006 which, for companies with at least 50 employees, has established that the shares accrued since 2007 be allocated, on the employees' option, either to the INPS Treasury Provision or to supplementary pension schemes, assuming the nature of "Defined contribution plan".

However, reassessments of amounts outstanding at the option date, as well as, for companies with less than 50 employees, also those amounts accrued and not allocated to complementary pension funds, remain recorded as severance indemnities for the Parent Company. In accordance with IAS 19, this provision is accounted for as a "Defined benefit plan".

The tables below describe the financial and demographic assumptions adopted in calculating the liability in application of IAS 19:

Financial assumptions	at 31 December 2022	at 31 December 2021
Annual discount rate	3,57%	0,98%
Annual inflation rate	2,30%	1,75%
Annual rate of increase in	3,23%	2,81%

Lastly, the item Other employee benefits (€557 thousand) includes the actuarial value of the payable for a Long Term Incentive plan for certain senior managers, which provides for the payment of a three-year bonus upon achievement of certain economic goals set out in the three-year business plan.

4.16 Provision for risks and charges (non-current)

The following table shows the breakdown of provisions for non-current risks and charges.

thousands of Euros	Provision for agents' termination benefits	Structural interventions provision	Land restoration provision	Other provision for risk	Total
Balance at 31 December 2021	***582***	***1.957***	***1.183***	***1.394***	***5.116***
Increase					-
Provisions for the year	124			761	885
Amounts used during the year	(69)	(440)		(345)	(854)
Amounts written off during the year			(1.033)	1.033	-
Release of the discount rate					-
Balance at 31 December 2022	**637**	**1.517**	**150**	**2.843**	**5.147**

The *Provision for pensions and similar obligations* represents the liability due for Agents' termination indemnities. The change relates to the allocation of the share pertaining to the year, decreased by the settlement of fees.

The *Structural Provision* decreased by €440 thousand due to maintenance interventions on the production complex.

The *Land Reversal Provision* was set up during the 2014 financial year by reclassifying the depreciation of land included under depreciation provisions, in compliance with the provisions of OIC 16 which, in its new version, eliminated the provision that allowed the value of the land not to be separated from the buildings on which they stand when the value of the land coincides with the value of the site reversal/reclamation provision, on the assumption that separate recognition of the land and of the related provision provides a better representation to the reader of the financial statements. The provision underwent a decrease of €1,033 thousand during the year and is consequently shown in the financial statements at €150 thousand. This amount is deemed to reasonably represent the charge to be borne for future reclamation activities and is in line with the technical appraisal estimated by the Municipality of Abano in the resolution approving the project for the construction of the water treatment system for the car park in front of the Abano Terme facility.

The item *Other provisions for risks*, the balance of which represents the assessment of risks arising from disputes with third parties, shows a net utilisation of €345 thousand related to the definition, by means of the repayment institute pursuant to Law 215/21, of the findings notified by the Marche Region Revenue Agency, on R&D tax credits relating to past years.

The increase of €1,794 thousand takes into account the contingent liability arising from the payback regulation on medical devices pursuant to Article 9-ter of D.L. of 19 June 2015 No.78 converted into Law 125/2015. During 2022, the implementing decrees were issued with the publication, in the O.J. on 15/09/2022, of the decree of the Ministry of Health and the Mef certifying the exceeding of the expenditure ceiling for medical devices for the years 2015-2018. Following this decree, the regions issued the relevant measures with which the supplier companies were notified of the amounts to be paid for the expenditure overruns, for the years 2015-2018. The Parent Company challenged the measure, on the basis of an initiative coordinated by several companies in the sector, by appealing to the regional court (TAR) of Lazio, which is expected to rule by June 2023. An estimate of the contingent liability arising from the possible application of these provisions was therefore set aside, not only for the 2015-2018 period, but also for the subsequent years 2019-2022.

4.17 Deferred tax liabilities

As at 31 December 2022, deferred tax liabilities amounted to €3,913 thousand, up €1,469 thousand compared to 31 December 2021 (€2,444 thousand).

The Deferred Taxes Provision underwent the following changes during the financial year:
- decrease of €1,642 thousand in the Parent Company due to the combined effect of changes in hedging instruments;
- increase of €17 thousand in deferred tax liabilities following the consolidation entries relating to finance leases;
- other net increases amounting to €152 thousand.

