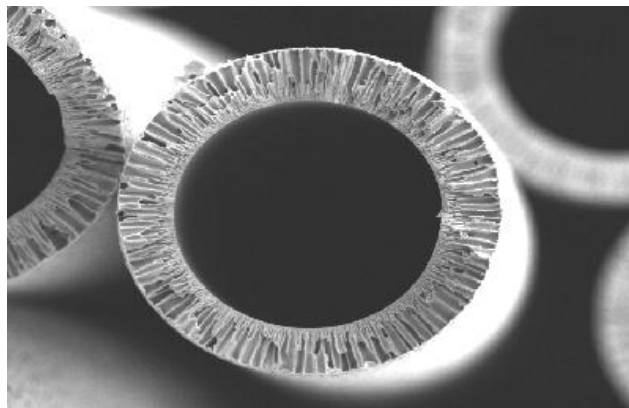

MEDICA



HALF-YEAR FINANCIAL REPORT **at 30 June 2022**

Table of contents

DETAILS OF THE PARENT COMPANY.....	3
COMPOSITION OF THE PARENT COMPANY'S CORPORATE AND CONTROL BODIES	4
REPORT ON OPERATIONS.....	5
INTRODUCTION	5
THE GROUP'S STRUCTURE AND BUSINESS.....	5
PREAMBLE	6
GENERAL ECONOMIC PERFORMANCE	6
THE GROUP'S ECONOMIC AND FINANCIAL PERFORMANCE.....	7
THE GROUP'S RESULTS OF OPERATIONS IN THE HALF-YEAR ENDED 30 JUNE 2022	7
RECLASSIFIED BALANCE SHEET	9
NET FINANCIAL DEBT	10
NON-GAAP ALTERNATIVE PERFORMANCE INDICATORS.....	11
ATYPICAL AND/OR UNUSUAL TRANSACTIONS	11
RELATED-PARTY TRANSACTIONS	11
DESCRIPTION OF RISKS AND UNCERTAINTIES TO WHICH THE COMPANY AND THE GROUP ARE EXPOSED AND FINANCIAL INSTRUMENTS.....	12
TREASURY SHARES.....	12
ENVIRONMENT AND PERSONNEL	13
RESEARCH AND DEVELOPMENT ACTIVITY	13
SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022	13
EVENTS AFTER THE REPORTING DATE	13
OUTLOOK	14
CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS	15
<i>BALANCE SHEET</i>	15
<i>INCOME STATEMENT</i>	17
<i>CASH FLOW STATEMENT</i>	18
<i>NOTES TO THE FINANCIAL STATEMENTS</i>	19
1. GENERAL INFORMATION	19
2. BASIS OF PREPARATION	19
3. FORM OF THE FINANCIAL STATEMENTS.....	19
4. SCOPE OF CONSOLIDATION.....	20
5. INTANGIBLE ASSETS	20
6. PROPERTY, PLANT AND EQUIPMENT	21
7. NON-CURRENT FINANCIAL ASSETS	22
8. INVENTORIES	22
9. RECEIVABLES STATED UNDER CURRENT ASSETS.....	23
10. CASH AND CASH EQUIVALENTS	24
11. ACCRUED INCOME AND PREPAID EXPENSES	24
12. SHAREHOLDERS' EQUITY.....	24
13. PROVISIONS FOR RISKS AND CHARGES.....	25
14. EMPLOYEE SEVERANCE PAY	25
15. PAYABLES.....	25
16. ACCRUED EXPENSES AND DEFERRED INCOME	26
17. REVENUES FROM SALES AND SERVICES	26
18. OTHER REVENUES	27
19. COSTS FOR SERVICES AND LEASES AND RENTALS	27
20. PERSONNEL COSTS	28
21. FINANCIAL INCOME AND COSTS	28
22. INCOME TAX	29
23. RELATED-PARTY TRANSACTIONS	29
24. EVENTS AFTER THE REPORTING DATE	29
25. OTHER INFORMATION.....	30
INDEPENDENT AUDITORS' REPORT	33

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 2024

Mazza Anna Laura

Chairman

Grazia Stefania

Standing Auditor

Vergnanini Riccardo

Standing Auditor

Quattrini Loris

Alternate Auditor

Guerzoni Sandra

Alternate Auditor

Independent Auditors

EY S.p.A.

REPORT ON OPERATIONS

Introduction

With regard to the half-year ended 30 June 2022, the figures shown and the comments made in this report are aimed at providing an overview of 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 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 Group is 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 98.29% 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), which is wholly owned through the sole-quotaholder subsidiary Tecnoideal Srl. 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 included in the scope of consolidation as from 1 January 2022, while THF Srl, which was acquired on 28 April 2021, was consolidated on a line-by-line basis from 1 July 2021. At the beginning of 2022 Tecnoideal America subscribed to a capital increase of DOP 1,450 thousand (equal to Euro 24 thousand) in Nefrodom, thus bringing its share of ownership from 90% to 98.29%.

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

Preamble

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. For these reasons, the analysis of the half-year results and indicators of operations, financial position and cash flow cannot be fully considered as a proportional share of the entire financial year.

