CONSOLIDATED FINANCIAL STATEMENTS

Fidia Farmaceutici S.p.A.
2023

fidia

SUMMARY.

REPORT ON OPERATIONS OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

- **THE GROUP STRUCTURE**

The chart below shows the consolidation scope as at 31.12.2023: the Parent Company Fidia Farmaceutici S.p.A. is 95.3% controlled by P&R Farmaceutici S.p.A.
The Polish company entered the scope of consolidation as of 2023, while the British company, being non-operational, is not consolidated.

- 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
Andrea De Paulis	SB Member

Independent Auditors

KPMG S.p.A.

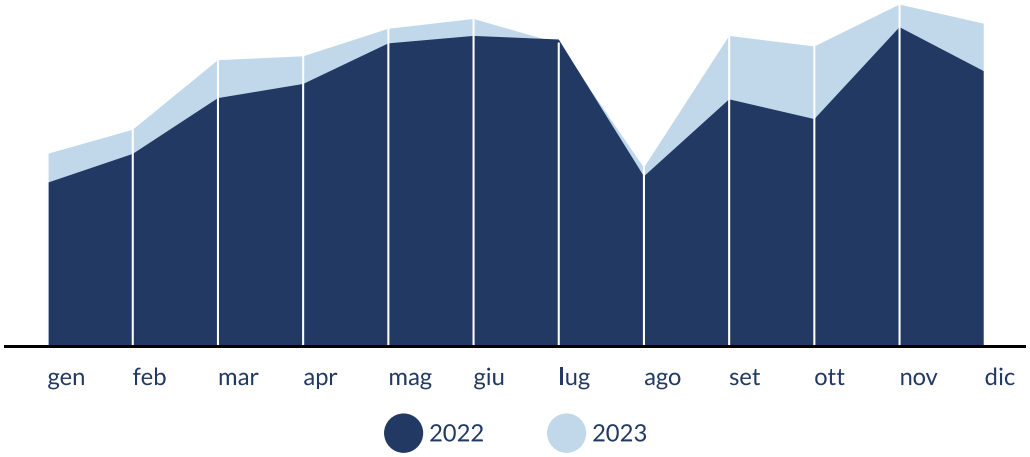
- ## OPERATIONS AND MARKETS

The Parent Company and its subsidiaries manufacture and distribute drugs, vaccines, 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 boasts leadership 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 1250 patents developed in over 60 years of experience.

The past financial year was characterised by a fluctuating sales trend, with the first half of the year in which growth was particularly positive, especially in the domestic market (Italy), while the middle part of the year saw a sales dynamic in line with the previous year, and from September onwards, sales returned to double-digit growth with a recovery in the international markets as well. The following graph shows the seasonality of the business compared to the previous year:

Seasonality of turnover



The 2023 financial year is characterised by double-digit sales growth (+12.5% at current exchange rates and +13% at constant exchange rates) in both the national and international markets. The breakdown of revenues is as follows:

Thousands of Euros	2023	%	2022	%	Change	%
National	234.834	50,7	210.744	51,1	24.090	11,4
International	219.365	47,3	193.577	47,0	25.788	13,3
Total revenues from sales and services	454.199	98,0	404.321	98,1	49.878	12,3
Other revenues	9.303	2,0	7.753	1,9	1.550	20,0
Total net revenues	463.502	100,0	412.074	100,0	51.428	12,5

Italian market

Generally speaking, 2023 saw the Italian pharmaceutical market still conditioned by product availability issues usually linked to dynamics in the distribution circuit or, in other cases, the unavailability of raw materials (active ingredients) from Asian countries.
Even for the Fidia Group, despite the improvement in the situation compared to the previous year, there was a shortage of some products in particular in the osteoarticular (joint care) and primary care areas due to causes attributable to some suppliers.
Notwithstanding the above, Fidia Farmaceutici S.p.A. recorded excellent performance in the Italian market in 2023, achieving a turnover of €234.8 million, up by +11.4% over the previous year and well above the reference market.
With reference to market data for ethical products, the increase in sales in Italy of Fidia-branded products was +14.7%, in a market registering -0.1%.
In the OTC, Medical Devices, Supplements and Cosmetics markets, with the marketing and sales activities implemented, Fidia performed particularly well with its Connettivina, Hyalogin and Cartijoint1 branded products. The Connettivina brand, which celebrated its 60th anniversary, reached 5 million units sold in the year.
Another brand that distinguished itself by very positive results was Nodigap, the second brand in the vitamin D market, a drug with a growth of 19.6% and a P.P. turnover of €17 million (1).
In the Italian HA market, the company maintains and consolidates its growth for osteoarticular infiltration, surpassing €42 million (compared to €40 million in 2022), a result that could have been more significant in the absence of the critical issues related to the lack of the products mentioned above.
On the national scene, the Fidia proposal in regenerative medicine is arousing increasing interest with the establishment of products such as Hy Tissue PRP, Hy Tissue SVF, Hy Tissue Nanofat, enriched in 2023 with the launch of the Micrograft product.
The year 2023 also closed with a further consolidation of Fidia leadership in the national and international ophthalmic market, with a turnover for the Eye Care line of €93 million, up +18.7% over the previous year. The substantial growth can be attributed to positive performance of both the ethical portfolio (Band A and Band C drugs) and the commercial portfolio (2).
The commercial segment of Ophthalmologicals (tear substitutes medical devices and food supplements), is the one registering the most significant growth for Fidia in the Pharmacy channel, again ranking first in terms of turnover, registering a trend of +5.5% over 2022 and a market share of 9%.
Finally, it is worth highlighting the results obtained with the marketing and promotion activities, thanks to which it has been possible to obtain important recognitions of the FIDIA brand in some national level events such as "AboutPharma Digital Awards" with the "Future is Now!" project dedicated to young nurses and "Patient Engagement Award" with the educational project "Let's Trust the Heart", creating innovative communication paths recognised by the juries of these important contests in the medical and patient communication fields.

[source IMF IQVIA MAT Dec 2023]

[2] *[source Macro Scenario Pharmacy New Line MAT Dec 2023]*

International markets

The Group achieved a turnover of €219.4 million abroad, 13.3% higher than the previous year's result, and consolidated a double-digit growth trend in both subsidiaries and third-party distributors, despite some disturbances in the main markets.
This positive result was achieved thanks to the very positive performance of product sales in Europe, emerging markets and sales of CMO (Contract Manufacturing Operation) and API (Active Pharmaceutical Ingredient) products, which absorbed the below-expected performance of the US, caused by a change in reimbursement mechanisms that heavily affected the subsidiary's performance in the first six months of the year.
Europe contributed with an overall growth of +12% to which all branches contributed equally, the Middle East and North Africa area contributed with a growth of +37% despite the crisis in the Egyptian market due to a deep financial crisis that limited the willingness of the local banking system to guarantee credits; the turnover in various geographic areas also showed a trend of +37% compared to the previous year. The performance recorded in these regions more than offset the reduction in sales recorded in the US market (-6.5% year-on-year) due to a regulatory change in the US market that impacted the reimbursement mechanism for some products, negatively affecting sales performance.
The year 2023 was a year of profound transformation of the organisational model and key management processes to support positive growth through better exploitation of the product portfolio, more effective utilisation of investments and a direct presence in key pharmaceutical markets.
Significant initiatives include the digital transformation project that actively involves all the subsidiaries in the construction of a global CRM platform, the modernisation of the Demand process, and the strengthening of management teams with the hiring of high-potential profiles and the enhancement of talent present at Fidia.
The development of direct presence in the main international pharmaceutical markets includes the transformation of the business model in Austria, Russia and Romania and the opening of the subsidiary in Poland, a market that ranks among the top 5 in Europe and has high development potential.

All therapeutic areas contributed to sales growth in 2023 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 to support commercial development in the main markets, is the launch of the Skin Care line in the United States, with an initial phase focused on Veteran Association hospitals on the East Coast and then continuing with an expansion to the rest of the United States, and the launch of the Eye Care line in Poland.

• SUBSEQUENT EVENTS

Corporate 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 Fidia Pharma Polska sp. z o.o., which thus assumed the function of developing the Polish market, in line with 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, with the aim of allowing the company to provide 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 can be used indifferently in USD or Euro, for a period of 3 years (expires 15 March 2026) and 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. As at 31 December 2023, the line was utilised for an amount of €20 million, as better detailed in the notes to the financial statements. The debt covenants are in line with those defined with the banking system. Reference to the financial statements for further details should be made.

New business acquisition

During 2023, the transfer of products acquired in 2021 from third parties continued. At year-end, about 60% of the Marketing Authorisations for the 63 references in the 14 different countries had been distributed. At the same time, as per the plan, technology transfer initiatives are underway for the business in question, aimed at internalising part of the production and aimed at increasing margins on the sale of industrialised finished products. In particular, in the Abano Terme plant, investments are underway to build a production line in the oral solids department, while the line for the production of topicals for cosmetic use in the Paderno Dugnano plant is already operational. In the balance sheet as at 31 December 2023, values of €3.7 million are entered under intangible assets in progress and €4.0 million under tangible assets. Reference to the financial statements for further details should be made.

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, €8.5 million were capitalised under assets under construction. For the Oncofid-P project in pleural mesothelioma, the company obtained Orphan Drug designation from the European Medicines Agency (EMA), providing recommendations for the molecule's preclinical and clinical development plan.

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 budgeted.
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 (ref. circular AdE 5/E/2023). 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 2022 financial the year in the amount of €2,188 thousand recorded 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.
With DL 34/2023, the government introduced a 52% rebate on the 2015-2018 overrun to be borne by companies on condition that they waive litigation, and in addition, the request to deduct VAT from the contribution calculation was accepted.
In addition, with various decrees, the government extended the terms for the "facilitated" payback until 30 November 2023 (DL 1321/2023); on 24 November 2023, the Regional Administrative Court of Lazio issued its order referring the questions of constitutional legitimacy of the payback legislation to the Constitutional Court, noting that "the legislative choices could be unreasonable in many respects". In light of this decision of the Supreme Court, the parent company decided not to meet the deadline for payment. For this reason, a provision for risks has been set aside in the balance sheet to cover the possible unfavourable outcome of ongoing litigation at national level. Reference is made to the financial statements for more details.

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 During 2023, the new institutional headquarters in Milan, Via Vegezio, 17, was also opened.

Abano Terme plant

The Abano Terme (PD) plant covers an area of 215,000 m² 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:

- completion of the revision of the DVR (risk assessment document) with inclusion of the assessment of work-related stress, successful completion of the periodic ISO 14001 inspection and integrated environmental inspection by ARPAV;
- renewal of AIFA certification following inspection by the regulatory body;
- consolidation of production of all pharmaceutical forms, with some significant increases in the production of sterile vials for the client GSK;
- completion of work on the new production line for the isosthenia vaccine department and the construction of a department for topical corticosteroid products;
- conclusion of the transfer of a new non-steroidal anti-inflammatory product in oral form.

Paderno Dugnano plant

The 7,500 m² plant in Paderno Dugnano (MI) produces oral and cutaneous drug delivery systems (skin patches, medicated patches, rapid cooling hydrogels, oral dissolvable films).
The site also has gauze filling lines, liquids (solutions, foams and sprays) and topical products (cosmetic creams and ointments)
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;
- insertion of a line for the production of tubes of cosmetic creams and ointments.

Noto plant

The plant includes a production plant and a research laboratory covering an area of 6,000 m².
The Noto plant produces Collagenase solution for topical use and Collagenase solution for injection use for the clincal studies in progress.
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 site has been authorised by AIFA since 2013 for the production of active ingredients; last AIFA inspection carried out on 27-29 March 2023 with consequent renewal of the GMP Authorisation for the production of active substances (Authorisation no. API - 80/2023 of 14/07/2023).
A new department for bulk freeze-drying for collagenase active pharmaceutical ingredient was completed in 2023. In the first quarter of 2024, once the validations have been completed, authorisation will be requested from AIFA for the new department.
During the financial year, the following were achieved:

- updating the emergency plan and risk assessment;
- implementation of the new local area network and cabling of the entire plant.

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 volumes on the Medical Devices and Food Supplements lines and introduction of new references;
- completion of the qualification activities of the new production area, the new analysis laboratory and the newly installed equipment;
- adaptation of the sewage system and the adaptation of the fire-fighting system.

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

Consolidated net revenues

Consolidated net revenues came to €463,502 thousand in 2023, a growth of some 12.5% over 2022.
Net revenues include revenues from the sale of products and services for €454,199 thousand and other revenues for €9,303 thousand mainly referring to miscellaneous income, indemnities and tax credits.
Revenues from products and services broken down by geographical macro-area are shown below:

Consolidated revenues by geographical area

Thousands of Euros	2023	%	2022	%	Change	%
ITALY	234.834	51,7	208.437	52,1	26.397	12,7
EUROPE	106.024	23,3	94.722	27,7	11.302	11,9
MENA	21.632	4,8	15.807	3,9	5.825	36,9
USA	54.342	12,0	58.099	14,4	(3.757)	(6,5)
RoW	37.367	8,2	27.256	1,9	10.111	37,1
Total revenues from sales and services	454.199	100,0	404.321	100,0	49.878	12,3

Growth at current exchange rates was negatively affected by exchange rate dynamics (for €2,199 thousand) mainly related to the Rouble and US dollar currencies, net of which growth would have been 13%.

