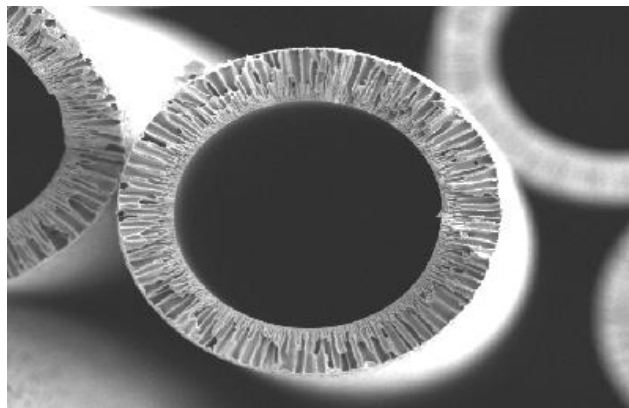

MEDICA



Separate and Consolidated Financial Statements at 31 December 2021

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Details of the Parent Company

Medica S.p.A.

Registered office

Via degli Artigiani, 7
41036 Medolla (MO)

Legal information

Authorised share capital: Euro 4,223,250

Subscribed and paid-up share capital: Euro 4,223,250

Tax code/Register of Companies/VAT no. 01604300366

Composition of the Parent Company's corporate and control bodies

Board of Directors

In office until the approval of the financial statements at 31 December 2023

Fecondini Luciano

Chairman of the board of directors

Fecondini Marco

Managing director

Bocchi Letizia

Managing director

Stancari Chiara

Managing director

Andrea Moschetti

independent director

Board of Statutory Auditors

In office until the approval of the financial statements at 31 December 2021

Mazza Anna Laura

Chairman

Campadelli Giuseppe

Standing Auditor

Vergnanini Riccardo

Standing Auditor

Quattrini Loris

Alternate Auditor

Guerzoni Sandra

Alternate Auditor

Independent Auditors

In office until the approval of the financial statements at 31 December 2022

EY S.p.A.

REPORT ON OPERATIONS

Introduction

With regard to the financial year ended 31 December 2021, the figures shown and the comments made in this report are aimed at providing an overview of the Company and the Group's financial position, results of operations and cash flows and of any related change that was recorded during the reporting period, as well as of the significant events that occurred and had an impact on the result for the period.

We would like to specify that this report provides all the information prescribed and required by Article 2428 of the Italian Civil Code, as amended by Legislative Decree no. 32 of 2007, as well as that required by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*). The information provided is considered to be useful for giving a true, fair and comprehensive view of the Company and the Group's performance concerning the results of operations as a whole, as well as a description of the main risks and uncertainties to which the Company and the Group are exposed.

The Group's structure and business

Medica S.p.A. ("**Company**") and its subsidiaries (collectively, the "**Group**" or the "**Medica Group**") are an international player that is active in the manufacturing of medical products and hospital equipment, in particular in the rubber plastic and metalworking business sectors.

Since 2010 we have added a water filtration division (Medica Water Division) to our traditional areas of operation, where we are able to use our membrane and filter technology to place on the water filtration market certain products with significantly higher performance for microbiological purification. This division has taken on a key role in the evolution of the Medica group because important opportunities have been established for civil and industrial use, in addition to the initial successful experience in water filtration at hospitals; the proof of this is that in 2020 Medica was assigned the role as the leading company in an important European project, Graphil, which involves 6 other European entities (Universities and enterprises from various member states). The project is 100% funded by the EU and is key to the development of technology aimed at eliminating dangerous pollutants that are beginning to be observed in drinking water. The idea is to use graphene, which is a monolayer material of carbon molecules, to enhance the mechanical properties of polysulfone membranes that Medica has been producing for decades.

The Group operates through the following companies:

- 1) Medica SpA (Medolla – Italy), which is the Group holding company responsible for management, research and development, quality and manufacturing of medical products and is controlled by the newly-established holding company Pelmo87 Srl (*Ultimate Parent Company*).
- 2) Tecnoideal Srl, a sole-quotaholder company - hereinafter also referred to as Tecnoideal Srl, (Mirandola – Italy) -, which is directly wholly owned by Medica SpA and operates in the electromechanical sector, developing and manufacturing assembly machines used in biomedical companies, as well as hospital equipment for the parent company Medica.
- 3) Sar-med Srl (Iglesias – Italy), which is directly wholly owned by Medica SpA and produces membranes, catheters, filters and disposable products, both for blood and water filtration.
- 4) Medica Méditerranée (Bizerte-Tunisia), which is wholly owned directly by Medica SpA for 92.11% and indirectly through the sole-quotaholder subsidiary Tecnoideal Srl for the remaining investment of 7.89%, and produces printed parts, extruded tubes for blood lines and catheters.

- 5) Tecnoideal America (Maryland – USA), which is 60% owned through the sole-quotaholder subsidiary Tecnoideal Srl that in turns holds an interest of 90% in Nefrodom (dialysis centers in Santo Domingo - Dominican Republic).
- 6) Tecnoideal ASIA (Shanghai – China), a commercial company that is wholly owned through the sole-quotaholder subsidiary Tecnoideal Srl and that started its operations at the same time as the outbreak of the Covid-19 pandemic.
- 7) THF Srl (Marzolaro – Italy), 100% of whose quotas were acquired through the sole-quotaholder subsidiary Tecnoideal Srl at the end of April 2021 at a price of Euro 2,500 thousand, of which an amount of Euro 150 thousand to be paid by December 2022 and an amount of Euro 150 thousand to be paid by April 2026. The company operates in the design and manufacture of special machines for radiofrequency or thermal pulse welding of plastic films, applied to various products, including medical goods (typically blood bags or bags for liquids to be sterilised). By means of the acquisition we hope to expand Tecnoideal’s technological offer by adding the sector of welding machines for medical films and approach new industrial markets.

Tecnoideal ASIA was excluded from the scope of consolidation as at 31 December 2021 since the figures of its financial position and results of operations are irrelevant with respect to the consolidated financial statements, as provided for by Article 28 of Legislative Decree no. 127 of 1991.

THF Srl, which was acquired on 28 April 2021, was consolidated on a line-by-line basis from 1 July 2021.

The opening balances at 1 July 2021 are shown below.

Description (€/th.)	1 July 2021
Property, plant and equipment and intangible assets	851
Inventories	357
Receivables from customers	657
Payables to suppliers	(344)
Advances from customers	(471)
Other assets and liabilities	(214)
Employee severance pay	(351)
Net Invested Capital	485
Net cash on hand (positive sign = assets)	220
Net assets acquired	705
Goodwill	1,795
Consideration	2,500

Medica also holds 17.09% of Tecnopolo MISTE-R, a microtechnology laboratory located at the Italian National Research Council (CNR) in Bologna: the investment is considered to be key to participating in one of the Technology hub projects of the Emilia-Romagna Region, which boasts the best performance, both in terms of results of operations and as a research and development partner for members and third parties.

The sole-quotaholder subsidiary Tecnoideal Srl holds an interest of 11.25% of Medica Middle East (Cairo - Egypt), which was written down in full during the 2014 and 2015 financial years given that the company had not provided any information on its financial and economic performance such that the Directors could maintain the subscription value of the investment in the share capital.

General economic performance and Management Analysis

Introduction

Furthermore, it should be noted that although they do not show significant seasonal or cyclical variations in overall annual sales, the Group's business activities are affected by differences in the distribution of revenue and cost flows during the various months of the year.

General economic performance

The global market trend has been and continues to be heavily hit by the pandemic, which led to a decline in global sales for the first time in decades in the field of extracorporeal blood treatment, and firstly hemodialysis, both in 2020 and in 2021. Mortality in critically ill patients, such as those who are already undergoing dialysis, was in double-digit percentages in many of the world's major markets. The experience of fighting the pandemic has also accelerated the push towards technology capable of connecting patients with physicians remotely, both to avoid the risk of crowding at hospitals and to enable far faster and more effective patient monitoring and care. Telemedicine and portable equipment are certainly the main focus of development in the device industry.

Medica has continued the development of a portable device that allows the removal of excess fluid from the patient's body and that has potential applications in many renal, pulmonary and heart diseases.

Obviously, work will continue, in the short to medium term, on the development of specific devices against the pandemic, with a predominance of respiratory support devices; however, the experience gained in the meantime has made it increasingly clear that respiratory intervention is the "last resort", which should be avoided by using technology of extracorporeal purification of the patients' blood (removal of cytokines) before the pulmonary compromise occurs.

The Company and the Group's economic and financial performance

The result for the year was characterised by very diversified situations in the large product portfolio of the Group.

Sustained growth continued in sales of our apheresis products (machines and filters) on the German market and beyond, as did substantial growth in the product line for kidney and liver transplants and in tubing for use in laser eye surgery.

In addition, we completed and then invoiced a major project for the development of apheresis equipment for a world leading company in the sector. The CE mark was obtained and this will open the door to repeat sales as from 2022, since Medica is the manufacturer of the machines as per contract.

The trend was also positive for other niche products with substantial profit margins such as plasma filters and plasma fractionators. The sharp increase in sales of electro-medical equipment ensures growth in sales of dedicated disposables in future years.

The financial year was marked by a slowdown in the Water Division business, which commenced to be observed in the last months of 2020 and continued into the first half of 2021 and then grew in the second half of 2021, thus boosting expectations for 2022. Water purification at hospitals has been heavily impacted by the pandemic, which has taken away part of the resources that are normally allocated to microbiological water purification.

In general, there has been an overall slowdown in the dialysis market, since the pandemic has affected, in particular, hemodialysis patients. Medica, too, has been affected by the decline in volumes of dialysis filters and lines. A substantial decline has also been reported in sales of oxygen humidification filters, as expected due to new contractual conditions with the customer.

The Group's results of operations

The table below shows the reclassified consolidated income statement for the financial years ended 31 December 2021 and 31 December 2020.

<i>(in thousands of Euro)</i>	Financial year ended 31 December				Change	
	2021	(*)	2020	(*)	2021-2020	
Revenues from sales and services	43,800	100%	44,060	100%	-260	-1%
Raw materials, supplies, consumables and goods for resale ⁽¹⁾	-15,215	-35%	-17,390	-39%	2,175	-13%
Gross Profit	28,585	65%	26,670	61%	1,915	7%
Costs for services and leases and rentals	-8,902	-20%	-8,122	-18%	-779	10%
Personnel costs	-13,205	-30%	-12,448	-28%	-757	6%
Other net operating costs ⁽²⁾	3,419	8%	3,484	8%	-65	-2%
Write-downs ⁽³⁾	0	0%	-37	0%	37	-100%
EBITDA	9,897	23%	9,546	22%	351	4%
Amortisation and depreciation ⁽⁴⁾	-4,046	-9%	-3,955	-9%	-92	2%
Accruals to provisions for risks and charges	-27	0%	0	0%	-27	0%
Operating profit (EBIT)	5,824	13%	5,592	13%	232	4%
Net financial costs ⁽⁵⁾	-207	0%	-294	-1%	88	-30%
Profit before tax	5,617	13%	5,297	12%	320	6%
Income tax	-637	-1%	-1,450	-3%	812	-56%
Profit for the period	4,980	11%	3,848	9%	1,132	29%
Of which Profit attributable to minority interests	7	0%	76	0%	-69	-91%
Of which Profit attributable to the Group	4,973	11%	3,772	9%	1,201	32%

(*) Percentage impact calculated with respect to "Revenues from sales and services"

Notes of reconciliation between reclassified consolidated and condensed consolidated income statement items:

- (1) This item includes costs for purchases of raw materials, consumables and goods for resale, net of changes in inventories
- (2) This item includes other revenues, capitalisation of internal construction costs and other operating charges
- (3) This item includes write-downs of receivables
- (4) This item includes depreciation of property, plant and equipment, amortisation of intangible assets and investment property
- (5) This item includes financial income and costs

Revenues from sales and services, equal to Euro 43,800 thousand in 2021, showed a decrease of Euro 260 thousand (1%) compared to 2020. Sales performance in 2021 was mainly characterised by a significant growth in the following lines of business: Acute & Aferesis, from Euro 7,058 thousand in 2020 to Euro 9,230 thousand in 2021 (+31%), and Tecnoideal Automation, which, also thanks to the contribution of Euro 1,273 thousand given by the newly-acquired THF Srl as from 1 July 2021, grew from Euro 8,788 thousand to Euro 11,997 thousand (+37%); this was accompanied by more moderate growth in the Menfis division (up by Euro 128 thousand, +13%) and in the provision of services and other activities (up by Euro 772 thousand, +50%), as well as by a downturn in other lines of business (showing an overall reduction of Euro 6,540 thousand, -26%); specifically, the Water Division, which showed a decrease from Euro 4,787 thousand in 2020 to Euro 3,503 thousand in 2021 (-27%), saw significant signs of recovery as early as the second half of 2021, with sales of Euro 2,087 thousand, compared to those achieved during the first half of 2021, equal to Euro 1,416 thousand (+47%). Furthermore, worthy of mention is the growth in sales of medical equipment from Euro 4,076 thousand in 2020 to Euro 4,572 thousand in 2021 (Euro +496 thousand, +12%).

Gross Profit, equal to Euro 28,585 thousand in 2021, showed an increase of 7% compared to 2020, mainly due to lower costs incurred by subsidiary Tecnoideal for the construction of machinery for use within the Group (this was the main reason for the reduction in capitalisation of internal construction costs from Euro 3,151 thousand in 2020 to Euro 2,694 thousand in 2021), as well as to a different mix of revenues from sales achieved in 2021 compared to 2020, to the benefit of the lines of business with higher profit margins, as pointed out in the above paragraph.

EBITDA, equal to Euro 9,897 thousand in 2021, showing an increase of Euro 351 thousand (+4%) compared to Euro 9,546 thousand in 2020, was mainly attributable to THF's contribution of Euro 197 thousand, as well as to the reasons stated in the previous paragraphs, higher personnel costs due to an increase in the Group's workforce, which has been strengthened at various strategic offices, and an increase in costs for administration and general consultancy, which mainly include non-capitalised

costs of Euro 74 thousand incurred for the listing on the Euronext Growth Milan market and costs of Euro 62 thousand incurred for consultancy advice to obtain grants from the European Union.

Operating Profit amounted to Euro 5,824 thousand, showing an increase of Euro 232 thousand (+4%) compared to the value posted in 2020, which was mainly attributable to the reasons for the EBITDA stated in the above paragraph. Amortisation includes the portion for the first two months of the year, equal to Euro 40 thousand, concerning the listing costs capitalised during the year for a total of Euro 1,239 thousand and the portion for the first six months of the year, equal to Euro 90 thousand, concerning the goodwill arising from the acquisition of THF Srl.

Profit for the Period came to Euro 4,980 thousand, showing a significant increase compared to the 2020 balance, equal to Euro 3,848 thousand, as a result of the factors described in the previous paragraphs, as well as of higher net deferred tax assets accounted for in 2021 compared to 2020 (Euro 770 thousand in 2021 against Euro 147 thousand in 2020), which the Group estimates to be recoverable in the coming financial years on the basis of the profitability forecasts set out in the 2021-2025 business plan, and the positive impact deriving from the “Super ACE” (Aid to Economic Growth) tax credit on the capital increase carried out in 2021, equal to Euro 180 thousand.

The Group’s reclassified balance sheet

The table below shows the reclassified consolidated statement of financial position at 31 December 2021 and at 31 December 2020:

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Investments:		
Net Working Capital (B)⁽²⁾	7,181	3,016
Intangible assets	9,029	6,423
Property, plant and equipment	17,877	15,507
Non-current financial assets	430	428
Fixed assets (A)	27,336	22,358
Employee severance pay	(1,471)	(1,086)
Provisions for risks and charges	(60)	(88)
Net deferred tax liabilities ⁽¹⁾	1,392	582
Net invested capital (A+B+C)	34,378	24,782
Sources:		
Shareholders’ Equity	45,173	21,672
Net Financial Debt	(10,795)	3,110
Sources of financing	34,378	24,782

Notes of reconciliation between reclassified and consolidated balance sheet items:

(1) This item includes receivables for deferred tax assets, net of the provision for deferred tax liabilities

(2) For more information, reference should be made to the paragraph on Non-GAAP alternative performance indicators.

The investments mainly related to the following items:

- 1) acquisition of 100% of the quotas of THF Srl, based in Marzolarà (PR) – Italy, at a price of Euro 2,500 thousand, of which an amount of Euro 150 thousand to be paid by December 2022 and an amount of Euro 150 thousand to be paid by April 2026 (for more details on the impact in each line of the balance sheet, reference should be made to the paragraph on “The Group’s structure and business”), excluding net cash assets acquired for Euro 220 thousand;
- 2) continuation of the works involving the new building at subsidiary Sar-med for Euro 1,103 thousand and the new building at subsidiary Medica Méditerranée for Euro 737 thousand;
- 3) manufacturing by Tecnoideal of machinery for subsidiary Sarmed, equal to Euro 1,593 thousand and for the Graphene development project at Medica, equal to Euro 228 thousand, and by Tecnoideal and THF of machinery for subsidiary Medica Méditerranée, equal to Euro 217 thousand;

- 4) capitalisations of costs incurred for development programmes, for Euro 808 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 160 thousand, the NewHemo project for Euro 132 thousand, the Detecta project for Euro 112 thousand, the New SAU project for Euro 75 thousand, the CCB project for Euro 68 thousand, the Homemo project for Euro 66 thousand and the Catetere project for Euro 67 thousand;
- 5) purchases of equipment for the Grafene project for Euro 96 thousand;
- 6) costs incurred for the capital increase in Medica SpA for the listing of its ordinary shares on the Euronext Growth Milan market, equal to Euro 1,313 thousand (an amount of Euro 1,239 thousand of which was capitalised);
- 7) costs incurred for the registration of patents for Euro 56 thousand.

Below is the breakdown of the Group's Net Working Capital at 31 December 2021 and at 31 December 2020:

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Inventories	15,959	12,722
Receivables from customers	8,849	8,117
Advances from customers	(3,384)	(4,929)
Payables to suppliers	(7,488)	(5,407)
Net Trade Working Capital	13,936	10,504
Other current and non-current assets	5,327	3,131
Other current and non-current liabilities	(12,082)	(10,620)
Net Working Capital	7,181	3,016

The increase in net working capital was mainly due to a rise in inventory as a result of additions made to stock levels for precautionary purposes in order to cope with uncertainties in the timing of delivery of components from suppliers and the plant downtime of our main provider of the sterilisation service, mainly occurred at the end of the year, which resulted in a reduction in deliveries of our products to customers during the last period of the year and lower income tax payables to the Tax Office compared to 2020 (a net credit of Euro 320 thousand in 2021 against a net debt of Euro 932 thousand in 2020). This was also mainly due to the fact that the growth in the result before tax recorded in 2021 compared to 2020 (Euro 320 thousand) was lower than that in 2020 compared to 2019 (Euro 1,957 thousand).

The Group's Net Financial Debt

Below is the breakdown of the Group's Net Financial Debt at 31 December 2021 and at 31 December 2020, determined as required by the ESMA 32-382-1138 guidelines:

<i>in thousands of Euro</i>	At 31 December 2021	At 31 December 2020
A. Cash on hand	(30,910)	(20,597)
B. Cash equivalents	-	-
C. Other current financial assets	(1,757)	(1,204)
D. Liquidity (A + B + C)	(32,667)	(21,801)
E. Current financial debt	14	69
F. Current portion of non-current financial debt	5,201	5,519
G. Current financial debt (E) + (F)	5,215	5,588
H. Net current financial debt (G)– (D)	(27,452)	(16,213)
I. Non-current financial debt	16,357	19,322
J. Debt instruments	-	-
K. Trade payables and other non-current payables	300	-
L. Non-current financial debt (I) + (J) + (K)	16,657	19,322
M. Net financial debt or Net Debt (H) + (L)	(10,795)	3,110

* the balance at 31 December 2021 included payables to the sellers of THF Srl for Euro 300 thousand.