General economic performance

The global market is experiencing a critical phase with a high level of uncertainty due to the consequences of the Russian-Ukrainian conflict, which began when it had not yet recovered from the effects of the Pandemic. Significant growth in energy prices and a substantial decline in the supply of materials and components are putting a strain on both businesses and households, and are also worsening the conditions for making investments.

The pandemic had already led to a decline in global sales for the first time in decades in the field of extracorporeal blood treatment, and firstly hemodialysis, with mortality in critically ill patients, such as those who are already undergoing dialysis, reaching 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 in which Medica is active in the development of a portable device that will allow the removal of excess fluid from the patient's body and that will have potential applications in many renal, pulmonary and heart diseases.

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 Group's economic and financial performance

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

Sustained growth continued in sales of our apheresis products (lines and filters), which was also supported by substantial growth in sales of electromedical equipment in previous years, with considerable increases in niche products with high profit margins such as plasma filters and hemoconcentrators and in the product line for kidney and liver transplants. A positive trend was reported for tubing for use in laser eye surgery.

The slowdown continued in line with expectations in the OEM division, while the Water division continued to record an erratic performance, still suffering from the strong impact of the pandemic in hospital facilities, which brought very little overall growth during the first half of the year.

The Automation division achieved substantial growth compared to the first half of the previous year as a result of the contribution given by THF S.r.l. (acquired at the beginning of 2021 and consolidated as from 1 July 2021) and the machines delivered during the half-year; however, revenues in this division are strongly affected by the supplier delivery times of components, particularly electronics, which have lengthened significantly due to the Russian-Ukrainian conflict and are essential to complete, among other work in progress, the performance of major contracts for orders gained for a total of around Euro 3.8 million during the last year.

In general, an overall slowdown continues 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.

From a financial point of view, the effects of the pandemic and the Russian-Ukrainian conflict described in the previous paragraph are the main causes for the increase in inventory, but both good credit management and higher advance payments collected from customers on new orders have prevented, together with the high profitability of our business, significant operating cash outflows in the first half of 2022, which was mainly affected by extraordinary investments in new sheds planned in previous years.

The Group's results of operations in the half-year ended 30 June 2022

The table below shows the reclassified consolidated income statement for the half-years ended 30 June 2022 and 2021.

<i>(in thousands of Euro)</i>	Half-year ended 30 June				Change	
	2022	(*)	2021	(*)	2022-2021	
Revenues from sales and services	20,424	100%	20,303	100%	121	1%
Raw materials, supplies, consumables and goods for resale ⁽¹⁾	-5,542	-27%	-5,763	-28%	221	-4%
Gross Profit	14,882	73%	14,539	72%	343	2%
Costs for services and leases and rentals	-4,700	-23%	-4,099	-20%	-601	15%
Personnel costs	-7,593	-37%	-6,635	-33%	-958	14%
Other net operating costs ⁽²⁾	1,171	6%	482	2%	689	143%

Write-downs ⁽³⁾	-3	0%	-37	0%	34	-91%
EBITDA	3,756	18%	4,250	21%	-494	-12%
Amortisation and depreciation ⁽⁴⁾	-2,060	-10%	-1,863	-9%	-197	11%
Accruals to provisions for risks and charges	0	0%	0	0%	0	0%
Operating profit (EBIT)	1,696	8%	2,387	12%	-691	-29%
Net financial costs ⁽⁵⁾	-68	0%	-151	-1%	83	-55%
Profit before tax	1,628	8%	2,236	11%	-608	-27%
Income tax	-262	-1%	65	0%	-327	-503%
Profit for the period	1,367	7%	2,300	11%	-933	-41%
Of which Profit attributable to minority interests	97	0%	5	0%	92	1835%
Of which Profit attributable to the Group	1,270	6%	2,295	11%	-1,025	-45%

(*) 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 20,424 thousand in the first half of 2022, showed an increase of Euro 121 thousand (1%) compared to the first half of 2021. This figure was mainly attributable to a significant and robust growth in the Acute & Aferesis business line, from Euro 4,896 thousand in the first half of 2021 to Euro 5,966 thousand in the first half of 2022 (+22%); this was accompanied by more moderate growth, impacted by the effects of the pandemic and the Russian-Ukrainian conflict, in the lines of business of Tecnoideal Automation, which grew from Euro 2,587 thousand to Euro 4,368 thousand (+69%) , partially due to the contribution given by the newly-acquired THF Srl for Euro 1,526 thousand, and of Water, which grew from Euro 1,416 thousand to Euro 1,824 thousand (+29%). This growth was accompanied by a downturn in other lines of business: the OEM segment recorded a reduction, in line with our expectations, by 29% (equal to Euro -1,814 thousand) compared to Euro 6,175 thousand achieved in the first half of 2021; the Chronic line, reduced by 24% (equal to Euro -738 thousand) compared to Euro 3,036 thousand achieved in the first half of 2021, continued to be affected by the effects of the pandemic in a significant manner.