The provision in place at year-end refers to the recognition of deferred taxes on other income components that have been recognised in this Income Statement or in that of previous financial years on an accrual basis in fiscal years subsequent to the recognition of deferred taxes.

4.18 Derivative instruments assessed at (non-current) fair value

This item shows a decrease of €358 thousand due to the elimination of the fair value liability on loan hedging derivatives.

4.19 Other non-current payables

As at 31 December 2022, there were no other payables recognised under non-current liabilities.

4.20 Trade payables

Trade payables, entirely of a commercial nature and including year-end provisions for invoices to be received, amounted to €64,020 thousand as at 31 December 2022 (€60,524 thousand in 2021). The increase is in line with the growth in business volumes and it is related to a slight increase in the average duration of payments due to improved conditions.

The table below provides a breakdown of trade payables as at 31 December 2022 and 31 December 2021.

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Trade payables	64.020	60.524	3.496
Trade payables	**64.020**	**60.524**	**3.496**
Non-current	-	-	-
Current	64.020	60.524	3.496
Trade payables	**64.020**	**60.524**	**3.496**

4.21 Tax payables

As at 31 December 2022, tax payables amounted to €5,568 thousand (€4,020 thousand as at 31 December 2021) and mainly include tax payables, net of advances paid, determined by the companies on the basis of taxable income, and payables to the tax authorities as withholding agent.

4.22 Other current liabilities

As at 31 December 2022, other current liabilities amounted to €30,986 thousand, an increase of €987 thousand compared to 31 December 2021 (€29,999 thousand), mainly due to the increase in payables to social security institutions and other payables.

The following table shows the breakdown of other current liabilities as at 31 December 2022 and 31 December 2021.

thousands of Euros	at 31 December 2022	at 31 December 2021	Change
Accrued costs	3.119	3.936	(816)
Deferred revenues	373	370	3
Advance payments	316	53	263
Other payables	21.011	20.009	1.003
Payables to social security institutions	6.167	5.632	535
Total other payables	**30.986**	**29.999**	**987**
Non-current	0	589	(589)
Current	30.986	29.999	987
Total other payables	**30.986**	**30.588**	**398**

4.23 Provisions for (current) risks and charges

As at 31 December 2022, provisions for risks and charges amounted to €1,200 thousand and relate to the allocation of the Assinde Provision, which represents the risk deriving from returns relating to sales in 2022 that are estimated to be collected in 2023 by Assinde itself, and that will be charged in that period, based on the Return Policy agreement.

Changes in provisions for current risks and charges are shown in the following table.

thousands of Euros	Provision for agents' termination	Structural interventions provision	Land restoration provision	Assinde provision	Other provision for risk	Total
Balance at 31 December 2021	-	-	-	*800*	-	*800*
Increase	-	-	-	-	-	-
Provisions for the year	-	-	-	*400*	-	400
Amounts used during the year	-	-	-	-	-	-
Amounts written off during the year	-	-	-	-	-	-
Release of the discount rate	-	-	-	-	-	-
Balance at 31 December 2022	-	-	-	1.200	-	1.200

4.24 Derivative instruments assessed at (current) fair value

As at 31 December 2022, there are no current derivative instruments. Please refer to note 4.18 for a breakdown of non-current derivative instruments.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in IFRS 13 (see note 2). Fair value is equal to the present value of estimated future cash flows. Estimates of future variable rate cash flows are based on quoted swap rates, futures prices and interbank rates. Estimated cash flows are discounted using a yield curve, which reflects the benchmark interbank rate applied by market participants to assess interest rate swaps.

4.25 Loans due within one year

The value of the loans due within the year as at 31 December 2022 is equal to €96,535 thousand and includes the short-term share of bank loans described in section 4.14.

As at 31.12.2022, this item includes the value of bonds as shown in the table:

thousands of Euros	at 31 December 2022	at 31 December 2021
Collections deriving from the issue of bonds	50.000	29.000
Transaction costs	-	-
Net proceeds	**50.000**	**29.000**
Discount on bond loans	-	-
Interest accrued	804	580
Book value of the bonds	**50.804**	**29.580**

Bonds refer to loans held by the Parent Company with the following characteristics:

- €50,000 thousand, represented by 50,000 bonds €1,000.00 each, with a duration 01 October 2022 - 30 September 2023, interests payable semi-annually in arrears due 31 March 2023 - 30 September 2023.