The balance at 31 December 2021 did not include net financial position assets of Euro 82 thousand resulting from the accounting balances of Tecnoideal Asia (non-consolidated company) at 31 December 2021.

Net Financial Debt, equal to a positive balance of Euro 10,795 thousand, improved significantly compared to the value posted at 31 December 2020, mainly due to the effect arising from the capital increase resolved for the listing of the parent company, which brought an amount of Euro 17,237 thousand, net of costs, into the Group's coffers and the outlays relating to non-recurring investments made for the acquisition of THF Srl, which amounted to Euro 2,280 thousand, excluding net cash acquired, and for the expansion of manufacturing operations being carried out at the two subsidiaries Sarmed and Medica Méditerranée, for a total of Euro 1,840 thousand for buildings and Euro 1,593 thousand for machinery.

<i>in thousands of Euro</i>	31/12/2021	31/12/2020	Change	
			2021 vs 2020	2021 vs 2020
EBITDA (A)	9,897	9,547	350	4%
Current tax (B)	(1,407)	(1,586)	179	(11%)
Change in net working capital (C)	(4,165)	4,313	(8,478)	(197%)
CAPEX (D)	(5,311)	(3,652)	(1,659)	45%
Total FCFO (E) = (A) – (B) – (C) + (D)	(986)	8,622	-9,608	(111%)

CAPEX includes total net investments in property, plant and equipment and intangible assets, net of deferred charges incurred for the listing and the investment in THF. If we also exclude non-recurring investments in buildings and machinery, for a total of Euro 3,433 thousand, FCFO would be positive for Euro 2,447 thousand.

The Company's results of operations

The table below shows the reclassified separate income statement for the financial years ended 31 December 2021 and 31 December 2020.

<i>(in thousands of Euro)</i>	Financial year ended 31 December				Change	
	2021	(*)	2020	(*)	2021-2020	
Revenues from sales and services	34,366	100%	39,005	100%	-4,638	-12%
Raw materials, supplies, consumables and goods for resale ⁽¹⁾	-24,727	-72%	-29,848	-77%	5,121	-17%
Gross Profit	9,640	28%	9,157	23%	483	5%
Costs for services and leases and rentals	-3,424	-10%	-3,117	-8%	-308	10%
Personnel costs	-2,796	-8%	-2,641	-7%	-155	6%
Other net operating costs ⁽²⁾	375	1%	553	1%	-178	-32%
Write-downs ⁽³⁾	0	0%	-37	0%	37	-100%
EBITDA	3,794	11%	3,915	10%	-121	-3%
Amortisation and depreciation ⁽⁴⁾	-1,644	-5%	-1,509	-4%	-134	9%
Accruals to provisions for risks and charges	0	0%	0	0%	0	0%
Operating profit (EBIT)	2,150	6%	2,405	6%	-255	-11%
Net financial costs ⁽⁵⁾	-100	0%	-160	0%	60	-38%
Profit before tax	2,050	6%	2,245	6%	-195	-9%
Income tax	-26	0%	-979	-3%	952	-97%
Profit for the period	2,024	6%	1,266	3%	758	60%

(*) Percentage impact calculated with respect to "Revenues from sales and services"

Notes of reconciliation between reclassified consolidated and condensed consolidated income statement items:

- (1) This item includes costs for purchases of raw materials, consumables and goods for resale, net of changes in inventories
- (2) This item includes other revenues, capitalisation of internal construction costs and other operating charges
- (3) This item includes write-downs of receivables
- (4) This item includes depreciation of property, plant and equipment, amortisation of intangible assets and investment property
- (5) This item includes financial income and costs

Revenues from sales and services, equal to Euro 34,366 thousand in 2021, showed a decrease of Euro 4,638 thousand (-12%) compared to 2020, which was mostly due to the sales performance of the

Group's lines of business, except for Tecnoideal Automation, as described in the paragraph on the Group's "**Revenues from sales and services**".

Gross Profit, equal to Euro 9,640 thousand in 2021, showed an increase of 5% compared to the result achieved in 2020, equal to Euro 9,157 thousand, mainly as a result of a different mix of revenues from sales achieved in 2021 compared to 2020, to the benefit of the lines of business with higher profit margins.

EBITDA, equal to Euro 3,794 thousand in 2021, showing a decrease of Euro 120 thousand compared to Euro 3,915 thousand in 2020, was mainly attributable to the reasons stated in the previous paragraphs, and to higher personnel costs due to an increase in the Company's workforce, which has been strengthened at various strategic offices, as well as to an increase in costs for administration and general consultancy for Euro 216 thousand, which mainly include non-capitalised costs of Euro 74 thousand incurred for the listing on the Euronext Growth Milan market, costs of Euro 62 thousand incurred for consultancy advice to obtain grants from the European Union, and lower capitalisations carried out in 2021 compared to 2020 (Euro -109 thousand).

Operating Profit amounted to Euro 2,150 thousand, showing a decrease of Euro 225 thousand compared to Euro 2,405 thousand posted in 2020, which was mainly attributable to the reasons for the EBITDA stated in the above paragraph, in addition to amortisation of Euro 40 thousand of capitalised costs incurred for the listing on the Euronext Growth Milan market and higher depreciation of property, plant and equipment arising from investments made in 2021.

Profit for the Period came to Euro 2,024 thousand, showing a significant increase compared to 2020, equal to Euro 1,266 thousand, as a result of the factors described in the previous paragraphs, as well as of higher net deferred tax assets accounted for in 2021 compared to 2020 (Euro 537 thousand in 2021 against Euro -191 thousand in 2020), which the Company estimates to be recoverable in the coming financial years on the basis of the profitability forecasts set out in the 2021-2025 business plan, and the positive impact deriving from the "Super ACE" (Aid to Economic Growth) tax credit on the capital increase carried out in 2021, equal to Euro 180 thousand.

The Company's reclassified balance sheet

The table below shows the Company's reclassified statement of financial position at 31 December 2021 and at 31 December 2020:

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Investments:		
Net Working Capital (B)⁽²⁾	(12,581)	(15,993)
Intangible assets	5,899	4,383
Property, plant and equipment	5,730	6,303
Non-current financial assets	13,788	13,785
Fixed assets (A)	25,417	24,470
Employee severance pay	(155)	(203)
Provisions for risks and charges	(33)	(31)
Net deferred tax liabilities ⁽¹⁾	397	(140)
Net invested capital (A+B+C)	13,045	8,103
Sources:		
Shareholders' Equity	31,532	11,009
Net Financial Debt (net financial position assets)	(18,488)	(2,906)
Sources of financing	13,045	8,103

Notes of reconciliation between reclassified and consolidated balance sheet items:

(1) This item includes receivables for deferred tax assets, net of the provision for deferred tax liabilities

(2) For more information, reference should be made to the paragraph on Non-GAAP alternative performance indicators.

The investments mainly related to the following items:

- 1) machinery and equipment for the Graphene development project, equal to Euro 446 thousand;
- 2) capitalisations of costs incurred for development projects, for Euro 619 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 161 thousand, the NewHemo project for Euro 188 thousand, the New SAU project for Euro 75 thousand and the Catetere project for Euro 67 thousand;
- 3) costs incurred for the capital increase in Medica SpA for the listing of its ordinary shares on the Euronext Growth Milan market, equal to Euro 1,313 thousand (an amount of Euro 1,239 thousand of which was capitalised);
- 4) costs incurred for the registration of patents for Euro 56 thousand.

Below is the breakdown of the Company's Net Working Capital at 31 December 2021 and at 31 December 2020:

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Inventories	5,391	3,779
Receivables from customers	6,218	7,181
Advances from customers	(1,314)	(1,515)
Payables to suppliers	(1,650)	(1,691)
Net Receivables from/Payables to Group companies	(14,880)	(17,597)
Net Trade Working Capital	(6,235)	(9,843)
Other current and non-current assets	1,166	1,666
Other current and non-current liabilities	(7,512)	(7,817)
Net Working Capital	(12,581)	(15,993)

The increase in net working capital was mainly due to a rise in inventory as a result of additions made to stock levels for precautionary purposes in order to cope with uncertainties in the timing of delivery of components from suppliers and the plant downtime of our main provider of the sterilisation service, mainly occurred at the end of the year, which resulted in a reduction in deliveries of our products to customers during the last period of the year. It was also due to a reduction in payables to subsidiaries, mainly as a result of the acquisition of THF on the part of Tecnoideal for Euro 2,500 thousand, and lower income tax payables to the Tax Office compared to 2020 (a net credit of Euro 112 thousand in 2021 against a net debt of Euro 819 thousand in 2020) and was mainly due to the fact that the result before tax recorded in 2021 was lower by Euro 194 thousand compared to 2020, while that recorded in 2020 was higher by Euro 958 thousand compared to 2019.

The Company's Net Financial Debt

Below is the breakdown of the Company's Net Financial Debt at 31 December 2021 and at 31 December 2020, determined as required by the ESMA 32-382-1138 guidelines:

<i>in thousands of Euro</i>	At 31 December 2021	At 31 December 2020
A. Cash on hand	(26,319)	(14,648)
B. Cash equivalents	-	-
C. Other current financial assets	-	-
D. Liquidity (A + B + C)	(26,319)	(14,648)
E. Current financial debt	3	42
F. Current portion of non-current financial debt	2,428	3,877
G. Current financial debt (E) + (F)	2,431	3,919
H. Net current financial debt (G)– (D)	(23,888)	(10,729)
I. Non-current financial debt	5,400	7,824
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I) + (J) + (K)	5,400	7,824
M. Net financial debt or Net Debt (H) + (L)	(18,488)	(2,905)

Net Financial Debt, equal to a positive balance of Euro 18,488 thousand, showed an increase of Euro 15,583 thousand compared to the value posted at 31 December 2020, mainly due to the amounts collected from the capital increase authorised for the listing of the parent company, which brought an amount of Euro 17,237 thousand, net of costs, into the Company's coffers and the outlays relating to the investments described in the previous paragraphs.

<i>in thousands of Euro</i>	31/12/2021	31/12/2020	Change	
			2021 vs 2020	2021 vs 2020
EBITDA (A)	3,794	3,915	(121)	-3%
Current tax (B)	(563)	(788)	225	-29%
Change in net working capital (C)	(3,412)	9,903	(13,315)	-134%
CAPEX (D)	(1,349)	(1,225)	(124)	10%
Total FCFO (E) = (A) – (B) – (C) + (D)	(1,530)	11,805	(13,335)	-113%

CAPEX does not include listing costs.

Non-GAAP alternative performance indicators

The Company's management assesses the Group's performance on the basis of certain indicators that are not envisaged by the Italian GAAPs or IFRS. In particular, EBITDA, as appropriately adjusted when requirements are met, is used as the key profitability ratio, since it allows the Group's profit margins to be analysed, eliminating any effect arising from the volatility generated by income statement elements that are either non-recurring or unrelated to ordinary operations.

The components of each of the following key indicators are described below:

- Gross Profit is defined by the Group as the difference between revenues from sales and services and costs of raw materials, supplies, consumables and goods for resale, net of changes in inventories;
- EBITDA is defined by the Group as the sum of profit for the year, plus income tax, write-downs of non-current financial assets, financial income and costs, provisions for risks and charges, amortisation, depreciation and impairment of fixed assets;
- EBITDA Margin is defined by the Group as the ratio of EBITDA to Revenues from sales and services;
- Adjusted EBITDA is defined by the Group as EBITDA adjusted by non-recurring income components;
- Adjusted EBITDA Margin is defined by the Group as the ratio of Adjusted EBITDA to Revenues from sales and services;
- EBIT is defined by the Group as the sum of profit for the year, plus income tax, write-downs of non-current financial assets and financial income and costs;
- EBIT margin is calculated by the Group as the ratio of EBIT to revenues from sales and services;
- Net Trade Working Capital is defined by the Group as the sum of inventories, receivables from customers, net of payables to suppliers and advances from customers;
- Net Working Capital is defined by the Group as the sum of Net Trade Working Capital and other current assets, net of other current liabilities;
- Net Invested Capital is defined by the Group as the sum of Net Working Capital, Fixed Assets and other non-current assets and liabilities;
- Net Financial Debt has been determined by the Group according to the framework provided by ESMA 32-382-1138 guidelines;
- FCFO (Free Cash Flow From Operations) is calculated by the Group from EBITDA less current tax, the change in net working capital compared to the previous period and investments in (net of disinvestments from) property, plant and equipment and intangible assets.

Atypical and/or unusual transactions

There are no positions or transactions arising from atypical and/or unusual transactions that are significant in terms of their impact on the Company and the Group's financial position, results of operations and cash flows.

Related-party transactions

For a detailed description of transactions carried out with related parties in 2021, reference should be made to note 23 "Related-party Transactions" in the notes to the separate and consolidated financial statements at 31 December 2021.

In accordance with Article 2497-*bis*, paragraph 5, of the Italian Civil Code, it should be noted that the transactions between the Group companies are essentially commercial, financial and services in nature and are carried out at arm's length.

In accordance with Article 2497 et seq. of the Italian Civil Code, it should be noted that the Company is not subject to management or coordination on the part of any other company or entity.

Description of risks and uncertainties to which the Company and the Group are exposed and financial instruments

In conducting their business, the Company and the Group are exposed to various risks that may affect the valuation of outstanding financial instruments reported in the separate and consolidated financial statements. In particular, the Company and the Group are exposed to the following risks, in line with the terms used by the Italian Civil Code:

- market;
- credit;
- liquidity.

The Company and Group's Management has put in place means, policies and tools to control business risks in general, and in particular in the areas of product quality and safety, intellectual property rights and the monitoring of debt and its best type for the Group's expansion strategy, pursuing the objective of minimising business risks.

Market risks

Within the broader concept of market risks, i.e. the risk that the fair value of a financial instrument may undergo changes as a result of fluctuations in exchange rates (exchange risk), interest rates (interest rate risk) or as a result of fluctuations in market prices other than exchange and interest rates (other price risk).

Technological risk: it is associated with the business in which the Group operates, which is characterised by technological innovation. The Group minimises this risk through continuous investment in quality and in research and development, which enables it to manufacture products with high technological content and added value.

Price risk: the elasticity of selling prices enables the Group to reflect changes in the purchase costs of raw materials in the selling prices of its products in a shorter timeframe.

Exchange risk: this is a minimal risk since all major transactions are carried out in Euro.

Interest rate risk: in order to conduct its business, the Group raises financing on the market by borrowing both at variable interest rates, thus exposing itself to the risk arising from interest rate fluctuations and at fixed rates to reduce such risk. Given the Company's substantial liquidity, the low cost of borrowing and the fact that a significant amount of its loans has been taken out at fixed rates, we consider that the risk is not significant to the Group.

Credit risk

This risk consists of the exposure to potential losses that may arise from any instance of non-fulfilment of the obligations undertaken by customers. The low concentration of credit combined with the use of advances from customers, audits on the rating and reliability of customers and ongoing

credit monitoring which lead to the blocking of credit lines in the event of insolvency, allow us to reduce the risk to insignificant levels. No significant issues have arisen in relation to the non-recovery of debt.

Liquidity risk

This is the risk that the financial resources available may be insufficient to cover the bonds falling due or, in any event, the inability to raise the financial resources needed to perform the Group's operations under favourable economic conditions. The Group has implemented a policy of strict credit control as described in the section on the related risk. Moreover, cash on hand held in the Group's accounts ensures an adequate level of liquidity, together with available lines of credit.

Treasury shares

The Company neither holds nor held during the period any of its treasury shares or shares or quotas of parent companies, not even through third parties and/or trust companies, and has therefore not carried out any purchase or sale of the above-mentioned shares and/or quotas.

Environment and personnel

It is worth noting that the Group operates in newly-built premises, with improved conditions and in full compliance with occupational safety regulations, as well as to also offer a better quality working environment. With reference to the MEDICA GROUP personnel, it should be noted that there were no significant events which are worthy of special mention in order to provide a better understanding of the business environment. However, during the year, the Group companies monitored all their offices and sites with periodic audits on an ongoing basis, in order to operate in compliance with the current laws governing environment and safety at the workplace and the quality of the working environment. In order to complete the analysis that has been carried out so far, it is deemed appropriate to also provide the following information on the development programme undertaken by the Group in terms of limiting the environmental impact arising from the type of business that is conducted.

In this regard, the Group companies did not incur any particularly significant environmental cost or investment during the current year, in the absolute conviction that respect for the environment is not only a fundamental human value, but also a strategic factor, and a key to the competitiveness and sustainability of our Group.

It should also be noted that there were no disputes with personnel, or difficulties in relations with the workforce or the trade unions, during the year. Investment in human capital plays a crucial role for our Group.

Research and development activity

The Group, which is oriented towards continuous innovation, has sustained development costs of Euro 808 thousand for projects which it believes may have an excellent chance of becoming innovative new products in the future and which will expand the offer provided to our customers. Work continued on the Graphil project, which is funded by the European Union within the scope of the H2020 programmes. The project will last three years and will involve Medica as coordinator and the Italian National Research Council (CNR), the University of Chalmers (Goteborg, Sweden), the University of Manchester, Polymem (France) and Icon Lifesaver (United Kingdom) as partners. The project is aimed at developing new filters for water purification that combine the properties of a capillary membrane with those of graphene.

A key project for the future of the Company is New Hemo, which concerns an innovative dialysis machine that has been partially financed by the Emilia-Romagna Regional Government as part of the Research and Development call for earthquake-affected areas. The project is taking longer than planned, due both to the intrinsic complexity of the project and to the Company's decision to give priority to other contracts awarded by multinationals. This, however, does not take anything away from the strategic value of DiaSmart, which we believe may be capable of meeting the needs of both

the public market, through competitive tenders, and the private market with direct sales, which is increasingly oriented towards a complete package combining equipment and disposables.

Development work continued on the HomHemo project for the manufacturing of a home dialysis machine, funded by the Emilia Romagna Regional Government.

Development work also continued on the high resolution catheter project for esophageal manometry in collaboration with Istituto Superiore S. Anna of Pisa, and on the Med Log project concerning a machine for recording body data over a long period of time.

During 2021, the Group started a new project funded by the European Union, Life Remembrance, whose main objective is the manufacturing and sale of a new generation of safe and innovative filters for water purification, obtained from the recycling of scraps from the production of hollow fiber membranes.

Significant events in 2021

On 28 April 2021 the Company, through the sole-quotaholder subsidiary Tecnoideal Srl, acquired 100% of the quotas of THF Srl, based in Marzolaro (PR) - Italy, at a price of Euro 2,500 thousand, of which an amount of Euro 150 thousand to be paid by December 2022 and an amount of Euro 150 thousand to be paid by April 2026. The company operates in the design and manufacture of special machines for radiofrequency or thermal pulse welding of plastic films, applied to various products, including medical goods (typically blood bags or bags for liquids to be sterilised). By means of the acquisition we hope to expand our technological offer by adding the sector of welding machines for medical films and approach new industrial markets.

In July 2021 our notified body KIWA Cermet obtained the European accreditation for MDA (Medical Device Regulation), a fundamental step to allow Medica to operate normally in the future as regards the registration of its medical products.