Net revenues by therapeutic area are set out below:

Consolidated revenues by therapeutic area

Thousands of Euros	2023	%	2022	%	Change	%
JOINT CARE	158.588	34,9	151.882	37,6	6.706	4,4
EYE CARE	93.110	20,5	78.456	19,4	14.654	18,7
SKIN CARE	62.186	13,7	54.640	13,5	7.546	13,8
REGENERATIVE CARE	8.035	1,8	6.479	1,6	1.556	24,0
PRIMARY CARE	62.105	13,7	53.334	13,2	8.771	16,4
SPECIALTY CARE	30.707	6,8	30.357	7,5	350	1,2
AESTHETIC CARE	4.314	0,9	3.732	0,9	582	15,6
CMO & API	35.154	7,7	25.441	6,3	9.713	38,2
Total revenues from sales and services	454.199	100	404.321	100	49.878	12,3

The various therapeutic areas all showed significant increases over the previous year, in particular the Eye Care area (+18.7%) and Regenerative Care (+24%) driven, the former by the Italian market and the latter, thanks to the start of distribution in the American market. Joint Care continues to be the main therapeutic area whose weight in the total rose from 38% to 35% with a growth of 4.4% slowed by the dynamics of reimbursement rules in the US market. The item "Other" mainly includes sales of vaccines and API in CMO.

Key consolidated income statement figures

Thousands of Euros	2023	%	2022	%	Change	%
Net revenues	**463.502**	**100,0**	**412.074**	**100,0**	**51.428**	**12,5**
Cost of goods	(176.751)	(38,1)	(155.247)	(37,7)	(21.504)	13,9
Industrial Margin	**286.751**	**61,9**	**256.826**	**62,3**	**29.925**	**11,7**
Commercial	(141.225)	(30,5)	(131.410)	(31,9)	(9.815)	7,5
R&D	(26.208)	(5,7)	(25.965)	(6,3)	(243)	0,9
G&A	(54.879)	(11,8)	(48.041)	(11,7)	(6.838)	14,2
Others	1.983	0,4	257	0,1	1.726	672,4
Operative costs	**(220.329)**	**(47,5)**	**(205.159)**	**(49,8)**	**(15.170)**	**7,4**
Ebit	**66.422**	**14,3**	**51.667**	**12,5**	**14.755**	**28,6**
Net financial income (charges)	(4.350)	(0,9)	(4.990)	(1,2)	640	(12,8)
Ebt	**62.072**	**13,4**	**46.677**	**11,3**	**15.395**	**33,0**
Tax	(16.836)	(3,6)	(8.845)	(2,1)	(7.991)	90,3
Net profit for the year	**45.236**	**9,8**	**37.832**	**9,2**	**7.404**	**19,6**
Amortisation and depreciation and write-off	(23.991)	(5,2)	(25.484)	(6,2)	1.493	(5,9)
EBITDA	**90.413**	**19,5**	**77.150**	**18,7**	**13.263**	**17,2**

Detail of operating and personnel costs

Thousands of Euros	2023	%	2022	%	Change	%
Personnel expenses	(112.772)	(24,3)	(107.107)	(26,0)	(5.665)	5,3
Operating costs	(102.890)	(22,2)	(95.578)	(23,2)	(7.312)	7,7
Variable sales costs	(21.117)	(4,6)	(20.013)	(4,9)	(1.104)	5,5
Personnel costs Capitalization	2.559	0,6	1.184	0,3	1.375	116,1
Total	**(234.220)**	**(50,5)**	**(221.513)**	**(53,8)**	**(12.707)**	**5,7**

Key consolidated balance sheet figures

Thousands of Euros	2023	2022	Change
Non-current assets	300.264	292.339	7.925
Operating Working capital	138.789	89.135	49.654
Defined benefit plans	(16.550)	(19.379)	2.829
Other assets/liabilities	(26.184)	(12.288)	(13.896)
Net invested capital	**396.319**	**349.807**	**46.512**
Net financial debt	(103.646)	(93.528)	(10.118)
Equity	**292.673**	**256.279**	**36.394**

Breakdown of net financial position

Thousands of Euros	2023	2022	Change
Cash and cash equivalents	140.428	170.530	(30.102)
Long-term financing	(164.844)	(207.905)	43.061
Short-term financing	(9.084)	(5.127)	(3.957)
Other financial debts	(887)	(1.026)	139
Bonds	(69.259)	(50.000)	(19.259)
Net financial debt	**(103.646)**	**(93.528)**	**(10.118)**

Breakdown of working capital

Thousands of Euros	2023	2022	Change
Trade receivables and other current assets	126.629	99.042	27.587
Inventory	69.291	54.113	15.178
Trade payables and other current liabilities	(57.131)	(64.020)	6.889
Operating Working capital	**138.789**	**89.135**	**49.654**
% on revenues	*29,9%*	*21,6%*	
Other assets/liabilities	(26.184)	(12.288)	(13.896)
Total Net Working capital	**112.605**	**76.847**	**35.758**

Key consolidated financial statement ratios

Index	2023	2022	Change
ROS (1)	14,3%	12,5%	1,8%
ROI (2)	16,8%	14,8%	2,0%
ROE (3)	15,5%	14,8%	0,7%
Inventory turnover (4)	2,9	3,1	(0,2)
Average DSO (5)	89	89	(0)
Average DPO (6)	85	100	(14)
Tax rate (7)	-27,1%	-18,9%	-8,2%
Leverage (8)	1,1	1,2	(0,1)

Note: for a description of the indices, see page 13

Condensed consolidated cash flow statement

Thousands of Euros	2023	2022
Net profit for the year	**45.236**	**37.832**
Gross profit for the year (1)	**92.071**	**72.164**
Income taxes and interest paid	(10.534)	(17.365)
Cash flows from changes in net working capital	(47.230)	2.621
Cash flows from operating activities (A)	**34.307**	**57.420**
Cash flows used in investing activities (B)	(38.335)	(41.672)
Cash flows from financing activities (C)	(26.074)	15.765
Cash flow from A+B+C	**(30.102)**	**31.512**
Opening cash and cash equivalents	170.530	139.017
Closing cash and cash equivalents	**140.428**	**170.530**

(1) Profit for the year net of depreciation, amortisation and write-downs, provisions, financial expenses (income), taxes and disposal of fixed assets

- ## OVERVIEW OF THE PARENT COMPANY'S OPERATIONS, FINANCIAL PERFORMANCE 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	2023	%	2022	%	Change	%
Revenues from third parties	335.801	83,8	292.702	83,1	43.099	14,7
Revenues from group companies	48.118	12,0	50.936	14,5	(2.818)	(5,5)
Total revenues from sales and services	**383.919**	**95,8**	**343.638**	**97,5**	**40.281**	**11,7**
Other revenues	16.881	4,2	8.768	2,5	8.113	92,5
Total net revenues	**400.800**	**100,0**	**352.405**	**100,0**	**48.395**	**13,7**

Revenues by geographical area

Thousands of Euros	2023	%	2022	%	Change	%
ITALY	234.833	61,2	208.431	60,7	26.402	12,7
EUROPE	77.611	20,2	68.823	20,0	8.788	12,8
MENA	21.589	5,6	15.751	4,6	5.838	37,1
USA	15.173	4,0	23.938	7,0	(8.765)	(36,6)
RoW	34.713	9,0	26.695	7,8	8.018	30,0
Total revenues from sales and services	**383.919**	**100,0**	**343.638**	**100,0**	**40.281**	**11,7**

Key income statement figures

Thousands of Euros	2023	%	2022	%	Change	%
Net revenues	**400.800**	**100,0**	**352.405**	**100,0**	**48.395**	**13,7**
Consumption of materials and change in inventory	(132.131)	(33,0)	(110.590)	(31,4)	(21.541)	19,5
Variable sales costs	(10.176)	(2,5)	(9.681)	(2,7)	(495)	5,1
Operating costs	(94.381)	(23,5)	(86.455)	(24,5)	(7.926)	9,2
Personnel expenses	(83.407)	(20,8)	(81.407)	(23,1)	(2.000)	2,5
EBITDA	**80.705**	**20,1**	**64.272**	**18,2**	**16.433**	**25,6**
Amortisation and depreciation	(37.045)	(9,2)	(36.973)	(10,5)	(71)	0,2
EBIT	**43.660**	**10,9**	**27.298**	**7,7**	**16.362**	**59,9**
Net financial income (charges)	1.010	0,3	2.993	0,8	(1.983)	(66,2)
EBT	**44.671**	**11,1**	**30.292**	**8,6**	**14.379**	**47,5**
Tax	(13.472)	(3,4)	(8.119)	(2,3)	(5.353)	65,9
Net profit for the year	**31.199**	**7,8**	**22.173**	**6,3**	**9.026**	**40,7**

Key balance sheet figures

Thousands of Euros	2023	2022	Change
Non-current assets	257.457	270.052	(12.595)
Operating Working capital	126.892	87.039	39.853
Defined benefit plans	(14.788)	(16.171)	1.383
Other assets/liabilities	(18.548)	(11.780)	(6.768)
Net invested capital	**351.012**	**329.140**	**21.872**
Net financial debt	(96.709)	(98.507)	1.798
Equity	**254.303**	**230.633**	**23.670**

Breakdown of net financial position

Thousands of Euros	2023	2022	Change
Cash and cash equivalents	134.096	157.530	(23.434)
Current financial assets/liabilities	3.298	1.868	1.430
Long-term financing	(113.312)	(163.797)	50.485
Short-term financing	(51.532)	(44.108)	(7.424)
Bonds	(69.259)	(50.000)	(19.259)
Net financial debt	**(96.709)**	**(98.507)**	**1.798**

Breakdown of working capital

Thousands of Euros	2023	2022	Change
Trade receivables and other current assets	119.092	101.361	17.731
Inventory	65.752	47.991	17.761
Trade payables and other current liabilities	(57.952)	(67.066)	9.114
Operating Working capital	**126.892**	**82.286**	**44.606**
% on revenues	*31,7%*	*24,7%*	0
Other assets/liabilities	(18.548)	(7.028)	(11.520)
Total Net Working capital	**108.344**	**75.258**	**33.086**

Main financial statement ratios

Index	2023	2022	Change
ROS (1)	10,9%	7,7%	3,1%
ROI (2)	12,4%	8,3%	4,1%
ROE (3)	12,3%	9,6%	2,7%
Inventory turnover (4)	2,3	2,5	(0,2)
Average DSO (5)	100	103	(2)
Average DPO (6)	96	104	(7)
Tax rate (7)	-30,2%	-26,8%	-3,4%
Leverage (8)	1,2	1,5	(0,3)

(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.

Condensed cash flow statement

Thousands of Euros	2023	2022
Net profit for the year	**31.199**	**22.173**
Gross profit for the year (1)	**82.810**	**68.645**
Other adjustments	(4.524)	(11.124)
Cash flows from changes in net working capital	(37.933)	1.179
Cash flows from operating activities (A)	**40.353**	**58.700**
Cash flows used in investing activities (B)	(24.772)	(47.077)
Cash flows from financing activities (C)	(28.802)	17.069
Cash flow from A+B+C	**(13.221)**	**28.692**
Opening cash and cash equivalents	109.951	81.259
Closing cash and cash equivalents	**96.730**	**109.951**

(1) Profit for the year net of depreciation, amortisation and write-downs, provisions, financial expenses (income), taxes and disposal of fixed assets

- ## HUMAN RESOURCES AND WORKFORCE

In 2023, initiatives aimed at organisational change continued at a global level with particular attention to corporate values and the topics of diversity, equity and inclusion and to the consolidation of the Group's international vocation through the harmonisation of numerous processes and the development of systems.

Recruitment, training and development

A first choice in line with the path taken so far by the management was to change the name from Human Resources to People & Culture.

A total of 194 people were hired across the Abano Terme, Noto, Paderno Dugnano, Monte Giberto sites and at the Milan Unit.
At Abano Terme, 171 new people (3 Managers, 11 middle managers, 98 white collars and 59 blue collars) were hired during the year, while 122 people resigned, some of whom retired.
The induction of the new hires involved all corporate areas.
At Fidia's international facilities, 125 people were hired (86 in Europe and 39 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, an advanced training course was completed with the aim of providing the necessary skills to manage the entire life cycle of employees within the company more effectively. The course has been divided into 5 modules of 2 hours each (labour relations management, selection and recruitment, performance measurement, meritocratic policies and personnel budgeting) to which a further module on coaching will be added in 2024; the programme will then be offered to all managers of people working in foreign branches.