4.26 Fair value of financial assets and liabilities

As provided for by IFRS 7, the comparison between the value recognised in the financial statements as at 31 December 2022 and the related fair value of financial assets and liabilities is presented:

thousands of Euros	Accounting value	Fair Value
Financial assets at fair value		
Other equity investments and securities	89	89
Derivative instruments at fair value	6.937	6.937
Financial assets not measured at fair value		
Short-term financial investments and cash	170.530	170.530
Trade receivables	99.042	99.042
Other receivables	9.747	9.747
Total financial assets	**286.345**	**286.345**
Financial assets at fair value		
Derivative instruments at fair value	-	-
Other non-current payables		-
Financial assets not measured at fair value		
Bonds	50.000	50.000
Lease liabilities	5.127	5.127
trade payables	64.020	64.020
Other payables	30.986	30.986
Other non-current payables	0	0
Financial debts	208.931	208.931
Total financial liabilities	**359.064**	**359.064**

5. Information on the items in the consolidated income statement

The main balances of the 2022 consolidated income statement are analysed below. Details of the balances of items in the consolidated income statement deriving from transactions with related parties are provided in the Report on Operations.

5.1 Revenues and other income

The Group's revenues derive from contracts with customers and are broken down as follows:

thousands of Euros	2022	%	2021	%	Change	%
Revenues from sales and services	404.321	98	359.404	97	44.917	12,5
Other revenues	7.753	2	11.796	3	(4.043)	(34,3)
Total net revenues	412.074	100	371.200	100	40.874	11,0

Revenues from products and services include the sale of drugs, medical devices and active ingredients, as well as income from third-party activities (CMO) for the production of vaccines.

Other revenues include revenues for brand licences for €1,250 thousand, contingent assets for €1,203 thousand, contractual penalties to customers for €993 thousand, energy and gas tax credit for €850 thousand, R&D tax credit for €806 thousand, tax credit for investments in capital goods for €119 thousand, revenues for reassessments and fees for €659 thousand, PON (national operating programme) and Mise contributions for €488 thousand, and other revenues for €1,386 thousand.

A breakdown of revenues by geographic area is provided in the relevant section of the Report on Operations.

5.2 Operating costs

Operating costs in 2022 totalled €360,406 thousand, an increase of €43,043 thousand compared to 2021 (€317,363 thousand). Below is the classification of costs by purpose for 2022 and 2021 financial years.

thousands of Euros	2022	2021	Change
Cost of sales	155.247	136.625	18.622
Sales and Marketing Expenses	131.410	113.483	17.927
Research and Development Expenses	25.965	22.597	3.368
General & Administrative Expenses	48.041	44.170	3.871
Other Income and Expenses	(257)	488	(745)
Total operative costs	**360.406**	**317.363**	**43.043**

The cost of sales amounted to €155,247 thousand, with a margin of 37.7% of revenue, compared to 36.8% in 2021.

Selling expenses amounted to 131,410 thousand or 31.9% of revenue, up 15.8% year-on-year in line with the increase in turnover.

Research and development expenses amounted to €25,965 thousand, with an incidence on revenues of 6.3%, compared to 6.1% in 2021.

As a percentage of revenues, general and administrative expenses amounted to €48,041 thousand, an increase of 8.8%, from 11.9% to 11.7%.

Other net charges/(income) amounted to €(257) thousand and primarily referred to the following items of the Parent Company:

- capitalisation of personnel costs in the amount of €(1,184) thousand, related to projects in the area of operations;
- write-down of assets for €328 thousand;
- various taxes and duties for €359 thousand;
- sundry non-deductible charges for €240 thousand.