Gross Profit, equal to Euro 14,882 thousand in the first half of 2022, showed a slight improvement compared to the value posted at 30 June 2021 (+2%), despite general economic difficulties related to the effects of the pandemic and the Russian-Ukrainian conflict, mainly as a result of a different mix of revenues from sales achieved in 2022 compared to 2021, in particular following higher sales reported in the Acute & Aferesis and Water lines of business.

EBITDA, equal to Euro 3,756 thousand t 30 June 2022, showing a decrease of Euro 494 thousand compared to Euro 4,250 thousand at 30 June 2021, was mainly attributable to the reasons stated in the previous paragraphs, as well as to higher costs for services, leases and rentals and personnel on a like-for-like basis. Specifically, the increase in costs for services and leases and rentals, amounting to Euro 192 thousand on a like-for-like basis, was mainly attributable to both higher travelling expenses and costs to participate in trade fairs, which occurred as a result of easing Covid restrictions compared to the previous half-year (Euro 108 thousand) and, to the remaining extent, higher costs of technical and administrative advice for recurring services after listing. The growth in personnel costs, amounting to Euro 367 thousand on a like-for-like basis, was mainly attributable to an increase in headcount, especially in the middle management and executive levels.

Operating Profit amounted to Euro 1,696 thousand, showing a decrease of Euro 691 thousand compared to Euro 2,387 thousand at 30 June 2021, which was mainly attributable to the reasons stated in the above paragraphs, in addition to the effect of costs incurred for the listing of Medica and capitalised for Euro 1,239 thousand in November 2021.

Profit for the Period, amounting to Euro 1,367 thousand, down compared to a balance of Euro 2,300 thousand at 30 June 2021, was mainly due to higher net deferred tax assets accounted for in the half-year of 2021 (Euro 505 thousand), as mainly calculated on the provisions for write-down of inventory and capital grants.

Reclassified balance sheet

The table below shows the reclassified statement of financial position at 30 June 2022 and 31 December 2021:

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Investments:		
Net Working Capital (B)⁽²⁾	10,597	7,181
Intangible assets	8,985	9,029
Property, plant and equipment	18,229	17,877
Non-current financial assets	140	430
Fixed assets (A)	27,354	27,336
Employee severance pay	(1,532)	(1,471)
Provisions for risks and charges	(61)	(60)
Net deferred tax liabilities ⁽¹⁾	1,407	1,392
Net invested capital (A+B+C)	37,764	34,378
Sources:		
Shareholders' Equity	46,601	45,173
Net Financial Debt	(8,837)	(10,795)
Sources of financing	37,764	34,378

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) continuation of the works involving the new building at subsidiary Sar-med for Euro 94 thousand and the new building at subsidiary Medica Méditerranée for Euro 1,024 thousand;
- 2) capitalisations of costs incurred for development projects, which had been started in previous years, for Euro 526 thousand, the most significant items of which were: Euro 163 thousand related to the NewHemo project, Euro 104 thousand related to the Grafene project, Euro 96 thousand related to the Homemo project, Euro 55 thousand related to the Life project, Euro 27 thousand related to the Detecta project;
- 3) costs incurred for the registration of products in the US market for a total of Euro 70 thousand.

Below is the breakdown of the Group's Net Working Capital at 30 June 2022 and 31 December 2021:

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Inventories	20,232	15,959
Receivables from customers	8,524	8,849
Advances from customers	(4,372)	(3,384)
Payables to suppliers	(6,291)	(7,488)
Net Trade Working Capital	18,093	13,936
Other current and non-current assets	5,045	5,327
Other current and non-current liabilities	(12,541)	(12,082)

Net Working Capital	10,597	7,181
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The increase in net working capital was mainly due to a rise in inventory following the delays in deliveries of materials on the part of suppliers, which therefore cause longer times for the products to be manufactured and delivered to customers. The increase in advances compared to 31 December 2021 mainly reflects payments received from subsidiary Tecnoideal on major contract work in progress.

Net Financial Debt

Below is the breakdown of the Group's Net Financial Debt at 30 June 2022 and 31 December 2021, determined as required by the ESMA 32-382-1138 guidelines:

<i>in thousands of Euro</i>	At 30 June 2022	At 31 December 2021
A. Cash on hand	(18,003)	(30,910)
B. Cash equivalents		
C. Other current financial assets	(9,999)	(1,757)
D. Liquidity (A + B + C)	(28,002)	(32,667)
E. Current financial debt	42	14
F. Current portion of non-current financial debt	4,596	5,201
G. Current financial debt (E) + (F)	4,638	5,215
H. Net current financial debt (G)– (D)	(23,364)	(27,452)
I. Non-current financial debt	14,227	16,357
J. Debt instruments		
K. Trade payables and other non-current payables	300	300
L. Non-current financial debt (I) + (J) + (K)	14,527	16,657
M. Net financial debt or Net Debt (H) + (L)	(8,837)	(10,795)

* the balance of "Trade payables and other non-current payables" included amounts due 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 at 31 December 2021 (the company was consolidated from 1 January 2022).