During the year a total of 7 procedures were approved, which included substantial modifications to already existing medical devices and the introduction of new types of medical devices on our CE Certificate. This is a clear indicator of the potential for further development of the Group's turnover.

During the year the following patents or their territorial extensions were filed and/or issued:

- a. "Artificial Diuresis Device" (HomHemo or AD1 or STB), which was filed in 2021.
- b. "Device and diagnostic system and related production method", is the so-called Electronic Catheter filed in 2021, which is co-owned with a public university.
- c. "Hemodialysis machine equipped with a system for measuring the flow rate of a liquid and its method of operation", which was filed in 2020 but released in 2021.
- d. "Blood filtration machine equipped with a measuring system including optical sensors", which was filed in 2020 and extended with worldwide coverage.
- e. "Method for the treatment of a liquid", which was filed in 2020 and extended to Europe in 2021.

On 1 November 2021, we received from Borsa Italiana S.p.A. the admission to listing of Medica's ordinary shares on the Euronext Growth Milan market, a multilateral trading system organised and managed by Borsa Italiana S.p.A.. The admission took place after the completion of the placement of a total of 847,650 ordinary shares (including overallotment and greenshoe options) for a total value of Euro 22,887 thousand, against a total demand exceeding Euro 174 million, equal to approximately 7.6 times the offer. Trading began on 3 November 2021. The placement price was set at Euro 27.00 per share, at the top of the range. Following the placement, Medica's share capital increased from 3,538,100 shares to 4,223,250 ordinary shares with no par value, of which 20.07% consists of free float.

Events after the reporting date

Conflict between Russia and Ukraine

Following the end of the financial year, relations between Russia and Ukraine deteriorated in such a way as to result in an armed conflict. At the time of preparation of this report the conflict is limited to

the two nations, but as most of the Western countries, including Italy, have taken economic decisions aimed at imposing sanctions on the Russian Federation, repercussions on economy cannot be excluded in our country.

Although the Company has no direct commercial relations with the two countries, the gradual deterioration of economy resulting from the sanctions and the consequences of the conflict could have an indirect impact on the Company: at present, it is not possible to quantify or predict how these repercussions may be reflected in the financial statements for the coming financial year, as they depend substantially on the duration of the conflict, the expansion of its area and its extension over time and the consequent expiry date of the economic sanctions.

With reference to the critical situation due to the outbreak of the conflict in Ukraine, no substantial adverse impacts on the Company's business performance have been reported at present; however, the directors note that they are monitoring the situation very carefully, in view of the potential adverse impact on the general economic environment, and are carrying out the audits required by the new EU regulations with the support of consultants in order to prevent sales in violation of the related legislation and in the verification of dual use.

Possible risks could be associated with:

- Indirect impact derived from business relations with our customers and/or suppliers that could have direct effects in the countries involved in the conflict
- Fluctuations in the prices of raw materials and energy commodities
- Possible repercussions (including indirectly) on the global economic and financial system.

Outlook

The Group will continue to operate in order to provide rapid responses to the needs of the market and its customers, even if the present conditions of procurement of raw materials (plastics, metals, electronic components) put a strain on the scheduling of the various manufacturing operations. To this must be added the general increase in prices that greatly complicates industrial relations with both suppliers and customers. The Group has a growth potential that is still unexpressed, but it is difficult to estimate the results for 2022 in this situation. On the one hand, the order backlog acquired to date and the market trends of our main products should lead us to achieving improved results for 2022 compared to 2021, while on the other hand the continuation of the pandemic, geopolitical and military tensions and difficulties in procuring raw materials may lead to negative variances.

Medolla, 30 March 2022.

For the Board of Directors

Luciano Fecondini
(Chairman)



CONSOLIDATED FINANCIAL STATEMENTS OF THE MEDICA GROUP

Balance Sheet

<i>ASSETS</i>	31.12.2021	31.12.2020
<i>B) FIXED ASSETS:</i>		
I – INTANGIBLE ASSETS:		
1) start-up and expansion costs	1,199,079	
2) research, development and advertising costs	1,287,442	2,208,984
3) industrial patent and intellectual property rights	151,980	114,049
4) concessions, licences, trademarks and similar rights	97,202	84,894
5) goodwill	2,000,623	340,678
6) fixed assets under development and advances	4,234,006	3,502,789
7) others	58,255	171,798
TOTAL I	9,028,588	6,423,192
II – PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings:	5,433,255	4,771,181
2) plant and machinery:	9,305,190	8,415,643
3) industrial and business equipment	590,133	646,309
4) other assets:	325,287	329,005
5) fixed assets under construction and advances	2,222,860	1,345,242
TOTAL II	17,876,723	15,507,380
III – NON-CURRENT FINANCIAL ASSETS:		
1) Equity investments in:	362,708	362,706
a) subsidiaries:	300,000	300,000
d) other companies	62,707	62,706
2) receivables:	1,824,539	64,919
d bis) from others	1,824,539	64,919
a.1) due within 12 months	1,756,800	-
a.2) due beyond 12 months	67,739	64,919
TOTAL III:	2,187,247	427,625
TOTAL FIXED ASSETS (B)	29,092,558	22,358,197
C) CURRENT ASSETS		
I – INVENTORIES:		
1) raw materials, supplies and consumables	6,499,312	5,509,459
2) work in progress and semi-finished products	3,216,602	3,714,346
3) contract work in progress:	2,094,011	58,119
4) finished products and goods for resale:	4,099,109	3,322,722
5) advances:	49,651	117,825
TOTAL I:	15,958,684	12,722,471
II – RECEIVABLES		
1) from customers:	8,848,855	9,321,048
a.1) due within 12 months	8,848,855	9,321,048
a.2) due beyond 12 months	-	-
2) from subsidiaries:	42,993	20,329
a.1) due within 12 months	42,993	20,329
a.2) due beyond 12 months	-	-
5) bis tax receivables:	3,867,734	2,181,365
due within 12 months.	3,153,317	2,138,208
due beyond 12 months.	714,417	43,157
5) ter deferred tax assets:	1,497,554	732,918
a.1) due within 12 months	1,497,554	732,918
a.2) due beyond 12 months	-	-
5) quater from others:	1,171,592	733,549
a.1) due within 12 months	1,093,743	658,826
a.2) due beyond 12 months	77,849	74,723
TOTAL II:	15,428,729	12,989,209
IV – CASH AND CASH EQUIVALENTS:		
1) bank and postal deposits:	30,904,053	20,592,556
3) money and cash on hand:	5,594	3,900
TOTAL IV:	30,909,647	20,596,456
TOTAL CURRENT ASSETS (C=I+II):	62,297,060	46,308,136
D) ACCRUED INCOME AND PREPAID EXPENSES:		
1) accrued income and prepaid expenses:	244,807	195,387
2) discount on loans:	-	-
TOTAL ACCRUED INCOME AND PREPAID EXPENSES:	244,807	195,387
TOTAL ASSETS:	91,634,426	68,861,720

A) SHAREHOLDERS' EQUITY:	31.12.2021	31.12.2020
I - SHARE CAPITAL:	4,223,250	3,538,100
II - SHARE PREMIUM RESERVE	18,575,820	761,920
III - REVALUATION RESERVES:	1,358,000	1,358,000
IV - LEGAL RESERVE:	369,026	305,726
V - RESERVES REQUIRED BY ARTICLES OF ASSOCIATION:	5,533,281	4,330,581
VI - OTHER RESERVES:	667,553	806,821
VIII - PROFITS (LOSSES) CARRIED FORWARD	9,270,366	6,609,124
IX - PROFITS (LOSSES) FOR THE YEAR:	4,972,919	3,772,093
TOTAL GROUP EQUITY (A)	44,970,215	21,482,367
I - MINORITY INTERESTS' CAPITAL AND RESERVES	195,903	113,597
I - PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	6,929	75,769
I - EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	202,832	189,366
TOTAL CONSOLIDATED EQUITY	45,173,047	21,671,733
B) PROVISIONS FOR RISKS AND CHARGES:		
1) for pension fund and similar obligations	7,708	6,123
2) for tax, including deferred tax:	105,578	150,386
3) derivative liabilities	-	-
4) others:	52,060	82,075
TOTAL (B=1+2+3+4)	165,346	238,584
C) EMPLOYEE SEVERANCE PAY	1,470,969	1,086,470
D) PAYABLES		
4) payables to banks:	17,935,433	22,927,683
a.1) due within 12 months	4,097,866	5,307,407
a.2) due beyond 12 months	13,837,566	17,620,276
5) payables to other lenders:	3,635,772	1,982,829
a.1) due within 12 months	1,115,894	1,139,627
a.2) due beyond 12 months	2,519,878	843,202
6) advances	5,131,095	6,331,579
a.1) due within 12 months	5,131,095	6,331,579
a.2) due beyond 12 months	-	-
7) payables to suppliers:	11,442,317	9,361,536
a.1) due within 12 months	7,487,567	5,406,786
a.2) due beyond 12 months	3,954,750	3,954,750
9) payables to subsidiaries:	284,534	240,000
a.1) due within 12 months	44,534	-
a.2) due beyond 12 months	240,000	240,000
12) tax payables:	531,987	1,289,313
a.1) due within 12 months	531,987	1,289,313
a.2) due beyond 12 months	-	-
13) payables to social security institutions	759,414	592,852
a.1) due within 12 months	759,414	592,852
a.2) due beyond 12 months	-	-
14) other payables:	1,793,955	1,329,994
a.1) due within 12 months	1,479,671	1,315,710
a.2) due beyond 12 months	314,284	14,284
TOTAL (D= 1+2+3+4+5+6+7+8+9+10+11+11 bis+12+13)	41,514,506	44,055,786
E) ACCRUED EXPENSES AND DEFERRED INCOME:		
1) accrued expenses and deferred income:	3,310,557	1,809,147
2) premium on loans:	-	-
TOTAL (E=1+2)	3,310,557	1,809,147
TOTAL LIABILITIES	91,634,425	68,861,720

Income Statement

	31-12-2021	31-12-2020
A) VALUE OF PRODUCTION:		
1) revenues from sales and services	43,799,580	44,059,908
2) changes in inventories of work in progress, semi-finished and finished products	649,119-	285,773
3) changes in contract work in progress	2,035,892	431,689-
4) capitalisation of internal construction costs	2,693,987	3,151,100
5) other revenues and income	1,290,278	1,042,746
a) operating grants	336,252	228,307
b) capital grants (portions for the year)	417,985	53,378
c) others	536,041	761,061
TOTAL A)	49,170,618	48,107,839
B) PRODUCTION COSTS:		
6) for raw materials, supplies, consumables and goods for resale	18,173,437	16,666,430
7) for services:	8,233,848	7,459,445
8) for leases and rentals:	667,663	662,713
9) personnel costs:	13,205,171	12,448,296
a) wages and salaries:	9,713,966	9,039,901
b) social security contributions:	2,511,679	2,440,285
c) employee severance pay:	688,441	580,814
d) pension fund and similar obligations	31,920	23,331
e) other costs:	259,164	363,965
10) amortisation, depreciation and write-downs	4,046,493	3,992,072
a) amortisation of intangible assets	1,370,372	1,241,385
b) depreciation of property, plant and equipment	2,676,121	2,713,168
d) write-downs of receivables stated under current assets and of cash and cash equivalents	-	37,519
11) changes in inventories of raw materials, supplies, consumables and goods for resale	1,572,014-	894,890
12) provisions for risks	27,060	-
14) other operating charges:	565,334	392,299
TOTAL B)	43,346,992	42,516,145
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	5,823,626	5,591,694
C) FINANCIAL INCOME AND COSTS		
16) other financial income	3,474	7,861
d) income other than the foregoing	3,474	7,861
d.5) others:	3,474	7,861
17) interest and other financial costs	285,736	282,675
4) from others	285,736	282,675
17) bis Foreign exchange gains and losses:	75,599	19,495-
- foreign exchange gains	109,574	34,588
- foreign exchange losses	33,975-	54,083-
TOTAL (15+16-17)	206,662-	294,309-
PROFIT (LOSS) BEFORE TAX (A-B+-C+-D+-E)	5,616,964	5,297,385
20) current, deferred and prepaid tax for the year	637,113	1,449,523
21) PROFIT (LOSS) FOR THE YEAR:	4,979,850	3,847,862
<i>Profit (loss) attributable to minority interests</i>	6,929	75,769
Profit (loss) attributable to the Group	4,972,921	3,772,093

Cash Flow Statement

(indirect method)

	<u>31/12/2021</u>	<u>31/12/2020</u>
-		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the year	4,979,850	3,847,862
Income tax	637,113	1,449,523
Interest expense	285,736	282,675
Interest income	(3,474)	(7,861)
Capital losses from disposal of assets	174,781	0
Capital gains from disposal of assets	(1,283)	0
Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	6,072,723	5,572,199
<i>Adjustments for non-monetary items without a contra-entry in net working capital</i>		
Accruals to provisions	208,000	487,497
Amortisation and depreciation of fixed assets	4,046,493	3,954,553
Other non-monetary adjustments	0	1,957,830
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	10,327,216	11,972,079
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(2,878,966)	548,087
Decrease/(increase) in receivables (from customers and others)	(447,346)	(1,343,956)
Increase/(decrease) in payables (to suppliers and others)	(1,301,344)	2,867,823
Decrease/(increase) in accrued income and prepaid expenses	(43,187)	11,845
Increase/(decrease) in accrued expenses and deferred income	1,326,412	(411,216)
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	6,982,785	13,644,662
<i>Other adjustments</i>		
Interest collected	5,219	143
Interest paid	(265,212)	(280,782)
Income tax paid	(2,244,468)	(178,461)
Use of provisions	(203,173)	(149,445)
TOTAL OTHER ADJUSTMENTS	(2,707,634)	(608,545)
CASH FLOW FROM OPERATING ACTIVITIES	4,275,151	13,036,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(2,187,000)	(816,782)
Selling price of disinvestments from intangible assets	20,123	5,000
Investments in property, plant and equipment	(4,492,807)	(4,091,068)
Selling price of disinvestments from property, plant and equipment	111,150	(149,045)
Investments in non-current financial assets	(558,430)	0
Acquisition or sale of subsidiaries or business units, net of cash and cash equivalents	(1,627,092)	604,496
CASH FLOW FROM INVESTING ACTIVITIES	(8,734,056)	(4,447,399)
CASH FLOWS FROM FINANCING ACTIVITIES:		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	(63,672)	(465,988)
New loans	2,040,000	16,300,000
Repayments of loans	(5,703,382)	(8,666,700)
<i>Net worth</i>		
Capital increase against payment	18,499,150	0
CASH FLOW FROM FINANCING ACTIVITIES	14,772,096	7,167,312
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,313,191	15,756,030
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	20,596,456	4,840,426
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30,909,647	20,596,456

Notes to the financial statements

1. General Information

Medica S.p.A. (hereinafter the “**Company**” or the “**Parent Company**”) is a company incorporated under Italian law, domiciled in Italy and with registered office in Medolla (Modena).

The Company and its subsidiaries (collectively the “**Group**”) operate in the sector of medical products and hospital equipment. In particular, the Group includes a number of well-known brands in the sector and a wide range of products.

Medica S.p.A. has been listed since 3 November 2021 on the Euronext Growth Milan market, a multilateral trading system organised and managed by Borsa Italiana S.p.A..

The Consolidated Financial Statements prepared by the Board of Directors on 30 March 2022 were subject to a limited audit on the part of EY S.p.A..

2. Basis of preparation

The Group’s consolidated financial statements at 31 December 2021 (“**Consolidated Financial Statements**”) have been prepared in accordance with the provisions of the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*).

The Consolidated Financial Statements have been prepared on a going concern basis for the Parent Company and all Group Companies. The financial statements used for consolidation purposes are made up of the relevant balance sheets, income statements and cash flow statements, as properly prepared.

The income statement and balance sheet data of the Consolidated Financial Statements are compared with the data for the financial year ended 31 December 2020.

The figures in the financial report are expressed in thousands of Euro, except as otherwise stated.

3. Form of the financial statements

The structure of the Balance Sheet, the Income Statement and the Cash Flow Statement, as required by Article 32, paragraph 1, of Legislative Decree no. 127 of 1991 and subject to any necessary adjustment, is compliant with the formats provided for by Articles 2424 and 2425 of the Italian Civil Code, as also supplemented and prescribed by Articles 2424-*bis* and 2425-*bis*.

Furthermore, it should be noted that:

- items have been measured according to the principle of prudence, as well as by considering the economic function of the relevant asset or liability item;
- only those profits that had been realised as at the reporting date of the financial period have been stated;
- account has been taken of income and costs accrued in the financial period, regardless of the date of their receipt or payment;
- account has been taken of risks and losses pertaining to the financial period, even if they became known after the reporting date;
- heterogeneous elements included in each item have been valued separately;
- in application of the principle of materiality, the obligations regarding the recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect in order to provide a true and fair view.

4. Scope of consolidation

The consolidated financial statements have been prepared by reporting, in full, the balance sheet and income statement data of the parent company and of the following subsidiaries:

Name	Registered Office	Share Capital	Group's ownership %
Tecnoideal Srl unipersonale	Mirandola – Italy	EUR 101,490	100%
Tecnoideal USA	Maryland – USA	USD 50,000	60%
Nefrodom	Santo Domingo – Dominican Republic	DOP 300,000	90%
Sar-med Srl	Iglesias – Italy	EUR 10,318,000	100%
Medica Méditerranée	Bizerte-Tunisia	TND 12,400,000	100%
THF Srl	Calestano – Italy	EUR 100,000	100%

Tecnoideal ASIA has been excluded from the scope of consolidation since it is not significant with respect to the consolidated financial statements, as prescribed by Article 28 of Legislative Decree no. 127 of 1991. Specifically, Tecnoideal ASIA (with a share capital of Euro 300,000, of which an amount of Euro 60,000 has been paid up) has recorded revenues of Euro 162 thousand and a loss of Euro 32 thousand, and has an equity of Euro 64 thousand (against a profit of Euro 29 thousand achieved at 31 December 2020).

The scope of consolidation underwent changes during the year as a result of the acquisition of THF Srl, which took place in the first half of 2021, resulting in the first consolidation of the company with balances at 1 July 2021.

5. Consolidation principles

The most significant consolidation techniques adopted in drawing up the consolidated financial statements are described below:

- the main method adopted is that of consolidation on a line-by-line basis;
- the book value of each investment included in the scope of consolidation is eliminated against the elimination of the corresponding value of the investee's equity as at the date on which the company is consolidated for the first time and as resulting after such adjustments as may be necessary to make the accounting policies consistent. Where possible, the differences between the two values identified as above are charged to the assets and liabilities of the consolidated companies. Any residual amount, if negative, is recognised as "consolidation reserve" in equity, or, when it is due to forecasts of unfavourable results of operations, as "Provision for consolidation for future risks and charges"; if positive, it is recognised as "Goodwill" among assets or is explicitly taken as a reduction in the consolidation reserve up to its full amount;
- the share of equity attributable to minority shareholders, if any, is recognised as "Minority interests' capital and reserves" in equity; the share of profit (loss) for the financial period attributable to minority shareholders, if any, is recognised as "Profit (loss) attributable to minority interests" in equity and through profit or loss;
- payables and receivables and income and costs arising from transactions between Group companies are eliminated as from the date on which they are included for the first time in the consolidated financial statements;
- profits and losses resulting from transactions carried out between consolidated companies as from the date on which both companies joined the Group, are eliminated if they refer to assets that are still included in the company's capital;

- dividends, if any, which are distributed by Group companies consolidated on a line-by-line basis are reversed from the consolidated income statement;
- assets acquired under finance leases are accounted for by using the finance method;
- deferred tax arising from consolidation operations is accounted for on an accruals basis, but in any case according to the principle of prudence.