The following table shows operating costs classified by nature.

thousands of Euros	2022	2021	Change
Raw materials, consumables, supplies and goods	106.296	89.171	17.125
Services	122.674	103.765	18.909
Use of third-party assets	1.812	2.331	(519)
Wages and salaries	107.107	95.951	11.156
Depreciation of fixed assets	25.068	21.084	3.984
Write-downs of fixed assets	329	282	47
Write-downs of current receivables	86	390	(304)
Change in raw materials	(6.077)	1.422	(7.499)
Provisions for risks and other provisions	724	91	633
Other operating costs	3.571	2.876	695
Capitalized personnel costs	(1.184)	-	(1.184)
Total operating costs	**360.406**	**317.363**	**43.043**

The most significant changes in the costs for raw materials, goods and third-party processing are mainly attributable to the increase in sales volumes and to the dynamics of energy prices estimated at about €2.6 million.

Service costs (€122,674 thousand) mainly refer to third-party processing of semi-finished or packaged products (€33,780 thousand), technical, marketing, legal and administrative consultancy services (€18,553 thousand), external research consultancy (€8,259 thousand), transport costs (€15,424 thousand), advertising and representation activities (€22,664 thousand). The residual value of service costs also refers to plant maintenance, fees to third-party collaborators, travel expenses and employee training, fees to directors and statutory auditors (for which reference to note 6.8 should be made) and commissions to agents.

The increase in labour costs (€11,156 thousand) is mainly related to the increase in the number of employees, and to the usual salary dynamics and bonus policies.

A breakdown of the Group's workforce as at 31 December is provided below:

thousands of Euros	2022	2021	Change
ITALY	1.135	1.098	37
EUROPE	154	130	24
MENA	67	64	3
USA	65	65	-
ROW	25	24	1
Total employees	1.446	1.381	65

The depreciation, amortisation and write-downs for the financial year, amounting to €25,484 thousand, includes:

- amortisation and depreciation amounting to €25,069, related to €14,005 thousand for tangible assets, of which €3,233 thousand refer to the amortisation of assets for rights of use as per IFRS 16, and the remainder, €11,063 thousand, to intangible assets;
- write-downs amounting to €415 thousand, of which €329 thousand related to the write-down of intangible assets and €86 thousand referred to the write-down of trade receivables mentioned in note 4.8.

5.3 Net financial income and charges

Net financial charges/(income) in 2022 amounted to €4,990 thousand with a negative balance of €2,721 thousand compared to 2021.

The main items making up the balance are summarised in the following table:

thousands of Euros	2022	2021	Change
Interest income			
Active loans	-	64	(64)
Other	640	377	264
Exchange gains	2.388	975	1.413
Financial income	**3.029**	**1.416**	**1.613**
Interest expense			
Lease liabilities	(164)	(363)	198
Exchange losses	(1.590)	(320)	(1.270)
Expenses for discounting employee benefits	(99)	6	(105)
Other	(6.165)	(3.007)	(3.158)
Financial expenses	**(8.019)**	**(3.685)**	**(4.334)**
Financial income and charges	**(4.990)**	**(2.269)**	**(2.721)**

The item Other Financial Charges amounting to €6,165 thousand mainly includes €3,295 thousand of interests on loans and charges to account for the write-down of securities recognised as current assets for €2,870 thousand.

5.4 Taxes

Taxes amounted to €8,845 thousand and included the income taxes of all the Group's consolidated companies, as well as the regional tax on productive activities foreseen for companies resident in Italy (IRAP).

The incidence of taxes on pre-tax profit was -18.9% compared to the -29.3% incidence of the previous year, mainly due to the tax benefit of €3,875 thousand generated by the redemption of goodwill resulting from the merger of Sooft S.p.A. into Fidia Farmaceutici S.p.A. in the amount of €9,084 thousand net of the substitute tax in the amount of €5,210 thousand and the effect of the patent box pursuant to D.L. 146/2021 (Budget Law 2022) for €742 thousand.

A breakdown of the taxes for the financial year is provided below:

Net current taxes for €11,138 thousand, broken down as follows:
- €7,646 thousand for IRES due for 2022;
- €1,691 thousand for IRAP due for 2022;
- €1,801 thousand for other current taxes relating to subsidiaries.