Net Financial Debt, equal to a positive balance of Euro 8,837 thousand, showed a decrease of Euro 1,958 thousand compared to the value posted at 31 December 2021, mainly as a result of net investments in property, plant and equipment and intangible assets totaling Euro 2,359 thousand (an amount of Euro 1,118 thousand of which related to new sheds). The effects of the pandemic and the Russian-Ukrainian conflict resulted for the reasons described above in an increase in inventory and therefore in working capital, which substantially offset the cash flow generated by EBITDA.

<i>in thousands of Euro</i>	30/06/2022	31/12/2021	30/06/2021	Change		Change	
				2022 vs 2021	2022 vs 2021	06/2022 vs 06/2021	06/2022 vs 06/2021
EBITDA (A)	3,756	9,897	4,250	(6,141)	(62%)	(494)	(12%)
Current tax (B)	(260)	(1,407)	(475)	1,147	(81%)	215	(45%)
Change in net working capital (C)	(3,176)	(4,165)	(4,372)	989	(24%)	1,196	(27%)
CAPEX (D)	(2,359)	(5,311)	(1,560)	2,952	(56%)	-799	51%
Total FCFO (E) = (A) – (B) – (C) + (D)	(2,039)	(986)	(2,157)	(1,053)	107%	118	(5%)

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 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 the first half of 2022, reference should be made to note 23 "Related-party Transactions" in the notes to the consolidated half-year financial report at 30 June 2022.

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 Group is exposed to various risks that may affect the valuation of outstanding financial instruments reported in the 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 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 put in place 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 aforesaid 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 Group's 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 half-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.

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 difficulties in relations with the workforce or the trade unions, during the half-year. Investment in human capital plays a crucial role for our Group.

Research and development activity

No new development projects were started during the half-year, and, therefore, we confirm the existing in progress as at 31 December 2021.

Significant events in the first half of 2022

At the beginning 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, these sanctions have also had repercussions on economy in our country.

Although the Company has no direct commercial relations in the two countries and has no significant exposure in terms of energy costs, the gradual deterioration of economy resulting from the sanctions and the consequences of the conflict has had an indirect impact on the Company, as described in the paragraph on the performance of operations; at present, it is not possible to quantify or predict how these repercussions may be reflected in the financial statements, 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.

Events after the reporting date

For more information, reference should be made to the events described in Note 24 "Events after the reporting date" of the notes to the consolidated half-year financial report for the period ended 30 June 2022.

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 substantial order backlog acquired to date and the hyper-performing market trends of our main products (apheresis) constitute positive signs in terms of growth trend, while on the other hand the continuation of the pandemic, geopolitical and military tensions and difficulties in the procurement chain may lead to significant slippages in revenues in the following financial period. To this analysis carried out on the business on a like-for-like basis compared to the previous financial period will be added the contribution given by the new acquisitions made on 21 July 2022 (Spindial SpA) and 1 September 2022 (Slom Srl) in the second half of the year.

Medolla, 28 September 2022

For the Board of Directors

Luciano Fecondini
(Chairman)

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

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Balance Sheet

<i>ASSETS</i>	30.6.2022	31.12.2021
<i>B) FIXED ASSETS:</i>		
I – INTANGIBLE ASSETS:		
1) start-up and expansion costs	1,076,198	1,199,079
2) development costs	849,047	1,287,442
3) industrial patent and intellectual property rights	148,208	151,980
4) concessions, licences, trademarks and similar rights	84,320	97,202
5) goodwill	1,929,067	2,000,623
6) fixed assets under development and advances	4,759,712	4,234,006
7) others	138,520	58,255
TOTAL I	8,985,072	9,028,588
II – PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings:	5,328,523	5,433,255
2) plant and machinery:	8,601,981	9,305,190
3) industrial and business equipment	526,435	590,133
4) other assets:	360,408	325,287
5) fixed assets under construction and advances	3,411,682	2,222,860
TOTAL II	18,229,030	17,876,723
III – NON-CURRENT FINANCIAL ASSETS:		
1) Equity investments in:	62,708	362,708
a) subsidiaries:	-	300,000
d-bis) other companies	62,707	62,707
2) receivables:	76,771	1,824,539
d-bis) from others	76,771	1,824,539
a.1) due within 12 months	-	1,756,800
a.2) due beyond 12 months	76,771	67,739
3) other securities:	9,999,999	-
TOTAL III:	10,138,479	2,187,247
TOTAL FIXED ASSETS (B)	37,352,581	29,092,558
<i>C) CURRENT ASSETS</i>		
I - INVENTORIES:		
1) raw materials, supplies and consumables	8,258,729	6,499,312
2) work in progress and semi-finished products	3,929,921	3,216,602
3) contract work in progress:	3,551,331	2,094,011
4) finished products and goods for resale:	4,390,837	4,099,109
5) advances:	101,189	49,651
TOTAL I:	20,232,007	15,958,684
II – RECEIVABLES		
1) from customers:	8,523,459	8,848,855
a.1) due within 12 months	8,523,459	8,848,855
a.2) due beyond 12 months	-	-
2) from subsidiaries:	-	42,993
a.1) due within 12 months	-	42,993
5) bis tax receivables:	3,249,508	3,867,734
due within 12 months.	3,012,273	3,153,317
due beyond 12 months.	237,235	714,417
5) ter deferred tax assets:	1,489,416	1,497,554
a.1) due within 12 months	1,489,416	1,497,554
a.2) due beyond 12 months	-	-
5) quater from others:	1,301,235	1,171,592
a.1) due within 12 months	1,226,512	1,093,743
a.2) due beyond 12 months	74,723	77,849
TOTAL II:	14,563,618	15,428,729
IV – CASH AND CASH EQUIVALENTS:		
1) bank and postal deposits:	17,996,087	30,904,053
3) money and cash on hand:	6,930	5,594
TOTAL IV:	18,003,017	30,909,647
TOTAL CURRENT ASSETS (C=I+II):	52,798,643	62,297,060
<i>D) ACCRUED INCOME AND PREPAID EXPENSES:</i>		
1) accrued income and prepaid expenses:	493,724	244,807
2) discount on loans:	-	-
TOTAL ACCRUED INCOME AND PREPAID EXPENSES:	493,724	244,807
TOTAL ASSETS:	90,644,947	91,634,426