6. Accounting policies

Intangible assets

They are recognised, within the limits of their recoverable value, at purchase or production cost, as increased by additional charges and reduced by the value of amortisation calculated on a straight-line basis in relation to the residual useful life of the asset. Deferred charges may be stated among balance sheet assets only if their future useful life can be demonstrated, there is an objective correlation with the related future benefits that will flow to the company and their recoverability can be estimated with reasonable certainty. Intangible assets are recognised when the definition of intangible asset is met pursuant to paragraph 9 of the accounting principle OIC 24 issued by the Italian Accounting Board; the company acquires the power to obtain the future economic benefits flowing from the asset itself and can restrict third-party access to those benefits, and the cost can be estimated with sufficient reliability. Goodwill is stated among intangible assets if it is acquired for a consideration, its value can be determined since it is included in the consideration paid and is initially made up of charges and costs deferred over time, which therefore guarantee future economic benefits and the principle of recoverability of the related cost is satisfied.

The company assesses whether there is any evidence of permanent impairment losses on each reporting date of the financial statements. If this evidence exists, the company would estimate the recoverable value of the fixed asset and carry out a write-down, in accordance with Article 2426, paragraph 1.3, when the fixed asset shows a value that is permanently lower than its net book value.

Start-up and expansion costs and development costs may only be recognised with the consent of the Board of Statutory Auditors.

The rates applied are as follows:

Start-up and expansion costs: 5 years

Development costs: 5 years

Industrial patent and intellectual property rights: 10 years

Concessions, licences, trademarks and similar rights: from 5 to 18 years

Goodwill: from 10 to 18 years

Others: from 5 to 12 years

Property, plant and equipment

They are recognised, within the limit of their recoverable value, at purchase or production cost, including directly-attributable additional charges. The value of certain assets has been adjusted over the years in accordance with laws that allow for the currency appreciation of fixed assets.

Maintenance costs, which increase the productivity or useful life of assets, have been added to the corresponding item of the asset to which they refer and are amortised together with the asset itself. Maintenance costs that do not increase the value of the asset were expensed during the financial period.

Depreciation is calculated with reference to the cost, as revalued (if necessary), at constant rates, which are unchanged with respect to the previous financial period and are based on the residual useful life of the assets. Depreciation begins when the assets are available and ready for use and the rates are reduced by 50% in the financial period when they are acquired or enter into service.

The company assesses whether there is any evidence of permanent impairment losses on each reporting date of the financial statements. If this evidence exists, the company would estimate the recoverable value of the fixed asset and carry out a write-down, in accordance with Article 2426, paragraph 1.3, when the fixed asset shows a value that is permanently lower than its net book value.

Finance leases are accounted for by using the finance method. According to this approach:

- cost of leased assets is stated among property, plant and equipment and is depreciated on a straight-line basis according to their estimated useful life. As a contra-entry, a financial payable to the lessor is recognised for an amount equal to the value of the leased asset;
- lease payments are accounted for in such a way as to separate the financial element from principal, to be considered as repayment of the debt stated against the lessor.

The rates applied are as follows:

Land: indefinite useful life

Buildings: 33 years (3%)

Plant and Machinery: from 6.7 to 20 years (from 5% to 15%)

Industrial and commercial equipment: from 2.5 to 10 years (from 10% to 40%)

Other assets: 4 to 10 years (10% to 25%)

Inventories

They are valued at the lower of their cost and their net presumed realisable value that can be inferred from market trends. Cost is determined according to the FIFO method, as adjusted (if necessary) by the related provision for obsolescence.

Contract work in progress with a term exceeding one year, which meets the conditions laid down in the accounting principle OIC 23 issued by the Italian Accounting Board is measured according to the percentage of completion method, whilst other work is measured according to the completed contract method.

Receivables from customers and other receivables

They are classified on the basis of their allocation or origin with respect to recurring operations and are stated net of the provision for bad debts in order to be recognised at their presumed realisable value. Receivables whose due date does not fall within normal commercial terms and which do not accrue explicit interest are stated at their amortised cost, if significant, by using the effective interest method, net of any related impairment loss.

Tax receivables and payables, receivables for deferred tax assets and provisions for deferred tax liabilities

Tax receivables include certain and determined amounts deriving from receivables for which a right of recovery has arisen through repayment or offsetting.

Tax payables include certain and determined tax liabilities, as well as deductions carried out as a withholding agent and not yet paid as at the reporting date and, where offsetting is permitted, are stated net of advances, withholdings and tax credits.

Deferred tax assets are only accounted for when there is reasonable certainty of their recovery and are classified as "deferred tax assets". The amount of deferred tax assets is reviewed on each reporting date of the financial statements in order to establish whether there continues to be a reasonable certainty that future taxable income will arise and therefore the possibility of recovering the recognised amount.

Deferred tax liabilities are classified under "provisions for tax, including deferred tax" and are calculated on the basis of taxable temporary differences, applying the estimated rate prevailing on the date when these differences are expected to reverse.

Cash and cash equivalents

They are stated at their nominal value. Stocks in currencies other than euro are recognised at the exchange rate prevailing on the end date of the reporting period.

Accruals and deferrals

The principle of accrual concerning costs incurred or revenues earned in subsequent financial periods is applied by means of accounting for accrued income and prepaid expenses and accrued expenses and deferred income.

Provision for risks and charges

They are set aside to meet present, legal or constructive and probable obligations deriving from past events for which a reliable estimate of the amount arising from fulfilling related obligation can be made at the end of the financial period. If a liability is regarded as possible, no provision for risks is set aside and appropriate disclosure is provided in the notes to the financial statements.

Provision for employee severance pay

It corresponds to the full amount of benefits accrued in favour of employees in relation to current contractual and legal obligations.

Payables

They are classified on the basis of their allocation or origin with respect to recurring operations and are stated at their nominal value. Payables whose due date does not fall within normal commercial terms and which do not accrue explicit interest are stated at their amortised cost by using the effective interest method; if the effect of amortised cost is immaterial, these payables are also stated at their nominal value.

Revenue and cost recognition

Revenues from sales of products and costs for their purchase are recognised when there is the transfer of all the risks and rewards connected with ownership, which normally takes place upon shipment or delivery of the goods.

Financial income is recognised on an accruals basis.

Foreign currency amounts

Receivables and payables denominated in foreign currency have been accounted for on the basis of exchange rates applicable on the date when the related transactions were carried out.

Receivables and payables denominated in currencies other than euro were converted at the end of the financial period by using the exchange rate reported by the Bank of Italy on the last working day of the period, allocating the result to each debit or credit item.

In accordance with the provisions of Article 2427, paragraph 1.6-*bis*, of the Italian Civil Code, it should be noted that no significant changes occurred in exchange rates after the end of the reporting period.

Cash flow statement

It has been prepared according to the accounting principle OIC 10 issued by the Italian Accounting Board; cash flows are shown according to the area from which they originate (operating, investing and financing activities).

The algebraic sum of the abovementioned cash flows consists of the increase or decrease in cash and cash equivalents that was recorded during the financial period.

Cash flow from operating activities is determined by using the indirect method, which entails reconstructing the data backwards, based on the profit (loss) for the financial period and making any necessary adjustment (amortisation and depreciation, provisions, changes in inventories, etc.) that has had no impact in terms of the creation or consumption of cash and cash equivalents.

Cash flows from investing activities include those from the purchase and sale of property, plant and equipment, intangible assets and non-current financial assets, as well as of current financial assets.

Cash flows from financing activities include those that result from obtaining or returning cash and cash equivalents in the form of venture capital or debt capital.

7. Intangible assets

The table below shows the breakdown of this item and the related changes during the period.

<i>(in thousands of Euro)</i>	Start-up and expansion costs	Development costs	Industrial patent and intellectual property rights	Concessions, licences and trademarks	Goodwill	Fixed assets under development and advances	Others	Total
Balance at 31 December 2020	-	2,209	114	85	341	3,503	172	6,423
<i>Of which:</i>								
- historical cost		10,839	469	182	863	3,503	2,387	18,269
- amortisation fund		-8,630	-355	-97	-522	-	-2,215	-11,845
Change in perimeter (THF)	-	-	-	8	-	-	6	14
Investments	1,239	16	94	38	1,795	792	8	3,982
Disinvestments			-17					-17
Amortisation	-40	-995	-38	-32	-135	-	-129	-1,370
Reclassifications		58	-	-2	-	-60	2	-3
Balance at 31 December 2021	1,199	1,287	152	97	2,001	4,234	58	9,029
<i>Of which:</i>								
- historical cost	1,266	10,913	534	256	2,658	4,234	2,412	22,272
- amortisation fund	-67	-9,625	-382	-158	-657	-	-2,354	-13,243

The investments mainly related to the following items:

- 1) costs incurred for the capital increase of Medica SpA, which is functional to the listing of its ordinary shares on Euronext Growth Milan market, amounting to Euro 1,313 thousand (an amount of Euro 1,239 thousand of which was capitalised and a residual amount of Euro 74 thousand was accounted for as costs for services);
- 2) the acquisition of 100% of the quotas of THF Srl, based in Marzolarà (PR) - Italy, at a price of Euro 2,500 thousand, of which an amount of Euro 150 thousand to be paid by December 2022 and an amount of Euro 150 thousand to be paid by April 2026, which gave rise to goodwill of Euro 1,795 thousand that we have estimated to have a residual useful life of 10 years, based on the sector and any possible technological and production changes that are not expected to occur suddenly;
- 3) capitalisations of costs incurred for development projects, amounting to Euro 808 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 160 thousand, the NewHemo project for Euro 132 thousand, the Detecta project for Euro 112 thousand, the New SAU project for Euro 75 thousand, the CCB project for Euro 68 thousand, the HomHemo project for Euro 66 thousand and the Catetere project for Euro 67 thousand;

4) costs incurred for the registration of patents for Euro 56 thousand.

The investments made in 2020, amounting to Euro 817 thousand, mainly related to the capitalisation of costs incurred for development projects.

The net assets of THF Srl that were acquired and consolidated and the calculation of goodwill are shown below:

Description (€/th.)	1 July 2021
Property, plant and equipment and intangible assets	851
Inventories	357
Receivables from customers	657
Payables to suppliers	(344)
Advances from customers	(471)
Other assets and liabilities	(214)
Employee severance pay	(351)
Net Invested Capital	485
Net cash on hand (positive sign = assets)	220
Net assets acquired	705
Goodwill	1,795
Consideration	2,500

The details on the net book value at 31 December 2021 for the major development projects are provided below:

- 1) NewHemo project (in progress): Euro 2,742 thousand
- 2) Grafene project (in progress): Euro 331 thousand
- 3) Med-Log project (in progress): Euro 236 thousand
- 4) Detecta project (in progress): Euro 236 thousand
- 5) New SAU project (in progress): Euro 200 thousand
- 6) Catetere project (in progress): Euro 171 thousand
- 7) CCB project (in progress): Euro 96 thousand
- 8) HomHemo project (in progress): Euro 66 thousand
- 9) Other projects in progress: Euro 156 thousand
- 10) Horizon project (under amortisation): Euro 571 thousand
- 11) Apheresis membrane and filter project (under amortisation): Euro 255 thousand
- 12) Walter filter line project (under amortisation): Euro 104 thousand
- 13) Flexiper project (under amortisation): Euro 93 thousand
- 14) New dispenser project (under amortisation): Euro 68 thousand
- 15) Estorflow project (under amortisation): Euro 61 thousand
- 16) Other projects under amortisation: Euro 135 thousand

There were no significant changes in development projects in progress at 31 December 2021 compared to 31 December 2020.

As at 31 December 2021, there were no indicators of permanent impairment losses in intangible assets. The conditions for sharing of future results of operations are in fact unchanged for these assets. Their estimated useful life is also unchanged.

8. Property, plant and equipment

The table below shows the breakdown of this item and related changes for the period.

<i>(in thousands of Euro)</i>	Land and buildings	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Balance at 31 December 2020	4,772	8,417	651	325	1,346	15,508
<i>Of which:</i>						
- historical cost	6,866	24,600	2,119	1,091	1,346	36,022
- depreciation fund	-2,095	-16,184	-1,468	-767	0	-20,514
Change in perimeter (THF)	802	6	3	27	-	837
Investments	73	2,063	293	74	1,989	4,492
Disinvestments	-	-208	-4	-1	-75	-287
Depreciation	-213	-2,012	-352	-98	-	-2,676
Reclassifications	-	1,039	-	-	-1,036	3
Balance at 31 December 2021	5,433	9,305	590	325	2,223	17,877
<i>Of which:</i>						
- historical cost	8,887	25,368	2,419	1,231	2,223	40,128
- depreciation fund	-3,454	-16,063	-1,829	-905	-	-22,251

The investments mainly related to the following items:

- 1) continuation of the works involving the new building at subsidiary Sar-med for Euro 1,103 thousand (accumulated balance equal to Euro 1,320 thousand at 31 December 2021) and the new building at subsidiary Medica Méditerranée for Euro 737 thousand (accumulated balance equal to Euro 1,019 thousand at 31 December 2021, which also included the plot of land acquired in 2019);
- 2) manufacturing by Tecnoideal of machinery for subsidiary Sarmed, equal to Euro 1,593 thousand and for the Graphene development project at Medica, equal to Euro 228 thousand, and by Tecnoideal and THF of machinery for subsidiary Medica Méditerranée, equal to Euro 217 thousand;
- 3) equipment for the Grafene project for Euro 96 thousand.

Investments made in property, plant and equipment amounted to Euro 2,840 thousand in 2020, mainly relating to machinery manufactured by Tecnoideal for subsidiary Sarmed for Euro 2,363 thousand and works on new buildings at Sarmed (Euro 216 thousand) and Medica Méditerranée (Euro 63 thousand).

Land and buildings include a revaluation carried out for Euro 1,400 thousand in 2020 on the industrial building of subsidiary Sar-Med in application of Decree Law no. 104 of 2020 and a revaluation carried out for Euro 402 thousand on the office building and building area of the controlling company Medica in application of Decree Law 185 of 2008.

Plant and machinery include assets stated for a total of Euro 2,816 thousand held under a finance lease agreement.

9. Non-current financial assets

The table below shows the changes recorded in this item during the period:

<i>(in thousands of Euro)</i>	2021	2020
Opening balance	428	1,029
Change in perimeter (THF)	1	
Increases	1,758	3
Decreases	-	(604)
Closing balance	2,187	428

The balance mainly includes:

- 1) the equity investment in subsidiary Tecnoideal Asia (CHINA), a company incorporated under Chinese law with share capital of Euro 300,000, which is wholly owned by Tecnoideal srl (Italy), of which an amount of Euro 60,000 was paid up during 2020, while the remaining share capital of Euro 240,000 shall be paid up by 31 December 2029;
- 2) the equity investment in other companies in MISTER SMART INNOVATION S.C.A.R.L. for approximately Euro 57 thousand;
- 3) the equity investment in MEDICA MIDDLE EAST, with share capital of USD 8,000,000, subscribed for USD 900,000, equal to a percentage of 11.25%, which was completely written down in previous years. As at 31 December 2021, it was deemed appropriate to maintain the full write-down of the equity investment since no new information was available. The Egyptian shareholder has brought an action for damages against Tecnoideal, before the Cairo Regional Center for International Commercial Arbitration, resulting in an arbitration award that was favourable to MEDICA MIDDLE EAST against Tecnoideal. This award has been challenged and is still pending before the Cairo Supreme Court and for this reason it cannot be made enforceable in Italy until the case is settled in Egypt. The company has assessed the risk of losing the case as remote and has therefore not set aside any provision for risks;
- 4) the increase relates to Euro 1,757 thousand for the receivable from MPS Leasing, which was collected in January 2022, for the sale of the machinery granted under finance lease to subsidiary Sar-med at the end of 2021.

The decrease in the previous year related to the sale of all the shares held in BenQ (7.15% of the share capital).

10. Inventories

<i>(in thousands of Euro)</i>	31 December 2021	31 December 2020
Raw materials, supplies and consumables	7,120	6,035
Work in progress and semi-finished products	3,217	3,714
Contract work in progress	2,094	58
Finished products and goods for resale	4,224	3,398
Inventories, including the provision for write-down	16,655	13,205
Provision for inventory obsolescence	(746)	(601)
Advances	50	118
Inventories	15,959	12,722

The increase in inventories compared to 31 December 2020 was mainly due to both higher stock levels in order to cope with the risk of delays in deliveries from suppliers during the pandemic and the plant downtime of our major provider of sterilisation services, mainly occurred at the end of the year, which resulted in a reduction in deliveries of our products to customers during the last period of the year.

The increase in inventory due to changes in the scope of consolidation, following the acquisition of THF Srl, amounted to Euro 357 thousand (mainly relating to contract work in progress and raw materials).

Adjustments to the provision for inventory write-down, which increased by Euro 145 thousand compared to 31 December 2020, reflect a more prudent approach on the part of the Group, which adjusted the provision to cover the greater risk of loss arising from an increase in stocks compared to the previous year.

11. Receivables stated under current assets

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2021	<i>Of which due beyond 12 months</i>	At 31 December 2020	<i>Of which due beyond 12 months</i>
Receivables from customers	8,849		9,321	
Receivables from unconsolidated subsidiaries	43		20	
Tax receivables	3,868	715	2,181	43
Deferred tax assets	1,498		733	
Receivables from others	1,172	78	734	75
Total receivables	15,429	793	12,989	118

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2021	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
Receivables from customers	8,849	3,479	944	4,426
Receivables from unconsolidated subsidiaries	43			43
Tax receivables	3,868	3,784		84
Deferred tax assets	1,498	1,467		31
Receivables from others	1,172	990	105	77
Total receivables	15,429	9,720	1,048	4,661

Receivables from customers, net of an amount of Euro 1,204 thousand that Tecnoideal Srl claimed from MPS Leasing at 31 December 2020, which was then collected in 2021, relating to plants acquired under lease by Sar-med Srl through MPS Leasing, showed an increase of Euro 732 thousand, mainly due to a different distribution of receipts at the turn of the financial year compared to the previous year.

Tax receivables mainly include VAT credits for Euro 1,576 thousand (Euro 2,051 thousand at 31 December 2020), which mainly decreased due to offsetting the VAT credit obtained in the third quarter of 2021, amounting to Euro 516 thousand, tax credits on investments for Euro 1,692 thousand (Euro 384 thousand at 31 December 2020), which showed an increase due to the substantial amounts invested in 2021, and R&D tax credits for Euro 195 thousand (Euro 72 thousand at 31 December 2020), which showed an increase due to the progress of work on ongoing projects, as well as IRES (Corporate Income) and IRAP (Regional Production Activity) tax credits and taxes of foreign companies for Euro 398 thousand (against a balance of Euro 19 thousand in 2020).

Deferred tax assets mainly related to the following temporary differences:

- provision for inventory write-down for Euro 127 thousand;
- capital grants of Medica SpA for Euro 458 thousand;
- effect of consolidation entries (mainly the elimination of profit margins arising from transactions between group companies) for Euro 894 thousand.

Receivables from others mainly included amounts for grants to be collected for Euro 809 thousand (Euro 149 thousand at 31 December 2020).

No receivables were recognised in relation to transactions subject to reconveyance obligations.