Deferred and tax assets and liabilities for €2,293 thousand with positive balance, broken down as follows:
- €379 thousand of deferred taxes (negative effect) on the reversal of assets sold within the Group;
- €2,452 thousand of deferred taxes (negative effect) relating to the statutory reassessment of assets;
- €359 thousand of deferred taxes (negative effect) relating to differences in the value of assets;
- €3,875 thousand of deferred taxes (positive effect) related to the redemption of goodwill arising from the merger of Sooft S.p.A. into Fidia Farmaceutici S.p.A;
- €1,218 thousand of deferred taxes (positive effect) related to the reversal of intercompany inventory margin;
- €17 thousand of deferred taxes (positive effect) on the depreciation of leased assets;
- €742 thousand of contingent assets from patent box 2021;
- €871 thousand of deferred taxes (negative effect) relating to other items.

The table below distinguishes between current and deferred taxes for 2022 and 2021.

thousands of Euros	2022	2021
Current income taxes		
IRES	(7.646)	(7.002)
IRAP	(1.691)	(1.665)
Other current income taxes	(2.422)	(2.542)
Adjustments related to prior years	621	(545)
Current income taxes	**(11.138)**	**(11.753)**
Active and Passive deferred taxes		
IRES/IRAP	1.386	(4.973)
Other Active and Passive deferred taxes	907	1.630
Active and Passive deferred taxes	**2.293**	**(3.343)**
Income taxes	**(8.845)**	**(15.096)**

The table below shows a reconciliation between the corporate income tax rate in force in Italy and the effective consolidated tax rate.

thousands of Euros	2022	2022	2021	2021
Profit before tax		46.677		51.568
Income tax using the national tax rate	*27,9%*	*13.023*	*27,9%*	*14.387*
Effect of tax rates in foreign jurisdictions	-0,5%	(217)	-0,9%	(459)
Effect of shooting increasing and decreasing	-4,9%	(2.293)	3,3%	1.712
Tax benefit from 2020 asset revaluation	-8,3%	(3.875)	0,0%	-
Tax benefit 2020 from "Patent Box"	-1,6%	(742)	0,0%	-
Effect of the resumption in permanent increase and decrease	6,1%	2.828		
Other taxes relating to previous years	0,3%	121	-1,1%	(544)
Tax rate on profit before tax	**18,9%**	**8.845**	**29,3%**	**15.096**

6. Other information

6.1 Information on financial risks

The Group constantly monitors the financial risks to which it is exposed, in order to take immediate action to mitigate their effects.

As provided for in IFRS 7, information on the main financial risks to which the Group is exposed is given below.

Credit Risk
Credit risk relates to potential losses as a result of the inability of commercial counterparties to meet their obligations.

The Group mainly operates with private customers, represented by pharmacies, medical clinics, opticians, wholesalers and distributors, but also with large industrial groups, as well as with the Public Administration (hospital sector).

The group carefully monitors its credit exposure through an internal reporting system, in order to contain potential losses. Each Group company handles credit recovery on the sales made in their respective markets.

Coordination between the companies that operate on the same market is based on the electronic exchange of information on common customers and on the coordination of any halts on deliveries or commencement of legal actions.

The bad debt provision is the nominal amount due, less any receivables secured by bank guarantees, if any. The recoverability of all guarantees shall be assessed critically. The provision is based on the individual analysis of overdue amounts, of the customers known to have financial difficulties and of those receivables for which legal action has commenced. A generic analysis based on historical losses is also carried out.

Liquidity Risk
It is related to the possibility of having insufficient liquidity to manage the Group's normal operations. The group closely monitors this risk on the basis of thorough weekly financial reporting on its net financial position.

About 89% of the Group's gross debt is represented by fixed-rate debt with an average term of approximately 3 years. Any excess liquidity, i.e. liquidity in excess of free cash flow requirements, is invested in working capital securities, as described in greater detail in the notes, to which reference should be made. For this reason, part of the liquidity is subject to the risk arising from the market assessment of the underlying securities.