Coaching sessions run by internal coaches continued during the year for 66 colleagues who requested them, and the pathway to ICF certification was started for interested colleagues; the training of internal coaches in English was also started with the participation of 12 colleagues from 3 countries.

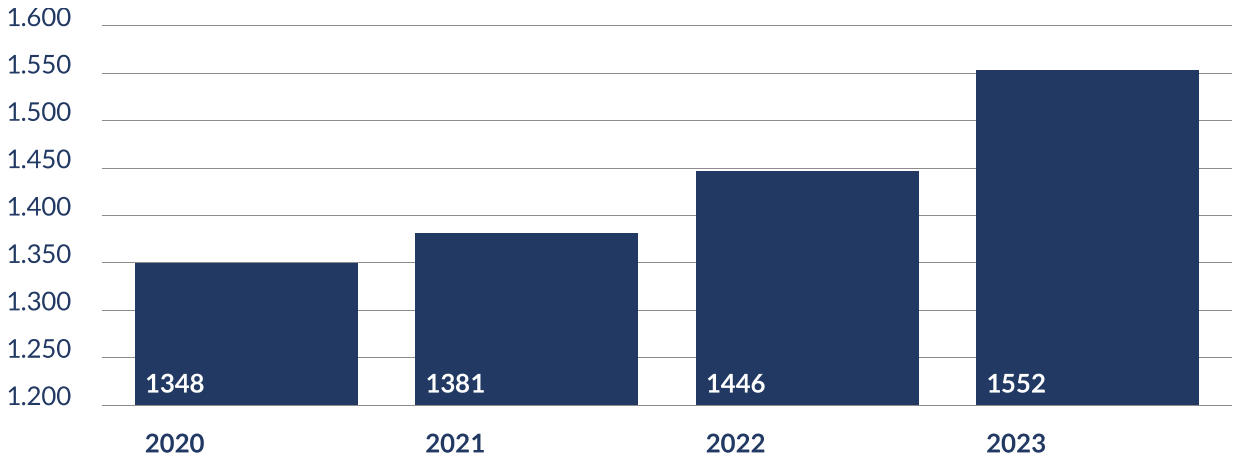
As part of the profound change management project underway, initiatives continued involving the entire company population, both in Italy and abroad, and aimed at creating the new Fidia Organisational Culture, which began with a discussion on psychological safety after the return of the survey carried out by all teams and then by workshops aimed at all employees with a further in-depth study for managers that saw the participation of over 80% of the company population.

The process of harmonising the payroll system in all countries outside Italy in which Fidia is present has been completed with the aim of improving the control and approval processes and creating the conditions for a unitary system for monitoring labour costs and budgeting; an auditing process was also started on the pay roll and on the processes that concern the management of people with a standardised approach that will be replicated in the coming years with defined periodicities in all branches around the world.

The year 2023 ended with the audit for the UNI/PDR 125:22 certification without any nonconformities and with a flattering score of 78/100, which represents a concrete and challenging commitment for the Company to improve and maintain it for the following years as well.

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

Group workforce trend



Fidia group's workforce by gender and average age

	Female		Male		Total	
	Workforce	Average age	Workforce	Average age	Workforce	Average age
Italy	592	41,6	591	45,0	1.183	43,1
International	177	41,9	192	41,3	369	42,1
Total	769	41,7	783	44,1	1.552	42,9

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

Industrial relations

Also 2023 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.

During the year, some meetings were held to share the state of the art of the cultural change process that is involving the entire company population and the processes managed by People & Culture aimed at the development of all workers were also explored in depth.

2023 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.

All production sites are periodically audited by the Supervisory Body (SB), established pursuant to Legislative Decree No. 231/01.
On the subject of waste, the group's production units annually draw up the Single Environmental Declaration Form (MUD), which indicates the quantity and type of waste produced and/or managed during the year in question. For the transport of dangerous goods, pursuant to Legislative Decree 35/2010, where applicable, the ADR (Accord Dangereuses Route, i.e. the European Agreement concerning the International Carriage of Dangerous Goods by Road) report is drawn up annually by a specially authorised technician.
Periodic, ordinary and extraordinary maintenance is carried out promptly for all systems, according to planning, so as to guarantee the highest levels of efficiency and the minimisation of consumption.
Fidia HQ, certified in accordance with the standard ISO 14001, 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. In accordance with Article 5 of Regulation (EC) No. 166/2006, it submits the PRTR (Pollutant Release and Transfer Register) declaration.

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 (LPG, petrol and diesel) for group vehicles, which are mainly used by the external sales force network.
The facility's energy consumption is mainly related to the production plants, lighting and air conditioning of the workplaces.

The following tables summarise the direct and indirect energy consumption and energy intensity of the 4 production sites, calculated in an aggregate manner in accordance with GRI 302-1 and 302-3 standards, by comparing them with the previous year's data.

Internal direct energy consumption	u.m.	2023	2022
Total direct energy consumption	Gj	336.371	321.887
From non-renewable sources			
Natural gas (diesel oil used in the owned plant)	m3	7.515.096	7.246.401
Diesel oil	l	43.500	17.420
From company vehicles	l		
Petrol	l	31.446	26.712
Diesel oil	l	854.012	852.595

Indirect internal energy consumption by source type	u.m.	2023	2022
Total indirect energy consumption	Gj	63.572	54.979
Electricity	kWh	17.658.960	15.271.828
From non-renewable sources	kWh	9.872.773	7.693.257
From renewable sources	kWh	7.786.187	7.578.571
Overall energy status	TEP	10.381	9.682

Total energy intensity	u.m.	2023	2022
Energy intensity per m2	Gj/m2	6,3	5,9
Energy intensity per number of employees (*)	Gj/n°	306	303

Emissions

The following tables set out the aggregate emissions of the 4 production sites calculated in metric tonnes of CO2 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.	2023	2022
Total direct energy emissions	t. CO2e	17.573	16.892
From non-renewable sources:			
Natural gas (diesel oil used in the owned plant)	t. CO2e	15.280	14.609
Diesel oil	t. CO2e	108	45
LPG	t. CO2e	3	
Other (e.g. coal, etc.)	t. CO2e		
From company vehicles:			
Petrol	t. CO2e	66	58
Diesel oil	t. CO2e	2.117	2.181

Indirect energy emissions by source (Scope 2)	u.m.	2023	2022
Total indirect energy emissions	t. CO2e	2.024	1.487
Electricity			
from non-renewable sources	t. CO2e	2.024	1.487

Greenhouse gases (GHG) emissions intensity	u.m.	2023	2022
Total emissions (direct + indirect)	t CO2e	19.596	18.380
Area (space in m2) (*)	m2	63.862	63.862
Emissions intensity per area	t CO2e/m2	0,307	0,288
Total number of employees	N°	1.306	1.242
Emissions intensity per number of employees	t CO2e/N°	15,005	14,799

The total CO2 emissions, compared to the year 2022, increased by about 1,200 t. The main reason for this increase is to be found in the heavy investments in production that the group has implemented in the various sites, in particular in Abano Terme, where the validation activities of the new lyophilised vaccine production department, the new corticosteroid topicals department and the department dedicated to the filtration of the active ingredient have started, in Noto, where a new production department has come into operation, and in Paderno Dugnano, where a new production line for topical creams has come into operation, which has allowed the site's pharmaceutical production to triple. The emission intensity indices per unit of surface area and per number of employees, consequently, are slightly increasing.
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, CO2 production would have been around 150 t higher.

Improvement activities

At the Abano Terme site, an in-depth study has begun to optimise the emissions channelled from the active ingredient production departments in order to improve atmospheric emissions, and a plant modification has been implemented that allows rainwater runoff from the storage tanks to be collected in dedicated tanks, instead of being channelled into the liquid waste collection tanks as was previously the case, effectively reducing the amount of liquid waste disposed of. In addition, the retrofitting of equipment containing R22 refrigerant gas to reduce the presence of greenhouse gases

and ozone-depleting substances continued, and the external paving was restored in several places to protect the soil and surface and groundwater.

At the Paderno Dugnano site, a by-pass has been installed at the inlet of the thermal burner serving the pharmaceutical departments for water-based coating activities. This made it possible to improve the management of atmospheric emissions and to optimise the supply of natural gas.

At the Noto site, the campaign to replace existing lighting sources with energy-efficient LED lamps continues.

At the Monte Giberto site, the implementation of a documentary and procedural adjustment system aimed at obtaining ISO 14001 certification for the environmental management system was initiated. In addition, an energy analysis was started in order to verify the current situation of the local unit and highlight possible areas for improvement.

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 2023, about 11,300 cubic metres of purified water were reused for cooling the evaporative towers, about 5% of the water purchased from the aqueduct network.

In 2023, the Group's total water withdrawal was approx. 236,700 cubic metres, compared to the 186,447 cubic metres consumed in 2022. The increase of approximately 50,000 m3 compared to the previous year, corresponding to +27%, is mainly due to the 29% production increase, in terms of batches produced, achieved at the Abano HQ.

KPI DESCRIPTION	2023	2022
m3/Kg API totali	26,62	25,99

- **OCCUPATIONAL HEALTH AND SAFETY**

Our working environment encourages collaboration and inclusion. The health and physical and mental well-being of workers at Fidia is a central topic, a key priority and key to development.

All Fidia Farmaceutici S.p.A. sites pursue the same values expressed in the Group's Health, Safety and Environment Policy.

Specifically, Fidia 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.

As a corollary of the quality of the working environment, the company is strongly committed to preventing accidents, to guarantee the timely identification, resolution or mitigation of problems with repercussions on health and safety, a reporting process is active at the Fidia offices, as well as analysis of causes and implementation of corrective actions for accidents, injuries and near misses or near misses.

At the various production sites and at the Milan Unit, institutional headquarters consisting of offices where staff have been placed since 1 October 2023, at least once a year, as required by current national legislation:

- 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 is committed to promoting health and safety by implementing appropriate measures and positive actions that enable its employees to acquire healthy and safe behaviour in all work environments.
The culture of safety at work is a company organisational principle built by paying great attention to the information, education and training of all workers in order to make personnel work with awareness in a healthy environment, protected from the dangers present in the workplace.
At all sites 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.
In 2023, 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. RLS (Workers' Safety Representatives), Supervisors and Safety Managers were trained.
For those who use cars, both for the Abano site and the Local Units, an e-learning training course on driving risks has been designed and delivered to assimilate and improve good driving practices, understanding of the safety systems in the vehicle, and with a specific technical module on the effects of alcohol, drugs and current work regulations.

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 2023 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), Milan (MI), Noto (SR) and Monte Giberto (FM) facilities.
Compared with the previous year, the number of accidents increased both during working hours and commuting: during working hours the increase was +3 adverse events (from 8 to 11), commuting there was +1 (from 3 to 4).
Due to the higher number of accidents, the total frequency index increased from 6.087 to 8.047; however, the total severity index, which was calculated by also counting the days of prognosis of the accidents that occurred in 2022 with continuation in 2023, decreased from 0.234 to 0.183, showing that the accidents that occurred were characterised by a low number of days of absence.

Number of Total accidents	2023	2022
In the workplace	11	8
Commuting	4	3

Accident indices	2023			2022		
	Cases during working hours	Cases commuting	Total	Cases during working hours	Cases commuting	Total
Severity Index	0,107	0,076	0,183*	0,147	0,087	0,234*
Frequency Index	5,901	2,146	8,047	4,427	1,660	6,087

* also taking into account the days of prognosis of accidents occurring in 2022 with continuation in 2023

Improvement activities

In 2023, 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 site: the new Vaccines production department was completed and the certificate of compliance with fire prevention and fire safety requirements was obtained for the new Vaccines production department; a new area for the production of topical forms was created inside the dedicated building and a new product isolation area in the active ingredient production department; the Research and Development laboratories were partially renovated; finally, the escape and rescue signs were improved throughout the plant.
At the Paderno site, a number of ergonomic improvements have been made (introduction of mechanical aids for handling reels in the warehouse area and within the departments, for the packaging department, where activity for prolonged periods while seated is required, introduction of new models of chairs to ensure correct posture). Following the extension of the local unit, an application was submitted to the Fire Brigade to update the Fire Prevention Certificate.
At the Noto and Monte Giberto sites, the main focus of the improvements was on technical-organisational aspects, particularly for Noto with the updating of risk assessments and the company's Emergency Plan, and for Monte Giberto with targeted awareness-raising activities for staff aimed at promoting the reporting of accidents, injuries and near misses as an effective prevention tool.

- ## RESEARCH AND DEVELOPMENT

The Fidia Group invests about 6% of its turnover into research and development. A total of **€26.2 million** was invested in 2023, including personnel and operating costs.