The table below shows the changes in the provision for bad debts:

<i>(in thousands of Euro)</i>	Provision for bad debts
Balance at 31 December 2020	360
Change in perimeter (THF)	108
Accrual	-
Release	(65)
Use	(17)
Balance at 31 December 2021	386

12. Cash and cash equivalents

<i>(in thousands of Euro)</i>	31 December 2021	31 December 2020
Bank and postal deposits	30,904	20,593
Cheques	-	-
Money and cash on hand	6	4
Total	30,910	20,596

For more details on changes in liquidity, reference should be made to the cash flow statement.

13. Accrued income and prepaid expenses

<i>(in thousands of Euro)</i>	31 December 2021	31 December 2020
Accrued income	0	0
Prepaid expenses	245	195
Total	245	195

Prepaid expenses were recognised in relation to insurance, leases, rentals and grant for "energy intensive" company.

14. Shareholders' equity

Share capital

As at 31 December 2021, the fully subscribed and paid-up share capital of the Parent Company amounted to Euro 4,223,250 and was divided into 4,223,250 ordinary shares with no par value.

<i>(in thousands of Euro)</i>	<i>Share Capital</i>	<i>Legal Reserve</i>	<i>Share Premium Reserve</i>	<i>Reserve required by Articles of Association</i>	<i>Other reserves</i>	<i>Profits (Losses) carried forward</i>	<i>Profit (Losses) for the year</i>	<i>Total for the Group</i>	<i>Total for Minority Interests</i>	<i>Consolidated Total</i>
At 31 December	3,538	253	762	3,328	807	4,875	2,781	16,344	142	16,487
Allocation of the result for the previous year		53		993		1,735	(2,781)	-		
Profit (loss) for the year							3,772	3,772	76	3,848
Property revaluation					1,358			1,358		1,358
Other changes				9				9	(29)	(20)
At 31 December 2020	3,538	306	762	4,330	2,165	6,610	3,772	21,482	189	21,672
Capital increase	685		17,814					18,499	-	18,499
Allocation of the result for the previous year		63		1,203		2,506	(3,772)	-		-
Reclassifications					(155)	155		-		-
Other changes					16			16	7	23
Profit (loss) for the year							4,973	4,973	7	4,980
At 31 December 2021	4,223	369	18,576	5,533	2,026	9,270	4,973	44,970	203	45,173

On 1 November 2021, we received from Borsa Italiana S.p.A. the admission to listing of Medica's ordinary shares on the Euronext Growth Milan market, a multilateral trading system organised and managed by Borsa Italiana S.p.A.. The admission took place after the completion of the placement of a total of 847,650 ordinary shares (including overallocation and greenshoe options) for a total value of Euro 22,887 thousand, against a total demand exceeding Euro 174 million, equal to approximately 7.6 times the offer. Trading began on 3 November 2021. The placement price was set at Euro 27.00 per share, at the top of the range. Following the placement, Medica's share capital increased from 3,538,100 shares to 4,223,250 ordinary shares with no par value, of which 20.07% consists of free float, with a capital increase of Euro 18,499 thousand.

The table below shows the reconciliation of the Parent Company's Equity and the Group's Equity:

<i>(in thousands of Euro)</i>	Equity at 31 December 2021	Profit (loss) for 2021	Other changes in 2021	Equity at 31 December 2020
Medica SpA equity	31,532	2,024	18,499	11,009
Equity investments	15,799	3,389	16	12,395
Eliminations of intercompany transactions	(1,867)	(156)	-	(1,711)
Leases	(494)	(284)	-	(210)
Group Equity	44,970	4,973	18,515	21,482
Minority Interests	203	7	7	189
Consolidated Equity	45,173	4,980	18,521	21,672

15. Provisions for risks and charges

The table below shows the changes in this item.

<i>(in thousands of Euro)</i>	Provision for agents' pension fund	Provision for tax, including deferred tax	Other provisions for risks	Total
At 31 December 2020	6	151	82	239
Change in perimeter				-
Accruals	2		27	29
Uses			(57)	(57)
Releases		(45)		(45)
At 31 December 2021	8	106	52	165

16. Employee severance pay

<i>(in thousands of Euro)</i>	Total
At 31 December 2020	1,086
Change in perimeter (THF)	351
Accruals	179
Uses	(145)
Releases	-
At 31 December 2021	1,471

17. Payables

The table below shows the breakdown of this item at 31 December 2021 and at 31 December 2020.

<i>(in thousands of Euro)</i>						
	At 31 December	<i>Of which due beyond 12 months</i>	<i>Of which due beyond 5 years</i>	At 31 December	<i>Of which due beyond 12 months</i>	<i>Of which due beyond 5 years</i>
	2021			2020		
Payables to banks	17,935	13,838		22,928	16,493	1,127
Payables to other lenders	3,636	2,520		1,983	843	
Advances	5,131	-		6,332		
Payables to suppliers	11,442	3,955		9,362	3,955	
Payables to subsidiaries	285	240	240	240	240	240
Tax payables	532	-		1,289		
Payables to social security institutions	760	-		593		
Other payables	1,794	314		1,330	14	
Total payables	41,515	20,866	240	44,056	21,545	1,367

No payables are backed by collateral on the Company's assets.

No payables were recognised in relation to transactions subject to reconveyance obligations.

Payables to banks were made up of current accounts payable and credit card balances for Euro 14 thousand, while the remaining amount consisted of mortgages and loans. During the year, we did not take out any new loan and therefore the decrease compared to the previous year was due to the repayment of the principal amount falling due. Two loan agreements at Medica SpA provide for the following covenants on the figures in the consolidated financial statements (NFP/EBITDA<4.00 and <4.8 and NFP/Equity<1.55), which have been complied with.

Payables to other lenders related to the finance lease from MPS Leasing for an amount of Euro 2,831 thousand (an amount of Euro 1,660 thousand of which related to contracts entered into in 2021), the loan from the Ministry of Economic Development for an amount of Euro 372 thousand and the Simest loan for Euro 433 thousand.

For more details on changes in liquidity, reference should be made to the cash flow statement.

Advances related to capital grants for the Graphil project for an amount of Euro 1,403 thousand and the Life project for an amount of Euro 345 thousand, with the remainder relating to advances received from customers. The decrease compared to 2020 was mainly due to the fact that in 2020 the balance included a significant advance (Euro 1,781 thousand) on a job order that was then delivered in July 2021.

Payables to suppliers increased by Euro 2,080 thousand compared to 2020, mainly due to higher purchases made in 2021 compared to 2020 in order to increase stock levels and cope with the risk of delays in deliveries from suppliers due to the pandemic.

Other payables increased compared to 2020 mainly due to the debt of Euro 300 thousand to the sellers of THF Srl, as well as to the change in the perimeter for the acquisition of THF (Euro 97 thousand). The balance mainly consisted of payables for monthly wages and salaries and accrued but unused vacation and leave time.

This item is broken down as follows:

<i>(in thousands of Euro)</i>				
	At 31 December 2021	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
Payables to banks	17,935	17,931	-	5
Payables to other lenders	3,636	3,636	-	-
Advances	5,131	730	2,222	2,179
Payables to suppliers	11,442	5,548	1,796	4,099
Payables to subsidiaries	285	-	-	285
Tax payables	533	505	-	28

Payables to social security institutions	760	664	-	96
Other payables	1,794	1,518	-	276
Total payables	41,515	30,530	4,018	6,966

Tax payables

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2021	2020
Income tax	-	769
IRAP tax	79	182
IRPEF (Personal Income) tax deductions for employees and others	453	338
Total tax payables	532	1,289

Payables to social security institutions

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2021	2020
Payables to INPS (National Social Security Institute)	522	303
Payables to other social security and welfare institutions	151	192
Others	86	98
Total payables to social security and welfare institutions	759	593

Other payables

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2021	2020
Accrued vacation and leave time	667	604
Salaries	677	627
Residual debt for the acquisition of quotas of THF Srl	300	-
Others	150	99
Total other payables	1,794	1,330

18. Accrued expenses and deferred income

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2021	2020
Accrued expenses	51	89
Deferred income	3,260	1,720
Total accrued expenses and deferred income	3,311	1,809

Deferred income mainly related to the tax credit on investments amounting to Euro 1,712 thousand, as well as to grants on investments and development projects amounting to Euro 1,528 thousand.

19. Revenues from sales and services

Revenues from sales and services, equal to Euro 43,800 thousand in 2021, showed a decrease of Euro 260 thousand (1%) compared to 2020. Sales performance in 2021 was mainly characterised by a significant growth in the following lines of business: Acute & Aferesis, from Euro 7,058 thousand in 2020 to Euro 9,230 thousand in 2021 (+31%), and Tecnoideal Automation, which, also thanks to the contribution of Euro 1,273 thousand given by the newly-acquired THF Srl as from 1 July 2021, grew from Euro 8,788 thousand to Euro 11,997 thousand (+37%); this was accompanied by more moderate growth in the Menfis division (up by Euro 128 thousand, +13%) and in the provision of services and other activities (up by Euro 772 thousand, +50%), as well as by a downturn in other lines of business (showing an overall reduction of Euro 6,540 thousand, -26%); specifically, the Water Division, which

showed a decrease from Euro 4,787 thousand in 2020 to Euro 3,503 thousand in 2021 (-27%), saw significant signs of recovery as early as the second half of 2021, with sales of Euro 2,087 thousand, compared to those achieved during the first half of 2021, equal to Euro 1,416 thousand (+47%). Furthermore, worthy of mention is the growth in sales of medical equipment from Euro 4,076 thousand in 2020 to Euro 4,572 thousand in 2021 (Euro +496 thousand, +12%).

The table below shows the breakdown of revenues by geographical area:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Italy	10,932	13,826
Europe (excluding Italy)	11,330	8,396
Non-EU countries	21,538	21,838
Total	43,800	44,060

20. Capitalisation of internal construction costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Property, plant and equipment	1,988	2,682
Development projects	638	469
Others	68	0
Total	2,694	3,151

21. Other revenues

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Grants	754	281
Others	536	762
Total	1,290	1,043

Others mainly include the income accrued in the year arising from the tax credits for Euro 260 thousand.

22. Costs for services, leases and rentals and other operating charges

The table below shows the breakdown of these items.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Third-party manufacturing	2,106	2,196
Transport and customs charges	1,062	1,031
Consultancy and collaborations	1,506	1,312
Utilities	772	778
Maintenance, repair and service	324	469
Advertising, promotions and commissions	424	352
Fees due to directors (including social security contributions)	362	180

Fees due to the members of the board of statutory auditors/sole statutory auditor	34	24
Fees due to the audit firm/independent auditors	86	88
Insurance	117	116
Travel, business trips and board, expense reimbursement	397	288
Research project costs (mainly homhemo, graphene and medair)	303	205
Other services	743	420
Total cost for services	8,234	7,459

THF Srl gave a contribution of Euro 387 thousand to the 2021 balance. The increase in consultancy costs was mainly due to non-capitalised costs of Euro 74 thousand incurred for the listing on the Euronext Growth Milan market (an amount of Euro 47 thousand of which was provided by the independent auditor) and to consultancy costs of Euro 62 thousand incurred by Medica SpA to obtain grants from the European Union.

In addition, consultancy and collaborations include Euro 7 thousand for activities of the independent auditor other than the audit of the financial statements and the half-year report.

<i>(in thousands of Euro)</i>	Financial year at 31 December	
	2021	2020
Rents payable for buildings	476	444
Others	192	219
Total leases and rentals	668	663

Other operating charges, amounting to Euro 565 thousand at 31 December 2021, increased by Euro 173 thousand compared to the 2020 balance, equal to Euro 392 thousand, mainly due to the capital loss on disposal of assets recognised at the subsidiary Sarmed for Euro 175 thousand.

23. Personnel costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Wages and salaries	9,714	9,040
Social security contributions	2,512	2,440
Contributions to pension funds	720	604
Other personnel costs	259	364
Total	13,205	12,448

The increase in personnel costs compared to the previous six-month period was mainly due to an increase in the average headcount and its different mix with an increase in the number of executives. The effect arising from changes in the perimeter as a result of the acquisition of THF Srl amounts to 25 employees (including 1 executive). The table below shows the average and exact headcount by category:

<i>(in figures)</i>	Financial year ended 31 December			
	2021 average	2020 average	2021 exact	2020 exact
Executives	13	7	13	10
Middle managers	29	10	28	31
Office workers	173	153	166	142
Manual workers	376	383	364	391
Trainees	16	19	22	25
Total	607	572	593	599

24. Financial income and costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Interest expense	225	263
Net foreign exchange loss (profit)	(76)	19
Other financial costs	61	20
Total financial costs	210	302
Financial income	3	8
Total net financial costs	207	294

25. Income tax

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Current tax	1,407	1,597
Net deferred tax liabilities (assets)	(770)	(147)
Total	637	1,450

The tax charge decreased significantly compared to the previous year both due to the Super ACE tax credit calculated on an amount of Euro 5,000 thousand of the capital increase carried out at Medica in 2021 (with a total effect of Euro 180 thousand) and due to higher deferred tax assets on capital grants and provisions for write-down accounted for in 2021 and on which the Group estimates their recoverability on the basis of the profitability forecasts envisaged in the 2021-2025 business plan.

Reconciliation of theoretical tax charge	31 December 2021
Profit before tax	5,617
Theoretical IRES and IRAP tax (24%+3.9%)	1,567
IRES and IRAP tax from financial statements	637
Effective rate	11%
Difference	930
Extraordinary income	407
Hyper/Super amortisation	261
Super ACE tax credit	180
Income from tax credits	80
Foreign tax	49
Others	(47)
Total	930

26. Related-party transactions

Transactions with related parties are mainly commercial in nature, and are linked to operations that are generally carried out at arm's length; however, there is no guarantee that if these transactions had been concluded between or with third parties, the latter would have negotiated and entered into the related contracts, or performed the transactions themselves, at the same conditions and in the same manner.

The Group maintains relations with the following related parties:

- in particular, the Group companies (Medica and Tecnoideal) incur a rent payable on buildings to Villaflora Immobiliare Srl, a reference entity for the controlling company, amounting to Euro 206 thousand in 2021 (Euro 206 thousand in 2020).
- As at 31 December 2021, the Group held a receivable from unconsolidated subsidiary Tecnoideal Asia for Euro 43 thousand (Euro 20 thousand at 31 December 2020), as well as a payable of Euro 45 thousand (Euro 0 at 31 December 2020) and a payable for unpaid share capital for Euro 240 thousand (Euro 240 thousand at 31 December 2020). The Group achieved revenues of Euro 50 thousand and costs for services for Euro 119 thousand (against revenues of Euro 40 thousand and costs for services of Euro 178 thousand at 31 December 2020).

27. Events after the reporting date

Conflict between Russia and Ukraine

Following the end of the financial year, relations between Russia and Ukraine deteriorated in such a way as to result in an armed conflict. At the time of preparation of this report the conflict is limited to the two nations, but as most of the Western countries, including Italy, have taken economic decisions aimed at imposing sanctions on the Russian Federation, repercussions on economy cannot be excluded in our country.

Although the Company has no direct commercial relations with the two countries, the gradual deterioration of economy resulting from the sanctions and the consequences of the conflict could have an indirect impact on the Company: at present, it is not possible to quantify or predict how these repercussions may be reflected in the financial statements for the coming financial year, as they depend substantially on the duration of the conflict, the expansion of its area and its extension over time and the consequent expiry date of the economic sanctions.

With reference to the critical situation due to the outbreak of the conflict in Ukraine, no substantial adverse impacts on the Company's business performance have been reported at present; however, the directors note that they are monitoring the situation very carefully, in view of the potential adverse impact on the general economic environment, and are carrying out the audits required by the new EU regulations with the support of consultants in order to prevent sales in violation of the related legislation and in the verification of dual use.

Possible risks could be associated with:

- Indirect impact derived from business relations with our customers and/or suppliers that could have direct effects in the countries involved in the conflict
- Fluctuations in the prices of raw materials and energy commodities
- Possible repercussions (including indirectly) on the global economic and financial system.

28. Other information

Commitments, guarantees and potential liabilities not resulting from the balance sheet

The Group provides the following guarantees:

Amounts in €/000

Description – Medica SpA	31 December 2021
Guarantees given to third parties	976
Guarantees given to group companies	5,250
Guarantees received	8,479
Description – Tecnoideal Srl	31 December 2021
Guarantees received	4,383

Description – Sar-med Srl	31 December 2021
Guarantees received	5,450
Description – THF Srl	31 December 2021
Guarantees received	360
Total	24,898

Guarantees given to third parties:

- Sureties of Euro 36 thousand to public bodies for tendering;
- Sureties of Euro 10 thousand for ceiling of Medica spa credit cards;
- Surety bond of Euro 930 thousand in favour of the Revenue Agency on VAT refunds.

Guarantees given by the parent company to group companies:

- SAR-MED SRL: surety bond of Euro 1,000 thousand in favour of Banco Popolare di Milano;
- SAR-MED SRL: surety bond of Euro 500 thousand in favour of Banco Popolare di Milano on current account opening;
- SAR-MED SRL: surety bond of Euro 400 thousand in favour of Banca Nazionale del Lavoro on current account opening;
- SAR-MED SRL: surety bond of Euro 1,000 thousand in favour of Monte Paschi di Siena on financing.

Furthermore, the parent company Medica spa provided a comfort letter in favour of MPS Leasing on lease agreements entered into by SAR-MED SRL.

- TECNOIDEAL SRL: comfort letter granted for Euro 1,300 thousand in favour of BPER on financing
- TECNOIDEAL SRL: surety bond granted for Euro 1,050 thousand in favour of Monte Paschi di Siena on financing.

Guarantees received by the Parent Company

- SACE surety of Euro 1,200 thousand on Mortgages granted by Banca Nazionale del Lavoro and Banca Popolare Emilia-Romagna;
- FEI surety of Euro 969 thousand on loans granted by Banco Popolare di Milano and Banca Popolare Emilia-Romagna;
- Sureties granted by shareholder Fecondini Luciano in favour of Medica spa for Euro 1,400 thousand on the loan granted by Banca Nazionale del lavoro;
- Medio Credito Centrale guarantees for Euro 4,910 thousand.

Guarantee received by Tecnoideal:

- Guarantees received from FEI for Euro 500 thousand, SACE for Euro 433 thousand and Medio Credito Centrale for Euro 3,450 thousand on loans received.

Guarantees received by Sar-med Srl:

- Guarantees received from FEI for Euro 500 thousand and Medio Credito Centrale for Euro 4,950 thousand on loans received.

Guarantees received by THF Srl:

- Medio Credito Centrale guarantee for Euro 360 thousand on loans received.

Information on extraordinary costs or revenues

It should be noted that the Group did not achieve any cost or revenue of extraordinary value or impact.

Information required by Article 1, paragraph 125, of Law no. 124 of 4 August 2017

With reference to Article 1, paragraph 125, of Law no. 124 of 2017, the following is a summary of the subsidies (grants, paid engagement, economic benefits) that the Group companies received from public authorities in year 2021

Description (amounts in €/th.)	Paying entity	Grant allowed	Grant received
Growth Fund - Horizon 2020 Call	Ministry of Economic Development	1,020	128
SARDINIA ROP – ERDF 2014-2020 investment project - Sipes code T4-36	Autonomous Region of Sardinia	1,813	0
Grants for studies and research	Emilia-Romagna Region	595	93
Tax incentive	INPS	8	8
Recruitment incentive	INPS	6	6
Exemption under DL 104	INPS	8	8
EBM grants	Bilateral entity – metalworking	1	1
Total		2,834	129

Information on agreements not resulting from the balance sheet

No agreements are in place, in addition to those already shown in the consolidated financial statements.