A) SHAREHOLDERS' EQUITY:	30.06.2022	31.12.2021
I - SHARE CAPITAL:	4,223,250	4,223,250
II - SHARE PREMIUM RESERVE	18,575,820	18,575,820
III - REVALUATION RESERVES:	1,358,000	1,358,000
IV - LEGAL RESERVE:	470,241	369,026
V - RESERVES REQUIRED BY ARTICLES OF ASSOCIATION:	7,456,358	5,533,281
VI - OTHER RESERVES:	710,778	667,553
VIII - PROFITS (LOSSES) CARRIED FORWARD	12,209,164	9,270,366
IX - PROFITS (LOSSES) FOR THE PERIOD:	1,269,916	4,972,919
TOTAL GROUP EQUITY (A)	46,273,527	44,970,215
I - MINORITY INTERESTS' CAPITAL AND RESERVES	230,960	195,903
I - PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	96,743	6,929
I - EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	327,704	202,832
TOTAL CONSOLIDATED EQUITY	46,601,231	45,173,047
B) PROVISIONS FOR RISKS AND CHARGES:		
1) for pension fund and similar obligations	8,672	7,708
2) for tax, including deferred tax:	82,947	105,578
3) derivative liabilities	-	-
4) others:	52,060	52,060
TOTAL (B=1+2+3+4)	143,680	165,346
C) EMPLOYEE SEVERANCE PAY	1,532,384	1,470,969
D) PAYABLES		
4) payables to banks:	15,991,219	17,935,433
a.1) due within 12 months	3,942,086	4,097,866
a.2) due beyond 12 months	12,049,133	13,837,566
5) payables to other lenders:	2,873,472	3,635,772
a.1) due within 12 months	695,574	1,115,894
a.2) due beyond 12 months	2,177,898	2,519,878
6) advances	6,230,619	5,131,095
a.1) due within 12 months	6,230,619	5,131,095
a.2) due beyond 12 months	-	-
7) payables to suppliers:	10,245,353	11,442,317
a.1) due within 12 months	6,290,603	7,487,567
a.2) due beyond 12 months	3,954,750	3,954,750
9) payables to subsidiaries:	-	284,534
a.1) due within 12 months	-	44,534
a.2) due beyond 12 months	-	240,000
12) tax payables:	675,543	531,987
a.1) due within 12 months	675,543	531,987
a.2) due beyond 12 months	-	-
13) payables to social security institutions	665,622	759,414
a.1) due within 12 months	665,622	759,414
a.2) due beyond 12 months	-	-
14) other payables:	2,625,605	1,793,955
a.1) due within 12 months	2,475,605	1,479,671
a.2) due beyond 12 months	150,000	314,284
TOTAL (D= 1+2+3+4+5+6+7+8+9+10+11+11 bis+12+13)	39,307,434	41,514,506
E) ACCRUED EXPENSES AND DEFERRED INCOME:		
1) accrued expenses and deferred income:	3,060,220	3,310,557
2) premium on loans:	-	-
TOTAL (E=1+2)	3,060,220	3,310,557
TOTAL LIABILITIES	90,644,949	91,634,426