Discovery

At its laboratories in Abano Terme in 2023, 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, the operation can be summarised as follows:

- completion of the CMC (Chemistry Manufacturing & Control) package and product supply chain management for the clinical trial of an ongoing oncology project;
- projects for the joint care area: development and analytical support for the HA-carnosine project; *in vivo* efficacy and tolerability studies of drug candidates for**osteoarthritis** therapy; scale-up and completion of analytical development of solutions for post-surgical analgesia;
- development of HA formulations and derivatives in **ophthalmology** and their characterisation;
- development and chemical-physical and biological characterisation of HA-based scaffolds and derivatives for **regenerative medicine**;
- development of new cross-linking technologies in **aesthetic medicine**;
- modifications to industrial processes for the purpose of replacing traditional solvents with green solvents (as they are not subject to environmental authority authorisations).

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 2023 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. The team also worked actively on the development of new products.
In 2023, the collaboration with UniMI started in 2022 to define the mechanism of action of a new drug was continued. The activity includes the complete pharmaco-toxicological characterisation of the new molecule as part of the "Agreements for Innovation" funded project.

Formulation Development

In relation to the Formulation Development Team, the main activities in 2024 concerned:

- **Speciality Care Area:** completion of development activities for a new medical device and the tech-transfer of a commercial medical device to a new manufacturer.
- **Skin Care Area:** completion of the development of 6 new cosmetic references for the complementary treatment of dermatological pathologies; activation of development activities for the conversion of 2 medical devices into cosmetics; activation of the study of a new innovative high-performance peptidase-based formulation and reformulation of a commercial drug for topical use; activation of characterisation activities for 2 medical devices in a non-stick matrix.
- **Joint care area**: activation of development activities of 2 new integrators as line extensions of the CartiJoint brand and completion of tech-transfer activities of 1 integrator to a new manufacturer.
- **Eye Care Area:** activation of development activities for a new drug for topical use and 1 supplement to prevent and slow down optic nerve neurodegeneration.

Clinical research

- **Specialty Care:** 2023 was characterised by intense clinical development activity aimed at consolidating the excellent safety results collected during the Phase 1 study on Collagenase for a number of diseases under study.
- **Joint Care:** during 2023, clinical activities continued necessary for the renewal and new CE marking according to the New European Regulation 745/2017 for some MDs included in this business area. At the same time, the development of a new drug was started, for which preclinical development will be finalised shortly in order to start the Phase I study as soon as possible.
- **Skin Care:** in 2023, clinical activities continued in support of the Connettivina Bio line of products and those required to re-brand CE according to the New MDR 745/2017. Clinical validation activities for MD Hyalo4 Skin Gel have also been completed.
- **Gynaecology area:** Start-up activities for a new clinical trial with HYALOGYN Gel continued and ended in 2023.
- **Aesthetic Care**: in 2023, monitoring activities continued in support of the clinical studies on the Hyal System line necessary for registration according to the new MDR 745/2017 regulation.
- **Oncology:** Phase III study in non-invasive bladder cancer started in 2023.
- **Urology:** 2023 saw the completion of activities to support the marking of the HYDEAL CYST MD according to the new MDR 745/2017. Start-up activities for the conduct of a new phase I/II clinical study with Collagenase have also begun.
- **Neuroscience:** two post-authorisation efficacy trials (PAES) are underway.
- **Regenerative medicine:** a clinical study confirming the efficacy and safety of HY-TISSUE SVF was completed in 2023, while the monitoring activities continue of a study with HY-TISSUE SVF and HY-TISSUE BMC, which is the subject of a targeted research call, and of a study evaluating the efficacy of HY-TISSUE SVF.
- **Eye Care:** between the end of 2022 and the beginning of 2023, four clinical investigations of five different MDs for dry eye were launched, all currently in the enrolment phase. The evidence gathered in these trials is instrumental in the renewal of the CE marking according to the New European Regulation 745/2017. A manuscript on Fidial Plus is being submitted. Start-up activities for a clinical trial with the new formulation of Iridium Garze have begun.

Patents

During 2023, Fidia's patent portfolio grew with the filing of:

- 3 patent applications in Italy;
- 23 national or regional phases for applications previously extended through the PCT system.

In addition, in 2023, 7 patents were registered in Italy and 170 worldwide (including endorsements of European patents).
At the end of 2023, the group has about 1,400 patents, about 1,250 of which focused on the production, therapeutic applications and pharmaceutical composition of hyaluronic acid. In 2023, 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.
In 2023, the Office began working with Medical Affairs to identify patents and news items for inclusion in the periodic reports produced by the Scientific Library.

Medical Affairs

The Medical Affairs department worked in 2023, aligned with corporate strategies, in planning, conducting and processing the following activities:

- educational, concerning scientific meetings (53), training for distributors and ISFs (15) and reorganisation of training material for a total of 170 slide kits for about 2100 slides divided into 14 scientific areas;
- congresses, with participation in events including International (18), National (380) and Fidia Academy (2) and a Global Forum with the following timely drafting, dissemination and archiving of Reports;
- medical review of scientific content for a total of 513 promotional materials;

- portfolio analysis in the competitive scenario;
- scientific assessment of submitted products according to business development opportunities;
- scientific medical support for regulatory activities.

Scientific Service

The Scientific Service provides its constant support in the field of conference activities, creation of FAQs, drafting and dissemination of annual reports with analysis relating to medical information activity; drafting of SOPs on the activity of the Corporate Library & Intelligence Scientific Screening, drafting of SOPs for the management of Corporate Promotional Material, creation and archiving of "Intelligence Scientific Screening literature" in cooperation with the Patent Office, Discovery, commented by Medical Affairs and internal corporate dissemination to the functions concerned, creation and archiving of 467 certified PRP Training.

Activities of the Non-Dilutive Funding Team

In 2023, the Non-Dilutive Funding Team, made up of researchers from the Local Unit in Noto and researchers from the Research & Development Department in Abano, dedicated significant resources to the preparation of public funding applications, realising the following applications:

- **Innovation Agreements 2** (MIMIT: complementary fund to the PNRR - National Recovery and Resilience Plan): a second application for funding was submitted and approved for Industrial Research and Experimental Development activities for the clinical characterisation of Collagenase in certain urological pathologies and Oncofid-P in the treatment of oncological pathologies.
- **Industrial Development Contract**: the tender was re-financed by MIMIT with PNRR funds and will cover the costs for major structural works on the Abano and Noto production plants, as well as cover Industrial Research and Experimental Development activities to investigate new indications for collagenase.
- **Veneto Region Call for** Proposals for the support of research and development projects in the field of health and well-being: the funding will cover the costs for the characterisation of new molecules with antioxidant activity in the treatment of orphan diseases.

- 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 valuation 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 dollars and Russian rubles. 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 net equity arising from exchange rate fluctuations are recognised in a "translation reserve" under net equity. The risk arising from the translation of net 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 Company 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. A policy is implemented for constant monitoring of regulatory developments in all the markets of operation through internal and external organisational structures. The Company, like any company operating in the pharmaceutical sector, despite its strict compliance with the relevant regulations, could be exposed to the risk of claims for damages caused by its

drugs. To meet these potential liabilities, appropriate insurance coverage has been taken out on all products on the market and under development, the maximum amount of which is deemed adequate and constantly monitored to assess its adequacy, with the support of analyses and market studies conducted by leading insurance brokers.
The heavily regulated pharmaceutical sector exposes any business activity related to the drug lifecycle (from research and development to production and scientific information) to potential compliance risk. To guard against these risks, the Company has adopted an internal control system, articulated in a series of structured and organic procedures and organisational structures aimed at monitoring the risks of non-compliance with laws and regulations, guaranteeing correct and transparent internal reporting to the market, as well as preventing and limiting the consequences of unexpected results, aiming at the achievement of corporate objectives.

- ## 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 12 July 2023, an update to the Company's Organisational Model was approved, indicating the internal reporting channels and providing for a disciplinary system against persons who violate the Whistleblowing Procedure. With the same resolution, the Whistleblowing Procedure was approved in accordance with the provisions of Legislative Decree 10 March 2023, No. 24, concerning the protection of persons who report breaches of Union and national law.
The Supervisory Body met periodically in 2023 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, ASSOCIATES, 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 2023 (in thousands of Euro):

Thousands of Euros	Assets			Liabilities		
	Trade receivables	Other receivables	Financial activities	Trade payables	Other payables	Financial liabilities
FIDIA PHARMA AUSTRIA GMBH	67	-	25	178	-	-
FIDIA PHARMA CZ SRO	271	-	905	792	-	-
FIDIA PHARMA EGYPT FOR MARKETING	510	-	-	283	-	-
FIDIA PHARMA GMBH	2.872	-	517	60	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	1.096	25	-
S.C. BIOSOOFT ROMANIA	840	-	-	24	-	1.064
FIDIA PHARMA RUSSIA LLC	841	-	-	3	-	-
FIDIA PHARMA SLOVAKIA SRO	27	-	-	378	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	13	-	-
FIDIA PHARMA USA INC	1.461	-	-	-	-	-
LABORATOIRES FIDIA SAS	3.250	-	2.053	25	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	8.755	-	887	201	-	-
FIDIA PHARMA POLSKA SP ZOO	761		3.615			
Total subsidiaries	19.656	-	8.001	3.054	25	1.064

Thousands of Euros	Revenues			Expenses		
	Revenues	Other revenues	Net financial income	Costs of services	Costs of products	Net financial expenses
FIDIA PHARMA AUSTRIA GMBH	56	-	11	1.973	-	-
FIDIA PHARMA CZ SRO	5.448	-	7	4.114	-	13
FIDIA PHARMA EGYPT FOR MARKETING	-	-	-	864	-	-
FIDIA PHARMA GMBH	9.781	32	21	50	29	11
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	2.601	-	-
FIDIA PHARMA ROMANIA SRL	3.444	-	-	44	-	13
FIDIA PHARMA RUSSIA LLC	434	-	-	1.047	-	-
FIDIA PHARMA SLOVAKIA SRO	1.730	-	-	1.500	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	668	-	-
FIDIA PHARMA USA INC	12.470	31	6.542	112	-	0
LABORATOIRES FIDIA SAS	4.227	-	23	173	27	6
LABORATORIOS FIDIA FARMACEUTICA SLU	10.021	5.223	79	1.054	90	130
FIDIA PHARMA POLSKA SP ZOO	508	-	258	-	-	-
Totale società del Gruppo	48.118	5.286	6.940	14.200	146	174

- **TREASURY 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.

- **SIGNIFICANT EVENTS AFTER YEAR-END**

In February 2024, the parent company, Fidia Farmaceutici S.p.A., acquired 100% of an Italian company based in Rome active in the distribution of contact lenses, eye drops, food supplements and more. The company is active not only in the pharmacy channel but also in the large-scale retail trade and online channels; in 2023, it had a domestic market share of around 70% for disposable contact lenses (8 million units sold) and 35% for lens solutions (Iqvia data).
The investment includes market-leading brands such as Contacta® and Correct®, which today boast a wide range of products, including daily contact lens lines for myopia and maintenance solutions, a line of natural eye drops and a large selection of spectacles (presbyopia, sunglasses and light shields). In addition to these products, there is a line of supplements for psycho-physical well-being and a line of citronella and anti-jellyfish repellents, Respingo.
Another transaction concluded in early 2024 relates to a new commercial agreement with the multinational Novartis, a leader in the development of innovative drugs, for the distribution, as of March 2024, of 6 ophthalmological medicinal specialities for the treatment of glaucoma.
The sales concession not only represents an enrichment of the Fidia national list of drugs for major eye diseases, but also consolidates the partnership with Novartis in the ophtha area, which in 2019, had seen the achievement of an agreement for the marketing of reference products for the local treatment of eye inflammations and infections.
With these transactions, together with the operation in the Polish market in 2023, the Fidia Group is strengthening in one of the main therapeutic areas of its portfolio: ophthalmology, aiming to increase its market shares in Italy and abroad.

With reference to the global macroeconomic framework, 2023 was characterised by a downsizing of inflationary pressures, which led central banks to assume scenarios of falling rates from the second half of 2024 onwards. Inflation in the EU is expected to decrease from 6.3% (recorded in 2023) to 3.0% (expected in 2024). However, economic growth is expected to be slow. Contributing to this situation were the measures taken to support energy costs, the effects of which are, however, wearing off. Added to this, in the macroeconomic scenario, is the macro-political scenario, which in 2023, worsened further due to the opening of a new war front, in addition to the Russian-Ukrainian one, in the Israeli-Palestinian area. Trade repercussions are beginning to be felt due to the terrorist attacks on merchant ships passing through the Suez Strait and the resulting tensions on the prices of imported products in the Mediterranean countries. The escalation of hostilities can easily involve neighbouring countries and have repercussions on a regional scale, posing a threat to peace and security not only in the Middle East but also globally.
The Fidia Group in the area (Israel, Jordan, Lebanon) has a turnover of about €0.9 million (with reference to 2023 figures and excluding sales in Egypt, which amount to €3.0 million).
As far as the Russian-Ukrainian area is concerned, however, the Fidia Group's turnover amounted to about 1% of its overall turnover, which in 2023 stood at €5.4 million, up from 2022 (€4.8 million). Of this, about 95% is represented by turnover in Russia where, as from May 2023, the company Fidia Pharma Russia took over the sales activity from the previous distributor, thus directly managing the market.
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, in the current situation, 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 FY 2024.