As required by IFRS 7, the following table shows the cash flows related to the Group's financial liabilities by maturity:

thousands of Euros	Bank loans	Bond	Other	Total
Within the following 12 months	44.108	50.000	2.676	96.784
Between 1 and 5 years	148.951	-	3.035	151.986
Over 5 years	14.846	-	442	15.288
Loans	**207.905**	**50.000**	**6.153**	**264.058**

In order to provide a better understanding of the outstanding debt, the change in cash flow of bank loans as a result of changes in Euribor is reported below:

thousands of Euros	Accounting value	change in cash flow as the Euribor changes		
		-50 bps	Euribor al 31 Dec 2022	+50 bps
Within the following 12 months	44.108	47.426	47.658	47.890
Between 1 and 5 years	148.951	163.110	163.406	163.702
Over 5 years	14.846	7.637	7.637	7.637
Bank Loans	**207.905**	**218.173**	**218.701**	**219.229**

Price Risk
The Group sells products reimbursed by the National Health System and other (OTC) non-reimbursable products.

The first group of products is a major public spending item for countries, exposing the Group to uncontrollable external risks, such as changes to the products covered by the National Health Service, the removal or reduction of coverage, the expenditure payback mechanism and patent expirations with the consequent introduction of generic drugs.

The second group of products is more influenced by macroeconomic factors, such as inflation and interest rate trends, which could impact the spending capacity of consumers.

In order to avoid these risks, the sales department closely monitors the group's markets, analysing their trends and possible developments.

Currency Risk
Since it sells its products in various countries, the Group is exposed to risks arising from exchange rate fluctuations. Currency risk mainly relates to sales transactions in US Dollar and Russian Ruble. The group's treasury unit closely monitors exchange rate trends, carrying out Euro translation transactions to reduce the translation risk.

The Parent Company also holds equity investments in companies whose share capital is denominated in currencies other than the Euro. Changes in shareholders' equity arising from exchange rate fluctuations are recognised in a "translation reserve" under shareholders' equity. The risk arising from the translation of shareholders' equity is not currently hedged.

The following table shows a sensitivity analysis of the risk arising from the translation of receivables and payables as at 31 December 2022 in USD and RUB of the Group companies, for exchange rate changes in the range of +/- 10% compared to the year-end exchange rate and with the translation to the exchange rate as at 28 February 2023:

Thousands of Euros		at 31 December 2022		
USD	**FX 31/12/2022**	**FX +10%**	**FX -10%**	**FX 28/02/2023**
Receivables	10.705	9.732	11.895	10.753
Payables	(3.236)	(2.942)	(3.596)	(3.251)
Active current accounts	23.368	21.243	25.964	23.471
USD - Dollar USA	**30.837**	**28.033**	**34.263**	**30.973**

Thousands of Euros		at 31 December 2022		
RUB	**FX 31/12/2022**	**FX +10%**	**FX -10%**	**FX 28/02/2023**
Receivables	1.719	1.563	1.910	1.710
Payables	(34)	(31)	(38)	(34)
Active current accounts	925	841	1.027	920
RUB - Russia	**2.610**	**2.373**	**2.900**	**2.596**

Risks of changes in the pharmaceutical legislative and regulatory framework

The pharmaceutical sector is highly regulated both nationally and internationally, thereby affecting activities at all levels. In order to reduce its dependence on the decisions of the individual national governments in terms of pharmaceutical expenditure, the Group pursues a strategy of diversifying and expanding its sales in various geographic areas. The pharmaceutical sector is also subject to national and international technical regulations governing how pharmaceutical research, development, production, distribution, and reporting are carried out. By policy, the Group constantly monitors regulatory developments in all the markets in which it operates through internal and external organisational structures.

6.2 Change in the scope of consolidation

It should be noted that, during the current financial year, Fidia Pharma Polska sp. z o.o., wholly owned subsidiary, not consolidated, as it did not carry out any significant operating activities during the period, has been established. In addition, Fidia Pharma Switzerland SA, which was established in 2021, was consolidated in this financial year.

6.3 Guarantees

Guarantees amounting to €759 thousand were granted in favour of third parties and refer to:

- guarantees to the credit system issued in favour of third parties in the amount of €346 thousand;
- insurance surety policies issued by Assicuratrice Milanese in favour of the Province of Padua for "temporary storage of special waste" for €413 thousand.

Third-party assets held by the Company amounted to €2,559 thousand and refer to goods on consignment, loan for use and deposit for €1,971 thousand, to third-party goods under processing for €514 thousand and to goods on loan for €74 thousand.

Commitments refer to residual rents relating to property purchased under financial leases for €1,026 thousand.