Income Statement

A) VALUE OF PRODUCTION:	30.06.2022	30.06.2021
1) revenues from sales and services	20,424,475	20,302,629
2) changes in inventories of work in progress, semi-finished and finished products	1,281,024	1,802,363
3) changes in contract work in progress	1,601,609	58,119-
4) capitalisation of internal construction costs	760,493	361,739
5) other revenues and income	625,832	318,556
a) operating grants	499,967	105,590
b) others	125,865	212,966
TOTAL A)	24,693,434	22,727,168
B) PRODUCTION COSTS:		
6) for raw materials, supplies, consumables and goods for resale	9,706,994	9,876,104
7) for services:	4,338,544	3,774,660
8) for leases and rentals:	361,602	324,601
9) personnel costs:	7,593,234	6,634,954
a) wages and salaries:	5,570,890	4,911,359
b) social security contributions:	1,440,281	1,270,129
c) employee severance pay:	422,074	310,583
d) pension fund and similar obligations	16,893	13,116
e) other costs:	143,096	129,767
10) amortisation, depreciation and write-downs	2,063,879	1,900,285
a) amortisation of intangible assets	731,497	602,126
b) depreciation of property, plant and equipment	1,328,939	1,260,773
d) write-downs of receivables stated under current assets and of cash and cash equivalents	3,443	37,386
11) changes in inventories of raw materials, supplies, consumables and goods for resale	1,281,990-	2,368,410-
14) other operating charges:	215,274	198,206
TOTAL B)	22,997,537	20,340,400
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	1,695,897	2,386,769
C) FINANCIAL INCOME AND COSTS		
15) income from equity investments		-
c) others		-
16) other financial income	5,110	230
a) from receivables stated under fixed assets		-
a.5) others:		-
d) income other than the foregoing	5,110	230
d.5) others:	5,110	230
17) interest and other financial costs	120,713	131,606
4) from others	120,713	131,606
17) bis Foreign exchange gains and losses:	48,036	19,547-
TOTAL (15+16-17)	67,567-	150,923-
PROFIT (LOSS) BEFORE TAX (A-B+-C+-D+-E)	1,628,330	2,235,846
20) current, deferred and prepaid tax for the period	261,670	64,620-
21) PROFIT (LOSS) FOR THE PERIOD:	1,366,660	2,300,465
<i>Profit (loss) attributable to minority interests</i>	96,743	5,126
Profit (loss) attributable to the Group	1,269,917	2,295,339

Cash Flow Statement

(indirect method)

	<u>30/06/2022</u>	<u>30/06/2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the period	1,366,660	2,300,464
Income tax	261,670	(64,620)
Interest expense	120,713	131,606
Interest income	(5,110)	(230)
Capital losses from disposal of assets	7,000	48,387
Capital gains from disposal of assets	(7,000)	(1,322)
Profit (loss) for the period before income tax, interest, dividends and capital gains/losses from disposal	<u>1,743,933</u>	<u>2,414,285</u>
<i>Adjustments for non-monetary items without a contra-entry in net working capital</i>		
Accruals to provisions	122,379	101,173
Amortisation and depreciation of fixed assets	2,060,436	1,862,899
Write-downs for impairment losses	0	0
Other non-monetary adjustments	0	0
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	<u>3,926,748</u>	<u>4,378,357</u>
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(4,273,323)	(4,031,806)
Decrease/(increase) in receivables (from customers and others)	874,312	(1,614,736)
Increase/(decrease) in payables (to suppliers and others)	462,553	951,456
Decrease/(increase) in accrued income and prepaid expenses	(248,917)	(184,209)
Increase/(decrease) in accrued expenses and deferred income	(250,337)	255,415
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	<u>491,036</u>	<u>(245,523)</u>
<i>Other adjustments</i>		
Interest collected	3,180	17
Interest paid	(120,704)	(121,820)
Income tax paid	(15,550)	(104,475)
Dividends collected	0	0
Use of provisions	(60,000)	(137,753)
TOTAL OTHER ADJUSTMENTS	<u>(193,074)</u>	<u>(364,031)</u>
CASH FLOW FROM OPERATING ACTIVITIES	<u>297,962</u>	<u>(609,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(687,981)	(438,602)
Selling price of disinvestments from intangible assets	0	0
Investments in property, plant and equipment	(1,722,246)	(1,157,000)
Selling price of disinvestments from property, plant and equipment	51,000	36,097
Investments in non-current financial assets	(8,251,233)	0
Selling price of disinvestments from non-current financial assets	0	1,204,000
Acquisition or sale of subsidiaries or business units, net of cash and cash equivalents	82,124	(2,200,000)
CASH FLOW FROM INVESTING ACTIVITIES	<u>(10,528,336)</u>	<u>(2,555,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	27,379	45,739
New loans	0	0
Repayments of loans	(2,703,635)	(3,136,415)
CASH FLOW FROM FINANCING ACTIVITIES	<u>(2,676,256)</u>	<u>(3,090,676)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(12,906,630)</u>	<u>(6,255,735)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,909,647	20,596,456
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>18,003,017</u>	<u>14,340,721</u>

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.

The Consolidated Half-year Financial Statements approved by the Board of Directors on 28 September 2022 were subject to a limited audit on the part of EY S.p.A..

2. Basis of preparation

These consolidated half-year financial statements at 30 June 2022 (“**Consolidated Half-year Financial Statements**”) are 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*); specifically, there has been the use of the Accounting Principle OIC 30 applicable to interim financial reports.

The Consolidated Half-year 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 balance sheet data of the Consolidated Half-year Financial Statements are compared with the data for the financial period ended 31 December 2021, while the results of operations and the cash flow statement are compared with the respective data reported at 30 June 2021.

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

The accounting standards and policies adopted in the preparation of these Consolidated Half-year Financial Statements are the same as those used for the Group's Consolidated Financial Statements, to which reference should be made for their description, as well as consistently applied to any and all periods presented.