- **OUTLOOK**

Geopolitical risks, which had not been so high for decades, contributed to the uncertainty on the economic front. With the ongoing war in Ukraine, the humanitarian crisis in the Middle East, and rising tensions between China and the West, companies and investors find themselves forced to make business decisions in a context where it is increasingly difficult to predict how individual geopolitical crises will affect companies' supply and distribution chains.
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 FY 2024.
Considering what stated above, it is currently not possible to provide any forecasts in relation to the year underway.

Abano Terme, 27 March 2024
For the Board of Directors
The Chairman
Carlo Pizzocaro

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Fidia Farmaceutici S.p.A.
2023

- CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands of Euros	Note	2023	2022
Property, plant and equipment	4.1	108.109	94.317
Intangible assets	4.2	78.369	80.761
Equity investments	4.4	24	423
Goodwill	4.3	90.827	90.002
Other equity investments and securities	4.4	89	89
Non current financial assets	4.5	1.130	1.369
Deferred tax assets	4.6	21.716	25.377
Non current assets		**300.264**	**292.339**
Inventory	4.7	69.291	54.113
Trade receivables	4.8	126.629	99.042
Current tax assets	4.9	3.597	7.582
Current financial assets	4.10	11.488	9.747
Derivatives financial instruments - fair value	4.11	3.610	6.937
Cash and cash equivalents	4.12	140.428	170.530
Current assets		**355.044**	**347.950**
Total assets		**655.308**	**640.290**
Share capital		36.120	36.120
Share premium reserve		-	-
Treasury shares		-	-
Reserve for financial derivatives - fair value		2.744	5.272
Foreign exchange translation differences		1.539	2.564
Other reserves		7.980	7.544
First Time Adoption reserve		8.953	8.953
Undivided profits		190.101	157.995
Profit / (Loss) for the year		45.236	37.832
Interim dividend		-	-
Group equity		**292.673**	**256.279**
Minority Interests			
Equity	**4.13**	**292.673**	**256.279**
Long term financial payables	4.14	188.975	167.523
Employees' leaving entitlement	4.15	9.000	9.118
Deferred tax liabilities	4.17	1.407	3.913
Provisions for risks and charges	4.16	4.446	5.147
Derivatives financial instruments - fair value	4.18	-	-
Other liabilities	4.19	0	0
Non current liabilities		**203.827**	**185.702**
Trade payables	4.20	57.131	64.020
Tax payables	4.21	11.916	5.568
Other current liabilities	4.22	32.962	30.986
Provisions for risks and charges	4.23	1.700	1.200
Derivatives financial instruments - fair value	4.24	-	-
Short term financial payables	4.25	55.098	96.535
Current liabilities		**158.807**	**198.308**
Total shareholders equity and liabilities		**655.308**	**640.290**

- **CONSOLIDATED INCOME STATEMENT**

Thousands of Euros	Note	2023	2022
Net revenue	5.1	463.502	412.074
Cost of goods sold	5.2	(176.751)	(155.247)
Industrial Margin		286.751	256.826
Sales and Marketing expenses	5.2	(141.225)	(131.410)
R&D expenses	5.2	(26.208)	(25.965)
G&A expenses	5.2	(54.879)	(48.041)
Other income and expenses	5.2	1.983	257
Operating profit		66.422	51.667
Net financial (expense)/income	5.3	(4.350)	(4.990)
Profit before tax		62.072	46.677
Income taxes	5.4	(16.836)	(8.845)
Profit for the year		45.236	37.832

- **CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

Thousands of Euros	2023	2022
Profit for the year	45.236	37.832
Items that may be subsequently reclassified to profit or loss:		
Fair value gains (losses)	(3.327)	7.199
Exchange differences	(1.024)	1.134
Income taxes on items that may be subsequently reclassified to profit or loss	799	(1.728)
Items that may not be subsequently reclassified to profit or loss:		
Revaluation of net liabilities / (assets) for employee benefits	(92)	915
Equity investments accounted for using the equity-quota method	-	-
Taxes on components that will not be reclassified in profit / (loss) for the year	26	(255)
Profit for the year	41.617	45.096

- **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' 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 31.12.2022	36.120	-	-	5.272	2.564	7.545	8.953	157.994	37.832	-	-	256.279
Allocation of prior yearprofit						502		37.330	(37.832)			0
Change in the consolidation scope								(224)				(224)
Gain (losses) previous exercises (group level)												-
Dividend distributions								(5.000)				(5.000)
Other changes				(2.529)	(1.024)	(66)						(3.619)
Profit for the year									45.236			45.236
Balance at 31.12.2023	36.120	-	-	2.744	1.539	7.980	8.953	190.101	45.236	-	-	292.673

- **CONSOLIDATED CASH FLOW STATEMENT**

Thousand of Euros	2023	2022
Cash flows from operating activities		
Net profit for the year	45.236	37.832
Income taxes	16.836	8.845
Financial income and expenses	4.300	2.918
Net gains/(losses) on the sale of assets	7	20
Accruals to/utilisations of provisions	(404)	(1.158)
Amortisation and depreciation	23.146	25.069
Write-downs for impairment losses	88	329
Other adjustments for non-monetary items	2.861	(1.690)
Income taxes paid	(6.535)	(15.256)
Net interest paid	(3.998)	(2.110)
Cash flows before changes in net working capital	**81.538**	**54.799**
Working capital		
Change in trade receivables	(27.587)	3.361
Change in inventories	(17.920)	(4.850)
Change in other receivables and other current assets	1.081	(3.426)
Change in trade payables	(3.726)	8.865
Change in other payables and other current liabilities	(948)	1.346
Change in accrued and deferred income and expenses	1.870	(2.676)
Change in receivables from parents	-	-
Changes in net working capital	**(47.230)**	**2.621**
Cash flows from (used in) operating activities	**34.307**	**57.420**
Cash flows from investing activities		
Investments in tangible fixed assets net of divestments	(28.935)	(30.680)
Investments in intangible fixed assets net of divestments	(7.899)	(10.635)
Investments in financial fixed assets	240	(357)
Acquisition of equity investments	(1.742)	-
Cash flows from (used in) investing activities	**(38.335)**	**(41.672)**
Cash flows from financing activities		
New loans	19.259	61.000
Repayment of loans	(43.201)	(42.594)
Payment of leasing liabilities	3.957	(2.934)
Change in bank loan	-	-
Other changes in net equity	(1.090)	1.793
Dividend distributions	(4.999)	(1.500)
Cash flows from (used in) financing activities	**(26.074)**	**15.765**
Change in cash and cash equivalents	**(30.102)**	**31.512**
Cash and cash equivalents - opening balance (01.01)	170.530	139.017
Cash and cash equivalents - closing balance (31.12)	140.428	170.530

- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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 five sites:

- Abano Terme (PD) - Via Ponte della Fabbrica 3/A;
- Noto (SR) Contrada Pizzuta;
- Paderno Dugnano (MI) - Via Ampere 19/2;
- Monte Giberto (FM) – Via del Lavoro 2;
- Milano – Via Vegezio 19.

2. Financial statements adopted

The consolidated financial statements for the financial year ended 31 December 2023, 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 financial statements 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 2023, 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. (Capogruppo)	Abano Terme (PD)	Euro 36.120.000	100%
Fidia Pharma Romania S.r.l.	Bucharest (Romania)	RON 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%
Fidia Pharma Polska Sp Zoo	Varsavia (Polonia)	PLN 1.005.000	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).

	2023 Exchange rate		2022 Exchange rate	
	Closing rate	Average annual rate	Closing rate	Average annual rate
RON	4,9756	4,9467	4,9495	4,9313
USD	1,1050	1,0813	1,0666	1,0530
RUB	98,5958	92,0011	78,9716	73,8880
AED	4,0581	3,9710	3,9171	3,8673
EGP	34,1589	33,1581	26,3990	20,1636
CZK	24,7240	24,0043	24,1160	24,5659
CHF	0,9260	0,9718	0,9847	1,0047
PLN	4,3395	4,5420	4,6808	4,6861

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 2023 are described below.

The Consolidated Financial Statements of the Fidia Group for the year ended 31 December 2023 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	5,50%
Industrial buildings	3% - 5,5%
Light constructions	10,00%
Generic plant	9% - 15%
Plant and machinery for slightly corrosive processes	12% - 20%
Plant and machinery for highly corrosive processes	17,50%
Photovoltaic system	9,00%
Small sundry and lab equipment	12% - 40%
Ordinary office furniture and equipment	3% - 33%
Electronic office equipment and computers	9% - 33%
Transport vehicles	20,00%
Cars, motorcycles and similar	20% - 50%

At each reporting date, 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 value.
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 value, an impairment loss is recognised. Impairment losses are recognised in profit/(loss) of the year. Impairment losses recognised in prior periods 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 valued 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 business 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 recorded as income in the income statement for the 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 prior to 1 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	3 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 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 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 recorded at fair value, net of any transaction costs incurred. Following initial recognition, financial liabilities are valued 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 recorded 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 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

Equity instruments issued by the Company are recognised based on the amount received. 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 recorded 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 recorded 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 the end of the reporting period, 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 published by the IASB and endorsed by the EU that are mandatorily applicable starting with financial statements for financial years beginning on 01 January 2023.
The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2023 are the same as those used for the preparation of the consolidated financial statements as at 31 December 2022, 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 2023, listed in the table below:

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication	Notes and references to this checklist
IFRS 17 – Insurance contracts (including amendments published in June 2020)	May-17 Jun-20	1 January 2023	19 Nov 21	(UE) 2021/2036 23 Nov 21	See points 469-508
First-time application of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17)	Dec-21	1 January 2023	08 Sept 22	(UE) 2022/1491 09 Sep 22	See point 509
Definition of accounting estimates (Amendments to IAS 8)	Feb-21	1 January 2023	02 Mar 22	(UE) 2022/357 03 Mar 22	No impact on integrative info
Information on accounting standards (Amendments to IAS 1*)	Feb-21	1 January 2023	02 Mar 22	(UE) 2022/357 03 Mar 22	See points 2 e 116
Deferred taxes relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May-21	1 January 2023	11 Aug 22	(UE) 2022/1392 12 Aug 22	No impact on integrative info
International Tax Reform – Standard Pillar 2 Rules (Amendments to IAS 12)	May-23	1 January 2023	08 Nov 23	(UE) 2023/2468 03 Nov 23	See points 342-345

** 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.*

IAS/IFRS and related IFRIC interpretations applicable to financial statements for financial years beginning after 01 January 2023
Below are the EU-endorsed documents applicable to financial statements for financial years beginning after 01 January 2023.

PART A - Documents approved by the EU as at 31 December 2023

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication	Notes and references to this checklist
Lease liabilities in a sale and leaseback transaction (Amendments to IFRS 16)	Sep-22	1 January 2024	20-nov-23	(UE) 2023/2579 21 Nov 23	See point 535
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with clauses (Amendments to IAS 1)	Jan-20 Jul-20 Oct-22	1 January 2024	19-dic-23	UE 2023/2822 20 Dec 23	See points 536-541

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.

PART B - Documents NOT yet approved by the EU as at 31 December 2023

Document title	Date of issue by IASB	Effective date	Expected Registragion date by the EU
Standards			
IFRS 14 Regulatory deferral accounts	Jan-14	1 January 2016	Approval process suspended pending 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)	Sep-14	Deferred until completion of the IASB project on the equity method	Approval process suspended pending the conclusion of the IASB project on the "equity method"
Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9)	May-23	1 January 2024	TBD
Lack of Exchangeability (Amendment to IAS 21)	Aug-23	1 January 2025	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 2023. 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	5.325	101.516	235.455	26.420	33.061	401.777
Accumulated depreciation and write-downs	(0)	(87.101)	(211.811)	(19.459)	(374)	(318.746)
Balance at 31 December 2022	**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)
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)	0	(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	(0)	(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**
Increases	-	3.690	3.091	6.199	12.521	25.501
Decreases	-	(11)	(1.310)	(100)	-	(1.420)
Other changes	-	8.669	3.004	96	(11.890)	(121)
Depreciation	-	(3.100)	(5.376)	(3.478)	-	(11.953)
Other changes accumulated depreciation	-	118	1.216	452	(0)	1.786
Total changes in FY2023	**-**	**9.366**	**625**	**3.170**	**631**	**13.792**
Historical cost	5.325	115.797	243.222	34.661	53.504	452.508
Accumulated depreciation and write-downs	(0)	(93.862)	(223.195)	(26.968)	(374)	(344.399)
Balance at 31 December 2023	**5.325**	**21.935**	**20.026**	**7.693**	**53.130**	**108.109**

The value of Property, plant and equipment as at 31 December 2023 is €108,109 thousand, an increase of €13,792 thousand compared to 31 December 2022 (€94,317 thousand).