6.4 Disputes and contingent liabilities

Based on an analysis of contracts and litigation underway as of the date of preparation of these financial statements, no circumstances were noted that would indicate the need for provisions for contingent liabilities significantly different from those disclosed in these financial statements.

6.5 Transactions with related parties

The Group's direct Parent Company is P&R Farmaceutici S.p.A., which is owned by Fiore Farmaceutici Holding S.r.l., based in Rodano (MI).

There are no credit and debit transactions with the Parent Company.

In compliance with the disclosure requirements established by art. 38 of Legislative Decree no. 127/91, it should be noted that the total fees due to the Parent Company's Directors and Statutory Auditors for carrying out their specific duties, including in other Group companies, in 2022, amounted respectively to €4,523 thousand and €150 thousand.

Except as indicated above, to the best of our knowledge, there have been no transactions or contracts with related parties which, with reference to the materiality of the effects on the financial statements, could be considered significant in terms of value or conditions.

The following table shows a breakdown of receivables and payables due to and from the Parent Company in relation to Group Companies as at 31 December 2022.

#RIF!	Assets Trade receivables	Other receivables	Financial activities	Liabilities Trade payables	Other payables	Financial liabilities
FIDIA PHARMA AUSTRIA GMBH	7	-	25	383	-	-
FIDIA PHARMA CZ SRO	796	-	-	1	-	-
FIDIA PHARMA EGYPT FOR MARKETING	510	-	-	494	-	-
FIDIA PHARMA GMBH	3.478	-	220	113	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	782	25	-
FIDIA PHARMA ROMANIA SRL	386	-	-	102	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	372	-	-
FIDIA PHARMA SLOVAKIA SRO	614	-	-	1.399	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	16	-	-
FIDIA PHARMA USA INC	502	-	-	-	-	-
LABORATOIRES FIDIA SAS	1.964	-	1.047	228	-	-
LABORATORIOS FIDIA FARMACEUTICA	8.542	-	600	1.180	-	-
Total subsidiaries	16.799	-	1.892	5.070	25	-

The following table shows a breakdown of the Parent Company's revenues and costs relating to Group Companies as at 31 December 2022.

thousands of Euros	Revenues Revenues	Other revenues	Net financial income	Expenses Costs of services	Costs of products	Net financial expenses
FIDIA PHARMA AUSTRIA GMBH	-	-	4	997	-	-
FIDIA PHARMA CZ SRO	5.144	-	-	4.288	-	-
FIDIA PHARMA EGYPT FOR MARKETING	-	-	-	1.721	-	-
FIDIA PHARMA GMBH	10.105	11	6	199	10	1
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	2.357	-	-
FIDIA PHARMA ROMANIA SRL	1.989	-	1.053	102	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	3.840	-	-
FIDIA PHARMA SLOVAKIA SRO	1.356	-	-	1.515	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	497	-	-
FIDIA PHARMA USA INC	21.034	17	6.427	-	-	-
LABORATOIRES FIDIA SAS	2.157	-	24	97	128	-
LABORATORIOS FIDIA FARMACEUTICA	9.151	217	23	745	129	-
Total subsidiaries	50.936	245	7.537	16.358	267	1

6.6 Subsequent events

There were no events occurring after year-end that would have a significant impact on these combined financial statements. For further information, reference to the report on operations should be made.

6.7 Fees paid to Directors, Auditors and Independent Auditors

In accordance with the law, the total fees due to the Directors, to the members of the Board of Statutory Auditors and to the Independent Auditors are shown.

	2022
Directors	4.523
Statutory auditors	107
Independent auditors	68
Other services	-
Total	**4.698**

These Notes form an integral part of the Group's consolidated financial statements, and the accounting information contained therein corresponds to the accounts of the companies included in the basis of consolidation as they stand after combination, eliminations and adjustments.

With regard to the nature of the companies' activities, significant events and outlook, reference to the consolidated Report on Operations should be made.

Abano Terme, 29 March 2023
For the Board of Directors
The Chairman
Carlo Pizzocaro

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Fidia Farmaceutici S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Fidia Farmaceutici Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fidia Farmaceutici Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Fidia Farmaceutici S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian 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 for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2022 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

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

Padua, 13 April 2023

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director of Audit