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 1,750,000	98.29%
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	Shanghai - China	RMB 478,464	100%

Tecnoideal ASIA has been included in the scope of consolidation as from 1 January 2022, while THF Srl, which was acquired on 28 April 2021, was consolidated on a line-by-line basis as from 1 July 2021. At the beginning of 2022 Tecnoideal AMERICA subscribed to a capital increase of DOP 1,450 thousand (equal to Euro 24 thousand) in Nefrodom, thus bringing its share of ownership from 90% to 98.29%.

5. 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 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
Change in perimeter								
Investments	-	-	13	1	45	526	103	688
Disinvestments	-	-	-	-	-	-	-	-
Amortisation	-123	-438	-17	-14	-117	-	-23	-731
Reclassifications								
Balance at 30 June 2022	1,076	849	148	84	1,929	4,760	139	8,985
<i>Of which:</i>								
- historical cost	1,266	9,972	554	256	2,703	4,760	1,987	21,498
- amortisation fund	-189	-9,123	-405	-172	-774	-	-1,849	-12,513

The investments made during the first half of 2022 mainly related to:

- capitalisations of costs incurred for development projects, which had been started in previous years, the most significant items of which were: Euro 163 thousand related to the NewHemo project, Euro 104 thousand related to the Grafene project, Euro 96 thousand related to the Homemo project, Euro 55 thousand related to the Life project, Euro 27 thousand related to the Detecta project;
- 4) costs incurred for the registration of products in the US market for a total of Euro 70 thousand.

The investments made during the first half of 2021, amounting to Euro 438 thousand, mainly related to the capitalisation of costs incurred for development projects.

There were no major changes in development projects in progress at 30 June 2022 compared to 31 December 2021.

As at 30 June 2022, 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.

6. 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 2021	5,433	9,305	590	325	2,223	17,877
<i>Of which:</i>						
- historical cost	8,887	25,368	2,419	1,316	2,223	40,214
- depreciation fund	-3,454	-16,063	-1,829	-992	-	-22,337
Change in perimeter (Tecnoideal Asia)				1		1
Investments	15	336	79	81	1,212	1,722
Disinvestments	-	50	-	1	-	51
Depreciation	-121	-988	-165	-55	-	-1,329
Exchange difference				10		10
Reclassifications	1		23		-24	-
Balance at 30 June 2022	5,328	8,602	526	360	3,411	18,229
<i>Of which:</i>						
- historical cost	8,903	25,271	2,517	1,400	3,411	41,503
- depreciation fund	-3,575	-16,669	-1,991	-1,040	-	-23,274

The investments mainly related to the continuation of the works involving the new building at subsidiary Sar-med for Euro 94 thousand and the new building at subsidiary Medica Méditerranée for Euro 1,024 thousand, as well as to the purchase of machinery and moulds at the two subsidiaries Sar-med and Medica Méditerranée for Euro 316 thousand.

Investments made in property, plant and equipment amounted to Euro 1,292 thousand in the first half of 2021, mainly relating to new buildings at the two subsidiaries Sarmed and Medica Méditerranée (for Euro 834 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 2,624 thousand held under finance lease agreements entered into in 2020 and 2021.

7. Non-current financial assets

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

<i>(in thousands of Euro)</i>	At 30 June
	2022
Balance at 31 December 2021	2,187
Increases	10,008
Decreases	(2,057)
Balance at 30 June 2022	10,138

At the beginning of 2022 Medica SpA signed two multi-branch (branch I and branch III) insurance contracts, for the purpose of liquidity management, with no constraints or conditions on their term, with leading banks for a total of Euro 9,999 thousand. The decrease relates to an amount claimed from the leasing company MPS leasing for Euro 1,757 thousand, which was collected in January 2022, and to the inclusion of subsidiary Tecnoideal Asia in the scope of consolidation as from 1 January 2022, with the consequent write-off of the carrying amount of the equity investment stated for Euro 300 thousand and the debt for the amount of Euro 240 thousand to be paid by 31 December 2029.

The equity investment in other companies mainly concerned the quota held in MISTER SMART INNOVATION S.C.A.R.L. for approximately Euro 57 thousand, as well as 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 had been completely written down in previous years. As at 30 June 2022, it was deemed appropriate to maintain the write-down of the equity investment already stated at Euro 0 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.

8. Inventories

<i>(in thousands of Euro)</i>	30 June 2022	31 December 2021
Raw materials, supplies and consumables	8,827	7,120
Work in progress and semi-finished products	3,930	3,217
Contract work in progress	3,551	2,094
Finished products and goods for resale	4,516	4,224
Inventories, including the provision for write-down	20,824	16,655
Provision for inventory obsolescence	(693)	(746)

Advances		101	50
Inventories		20,232	15,959

The increase in inventories compared to 31 December 2021 was mainly due to delays in deliveries of materials on the part of suppliers, which therefore caused longer times for the products to be manufactured and delivered to customers. About 2/3 of the increase concerned the Automation division, which was most impacted by delays in deliveries of components on the part of suppliers.