The increases for the financial year relate to:

- €3,690 thousand of the item Buildings and mainly referable for €1,298 thousand to construction works on buildings in Abano Terme and €2,108 thousand to the accounting standard IFRS 16 for the rights of use on property rental contracts of the Parent Company and its subsidiaries;
- €3,091 thousand of the item Plant and equipment and industrial equipment, mainly referable for €1,963 thousand to investments made by the Parent Company in the production departments of Abano Terme;
- €6,199 thousand of the item Other assets and mainly referable for €4,798 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 €1,108 thousand to investments in the Quality Control and Research and Development laboratories of Abano Terme;

The item Assets in progress and advances, equal to €53,130 thousand (€52,498 thousand in 2022), mainly refers to the following investment orders of the Parent Company: production departments for €47,592 thousand, of which €42,517 thousand relating to the production department vaccines (of which €2,077 thousand relating to capitalisation of internal labour and other costs functional to the commissioning of the department); adjustments and improvements to production departments; laboratories and factory for €3,391 thousand; advances on equipment for €1,554 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
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 1 January 2022	**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	-	0	-	0	-	0	0	0
Other changes	-	679	889	(470)	(935)	162	12	174
Amortizations	(22)	(1.674)	(9.186)	(182)	-	(11.063)	-	(11.063)
Other changes accumulated amortization	(0)	(10)	(0)	272	(0)	262	(6)	256
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-downs	(837)	(25.638)	(27.516)	(9.253)	(9.610)	(72.854)	(34.584)	(107.438)
Balance at 31 December 2022	**0.0**	**3.141**	**67.573**	**359**	**9.687**	**80.761**	**90.002**	**170.763**
Increases	-	1.162	923	1	6.859	8.945	825	9.770
Decreases	-	(475)	(130)	-	(67)	(672)	-	(672)
Reclassifications	-	0	-	-	-	-	0	0
Other changes	-	823	(125)	(51)	(1.060)	(413)	0	(413)
Amortizations	(0)	(1.594)	(9.444)	(155)	-	(11.193)	-	(11.193)
Other changes accumulated amortization	0	498	407	36	0	941	-	941
Total changes in FY2023	**(0)**	**414**	**(8.369)**	**(169)**	**5.732**	**(2.392)**	**825**	**(1.567)**
Historical cost	837	30.289	95.756	9.563	25.030	161.475	125.411	286.886
Accumulated amortization and write-downs	(837)	(26.734)	(36.552)	(9.373)	(9.610)	(83.107)	(34.584)	(117.691)
Balance at 31 December 2023	**-**	**3.555**	**59.204**	**191**	**15.420**	**78.369**	**90.827**	**169.196**

The value of intangible assets as at 31 December 2023 was €169,196 thousand, a decrease of €1,567 thousand compared to 31 December 2022 (€170,763 thousand).

Industrial patents and intellectual property rights are represented by the external costs incurred in obtaining patent registrations from the competent authorities. Software usage 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 €59,204 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 €15,420 thousand, mainly includes capitalisations made during the financial year in relation to the following investment orders of the Parent Company:

- €674 thousand (€769 thousand in 2022) 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;
- €1,044 thousand (€940 thousand in 2022) of advances paid for the purchase of management software;
- €9,894 thousand (€6,126 thousand in 2022) 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);
- €3,808 thousand from capitalised costs related to projects in the operation area. Costs are split between external costs of €2,301 thousand and internal personnel costs of €1,507 thousand.

4.3 Goodwill

Goodwill as at 31 December 2023 amounted to €90,827 thousand, an increase of €825 thousand compared to 31 December 2022 (€90,002 thousand). The breakdown of Goodwill is shown in the table below:

Thousands of Euros	Stress test (WACC)	at 31 December 2023	at 31 December 2022
Glynn group	72.50%	1.757	1.761
Sooft group	22.55%	59.217	59.217
Laboratorios SLU	19.90%	4.843	4.843
Corticosteroids	15.24%	24.180	24.180
Ophthalmic company branch - Poland	17.60%	829	-
Total goodwill		90.827	90.002

The change mainly refers to €829 thousand related to the acquisition of a business unit of the subsidiary Fidia Pharma Polska sp. z o.o. in January 2023.
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 starting from the three-year multi-year plans drawn up by the management and, with reference to the financial variables, through the use of a cash flow discount rate (WACC) of 72.50% for the Glynn Group, of 22.55% for Gruppo Sooft, of 19.90% for Laboratorios SLU, of 15.24% for corticosteroid products and of 17.60% for Polonia business branch Ophta. 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 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 (2024-2026) derive from the business plan approved by the Parent Company's Board of Directors on 18 October 2023.

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 investments and securities

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

Thousands of Euros	Book value		% of ownership	
	at 31 December 2023	at 31 December 2022	at 31 December 2023	at 31 December 2022
Fidia Pharma UK Ltd	24	24	100%	100%
Fidia Pharma Polska Sp Zoo	-	399	100%	100%
Fisior	21	21	100%	100%
Accumulated amortizations other equity investments	(21)	(21)		
Total other equity investments	24	423		

The decrease of €399 thousand refers to the company Fidia Pharma Polska sp. z o.o. that became operative during the financial year and was therefore included in the consolidation area.

Thousands of Euros	Book value		% of ownership	
	at 31 December 2023	at 31 December 2022	at 31 December 2023	at 31 December 2022
Consorzio Dafne	20	20	2%	2%
CONAI Consorzio Nazionale Imballaggi	-	-	0%	0%
Consorzio Universitario Unifarm	73	73	10%	10%
Other	-	-	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 2023, the item Non-current receivables amounted to €1,130 thousand, down €239 thousand compared to 31 December 2022 (€1,369 thousand).
The item Receivables mainly refers to:

- insurance policy for €552 thousand;
- guarantee deposits for €533 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 2023, deferred tax assets amounted to €21,716 thousand (€25,377 thousand as at 31 December 2022). 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 2022	962	24.415	-	-	25.377
Recognitions in the income statement	(121)	(3.566)	-		(3.687)
Recognitions in the comprehensive income statement		26		-	26
Other changes					-
Balance at 31 December 2023	841	20.875	-	-	21.716

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

Thousand of Euros	at 31 December 2023	at 31 December 2022	Changes
Tax effect on reversal of intercompany profits on assets	3.663	2.705	957
Taxed provision for risks	3.520	2.838	683
Tax step up of intangible assets	1.500	4.227	(2.727)
Goodwill step up	7.267	9.084	(1.817)
Effect of derivative financial instruments	-	-	-
Actuarization of severance pay	151	125	26
Benefit on carried forward tax losses	841	962	(121)
Tax effect of leasing	8	17	(9)
Intercompany profit effect on inventory	2.785	3.745	(961)
Other deferred tax assets	1.981	1.673	308
Deferred tax assets (A)	**21.716**	**25.377**	**(3.661)**
Changes in the value of fixed assets	(681)	(2.305)	1.624
Effect of derivative financial instruments	(866)	(1.665)	799
Effect on depreciation of leasing assets	(88)	(74)	(14)
Other deferred tax liabilities	229	131	98
Deferred tax liabilities (B)	**(1.407)**	**(3.913)**	**2.506**
Net balance of deferred tax assets (A -B)	**20.309**	**21.464**	**(1.155)**

Deferred tax assets decreased by a total of €3,661 thousand, mainly due to a reduction in values due to the recognition of fixed assets and the redemption of Sooft goodwill in 2022 (in the 2022 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; in subsequent years, the consolidated deferred tax assets decreased in accordance with the accounting records of the Parent Company).

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 2023 amounted to €69,291 thousand (€54,113 thousand as at 31 December 2022), net of a bad debt provision of €7,678 thousand (amounting to €4,816 thousand as at 31 December 2022).

The table below shows the breakdown of the item Inventories:

Thousands of Euros	at 31 December 2023	at 31 December 2022	Change
Raw materials and consumables	21.660	13.939	7.721
Finished products and semi-finished products	55.309	44.990	10.319
Total gross closing inventory	**76.969**	**58.929**	**18.040**
Write-down provision	(7.678)	(4.816)	(2.861)
Total net closing inventory	**69.291**	**54.113**	**15.179**

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 as at 31 December 2023 amounted to €126,629 thousand, up €27,587 thousand compared to 31 December 2022 (€99,042 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 2023	at 31 December 2022	Change
Trade receivables to Customer	130.215	101.469	28.746
Trade receivables to Customer	**130.215**	**101.469**	**28.746**
Provision for bad debts	(3.587)	(2.427)	(1.160)
Net trade receivables to Customer	**126.629**	**99.042**	**27.587**

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 Vof credit risk, geographic area, credit seniority, presence of litigation and length of customer relationship.

4.9 Tax receivables

Tax receivables amounted to €3,597 thousand, down compared to 31 December 2022 (€7,582 thousand) of €3,985 thousand. They are mainly represented at Group level by VAT credits for €1,342 thousand and tax credits for €747 thousand derived from the Parent Company whose use is expected in 3 years by tax law (research and development).

4.10 Other current assets

Other current assets amounted to €11,488 thousand, up €1,742 thousand compared to 31 December 2022 (€9,747 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 2023	at 31 December 2022	Change
Accrued income	452	210	242
Deferred charges	2.024	2.639	(615)
Other remaining Credits	5.038	5.512	(474)
Advance payments from customers	3.974	1.386	2.588
Other current assets	**11.488**	**9.747**	**1.742**

The change in other current assets for €1,742 thousand is mainly attributable to the increase in Advances to suppliers for goods for €2,588 thousand, partially offset by the decrease in Receivables from others for €474 thousand (which include advances to suppliers for services).

4.11 Derivative instruments assessed at fair value

The item derivative instruments assessed at fair value as at 31 December 2023 amounted to €3,610 thousand and refers to the positive fair value of hedging instruments (IRS) on medium/long-term loans as at 31 December 2023.

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 2023	at 31 December 2022	Change
Current financial assets	37.366	47.579	(10.213)
Deposit accounts	103.026	122.932	(19.905)
Cash on hand and equivalent	35	19	16
Cash and cash equivalents reported in the statement of financial position	**140.428**	**170.530**	**(30.102)**
Bank overdrafts used for liquidity management	-	-	-
Cash and cash equivalents reported in the statement of cash flows	**140.428**	**170.530**	**(30.102)**

Unrestricted financial assets are represented by unrestricted term loans that are remunerated with liquidity.

4.13 Shareholders' equity

Shareholders' equity attributable to the Group amounted to €294,392 thousand, up €38,113 thousand compared to 2022 (€256,279).

The main changes during the year, shown in detail in the statement of changes in shareholders' equity, concern:

- recognition of the profit for FY 2023, equal to €46,955 thousand;
- negative impact of the distribution of dividends to shareholders for €5,000 thousand;
- negative impact of the translation reserve of accounts denominated in foreign currency, amounting to €1,024 thousand;
- negative impact from the fair value of hedging derivatives for a change of €2,529 thousand;
- negative change due to change in the scope of consolidation for €224 thousand;
- other positive changes amounting to €436 thousand.

Thousands of Euros	Group equity											
	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 31.12.2022	36.120	-	-	5.272	2.564	7.545	8.953	157.994	37.832	-	-	256.279
Allocation of prior yearprofit						502		37.330	(37.832)			0
Change in the consolidation scope								(224)				(224)
Gain (losses) previous exercises (group level)												-
Dividend distributions								(5.000)				(5.000)
Other changes				(2.529)	(1.024)	(66)						(3.619)
Profit for the year									45.236			45.236
Balance at 31.12.2023	36.120	-	-	2.744	1.539	7.980	8.953	190.101	45.236	-	-	292.673

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

Share Capital
The share capital as at 31 December 2023 amounted to €36,120 thousand.

Reserve for derivative financial instruments assessed at fair value
The cash flow hedge reserve includes the effective portion 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 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 2023, net of the tax effect, was positive for €2,744 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 decreased by €1,024 thousand due to an average depreciation of the Euro during the year against the currencies of the companies included in the consolidation. As at 31 December 2023, the reserve amounted to €1,539 thousand.

Other reserves
As at 31 December 2023, these amounted to €7,980 thousand and include:
- Legal reserve amounting to €7,224 thousand is unchanged compared to the previous year;
- Treasury shares reserves in portfolio equal to €11,212 thousand did not change during the year; this item was recorded as part of the merger between Fidia Farmaceutici SpA and Solmag SpA, which took place in 2008;
- Negative reserve for treasury shares in portfolio of €11,212 thousand;
- Positive OCI reserve amounting to €254 thousand;
- Reserve for unrealised exchange gains of €502 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 objectives in managing capital are aimed at creating value for shareholders, safeguarding business continuity, guaranteeing the interests of stakeholders, as well as enabling efficient access to external sources of funding, such as to adequately support the development of the Group's activities.

4.14 Loans due beyond one year

As at 31 December 2023, loans due beyond the financial year amounted to €188,975 thousand with a net increase of €21,452 thousand compared to €167,523 thousand as at 31 December 2022.