Fees due to Directors, Statutory Auditors and independent auditors

For more information on the fees due to Directors and independent auditors, reference should be made to the table reported in note 22.

Classes of shares issued by the Parent Company

As of today's date, the Company's authorised Share Capital amounts to Euro 4,223,250, is fully paid up and is only divided into 4,223,250 ordinary Shares with no par value. For further details, reference should be made to the paragraph that shows changes in Equity.

Securities and other financial instruments issued by the Parent Company

Medica SpA has not issued securities or other financial instruments.

Information on assets and loans intended for specific business

In accordance with Article 2447-*bis* of the Italian Civil Code, it should be noted that the Group has not allocated any assets or loans to a specific business.

Medolla, 30 March 2022

For the Board of Directors

Luciano Fecondini
(Chairman)



Independent auditors' report on the consolidated financial statements



Medica S.p.A.

Consolidated financial statements as at December 31, 2021

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



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

To the Shareholders of
Medica S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Medica S.p.A. Group (the Group), which comprise the balance sheet as at December 31, 2021, the income statement and consolidated statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

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

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

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

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

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

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

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

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



Report on compliance with other legal and regulatory requirements

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

The Directors of Medica S.p.A. are responsible for the preparation of the Report on Operations of Medica S.p.A Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Medica S.p.A. Group as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Medica S.p.A. Group as at December 31, 2021 and comply with the applicable laws and regulations.

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

Bologna, April 13, 2022

EY S.p.A.
Signed by: Gianluca Focaccia, Auditor

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

SEPARATE FINANCIAL STATEMENTS OF MEDICA SPA

Balance Sheet

ASSETS	31.12.2021	31.12.2020
B) FIXED ASSETS:		
I – INTANGIBLE ASSETS:		
1) start-up and expansion costs	1,199,079	-
2) research, development and advertising costs	323,249	430,632
3) industrial patent and intellectual property rights	147,512	110,148
4) concessions, licences, trademarks and similar rights	38,126	37,902
5) goodwill	295,092	340,678
6) fixed assets under development and advances	3,868,879	3,326,111
7) others	27,496	137,075
TOTAL I	5,899,434	4,382,546
II – PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings:	2,287,549	2,306,648
2) plant and machinery:	2,934,829	3,467,488
3) industrial and business equipment	357,569	418,019
4) other assets:	75,902	80,781
5) fixed assets under construction and advances	74,100	29,595
TOTAL II	5,729,947	6,302,531
III – NON-CURRENT FINANCIAL ASSETS:		
1) Equity investments in:	13,781,237	13,781,236
a) subsidiaries:	13,724,210	13,724,210
d) other companies	57,026	57,026
2) receivables:	6,241	3,790
d bis) from others	6,241	3,790
a.1) due within 12 months		
a.2) due beyond 12 months	6,241	3,790
TOTAL III:	13,787,477	13,785,026
TOTAL FIXED ASSETS (B)	25,416,859	24,470,103
C) CURRENT ASSETS		
I – INVENTORIES:	329,698	228,038
1) raw materials, supplies and consumables	351,946	427,372
2) work in progress and semi-finished products	208,706	-
3) contract work in progress:	4,468,438	3,113,085
4) finished products and goods for resale:	31,937	10,140
5) advances:	5,390,724	3,778,635
TOTAL I:		
II – RECEIVABLES		
1) from customers:	6,218,391	7,181,217
a.1) due within 12 months	6,218,391	7,181,217
2) from subsidiaries:	1,478,101	568,926
a.1) due within 12 months	1,478,101	568,926
3) from associates:		31,168
a.1) due within 12 months		31,168
5) bis tax receivables:	711,842	1,378,119
due within 12 months.	558,847	1,361,419
due beyond 12 months.	152,995	16,700
5) ter deferred tax assets:	502,196	-
5) quater from others:	311,954	162,474
a.1) due within 12 months	237,231	87,751
a.2) due beyond 12 months	74,723	74,723
TOTAL II:	9,222,484	9,321,904
IV – CASH AND CASH EQUIVALENTS:		
1) bank and postal deposits:	26,317,301	14,646,490
3) money and cash on hand:	1,576	1,891
TOTAL IV:	26,318,877	14,648,381
TOTAL CURRENT ASSETS (C=I+II):	40,932,084	27,748,920
D) ACCRUED INCOME AND PREPAID EXPENSES:		
1) accrued income and prepaid expenses:	142,007	126,357
2) discount on loans:		
TOTAL ACCRUED INCOME AND PREPAID EXPENSES:	142,007	126,357
TOTAL ASSETS:	66,490,950	52,345,380

A) SHAREHOLDERS' EQUITY:	31.12.2021	31.12.2020
I - SHARE CAPITAL:	4,223,250	3,538,100
II - SHARE PREMIUM RESERVE	18,575,820	761,920
III - REVALUATION RESERVES:		
IV - LEGAL RESERVE:	369,026	305,726
V - RESERVES REQUIRED BY ARTICLES OF ASSOCIATION:	5,533,281	4,330,581
VI - OTHER RESERVES:	806,821	806,821
VIII - PROFITS (LOSSES) CARRIED FORWARD		
IX - PROFITS (LOSSES) FOR THE YEAR:	2,024,292	1,266,001
TOTAL SHAREHOLDERS' EQUITY	31,532,490	11,009,149
B) PROVISIONS FOR RISKS AND CHARGES:		
1) for pension fund and similar obligations	7,708	6,123
2) for tax, including deferred tax:	105,578	140,029
3) derivative liabilities		
4) others:	25,000	25,000
TOTAL (B=1+2+3+4)	138,286	171,152
C) EMPLOYEE SEVERANCE PAY	155,153	202,718
D) PAYABLES		
4) payables to banks:	7,830,940	11,742,205
a.1) due within 12 months	2,431,151	3,918,541
a.2) due beyond 12 months	5,399,789	7,823,664
6) advances	3,061,470	2,917,573
a.1) due within 12 months	3,061,470	2,917,573
7) payables to suppliers:	5,604,398	5,645,808
a.1) due within 12 months	1,649,648	1,691,058
a.2) due beyond 12 months	3,954,750	3,954,750
9) payables to subsidiaries:	16,357,849	18,196,647
a.1) due within 12 months	16,357,849	18,196,647
12) tax payables:	122,523	943,227
a.1) due within 12 months	122,523	943,227
13) payables to social security institutions	221,981	194,932
a.1) due within 12 months	221,981	194,932
14) other payables:	339,381	361,433
a.1) due within 12 months	339,381	361,433
TOTAL (D= 1+2+3+4+5+6+7+8+9+10+11+11 bis+12+13)	33,538,541	40,001,825
E) ACCRUED EXPENSES AND DEFERRED INCOME:		
1) accrued expenses and deferred income:	1,126,479	960,536
TOTAL (E=1+2)	1,126,479	960,536
TOTAL LIABILITIES	66,490,950	52,345,380

Income Statement

	31-12-2021	31-12-2020
A) VALUE OF PRODUCTION:		
1) revenues from sales and services	34,366,261	39,004,677
2) changes in inventories of work in progress, semi-finished and finished products	1,170,405	132,171
3) changes in contract work in progress	208,706	-
4) capitalisation of internal construction costs	272,336	379,660
5) other revenues and income	209,769	263,120
a) operating grants	30,455	3,282
b) capital grants (portions for the year)	56,113	51,433
c) others	123,201	208,405
TOTAL A)	36,227,477	39,779,628
B) PRODUCTION COSTS:		
6) for raw materials, supplies, consumables and goods for resale	26,317,027	29,791,589
7) for services:	3,181,303	2,859,993
8) for leases and rentals:	243,190	256,636
9) personnel costs:	2,796,425	2,641,394
a) wages and salaries:	1,989,650	1,908,038
b) social security contributions:	596,012	563,692
c) employee severance pay:	156,270	141,564
d) pension fund and similar obligations	20,974	15,241
e) other costs:	33,520	12,859
10) amortisation, depreciation and write-downs	1,643,574	1,546,684
a) amortisation of intangible assets	411,549	387,543
b) depreciation of property, plant and equipment	1,232,025	1,121,622
d) write-downs of receivables stated under current assets and of cash and cash equivalents		37,519
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	211,182-	188,650
14) other operating charges:	106,913	89,320
TOTAL B)	34,077,250	37,374,266
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	2,150,227	2,405,362
C) FINANCIAL INCOME AND COSTS		
16) other financial income	3,388	7,792
d) income other than the foregoing	3,388	7,792
d.5) others:	3,388	7,792
17) interest and other financial costs	139,305	168,734
4) from others	139,305	168,734
17) bis Foreign exchange gains and losses:	36,051	849
- foreign exchange gains	44,923	22,541
- foreign exchange losses	8,873-	21,692-
TOTAL (15+16-17)	99,866-	160,093-
PROFIT (LOSS) BEFORE TAX (A-B+-C+-D+-E)	2,050,362	2,245,269
20) current, deferred and prepaid tax for the year	26,070	979,268
21) PROFIT (LOSS) FOR THE YEAR:	2,024,292	1,266,001

Cash Flow Statement

(indirect method)

	<u>31/12/2021</u>	<u>31/12/2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the year	2,024,292	1,266,000
Income tax	26,070	979,268
Interest expense	139,304	168,734
Interest income	(3,388)	(7,792)
Capital losses from disposal of assets	0	1,455
Capital gains from disposal of assets	(1,283)	(2,142)
Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	2,184,995	2,405,523
<i>Adjustments for non-monetary items without a contra-entry in net working capital</i>		
Accruals to provisions	7,005	41,659
Amortisation and depreciation of fixed assets	1,643,574	1,509,165
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	3,835,574	3,956,347
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(1,612,090)	7,066
Decrease/(increase) in receivables (from customers and others)	2,044,133	(777,275)
Increase/(decrease) in payables (to suppliers and others)	(2,694,755)	9,824,243
Decrease/(increase) in accrued income and prepaid expenses	(15,650)	(28,442)
Increase/(decrease) in accrued expenses and deferred income	165,943	(21,521)
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	1,723,155	12,960,418
<i>Other adjustments</i>		
Interest collected	5,176	6,465
Interest paid	(131,634)	(168,169)
Income tax paid	(1,864,327)	0
Use of provisions	(52,985)	(926)
TOTAL OTHER ADJUSTMENTS	(2,043,770)	(162,629)
CASH FLOW FROM OPERATING ACTIVITIES	(320,615)	12,797,788
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(1,948,120)	(638,354)
Selling price of disinvestments from intangible assets	19,683	0
Investments in property, plant and equipment	(738,190)	(600,244)
Selling price of disinvestments from property, plant and equipment	80,031	15,402
Investments in non-current financial assets	(2,451)	(900)
Selling price of disinvestments from non-current financial assets	0	604,494
CASH FLOW FROM INVESTING ACTIVITIES	(2,589,047)	(619,602)
CASH FLOWS FROM FINANCING ACTIVITIES:		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	(44,058)	(482,460)
New loans	0	6,900,000
Repayments of loans	(3,874,836)	(6,439,343)
<i>Net worth</i>		
Capital increase against payment	18,499,050	0
CASH FLOW FROM FINANCING ACTIVITIES	14,580,156	(21,803)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,670,495	12,156,383
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,648,382	2,491,999
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26,318,877	14,648,382

Notes to the financial statements

1. Basis of preparation

The financial statements for the financial year ended 31 December 2021, of which these Explanatory Notes, together with the Cash Flow Statement, form an integral part in accordance with Article 2423, paragraph 1, of the Italian Civil Code, correspond to the results of the accounting records that are duly kept and have been prepared in accordance with the provisions of the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the Italian Accounting Board (*Organismo Italiano di Contabilità*).

It should be noted that the Balance Sheet, Income Statement and Cash Flow Statement show values that are expressed in Euro units, whilst the explanatory notes are expressed in thousands of Euro, except as otherwise stated.

The principles of financial statements referred to in the accounting standard OIC 11, paragraph 15, issued by the Italian Accounting Board, have been complied with. Furthermore, it should be noted that:

- items have been measured according to the principle of prudence, as well as by considering the economic function of the relevant asset or liability item;
- only those profits that had been realised as at the reporting date of the financial period have been stated;
- account has been taken of income and costs accrued in the financial period, regardless of the date of their receipt or payment;
- account has been taken of risks and losses pertaining to the financial period, even if they became known after the reporting date;
- heterogeneous elements included in each item have been valued separately;
- in application of the principle of materiality, the obligations regarding the recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect in order to provide a true and fair view.

Going-concern principle

The items of financial statements have been valued on a going-concern basis.

Exceptions under Article 2423, paragraph 5, of the Italian Civil Code

No extraordinary events occurred, which made it necessary to apply exceptions pursuant to Article 2423, paragraph 5, of the Italian Civil Code.

Changes in accounting standards

There were no changes in accounting standards during the year.

Correction of material errors

No material errors committed in previous years were reported during the year.

Comparability and adaptation issues

There are no assets and liabilities which fall under more than one heading in the financial statements.

2. Accounting policies

The accounting policies used to prepare the financial statements for the reporting period are the same as those used to prepare the financial statements for the previous financial year.

Intangible assets

They are recognised, within the limits of their recoverable value, at purchase or production cost, as increased by additional charges and reduced by the value of amortisation calculated on a straight-line basis in relation to the residual useful life of the asset. Deferred charges may be stated among balance sheet assets only if their future useful life can be demonstrated, there is an objective correlation with the related future benefits that will flow to the company and their recoverability can be estimated with

reasonable certainty. Intangible assets are recognised when the definition of intangible asset is met pursuant to paragraph 9 of the accounting principle OIC 24 issued by the Italian Accounting Board; the company acquires the power to obtain the future economic benefits flowing from the asset itself and can restrict third-party access to those benefits, and the cost can be estimated with sufficient reliability. Goodwill is stated among intangible assets if it is acquired for a consideration, its value can be determined since it is included in the consideration paid, and is initially made up of charges and costs deferred over time, which therefore guarantee future economic benefits and the principle of recoverability of the related cost is satisfied.

The company assesses whether there is any evidence of permanent impairment losses on each reporting date of the financial statements. If this evidence exists, the company would estimate the recoverable value of the fixed asset and carry out a write-down, in accordance with Article 2426, paragraph 1.3, when the fixed asset shows a value that is permanently lower than its net book value.

Start-up and expansion costs and development costs may only be recognised with the consent of the Board of Statutory Auditors.

The rates applied are as follows:

Start-up and expansion costs: 5 years

Development costs: 5 years

Industrial patent and intellectual property rights: 10 years

Concessions, licences, trademarks and similar rights: from 5 to 18 years

Goodwill: from 10 to 18 years

Others: from 5 to 12 years

Property, plant and equipment

They are recognised, within the limit of their recoverable value, at purchase or production cost, including directly-attributable additional charges. The value of certain assets has been adjusted over the years in accordance with laws that allow for the currency appreciation of fixed assets.

Maintenance costs, which increase the productivity or useful life of assets, have been added to the corresponding item of the asset to which they refer and are amortised together with the asset itself. Maintenance costs that do not increase the value of the asset were expensed during the financial period.

Depreciation is calculated with reference to the cost, as revalued (if necessary), at constant rates, which are unchanged with respect to the previous financial period and are based on the residual useful life of the assets. Depreciation begins when the assets are available and ready for use and the rates are reduced by 50% in the financial period when they are acquired or enter into service.

The company assesses whether there is any evidence of permanent impairment losses on each reporting date of the financial statements. If this evidence exists, the company would estimate the recoverable value of the fixed asset and carry out a write-down, in accordance with Article 2426, paragraph 1.3, when the fixed asset shows a value that is permanently lower than its net book value.

The depreciation rates applied are as follows:

- buildings: 3%,

- lightweight construction: 10%

- general systems: 10%

- special systems: 15%

- machinery: 15%

- equipment: 40%

- electromechanical office machines: 20%

- office furniture: 12%
- motor vehicles and means of internal transport : 20%
- mobile phones: 20%

Equity investments

They are classified as fixed assets or current assets according to their intended use. They are initially recognised at purchase cost, including additional charges. The company assesses whether there is any evidence of permanent impairment losses in fixed investments on each reporting date of the financial statements. If this evidence exists, the company would estimate the recoverable value of the equity investment and carry out a write-down when it shows a value that is permanently lower than its net book value.

Inventories

They are valued at the lower of their cost and their net presumed realisable value that can be inferred from market trends. Cost is determined according to the FIFO method, as adjusted (if necessary) by the related provision for obsolescence. Contract work in progress with a term exceeding one year, which meets the conditions laid down in the accounting principle OIC 23 issued by the Italian Accounting Board is measured according to the percentage of completion method, whilst other work is measured according to the completed contract method.

Receivables from customers and other receivables

They are classified on the basis of their allocation or origin with respect to recurring operations and are stated net of the provision for bad debts in order to be recognised at their presumed realisable value. Receivables whose due date does not fall within normal commercial terms and which do not accrue explicit interest are stated at their amortised cost, if significant, by using the effective interest method, net of any related impairment loss.

Tax receivables and payables, receivables for deferred tax assets and provisions for deferred tax liabilities

Tax receivables include certain and determined amounts deriving from receivables for which a right of recovery has arisen through repayment or offsetting. Tax payables include certain and determined tax liabilities, as well as deductions carried out as a withholding agent and not yet paid as at the reporting date and, where offsetting is permitted, are stated net of advances, withholdings and tax credits. Deferred tax assets are only accounted for when there is reasonable certainty of their recovery and are classified as "deferred tax assets". The amount of deferred tax assets is reviewed on each reporting date of the financial statements in order to establish whether there continues to be a reasonable certainty that future taxable income will arise and therefore the possibility of recovering the recognised amount. Deferred tax liabilities are classified under "provisions for tax, including deferred tax" and are calculated on the basis of taxable temporary differences, applying the estimated rate prevailing on the date when these differences are expected to reverse.

Cash and cash equivalents

They are stated at their nominal value. Stocks in currencies other than euro are recognised at the exchange rate prevailing on the end date of the reporting period.

Accruals and deferrals

The principle of accrual concerning costs incurred or revenues earned in subsequent financial periods is applied by means of accounting for accrued income and prepaid expenses and accrued expenses and deferred income.

Provision for risks and charges

They are set aside to meet present, legal or constructive and probable obligations deriving from past events for which a reliable estimate of the amount arising from the fulfilment of the related obligations can be made at the end of the financial period. If a liability is regarded as possible, no provision for risks is set aside and appropriate disclosure is provided in the notes to the financial statements.

Provision for employee severance pay

It corresponds to the full amount of benefits accrued in favour of employees in relation to current contractual and legal obligations.

Payables

They are classified on the basis of their allocation or origin with respect to recurring operations and are stated at their nominal value. Payables whose due date does not fall within normal commercial terms and which do not accrue explicit interest are stated at their amortised cost by using the effective interest method; if the effect of amortised cost is immaterial, these payables are also stated at their nominal value.

Revenue and cost recognition

Revenues from sales of products and costs for their purchase are recognised when there is the transfer of all the risks and rewards connected with ownership, which normally takes place upon shipment or delivery of the goods. Financial income is recognised on an accruals basis.

Income tax for the year

It is recognised on the basis of an estimate of taxable income, in accordance with the provisions in force, while taking account of applicable exemptions and tax credits. It should be noted that, within the time limits set out in tax regulations, the Company, as consolidating company, opted for the group taxation regime - National Tax Consolidation - provided for in Articles 117 et seq. of Presidential Decree no. 917 of 1986. As at 31 December 2021 the consolidated companies were Tecnoideal s.r.l. and Sar-Med s.r.l..