Conditions and repayment plans of the loans
The following table shows the breakdown of medium- and long-term loans as at 31 December 2023 and 31 December 2022:

				at 31 December 2023		at 31 December 2022	
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	11.250	11.260	20.250	20.228
Amortizing loan	€	Fixed	2024	4.056	4.056	8.084	8.084
Amortizing loan	€	Variable*	2025	35.200	35.338	46.400	46.522
Amortizing loan	€	Fixed	2025	6.750	6.750	10.050	10.050
Amortizing loan	€	Fixed	2025	15.000	14.986	18.333	18.309
Amortizing loan	€	Fixed	2026	20.813	20.813	26.063	26.063
Amortizing loan	€	Fixed	2026	30.263	30.263	38.158	38.158
Amortizing loan	€	Fixed	2029	40.000	40.000	40.000	40.000
Other loans	€			1.377	1.377	491	491
Lease liabilities and IFRS 16	€			4.430	4.430	2.910	2.910
Bonds (shareholders)	€	Fixed	2025	50.000	50.000	50.000	50.000
Bonds (third parts)	€	Fixed	2033	20.000	19.259	-	-
Total loans granted to the parent company				239.139	238.532	260.739	260.814
Granted to other Group companies							
Other loans				-	-	-	-
Lease liabilities and IFRS 16				5.541	5.541	3.243	3.243
Total loans granted to other Group companies				5.541	5.541	3.243	3.243
Total loans (by and over)				244.680	244.073	263.982	264.058
Total loans at amortized cost				(607)		76	
Loans due within the year - current liabilities				55.098	55.098	96.535	96.535
Loans due over the year - non-current liabilities				189.582	188.975	167.447	167.523
Total loans (by and over)					244.073		264.058

** Variable at 50% as the residual portion is covered by IRS*

During the year, financing recorded:

- an increase of €20,000 thousand related to the issue of a new bond loan to third parties underwritten on 15 March 2023 with a duration until 2033, with deferred semi-annual instalments and maturing on 15 March and 15 September of each year and a pre-amortisation of the principal instalments of 36 months;
- a decrease of €43,948 thousand related to the payment of principal amounts of outstanding mortgages;
- an increase of €4,021 thousand related to other financing (mainly leasing and IFRS16).

Financial payables to third parties were recognised following the introduction of the IFRS 16 standards for a value of €9,084 thousand related to the lease commitments undertaken by the Group.
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 2023
2024	55.341
2025	113.570
2026	34.244
2027	9.520
2028	8.126
over	23.271
Total loans (by and over)	244.073

Derivative financial instruments
As at 31 December 2023, 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 2023, these transactions had a positive mark-to-market of €3,610 thousand before the tax effect.

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

		at 31 December 2023		at 31 December 2022	
Thousands of Euros	Risk covered	Fair value positive/(negative)	Notional amount	Fair value positive/(negative)	Notional amount
Cash flow hedge derivatives					
Interest rate Swap	Interest rate	290	11.250	723	20.250
Interest rate Swap	Interest rate	193	17.600	495	23.200
Interest rate Swap	Interest rate	292	6.750	621	10.050
Interest rate Swap	Interest rate	753	15.000	1.392	18.333
Interest rate Swap	Interest rate	1.593	30.263	2.748	38.158
Interest rate Swap	Interest rate	489	40.000	958	40.000
Total derivatives		3.610	120.863	6.937	149.991

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 6.2 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 expenses not lower than 5.

The parameters as at 31 December 2023 are met.

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

			Non cash changes		
Thousands of Euros	at 31 December 2022	Cash flow	Acquisitions	Other	at 31 December 2023
Non-current bank loans	163.797	(50.543)	0	58	113.312
Other non-current financial liabilities	3.726	72.678	-	(741)	75.663
Non-current financial liabilities (A)	167.523	22.135	- -	683	188.975
Current bank loans	44.108	7.424			51.532
Other current financial liabilities	52.427	(48.860)	-	-	3.567
Current financial liabilities (B)	96.535 -	41.436	-	-	55.098
Financial liabilities (A) + (B)	264.058 -	19.301	- -	683	244.073

Financial lease liabilities IFRS 16

The following table illustrates the present value of the minimum payments for financial lease liabilities recorded as at 31 December 2023 and 2022.

	Minimum payments present value	
Thousands of Euros	2023	2022
Within the year	3.502	2.364
Over the year	5.582	2.762
Total payables for leasing	9.084	5.127

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	126.629	-	-	-	-	126.629
Tax receivables	3.597	-	-	-	-	3.597
Other current assets	11.488	-	-	-	-	11.488
Derivative instruments at fair val	-	-	3.610	-	-	3.610
Non-current receivables	1.130	-	-	-	-	1.130
Cash and cash equivalents	140.428	-	-	-	-	140.428
Total Financial assets	283.272	-	3.610	-	-	286.882

thousands of Euros	Liabilities at amortized cost	Liabilities at fair value	Derivative instrument at fair value	Total
Financial liabilities:				
Loans	244.073			244.073
Provisions for risks and charge	6.146			6.146
Derivative instruments at fair	-		-	-
Other non-current payables	0			0
Trade payables	57.131			57.131
Tax payables	11.916			11.916
Other current liabilities	32.962			32.962
Total Financial liabilities	352.228	-	-	352.228

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: Valuation techniques (based on observable market data).
Level 3: Valuation techniques (not based on observable market data).

All assets and liabilities that are assessed at fair value as at 31 December 2023 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 year.

Bonds
The item "Loans due beyond one year" includes the value of bonds as shown in the table:

Thousands of Euros	at 31 December 2023	31 December 2022
Collections deriving from the issue of bonds	70.000	50.000
Transaction costs	(741)	-
Net proceeds	**69.259**	**50.000**
Discount on bond loans	-	-
Interest accrued	2.636	804
Book value of the bonds	**71.895**	**50.804**

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

- 50,000 bonds of €1,000.00 each, maturity date 1 October 2023 - 30 September 2025 with interest payable semi-annually in arrears and maturing on 31 March and 30 September.
- 200,000 bonds of €100 each, duration March 2023 - March 2033, recorded in the item bonds payable after 12 months for a nominal amount of €20,000 thousand and €19,529 thousand net of implicit interest and accessory charges for €741 thousand. Repayment of the bond will begin in March 2029.

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 2023	31 December 2022
Cash and cash equivalents	48.062	42.951
Short-term bank deposits	55.000	80.000
Other financial assets	37.366	47.579
Short-term financial investments and cash	**140.428**	**170.530**
Loans due within the year	(51.532)	(44.108)
Lease liabilities due within the year	(3.567)	(2.427)
Bonds	-	(50.000)
Current financial debt	**(55.098)**	**(96.535)**
Short-term financial debt	**85.330**	**73.995**
Bonds	(69.259)	-
Loans due over the year	(113.312)	(163.797)
Lease liabilities due over the year	(6.404)	(3.726)
Non-current financial debt	**(188.975)**	**(167.523)**
Net financial debt	**(103.645)**	**(93.528)**

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 €9,000 thousand as at 31 December 2023 (€9,118 thousand as at 31 December 2022):

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

Thousands of Euros	Employees' leaving entitlement 2023	2022
Balance at 31 December 2022	9.118	10.856
Included in profit (loss) for the year:	(324)	(1.379)
Cost related to job positions	-	-
Employee benefits paid	(619)	(1.478)
Net financial (income) expense	295	99
Included in the other components of the income statement:	206	(359)
Actuarial losses	92	(916)
Other employee benefits	114	557
Balance at 31 December 2023	9.000	9.118

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 revalued 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 portions accrued since 2007 be allocated, on the employees' option, either to the INPS Treasury Fund 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 2023	at 31 December 2022
Annual discount rate	2,95%	3,57%
Annual inflation rate	2,00%	2,30%
Annual rate of increase in severance pay	3,00%	3,23%

Lastly, the item Other employee benefits (€114 thousand) includes the allocation to 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	Provision for risk and charges	Total
Balance at 31 December 2022	637	1.517	150	2.843	5.147
Increase					-
Provisions for the year	125			-	121
Amounts used during the year	(8)	(576)		(239)	(823)
Amounts written off during the year					-
Release of the discount rate					-
Balance at 31 December 2023	755	941	150	2.600	4.446

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

The *Structural Provision* decreased by €576 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 valuation of risks arising from disputes with third parties, shows a net utilisation of €243 thousand mainly related to a settlement of a legal dispute of the Parent Company.

The provision considers for €1,700 thousand the contingent liability deriving from the legislation relating to the payback on medical devices pursuant to art. 9-ter of DL 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 on 24/11/2023, issued an order remanding to the Constitutional Court the questions of the constitutionality of the payback regulation, noting that "the legislative choices could be unreasonable in many respects". The Constitutional Court hearing is scheduled for 22 May 2024.
As at 31/12/2022, an estimate of the contingent liability arising from the possible application of these provisions was already set aside, not only for the 2015-2018 period, but also for the subsequent years 2019-2022. As at 31/12/2023, the amount was recalculated by adding the new annuity and on the basis of the new criteria set out in DL 34/2023 (VAT unbundling on all annuities).

4.17 Deferred tax liabilities

As at 31 December 2023, deferred taxes amounted to €1,407 thousand, down €2,506 thousand compared to 31 December 2022 (€3,913 thousand).
The provision for deferred taxes underwent the following changes during the year:

- decrease of €799 thousand in the Parent Company due to the decrease in active hedging instruments;
- decrease of €1,619 thousand following the adjustment in the consolidated financial statements of deferred taxes calculated on goodwill of previous years;
- other net decreases amounting to €88 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

As at 31 December 2023, there are no derivative instruments measured at fair value among non-current liabilities.

4.19 Other non-current payables

As at 31 December 2023, 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 €57,131 thousand as at 31 December 2023 (€64,020 thousand in 2022). The decrease is related to a slight decrease in the average duration of payments due to improved conditions.

The table below provides a breakdown of trade payables as at 31 December 2023 and 31 December 2022.

Thousands of Euros	at 31 December 2023	at 31 December 2022	Change
Trade payables	57.131	64.020	(6.889)
Trade payables	**57.131**	**64.020**	**(6.889)**
Non-current	-	-	-
Current	57.131	64.020	(6.889)
Trade payables	**57.131**	**64.020**	**(6.889)**

4.21 Tax payables

As at 31 December 2023, tax payables amounted to €11,916 thousand (€5,568 thousand as at 31 December 2022) 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.
It should also be noted that the item includes taxes and penalties relating to previous years, as the Parent Company received an invitation from the Venice Revenue Agency for assessment with adhesion pursuant to Article 5-ter of Legislative Decree 218/1997, for the tax year 2017. The management, while not agreeing with the findings made by the tax authorities, believed that the agreement reached with the adhesion signed on 21 March 2024 allowed the company to avoid a protracted tax litigation with unpredictable outcomes and, above all, to see its defensive line, set out during the cross-examination, confirmed, resulting in the almost complete elimination of the findings made during the audit by the tax authorities.

4.22 Other current liabilities

As at 31 December 2023, other current liabilities amounted to €32,962 thousand, an increase of €1,976 thousand compared to 31 December 2022 (€30,986 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 2023 and 31 December 2022.

Thousands of Euros	at 31 December 2023	at 31 December 2022	Change
Accrued costs	4.692	3.119	1.573
Deferred revenues	598	373	226
Advance payments	81	316	(235)
Other payables	21.517	21.011	506
Payables to social security institutions	6.074	6.167	(93)
Total other payables	32.962	30.986	1.976
Non-current	0	0	-
Current	32.962	30.986	1.976
Total other payables	32.962	30.986	1.976

Other payables mainly include payables to personnel and the Board of Directors.

4.23 Provisions for risks and charges

As at 31 December 2023, provisions for risks and charges amounted to €1,700 thousand and relate to the allocation of the Assinde Provision, which represents the risk deriving from returns relating to sales in 2023 that are estimated to be collected in 2024 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 benefits	Structural interventions provision	Land restoration provision	Assinde provision	Provision for risk and charges	Total
Balance at 31 December 2022	-	-	-	1.200	-	1.200
Increase	-	-	-	-	-	-
Provisions for the year	-	-	-	500	-	500
Amounts used during the year	-	-	-	-	-	-
Amounts written off during the year	-	-	-	-	-	-
Release of the discount rate	-	-	-	-	-	-
Balance at 31 December 2023	-	-	-	1.700	-	1.700

4.24 Derivative instruments assessed at (current) fair value

As at 31 December 2023, 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 value interest rate swaps.

4.25 Loans due within one year

The value of the loans due within the year as at 31 December 2023 is equal to €55,098 thousand and includes the short-term share of bank loans described in section 4.14.