Foreign currency amounts

Receivables and payables denominated in foreign currency have been accounted for on the basis of exchange rates applicable on the date when the related transactions were carried out.

Receivables and payables denominated in currencies other than euro were converted at the end of the financial period by using the exchange rate reported by the Bank of Italy on the last working day of the period, allocating the result to each debit or credit item. In accordance with the provisions of Article 2427, paragraph 1.6-*bis*, of the Italian Civil Code, it should be noted that no significant changes occurred in exchange rates after the end of the reporting period.

Cash flow statement

It has been prepared according to the accounting principle OIC 10 issued by the Italian Accounting Board; cash flows are shown according to the area from which they originate (operating, investing and financing activities). The algebraic sum of the abovementioned cash flows consists of the increase or decrease in cash and cash equivalents that was recorded during the financial period. Cash flow from operating activities is determined by using the indirect method, which entails reconstructing the data backwards, based on the profit (loss) for the financial period and making any necessary adjustment (amortisation and depreciation, provisions, changes in inventories, etc.) that has had no impact in terms of the creation or consumption of cash and cash equivalents. Cash flows from investing activities include those from the purchase and sale of property, plant and equipment, intangible assets and non-current financial assets, as well as of current financial assets.

Cash flows from financing activities include those that result from obtaining or returning cash and cash equivalents in the form of venture capital or debt capital.

3. Intangible assets

The table below shows the breakdown of this item and the related changes during the period.

<i>(in thousands of Euro)</i>	Start-up and expansion costs	Development costs	Industrial patent and intellectual property rights	Concessions, licences and trademarks	Goodwill	Fixed assets under development and advances	Others	Total
Balance at 31 December 2020	-	431	110	38	341	3,326	137	4,383
<i>Of which:</i>								-
- historical cost		2,773	372	54	820	3,326	585	7,930
- amortisation fund		-2,342	-262	-16	-479		-448	-3,548
Investments	1,239	16	87	3		603		1,948
Disinvestments			-17					-17
Amortisation	-40	-181	-32	-3	-46		-110	-412
Reclassifications		58				-60		-3
Balance at 31 December 2021	1,199	323	148	38	295	3,869	28	5,899
<i>Of which:</i>								-
- historical cost	1,239	2,846	430	58	820	3,869	585	9,848
- amortisation fund	-40	-2,523	-283	-20	-525	-	-558	-3,948

The investments mainly related to the following items:

- 1) capitalisations of costs incurred for development projects, amounting to Euro 619 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 161 thousand, the NewHemo project for Euro 188 thousand, the New SAU project for Euro 75 thousand and the Catetere project for Euro 67 thousand;
- 2) costs incurred for the capital increase of Medica SpA, which is functional to the listing of its ordinary shares on Euronext Growth Milan market, amounting to Euro 1,313 thousand (an amount of Euro 1,239 thousand of which was capitalised and a residual amount of Euro 74 thousand was accounted for as costs for services);
- 3) costs incurred for the registration of patents for Euro 56 thousand.

Net investments made in 2020, amounting to Euro 640 thousand, mainly related to the capitalisation of costs incurred for development projects.

The details on the net book value at 31 December 2021 for the major development projects are provided below:

- 1) NewHemo project (in progress): Euro 2,798 thousand
- 2) Grafene project (in progress): Euro 331 thousand
- 3) Med-Log project (in progress): Euro 238 thousand
- 4) New SAU project (in progress): Euro 200 thousand
- 5) Catetere project (in progress): Euro 171 thousand
- 6) Other projects in progress: Euro 131 thousand
- 7) Apheresis membrane and filter project (under amortisation): Euro 255 thousand
- 8) Other projects under amortisation: Euro 68 thousand

There were no significant changes in development projects in progress at 31 December 2021 compared to 31 December 2020.

As at 31 December 2021, there were no indicators of permanent impairment losses in intangible assets. The conditions for sharing of future results of operations are in fact unchanged for these assets. Their estimated presumed useful life is also unchanged.

4. Property, plant and equipment

The table below shows the breakdown of this item and related changes for the period.

<i>(in thousands of Euro)</i>	Land and buildings	Plant and machinery	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Balance at 31 December 2020	2,307	3,467	418	81	30	6,303
<i>Of which:</i>						
- historical cost	2,881	6,181	1,027	338	30	10,457
- depreciation fund	-574	-2,714	-609	-257		-4,154
Investments	54	375	170	19	119	738
Disinvestments		-6	-	-1	-75	-81
Depreciation	-73	-905	-231	-23		-1,232
Reclassifications		3				3
Balance at 31 December 2021	2,288	2,935	358	76	74	5,730
<i>Of which:</i>						
- historical cost	2,935	6,550	1,187	353	74	11,099
- depreciation fund	-647	-3,615	-830	-277	-	-5,369

The investments mainly related to the machinery and equipment that were acquired during the year for the Grafene project, totalling Euro 446 thousand.

Investments made in property, plant and equipment amounted to Euro 585 thousand in 2020, mainly relating to equipment for the Grafene project.

Land and buildings include a revaluation carried out for Euro 402 thousand on the office building and building area of the Company in application of Decree Law no. 185 of 2008, in relation to which a provision was set aside for deferred tax liabilities, since the revaluation was relevant for statutory purposes only.

	land and building	revaluation of land and building	building depreciation fund	revaluation of building depreciation fund	revalued land and building	revalued depreciation fund	Revaluation credit balance
Revaluations D.L. 185/2008	518	402	265	77	920	342	227

5. Non-current financial assets

The table below shows the changes recorded in this item during the period:

<i>(in thousands of Euro)</i>	Equity investments in subsidiaries	Equity investments in other companies	Receivables from others	Total
Balance at 31 December 2020	13,724	57	4	13,785
Increases			2	2
Decreases				
Balance at 31 December 2021	13,724	57	6	13,787

Non-current financial assets consist of the equity investments listed below:

Company	HQ	Investment	ownership %	Share capital	Equity 2021	Profit (loss) 2021	Share of equity
Sar-med Srl	Italy	10,747	100%	10,318	13,841	410	13,841
Tecnoideal unipersonale Srl	Italy	1,437	100%	101	8,331	2,460	8,331
Medica Méditerranée	Tunisia	1,540	92,1%	5,605	7,234	401	6,663
Total		13,724					

Equity investments in other companies mainly concerned the quota held in MISTER SMART INNOVATION S.C.A.R.L. for about Euro 57 thousand.

6. Inventories

(in thousands of Euro)

	31 December 2021	31 December 2020
Raw materials, supplies and consumables	332	228
Work in progress and semi-finished products	352	428
Contract work in progress	209	0
Finished products and goods for resale	4,593	3,188
Inventories, including the provision for write-down	5,483	3,844
Provision for inventory obsolescence	(125)	(75)
Advances	32	10
Inventories	5,390	3,779

The increase in inventories compared to 31 December 2020 was mainly due to both higher stock levels in order to cope with the risk of delays in deliveries from suppliers during the pandemic and the plant downtime of our major provider of sterilisation services, mainly occurred at the end of the year, which resulted in a reduction in deliveries of our products to customers during the last period of the year.

7. Receivables stated under current assets

This item is broken down as follows:

(in thousands of Euro)

	At 31 December 2021	Of which due beyond 12 months	At 31 December 2020	Of which due beyond 12 months
Receivables from customers	6,218		7,181	
Receivables from subsidiaries	1,478		569	
Receivables from associates	-		31	
Tax receivables	712	153	1,378	17
Deferred tax assets	502		-	
Receivables from others	312	75	163	75
Total receivables	9,222	228	9,322	92

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2021	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
Receivables from customers	6,218	2,664	848	2,706
Receivables from unconsolidated subsidiaries	1,478	1,429		49
Tax receivables	712	712		
Deferred tax assets	502	502		
Receivables from others	312	202	105	5
Total receivables	9,222	5,509	953	2,760

The decrease in receivables from customers compared to the previous year was mainly due to a decline in sales recorded in 2021 compared to 2020. Receivables from subsidiaries include the amount claimed from IRES tax consolidation of the two consolidated companies (Tecnoideal, Sar-med), equal to Euro 1,218 thousand.

Tax receivables mainly include VAT credits for Euro 355 thousand (Euro 1,287 thousand at 31 December 2020), which showed a decrease due to both VAT offsetting carried out on the credit accrued in the third quarter of 2021, amounting to Euro 86 thousand, and lower purchases made in 2021 compared to 2020, as well as IRES (Corporate Income) and IRAP (Regional Production Activity) tax credits, equal to Euro 113 thousand, and tax credits on R&D investments and costs for Euro 245 thousand (Euro 72 thousand at 31 December 2020).

Deferred tax assets mainly related to the following temporary differences:

- provisions for inventory write-down for Euro 35 thousand;
- capital grants of Medica SpA for Euro 458 thousand.

Receivables from others mainly included advances paid to suppliers for Euro 152 thousand (an amount of Euro 50 thousand of which concerned advances for the certification of medical equipment and Euro 56 thousand concerned advances on commissions).

No receivables were recognised in relation to transactions subject to reconveyance obligations.

The table below shows the changes in the provision for bad debts:

<i>(in thousands of Euro)</i>	Provision for bad debts
Balance at 31 December 2020	210
Accrual	-
Release	-
Use	(17)
Balance at 31 December 2021	193

8. Cash and cash equivalents

<i>(in thousands of Euro)</i>	31 December 2021	31 December 2020
Bank and postal deposits	26,317	14,646
Cheques		
Money and cash on hand	2	2
Total	26,319	14,648

For more details on changes in liquidity, reference should be made to the cash flow statement.

9. Accrued income and prepaid expenses

<i>(in thousands of Euro)</i>	31 December 2021	31 December 2020
Accrued income	0	0
Prepaid expenses	142	126
Total	142	126

Prepaid expenses were recognised in relation to insurance, leases and rentals.

Capitalised financial costs

In accordance with Article 2427, paragraph 1.8 of the Italian Civil Code, it should be noted that no financial costs have been charged to the values entered under assets in the Balance Sheet.

10. Shareholders' equity

Share capital

As at 31 December 2021, the fully subscribed and paid-up share capital of the Parent Company amounted to Euro 4,223,250 and was divided into 4,223,250 ordinary shares with no par value.

<i>(in thousands of Euro)</i>	<i>Share Capital</i>	<i>Legal Reserve</i>	<i>Share Premium Reserve</i>	<i>Reserve required by Articles of Association</i>	<i>Other reserves</i>	<i>Profits (Losses) carried forward</i>	<i>Profit (Losses) for the year</i>	<i>Total for the Group</i>
At 31 December 2019	3,538	253	762	3,328	807	-	1,046	9,734
Allocation of the result for the previous year		53		993			(1,046)	-
Profit (loss) for the year							1,266	1,266
Other changes				9				9
At 31 December 2020	3,538	306	762	4,330	807	-	1,266	11,009
Capital increase	685		17,814					18,499
Allocation of the result for the previous year		63		1,203			(1,266)	-
Profit (loss) for the year							2,024	2,024
At 31 December 2021	4,223	369	18,576	5,533	807	-	2,024	31,532

On 1 November 2021, we received from Borsa Italiana S.p.A. the admission to listing of Medica's ordinary shares on the Euronext Growth Milan market, a multilateral trading system organised and managed by Borsa Italiana S.p.A.. The admission took place after the completion of the placement of a total of 847,650 ordinary shares (including over-allotment and greenshoe options) for a total value of Euro 22,887 thousand, against a total demand exceeding Euro 174 million, equal to approximately 7.6 times the offer. Trading began on 3 November 2021. The placement price was set at Euro 27.00 per share, at the top of the range. Following the placement, Medica's share capital increased from 3,538,100 shares to 4,223,250 ordinary shares with no par value, of which 20.07% consists of free float, with a total capital increase of Euro 18,499 thousand.

Availability and use of equity items:

The information required by Article 2427, paragraph 1.7-*bis*, of the Italian Civil Code concerning the specification of equity items with reference to their origin, possible uses and distributability, as well as to their utilization in previous years, can be inferred from the tables below:

	Amount	Origin/nature	Possible use	Available share
Share capital	4,223			
Legal reserve	369	Profits	B	369
Share premium reserve	18,576	Capital	A B C	18,576
Reserve required by articles of association	5,533	Profits	A B C	5,533
Merger surplus reserve	207	Capital	A B C	207
Extraordinary reserve	600	Profits	A B C	600
Total	29,508			25,285
Non-distributable share				24,352
Distributable share				933

Key: A: for capital increase B: for loss coverage C: for distribution to shareholders D: for other obligations required by articles of association E: for other reasons

It should be noted that there are no reserves subject to tax relief among reserves.

11. Provisions for risks and charges

The table below shows the changes in this item.

<i>(in thousands of Euro)</i>	Provision for agents' pension fund	Provision for tax, including deferred tax	Other provisions for risks	Total
At 31 December 2020	6	140	25	171
Accruals	2			2
Uses				-
Releases		(34)		(34)
At 31 December 2021	8	106	25	138

12. Employee severance pay

<i>(in thousands of Euro)</i>	Total
At 31 December 2020	203
Accruals	5
Uses	(53)
Releases	-
At 31 December 2021	155

13. Payables

The table below shows the breakdown of this item at 31 December 2021 and at 31 December 2020.

<i>(in thousands of Euro)</i>	At 31 December 2021	Of which due beyond 12 months	Of which due beyond 5 years	At 31 December 2020	Of which due beyond 12 months	Of which due beyond 5 years
Payables to banks	7,831	5,400	-	11,742	7,824	813
Payables to other lenders	-					
Advances	3,061			2,918	1,403	
Payables to suppliers	5,604	3,955		5,646	3,955	
Payables to subsidiaries	16,358			18,197		
Tax payables	123			943		
Payables to social security institutions	222			194		
Other payables	339			361		
Total payables	33,539	9,355	-	40,002	13,181	813

No payables are backed by collateral on the Company's assets.

No payables were recognised in relation to transactions subject to reconveyance obligations.

Pursuant to Article 2427, paragraph 1.19-*bis*, of the Italian Civil Code, it should be noted that the Company did not hold any loan from shareholders as at 31 December 2021.

Payables to banks were made up of current accounts payable, advance accounts and credit card balances for a total of Euro 3 thousand, while the remaining amount consisted of mortgages and loans. We did not take out any new loan during the financial year.

Loans with Mediocredito Italiano and BNL require compliance with financial covenants on the following consolidated ratios: NFP/EBITDA < 4.00 and < 4.8 and NFP/Equity < 1.55, which had been largely complied with at 31 December 2021.

For more details on changes in liquidity, reference should be made to the cash flow statement.

Advances related to advances from customers and the advance payment on the capital grant for the Graphil project for an amount of Euro 1,403 thousand and of the Life project collected in 2021 for an amount of Euro 345 thousand.

Payables to subsidiaries showed a decrease which was mainly due to the acquisition of THF, at a price of Euro 2,500 thousand, which took place through subsidiary Tecnoideal.

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2021	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
Payables to banks	7,831	7,831	-	-
Payables to other lenders	-			
Advances	3,061	70	2,177	814
Payables to suppliers	5,604	1,495	121	3,988
Payables to subsidiaries	16,358	14,463	-	1,895
Tax payables	123	123	-	-
Payables to social security institutions	222	222	-	-
Other payables	339	339	-	-
Total payables	33,539	24,544	2,298	6,697

Tax payables

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Income tax	-	715
IRAP tax	-	121
IRPEF (Personal Income) tax deductions for employees and others	123	107
Total tax payables	123	943

Payables to social security institutions

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Payables to INPS (National Social Security Institute)	131	114
Payables to other social security and welfare institutions	32	27
Others	59	53
Total payables to social security and welfare institutions	222	194

Other payables

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Accrued vacation and leave time	207	198
Salaries	128	130
Others	4	43
Total other payables	339	361

14. Accrued expenses and deferred income

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2021	At 31 December 2020
Accrued expenses	9	11
Deferred income	1,117	950
Total accrued expenses and deferred income	1,126	961

Deferred income mainly related to the capital grants of Euro 929 thousand, which had been collected in previous years in relation to development projects for Euro 644 thousand and a building for Euro 285 thousand, as well as to tax credits on investments for Euro 188 thousand.

15. Revenues from sales and services

Revenues from sales and services, equal to Euro 34,366 thousand in 2021, showed a decrease of Euro 4,638 thousand (-12%) compared to 2020, which was mainly attributable to the sales performance of the Group's lines of business, except for Tecnoideal Automation (developing on subsidiaries), described in the paragraph on the Group's "Revenues from sales and services".

The table below shows the breakdown of revenues by geographical area:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Italy	10,188	13,676
Europe (excluding Italy)	10,256	6,940
Non-EU countries	13,922	18,389
Total	34,366	39,005

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Electro-medical equipment	4,572	4,076
Tubing	8,160	10,608
Blood filters	9,835	9,888
Water filters	3,503	4,787
Others	8,296	9,646
Total	34,366	39,005

16. Capitalisation of internal construction costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Property, plant and equipment	6	91
Development projects	266	289
Total	272	380

17. Other revenues

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Grants	87	50
Others	123	213
Total	210	263

18. Costs for services and leases and rentals

The table below shows the breakdown of these items.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Third-party manufacturing	523	697
Transport and customs charges	559	627
Consultancy and collaborations	1,081	635
Utilities	105	96
Maintenance, repair and service	124	167

Advertising, promotions and commissions	158	172
Fees due to directors (including social security contributions)	160	120
Fees due to the members of the board of statutory auditors	24	24
Fees due to the audit firm/independent auditors	61	24
Insurance	44	42
Travel, business trips and board, expense reimbursement	105	93
Research costs	75	23
Other services	162	140
Total cost for services	3,181	2,860

The increase of Euro 446 thousand in consultancy costs compared to 2020 was mainly due to activities carried out by Tecnoideal, equal to Euro 350 thousand, for a technical consulting project that the Company invoiced to the end customer, as well as to non-capitalised costs of Euro 74 thousand incurred for the listing on the Euronext Growth Milan market and consultancy costs of Euro 62 thousand incurred by Medica SpA to obtain grants from the European Union.

Lower third-party manufacturing costs compared to 2020 were mainly due to lower volumes in the sterilisation business recorded in 2021 compared to 2020.

<i>(in thousands of Euro)</i>	Financial year at 31 December	
	2021	2020
Rents payable for buildings	102	102
Others	141	155
Total leases and rentals	243	257

19. Personnel costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Wages and salaries	1,990	1,908
Social security contributions	596	564
Contributions to pension funds	177	157
Other personnel costs	33	13
Total	2,796	2,642

The increase in personnel costs compared to the previous financial period was mainly due to a different mix of employees with an increase of two positions as executives. The table below shows the average and exact headcount by category:

<i>(in figures)</i>	Financial year ended 31 December			
	2021 average	2020 average	2021 exact	2020 exact
Executives	6	4	6	4
Middle managers	5	5	5	5
Office workers	31	34	32	34
Manual workers	10	12	11	12
Trainees	3	1	2	1
Total	55	56	56	56

20. Financial income and costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Interest expense	109	150
Net foreign exchange loss (profit)	(36)	(1)
Other financial costs	30	19
Total financial costs	103	168
Financial income	3	8
Total net financial costs	100	160

The decrease in interest expense compared to the previous year was due to the lower exposure to banks in 2021 compared to 2020, since the Company did not enter into any new loan agreement and duly paid the instalments falling due during the year.