4.26 Fair value of financial assets and liabilities

As provided for by IFRS 7, the comparison between the value posted to the financial statements as at 31 December 2023 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	3.610	3.610
Financial assets not measured at fair value:		
Short-term financial investments and cash	140.428	140.428
Trade receivables	126.629	126.629
Other receivables	11.488	11.488
Total financial assets	282.244	282.244
Financial assets at fair value:		
Derivative instruments at fair value	-	-
Other non-current payables		-
Financial assets not measured at fair value:		
Bonds	69.259	69.259
Lease liabilities	9.084	9.084
trade payables	57.131	57.131
Other payables	32.962	32.962
Other non-current payables	0	0
Financial debts	165.730	165.730
Total financial liabilities	334.166	334.166

5. Information on the items in the consolidated income statement

The main balances of the 2023 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	2023	%	2022	%	Change	%
Total revenues from sales and services	454.199	98	404.321	98	49.878	12
Other revenues	9.303	2	7.753	2	1.550	20
Total net revenues	463.502	100	412.074	100	51.428	12

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:

- contractual penalties to customers for €1,965 thousand;
- contingent assets for €1,642 thousand;
- PON (national operational programme) and Mise contributions for €1,347 thousand;
- energy and gas tax credit for €771 thousand;
- R&D tax credit for €656 thousand;
- revenues for revaluations and fees for €535 thousand;
- revenues for the licence to use the trademark for €500 thousand;
- tax credit for capital goods investments for €97 thousand;
- other revenues for €1,790 thousand.

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

5.2 Operating costs

Operating costs in 2023 totalled €397,080 thousand, an increase of €36,674 thousand compared to 2022 (€360,406 thousand). Below is the classification of costs by purpose for fiscal years 2023 and 2022.

Thousands of Euros	2023	2022	Change
Cost of sales	176.751	155.247	21.504
Sales and Marketing Expenses	141.225	131.410	9.815
Research and Development Expenses	26.208	25.965	243
General & Administrative Expenses	54.879	48.041	6.838
Other Income and Expenses	(1.983)	(257)	(1.727)
Total operative costs	**397.080**	**360.406**	**36.674**

The cost of sales amounted to €176,751 thousand, with a margin of 38.1% of revenue, compared to 37.7% in 2022.

Selling expenses amounted to 141,225 thousand or 30.5% of revenue, up 7.5% year-on-year in line with the increase in turnover.

Research and development expenses amounted to €26,208 thousand, with an incidence on revenues of 5.7%, compared to 6.3% in 2022.

As a percentage of revenues, general and administrative expenses amounted to €54,879 thousand, an increase of 14.2%, from 11.7% to 11.8%.

Other net charges/(income) amounted to €(1,983) thousand and primarily referred to the following items of the Parent Company:

- capitalisation of personnel costs and internal costs for €(2,559) thousand, related to projects in the area of operations;
- various taxes and duties for €309 thousand;
- sundry non-deductible charges for €67 thousand;
- contractual penalties for €175 thousand.

The following table shows operating costs classified by nature.

Thousands of Euros	2023	2022	Change
Raw materials, consumables, supplies and goods	129.366	106.296	23.070
Services	139.932	122.674	17.258
Use of third-party assets	1.802	1.812	(10)
Wages and salaries	112.772	107.107	5.665
Depreciation of fixed assets	23.146	25.069	(1.923)
Write-downs of fixed assets	88	329	(241)
Write-downs of current receivables	757	86	671
Change in raw materials	(13.336)	(6.077)	(7.259)
Provisions for risks and other provisions	625	724	(99)
Other operating costs	4.486	3.571	915
Capitalized personnel/other costs	(2.559)	(1.184)	(1.375)
Total operating costs	**397.079**	**360.407**	**36.672**

The most significant changes in the costs for raw materials, goods and third-party processing are mainly attributable to the increase in sales volumes.

Service costs (€139,932 thousand) mainly refer to third-party processing of semi-finished or packaged products (€40,845 thousand), technical, marketing, legal and administrative consultancy services (€22,676 thousand), external research consultancy (€8,038 thousand), transport costs (€15,908 thousand), advertising and representation activities (€23,926 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 (€5,665 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:

Headcount	2023	2022	Change
ITALY	1.183	1.135	48
EUROPE	206	154	52
MENA	68	67	1
USA	71	65	6
RoW	24	25	-1
Total employees	1.552	1.446	106

The depreciation, amortisation and write-downs for the financial year, amounting to €23,991 thousand, includes:

- amortisation and depreciation amounting to €23,146, related to €11,953 thousand for tangible assets, of which €3,486 thousand refer to the amortisation of assets for rights of use as per IFRS 16, and the remainder, €11,193 thousand, to intangible assets;
- write-downs amounting to €845 thousand, of which €88 thousand related to the write-down of tangible assets and €757 thousand referred to the write-down of trade receivables mentioned in note 4.8.

5.3 Net financial income and expenses

Net financial expenses/(income) in 2023 amounted to €4,350 thousand with a positive balance of €640 thousand compared to 2022.

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

Thousands of Euros	2023	2022	Change
Interest income			
Other	2.987	640	2.347
Exchange gains	1.430	2.388	(958)
Financial income	4.417	3.029	1.389
Interest expense			
Lease liabilities	(268)	(164)	(103)
Exchange losses	(1.480)	(1.590)	110
Expenses for discounting employee benefits	(295)	(99)	(195)
Other	(6.725)	(6.165)	(560)
Financial expenses	(8.767)	(8.019)	(748)
Financial income and charges	(4.350)	(4.990)	640

The item Other financial income of €2,987 thousand mainly includes interest on current account time deposits.

Other financial expenses of €6,725 thousand mainly include €3,805 thousand of interest on bank loans (net of the positive effect of hedging derivatives) and €2,636 thousand of interest on bonds.

There was no revaluation of class 3 policies written down in previous years.

5.4 Taxes

Taxes amounted to €16,836 thousand and included the income taxes of all the Group's consolidated companies, as well as the regional tax on productive activities foreseen for the Parent Company (IRAP).

Taxes as a percentage of pre-tax profit amounted to -27.1% compared to -18.95% in the previous year, and took into account the benefit from the accounting of the effects of the 'new' Patent Box (referring to IRES and IRAP of 2022) in the amount of €2,188 thousand and the reversal of the Deferred Tax Provision in the amount of €1,619 thousand accounted for in previous years.

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

Net current taxes for €14,009 thousand, broken down as follows:

- €11,556 thousand for IRES due for FY 2023;
- €2,275 thousand for IRAP due for FY 2023;
- €2,389 thousand for other current taxes relating to subsidiaries;

- €(2,210) thousand (with a positive effect on the income statement) relating to adjustments of taxes from previous years (mainly new Patent Box €(2,188) thousand, reversal of deferred tax provision €(1,619) thousand and adjustment for assessment with adhesion for 2017 for €1,476 thousand).

Deferred and tax assets and liabilities for €2,826 thousand with negative balance, broken down as follows:

- €2,775 thousand of deferred taxes relating to the revaluation and difference in the statutory value of fixed assets;
- €960 thousand of deferred taxes related to the reversal of intercompany inventory margin;
- €310 thousand of deferred taxes related to the redemption of goodwill arising from the merger of Sooft S.p.A. into Fidia Farmaceutici S.p.A;
- €(834) thousand (with positive effect) of deferred taxes on the reversal of assets sold within the Group;
- €(385) thousand (with positive effect) of deferred taxes related to other items (mainly local gaap).

The table below distinguishes between current and deferred taxes for 2023 and 2022.

Thousands of Euros	2023	2022
Current income taxes		
IRES	(11.556)	(7.646)
IRAP	(2.275)	(1.691)
Other current income taxes	(2.389)	(2.422)
Adjustments related to prior years	2.210	621
Current income taxes	(14.009)	(11.138)
Active and Passive deferred taxes		
IRES/IRAP	(2.714)	1.386
Other Active and Passive deferred taxes	(112)	907
Active and Passive deferred taxes	(2.826)	2.293
Income taxes	(16.836)	(8.845)

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	2023	2023	2022	2022
Profit before tax		62.072		46.677
Income tax using the national tax rate	27,90%	17.318	27,90%	13.023
Effect of tax rates in foreign jurisdictions	1,35%	840	-0,47%	(217)
Effect of permanent increasing and decreasing shootings	5,98%	3.715	6,06%	2.828
Tax benefit from asset revaluation	0,00%	-	-8,30%	(3.875)
Tax benefit from "Patent Box"	-3,52%	(2.188)	-1,59%	(742)
Effect of temporary increasing and decreasing shootings	-4,55%	(2.826)		(2.293)
Other taxes relating to previous years	-0,04%	(22)	0,26%	121
Tax rate on profit before tax	27,12%	16.836	18,95%	8.845

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 evaluated 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.

The Group's gross indebtedness with the banking system is about 89%, comprised of 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 the financial statements, to which reference should be made. For this reason, part of the liquidity is subject to the risk arising from the market valuation 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 31 Dec 2023	+50 bps
Within the following 12 months	51.170	54.334	54.422	54.510
Between 1 and 5 years	112.296	116.407	116.467	116.527
Over 5 years	-	-	-	-
Bank Loans	**163.466**	**170.741**	**170.889**	**171.037**

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 net equity arising from exchange rate fluctuations are recognised in a "translation reserve" under net equity. The risk arising from the translation of net 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 2023 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 conversion to the exchange rate as at 29 February 2024:

Thousands of Euros	at 31 December 2023			
USD	FX 31/12/2023	FX +10%	FX -10%	FX 29/02/2024
Receivables	17.277	15.706	19.196	17.634
Payables	(2.744)	(2.494)	(3.048)	(2.800)
Active current accounts	6.578	5.980	7.309	6.714
USD - Dollar USA	21.111	19.192	23.456	21.548

Thousands of Euros	at 31 December 2023			
RUB	FX 31/12/2023	FX +10%	FX -10%	FX 29/02/2024
Receivables	2.859	2.599	3.177	2.859
Payables	(49)	(45)	(55)	(49)
Active current accounts	249	226	276	248
RUB - Russia	3.059	2.781	3.398	3.058

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

Fidia Pharma Polska sp. z o.o., a wholly-owned subsidiary established in 2022, was consolidated in this financial year.

6.3 Guarantees

Guarantees amounting to €606 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 €260 thousand.

Third-party assets held by the Company amounted to €2,794 thousand and refer to goods on consignment, loan for use and deposit for €1,820 thousand, to third-party goods under processing for €873 thousand and to goods on loan for €101 thousand.
Commitments refer to residual rents relating to property purchased under financial leases for €887 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 2023, amounted respectively to €6,018 thousand and €105 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 2023.

	Assets			Liabilities		
Thousands of Euros	Trade receivables	Other receivables	Financial activities	Trade payables	Other payables	Financial liabilities
FIDIA PHARMA AUSTRIA GMBH	67	-	25	178	-	-
FIDIA PHARMA CZ SRO	271	-	905	792	-	-
FIDIA PHARMA EGYPT FOR MARKETING	510	-	-	283	-	-
FIDIA PHARMA GMBH	2.872	-	517	60	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	1.096	25	-
S.C. BIOSOOFT ROMANIA	840	-	-	24	-	1.064
FIDIA PHARMA RUSSIA LLC	841	-	-	3	-	-
FIDIA PHARMA SLOVAKIA SRO	27	-	-	378	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	13	-	-
FIDIA PHARMA USA INC	1.461	-	-	-	-	-
LABORATOIRES FIDIA SAS	3.250	-	2.053	25	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	8.755	-	887	201	-	-
FIDIA PHARMA POLSKA SP ZOO	761		3.615			
Total subsidiaries	19.656	-	8.001	3.054	25	1.064

The following table shows a breakdown of the Parent Company's revenues and costs relating to Group Companies as at 31 December 2023.

	Revenues			Expenses		
Thousands of Euros	Revenues	Other revenues	Net financial income	Costs of services	Costs of products	Net financial expenses
FIDIA PHARMA AUSTRIA GMBH	56	-	11	1.973	-	-
FIDIA PHARMA CZ SRO	5.448	-	7	4.114	-	13
FIDIA PHARMA EGYPT FOR MARKETING	-	-	-	864	-	-
FIDIA PHARMA GMBH	9.781	32	21	50	29	11
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	2.601	-	-
FIDIA PHARMA ROMANIA SRL	3.444	-	-	44	-	13
FIDIA PHARMA RUSSIA LLC	434	-	-	1.047	-	-
FIDIA PHARMA SLOVAKIA SRO	1.730	-	-	1.500	-	-
FIDIA PHARMA SWITZERLAND SA	-	-	-	668	-	-
FIDIA PHARMA USA INC	12.470	31	6.542	112	-	0
LABORATOIRES FIDIA SAS	4.227	-	23	173	27	6
LABORATORIOS FIDIA FARMACEUTICA SLU	10.021	5.223	79	1.054	90	130
FIDIA PHARMA POLSKA SP ZOO	508	-	258	-	-	-
Total subsidiaries and parents	48.118	5.286	6.940	14.200	146	174

6.6 Subsequent events

There were no events occurring after the end of the financial year 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.

Qualification	2023
Directors	6.018
Statutory auditors	105
Independent auditors	172
Total	6.295

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, 27 March 2024
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 2023, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the 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 2023 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 the 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 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 audit 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 2023 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 2023 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 2023 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, 9 April 2024

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director of Audit