21. Income tax

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2021	2020
Current tax	563	772
Tax relating to previous years	0	16
Net deferred tax liabilities (assets)	(537)	191
Total	26	979

The tax charge decreased significantly compared to the previous year both due to the Super ACE tax credit calculated on an amount of Euro 5,000 thousand of the capital increase carried out at Medica in 2021 (with a total effect of Euro 180 thousand) and due to higher deferred tax assets on capital grants and provisions for write-down accounted for in 2021 and on which the Company estimates their recoverability on the basis of the profitability forecasts envisaged in the 2021-2025 business plan.

Breakdown of deductible and taxable temporary differences

The tables below, which have been prepared in accordance with the recommendations of the accounting principle OIC 25 issued by the Italian Accounting Board, provide the information required by Article 2427, paragraph 1.14.a) and b) of the Italian Civil Code. In particular, they provide information on the summary values of the changes in "Total deferred tax assets and liabilities" for the year, the composition of deductible temporary differences that have given rise to "Deferred tax assets", the composition of taxable temporary differences that have given rise to "Deferred tax liabilities" and disclosures on the use of tax losses.

Description	IRES tax	IRAP tax
A) Temporary differences		
Total deductible temporary differences	1,688	2,481
Total taxable temporary differences	(401)	(232)
Net temporary differences	1,287	2,249
B) Tax effects		
Provision for deferred tax liabilities (assets) at the beginning of the year	131	9
Deferred tax liabilities (assets) for the year	(440)	(97)
Provision for deferred tax liabilities (assets) at the end of the year	(309)	(88)

Description	Amount at the end of the previous year	Change occurred during the year	Amount at the end of the year	IRES tax rate	IRES tax effect	IRAP tax rate	IRAP tax effect
Property revaluation	234	(8)	226	24%	54	3.9%	9
Capital gains on assets	300	(150)	150	24%	36	-	-
Others	11	14	25	24%	6	3.9%	0
Total deferred tax liabilities	545	144	401		96		9
Grants	-	1,525	1,525	24%	366	3.9%	92
Inventory write-down	-	125	125	24%	30	3.9%	5
Others	-	38	38	24%	9	-	0
Total deferred tax assets	-	1,688	1,688		405		97

Reconciliation of theoretical tax charge	31 December 2021
Profit before tax	2,050
Theoretical IRES and IRAP tax (24%+3.9%)	572
IRES and IRAP tax from financial statements	26
Effective rate	1%
Difference	546
Extraordinary income	316
Super ACE tax credit	180
Hyper/Super amortisation	45
Income from tax credits	25
Others	(20)
Total	546

22. Information required by Article 1, paragraph 125, of Law no. 124 of 4 August 2017

During the tax period, the Company received the following economic benefits, in accordance with the provisions of Article 1, paragraph 125-bis, of Law no. 124 of 4 August 2017.

Description (amounts in €/th.)	Paying entity	Grant allowed	Grant received
EBM grants	Bilateral entity – metalworking	1	1
Employment incentive	INPS	3	3
Total		4	4

23. Related-party transactions

Transactions with related parties are mainly commercial in nature, and are linked to operations that are generally carried out at arm's length; however, there is no guarantee that if these transactions had been concluded between or with third parties, the latter would have negotiated and entered into the related contracts, or performed the transactions themselves, at the same conditions and in the same manner.

The Company maintains relations with the following related parties:

- in particular, the Company incurs a rent payable on buildings to Villafiora Immobiliare Srl, a reference entity for the controlling company, amounting to Euro 62 thousand (Euro 62 thousand at 31 December 2020).
- The transactions with Group companies are described below.

	Receivables	Payables	Revenues	Other revenues / Sale of assets	Costs of raw materials	Costs for services	Purchases of assets	Other costs	Financial costs
Sar-med Srl	131	10,572	572	8	13,174	52	1	2	
Tecnoideal Srl	1,259	3,890	236	11	3,642	416	554		
Medica Méditerranée		1,895	2,376	6	6,184	20			4
THF Srl	58	165	10	22					
Tecnoideal America Inc					45		68		
Nefrodom Srl	49		40						
Total	1,497	16,522	3,234	47	23,045	488	623	2	4

24. Events after the reporting date

Conflict between Russia and Ukraine

Following the end of the financial year, relations between Russia and Ukraine deteriorated in such a way as to result in an armed conflict. At the time of preparation of this report the conflict is limited to the two nations, but as most of the Western countries, including Italy, have taken economic decisions aimed at imposing sanctions on the Russian Federation, repercussions on economy cannot be excluded in our country.

Although the Company has no direct commercial relations with the two countries, the gradual deterioration of economy resulting from the sanctions and the consequences of the conflict could have an indirect impact on the Company: at present, it is not possible to quantify or predict how these repercussions may be reflected in the financial statements for the coming financial year, as they depend substantially on the duration of the conflict, the expansion of its area and its extension over time and the consequent expiry date of the economic sanctions.

With reference to the critical situation due to the outbreak of the conflict in Ukraine, no substantial adverse impacts on the Company's business performance have been reported at present; however, the directors note that they are monitoring the situation very carefully, in view of the potential adverse impact on the general economic environment, and are carrying out the audits required by the new EU regulations with the support of consultants in order to prevent sales in violation of the related legislation and in the verification of dual use.

Possible risks could be associated with:

- Indirect impact derived from business relations with our customers and/or suppliers that could have direct effects in the countries involved in the conflict
- Fluctuations in the prices of raw materials and energy commodities
- Possible repercussions (including indirectly) on the global economic and financial system

25. Other information

Commitments, guarantees and potential liabilities not resulting from the balance sheet

The Parent Company Medica Spa reports the following guarantees:

Description – Medica SpA	31 December 2021
Guarantees given to third parties	976
Guarantees given to group companies	5,250
Guarantees received	8,479

Guarantees given to third parties:

- Sureties of Euro 36 thousand to public bodies for tendering;
- Sureties of Euro 10 thousand for ceiling of Medica spa credit cards;
- Surety bond of Euro 930 thousand in favour of the Revenue Agency on VAT refunds.

Guarantees given by the parent company to group companies:

- SAR-MED SRL: surety bond of Euro 1,000 thousand in favour of Banco Popolare di Milano;
- SAR-MED SRL: surety bond of Euro 500 thousand in favour of Banco Popolare di Milano on current account opening;
- SAR-MED SRL: surety bond of Euro 400 thousand in favour of BNL on current account opening;
- SAR-MED SRL: surety bond of Euro 1,000 thousand in favour of Monte Paschi di Siena on financing.

Furthermore, the parent company Medica spa provided a comfort letter in favour of MPS Leasing on lease agreements entered into by SAR-MED SRL.

- TECNOIDEAL SRL: comfort letter for Euro 1,300 thousand in favour of BPER for financing.
- TECNOIDEAL SRL: surety bond granted for Euro 1,050 thousand in favour of Monte Paschi di Siena on financing.

Guarantees received by the Parent Company

- SACE surety of Euro 1,200 thousand on Mortgages granted by Banca Nazionale del Lavoro and Banca Popolare Emilia-Romagna;
- FEI surety of Euro 969 thousand on loans granted by Banco Popolare di Milano and Banca Popolare Emilia-Romagna;
- Sureties granted by shareholder Fecondini Luciano in favour of Medica spa for Euro 1,400 thousand on the loan granted by Banca Nazionale del lavoro;
- Medio Credito Centrale guarantees for Euro 4,910 thousand.

Information on extraordinary costs or revenues

It should be noted that the Group did not achieve any cost or revenue of extraordinary value or impact.

Information on agreements not resulting from the balance sheet

No agreements are in place, in addition to those already shown in the consolidated financial statements.

Fees due to Directors, Statutory Auditors and independent auditors

Fees due to Directors: Euro 120 thousand

Fees due to Statutory Auditors: Euro 24 thousand

The Company has not disbursed advances or loans to directors and statutory auditors and has not undertaken any commitment on their behalf.

Statutory audit of annual accounts: Euro 48 thousand (Euro 16 thousand of which for the audit of the half-year report).

Other independent auditors' activities: Euro 54 thousand.

Classes of shares issued by the Parent Company

As of today's date, the Company's authorised Share Capital amounts to Euro 4,223,250, is fully paid up and is only divided into 4,223,250 ordinary Shares with no par value. For further details, reference should be made to the paragraph that shows changes in Equity.

Securities and other financial instruments issued by the Parent Company

Medica SpA has not issued securities or other financial instruments.

Information on assets and loans intended for specific business

In accordance with Article 2447-*bis* of the Italian Civil Code, it should be noted that the Group has not allocated any assets or loans to a specific business.

COMPLIANCE WITH THE REGULATIONS ON THE PROTECTION OF PERSONAL DATA

Data controller

After considering the nature, scope of application, context and purpose of the processing of personal data, as well as the risks having different probability and severity for the rights and freedoms of natural persons, the Company has put in place appropriate technical and organisational measures in order to ensure and be able to demonstrate that processing complies with current legislation (in accordance with Article 24 of Regulation (EU) 2016/679 - GDPR).

The aforementioned measures are implemented to avoid claims for material and/or immaterial damage under Article 82 of the GDPR and to avoid unlawful processing referred to in Articles 167 – 167-*bis* – 167-*ter* and 168 of Legislative Decree no. 196 of 2003 brought in by Legislative Decree no. 101 of 2018, as well as with evidential value under Articles 2050 and 2055 of the Italian Civil Code and prevention of computer crimes and unlawful data processing pursuant to Article 24-*bis* of Legislative Decree no. 231 of 2001.

Proposals to the Shareholders' Meeting

1) Approval of the separate financial statements at 31 December 2021. Allocation of the profit for the year; related and consequent resolutions.

You are invited to approve:

- the draft separate financial statements at 31 December 2021 submitted by the Board, and the Board of Directors' report on the operations of Medica SpA;
- the proposal to distribute the profit for the year of Medica SpA, equal to Euro 2,024,292, as follows:
 - o a) Euro 101,215 to legal reserve;
 - o b) Euro 1,923,077 to the reserve required by the articles of association.

Statement of compliance of the financial statements

Final considerations

These financial statements give a true and fair view of the Company's financial position, results of operations and cash flows for the year.

The values have been reported in accordance with the principle of clarity.

It is hereby declared that this electronic document is consistent with the document transcribed and signed in the Company's books.

Medolla, 30 March 2022

For the Board of Directors
Luciano Fecondini
(Chairman)



Board of Statutory Auditors' Report

MEDICA S.P.A.
con sede in Medolla (Mo)

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEI SOCI IN OCCASIONE DELLA APPROVAZIONE DEL BILANCIO CHIUSO AL 31 DICEMBRE 2021, REDATTA AI SENSI DELL'ART. 2429 DEL CODICE CIVILE

All'Assemblea degli Azionisti
della società Medica S.p.A.

Premessa

Il collegio sindacale, nell'esercizio chiuso al 31 dicembre 2021, ha svolto le funzioni previste dagli artt. 2403 e ss. c.c.. Nel corso dell'esercizio chiuso al 31 dicembre 2021 la nostra attività è stata ispirata alle disposizioni di legge e alle Norme di comportamento del collegio sindacale emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, nel rispetto delle quali abbiamo effettuato l'autovalutazione, con esito positivo, per ogni componente il collegio sindacale.

Di tale attività e dei risultati conseguiti Vi portiamo a conoscenza con la presente relazione.

È stato sottoposto al Vostro esame il bilancio d'esercizio della società Medica Spa al 31.12.2021, redatto in conformità alle norme italiane che ne disciplinano la redazione, che evidenzia un risultato d'esercizio positivo di euro 2.024.291,72=-; il bilancio è stato messo a nostra disposizione nel termine di legge.

Il soggetto incaricato della revisione legale dei conti, EY S.p.A., ci ha consegnato la propria relazione, nella quale è riportato il giudizio di cui si riferirà in seguito.

Il Collegio sindacale, non essendo incaricato della revisione legale, ha svolto sul bilancio le attività di vigilanza consistenti in un controllo sintetico complessivo volto a verificare che il bilancio sia stato correttamente redatto. La verifica della rispondenza ai dati contabili spetta, infatti, all'incaricato della revisione legale.

Emergenza sanitaria Covid-19

Con riferimento all'emergenza epidemiologica COVID-19, il Collegio è stato tempestivamente informato delle misure adottate dalla società volte alla protezione dei dipendenti e limitazioni al contatto con personale terzo, nel rispetto delle normative di legge, e sull'utilizzo dell'attività di Smart Working.

Attività di vigilanza ai sensi dell'art. 2403 e ss. c.c.

Abbiamo vigilato sull'osservanza della legge e dello statuto e sul rispetto dei principi di corretta amministrazione e in particolare, sull'adeguatezza degli assetti organizzativi, del sistema amministrativo e contabile e del loro concreto funzionamento.

Abbiamo partecipato alle assemblee dei soci ed alle riunioni del consiglio di amministrazione, in relazione alle quali, sulla base delle informazioni disponibili, non abbiamo rilevato violazioni della legge e dello statuto, né operazioni

manifestamente imprudenti, azzardate, in potenziale conflitto di interesse o tali da compromettere l'integrità del patrimonio sociale.

Abbiamo acquisito dagli amministratori, con adeguato anticipo e anche durante le riunioni svolte, informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società e dalle sue controllate e, in base alle informazioni acquisite, non abbiamo osservazioni particolari da riferire.

Abbiamo scambiato informazioni con i sindaci e i soggetti incaricati della revisione legale dei conti, delle società partecipate, rilevanti per lo svolgimento della nostra attività di vigilanza; non sono emersi dati ed informazioni rilevanti che debbano essere evidenziati nella presente relazione.

Abbiamo acquisito informazioni dall'organismo di vigilanza e preso visione delle relazioni dello stesso e non sono emerse criticità rispetto alla corretta attuazione del modello organizzativo che debbano essere evidenziate nella presente relazione.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento dell'assetto organizzativo della società, anche tramite la raccolta di informazioni dai responsabili delle funzioni e a tale riguardo non abbiamo osservazioni particolari da riferire.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni e l'esame dei documenti aziendali, e a tale riguardo, non abbiamo osservazioni particolari da riferire.

Non sono pervenute denunce dai soci ex art. 2408 c.c.

Il collegio sindacale ha emesso in data 9 settembre 2021, parere favorevole, ai sensi dell'articolo 2441, comma 6, del codice civile, in ordine alla congruità del prezzo di emissione delle azioni in relazione ad un aumento di capitale con esclusione del diritto di opzione, secondo le raccomandazioni, emanate in materia dal CNDCEC. L'aumento di capitale era finalizzato alla successiva operazione di ammissione alla quotazione sull'AIM Italia, sistema multilaterale di negoziazione organizzato e gestito da Borsa Italiana S.p.A. ("AIM Italia") delle azioni della Società.

Il Collegio sindacale ha rilasciato inoltre in data 9 gennaio 2021, la proposta motivata per l'attribuzione dell'incarico di revisione legale dei conti per gli esercizi 2020-2021-2022.

Nel corso dell'attività di vigilanza, come sopra descritta, non sono emersi altri fatti significativi tali da richiederne la menzione nella presente relazione.

Osservazioni in ordine al bilancio d'esercizio

Da quanto riportato nella relazione del soggetto incaricato della revisione legale EY S.p.A., "il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della società al 31.12.2021, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità alle norme italiane che ne disciplinano i criteri di redazione".

Per quanto a nostra conoscenza, gli amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, c.c.

Ai sensi dell'art. 2426, n. 5 c.c. abbiamo espresso il nostro consenso all'iscrizione nell'attivo dello stato patrimoniale di costi di impianto e ampliamento per € 1.238.990, e di costi di sviluppo per € 602.911.

Osservazioni e proposte in ordine alla approvazione del bilancio

Considerando le risultanze dell'attività da noi svolta, e il giudizio espresso nella relazione di revisione rilasciata dal soggetto incaricato della revisione legale dei conti, il collegio propone alla assemblea di approvare il bilancio d'esercizio chiuso al 31 dicembre 2021, così come redatto dagli amministratori.

Il collegio concorda con la proposta di destinazione del risultato d'esercizio, formulata dagli amministratori in nota integrativa.

Bilancio consolidato

Abbiamo altresì esaminato il progetto di bilancio consolidato chiuso al 31 dicembre 2021 e messo a nostra disposizione nei termini di cui all'art 2429 c.c., congiuntamente al progetto di bilancio della società capogruppo e alle relative relazioni sulla gestione; la data di chiusura dei bilanci delle società incluse nel consolidato, coincide con quella del bilancio della società che procede al consolidato.

Il bilancio consolidato è stato redatto conformemente a quanto dispone il D.lgs. 9 aprile 1991, n. 127, e si chiude con un risultato positivo di euro 4.979.850, di pertinenza del gruppo per euro 4.972.921; il patrimonio netto consolidato ammonta a euro 45.173.047, di pertinenza del gruppo per euro 44.970.215.

Nella nota integrativa sono analiticamente indicati i criteri e le aree di consolidamento e non si rilevano difformità rispetto all'esercizio precedente in ordine ai criteri utilizzati per la redazione del bilancio consolidato.

In particolare, l'area di consolidamento include le società controllate in conformità agli artt. 26 e 28 del D.lgs. n. 127/1991 e le variazioni rispetto all'esercizio precedente; la procedura di consolidamento adottata segue principalmente il metodo integrale e globale (con la sola esclusione della società Tecnoideal Asia per i motivi esposti in nota integrativa).

In ordine alla relazione sulla gestione, si rileva la completezza informativa e la congruenza dei dati con quelli risultanti dal bilancio consolidato.

Da quanto riportato nella relazione del soggetto incaricato della revisione legale EY S.p.A., "il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del gruppo al 31.12.2021, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità alle norme italiane che ne disciplinano i criteri di redazione".

Cariche sociali

Signori Azionisti, si ricorda che con l'approvazione del bilancio chiuso al **31.12.2021**, scade per decorso dei termini, il mandato conferito al Collegio Sindacale; conseguentemente l'Assemblea dovrà deliberare anche in merito alla nomina del Collegio Sindacale, il cui mandato scadrà con l'approvazione del bilancio che verrà chiuso al 31.12.2024.

I componenti del Collegio Sindacale ringraziano il Consiglio di Amministrazione e gli Azionisti, per la stima riposta nell'esecuzione del mandato.

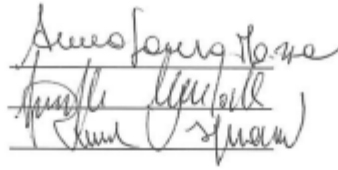
Medolla (Mo), 13 aprile 2022

Il collegio sindacale

Anna Laura Mazza (Presidente)

Giuseppe Campadelli (Sindaco effettivo)

Riccardo Vergnanini (Sindaco effettivo)

Handwritten signatures of the three members of the board of directors, each written over a horizontal line.

Independent auditors' report on the separate financial statements



Medica S.p.A.

Financial statements as at December 31, 2021

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



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

To the Shareholders of
Medica S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medica S.p.A. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement and statement of cash flows for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

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

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

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

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

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iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606150 - P.IVA.00891231003
iscritta al Registro Rivalori Legali al n. 70945 Pubblicato sulle G.U. Suppl. 13 - IV Serie Speciale del 17/2/1995
iscritta all'Albo Speciale delle società di revisione
Concetto al progressivo n. 2 dell'elenco n.10831 del 16/7/1997

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Medica S.p.A. are responsible for the preparation of the Report on Operations of Medica S.p.A. as at December 31, 2021, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.



We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Medica S.p.A. as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Medica S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

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

Bologna, April 13, 2022

EY S.p.A.
Signed by: Gianluca Focaccia, Auditor

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