9. Receivables stated under current assets

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 30 June	<i>Of which due beyond 12 months</i>	At 31 December	<i>Of which due beyond 12 months</i>
	2022		2021	
Receivables from customers	8,524		8,849	
Receivables from unconsolidated subsidiaries	-		43	
Tax receivables	3,250	237	3,868	715
Deferred tax assets	1,489		1,498	
Receivables from others	1,301	75	1,172	78
Total receivables	14,564	312	15,429	793

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 30 June	<i>Italy</i>	EU countries (excluding Italy)	Non-EU countries
	2022			
Receivables from customers	8,524	3,328	1,216	3,980
Tax receivables	3,250	3,217	-	32
Deferred tax assets	1,489	1,489	-	-
Receivables from others	1,301	1,147	112	43
Total receivables	14,564	9,181	1,328	4,055

Receivables from customers did not report any significant change compared to 31 December 2021; the improvement was due to the different timing of receipts at the turn of the financial period.

Tax receivables mainly included tax credits of Euro 1,215 thousand (Euro 1,909 thousand at 31 December 2021), essentially concerning investments and showing a decrease compared to 31 December 2021 as a result of the amounts collected by offsetting during the period, as well as VAT credits for Euro 1,698 thousand (Euro 1,576 thousand at 31 December 2021).

Deferred tax assets mainly related to the following temporary differences:

- provisions for inventory write-down for Euro 127 thousand;
- capital grants of Medica SpA for Euro 509 thousand;
- effect of consolidation entries for Euro 790 thousand.

Receivables from others mainly included amounts for grants to be collected for Euro 900 thousand (Euro 809 thousand at 31 December 2021).

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 2021	386

Accrual	3
Release	
Use	(1)
Balance at 30 June 2022	388

10. Cash and cash equivalents

<i>(in thousands of Euro)</i>	30 June 2022	31 December 2021
Bank and postal deposits	17,996	30,904
Cheques		-
Money and cash on hand	7	6
Total	18,003	30,910

The reduction in the balance concerned, for Euro 9,999 thousand, the two multi-branch insurance contracts (branch I and branch III), for the purpose of liquidity management, with no constraints or conditions on their term, which had been signed with leading banks at the beginning of 2022 and classified as Securities in the financial statements. For more details on changes in liquidity, reference should be made to the cash flow statement.

11. Accrued income and prepaid expenses

<i>(in thousands of Euro)</i>	30 June 2022	31 December 2021
Accrued income	0	0
Prepaid expenses	245	245
Total	494	245

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

12. Shareholders' equity

Share capital

As at 30 June 2022, 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>	Share Capital	Legal Reserve	Share Premium Reserve	Reserve required by Articles of Association	Other reserves	Profits (Losses) carried forward	Profit (Losses) for the period	Total for the Group	Total for Minority Interests	Consolidated Total
At 31 December 2020	3,538	306	762	4,321	2,165	6,493	3,772	21,357	189	21,546
Allocation of the result for the previous period		63		1,203		2,506	(3,772)			
Profit (loss) for the period							2,295	2,295	5	2,300
Other changes					120	(13)		107	16	123
At 30 June 2021	3,538	369	762	5,524	2,285	8,986	2,295	23,759	210	23,969
At 31 December 2021	4,223	369	18,576	5,533	2,026	9,270	4,973	44,970	203	45,173
Allocation of the result for the previous period		101		1,923		2,949	(4,973)	-		
Profit (loss) for the period							1,270	1,270	97	1,367
Other changes					43	(10)		33	28	61
At 30 June 2022	4,223	470	18,576	7,456	2,069	12,209	1,270	46,275	328	46,601

13. 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 2021	8	106	52	165
Accruals	1			1
Uses				
Releases		(23)		(23)
Exchange differences				
At 30 June 2022	9	83	52	143

14. Employee severance pay

<i>(in thousands of Euro)</i>	Total
At 31 December 2021	1,471
Accruals	121
Uses	(60)
Releases	
At 30 June 2022	1,532

15. Payables

The table below shows the breakdown of this item at 30 June 2022 and at 31 December 2021.

<i>(in thousands of Euro)</i>	At 30 June	Of which due beyond 12 months	Of which due beyond 5 years	At 31 December	Of which due beyond 12 months	Of which due beyond 5 years
	2022			2021		
Payables to banks	15,991	12,049		17,935	13,838	
Payables to other lenders	2,873	2,178		3,636	2,520	
Advances	6,231			5,131	-	
Payables to suppliers	10,245	3,955		11,442	3,955	
Payables to subsidiaries	-			285	240	240
Tax payables	676			532	-	
Payables to social security institutions	666			760	-	
Other payables	2,626	150		1,794	314	
Total payables	39,307	18,332	-	41,515	20,866	240

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 mortgages and loans for Euro 15,949 thousand. During the half-year, we did not take out any new loan. We had no financial covenants to be complied with at 30 June 2022.

Payables to other lenders related to the finance lease from MPS Leasing for an amount of Euro 2,532 thousand and the loan from the Ministry of Economic Development for Euro 342 thousand.

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

Advances mainly related to amounts received from customers of Tecnoideal for Euro 2,534 thousand and of THF for Euro 253 thousand, as well as advances on capital grants for the Graphil and Life projects for Euro 1,859 thousand, while the remaining amount related to advances received from other customers of the Group.

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 30 June	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
	2022			
Payables to banks	15,991	15,980		11
Payables to other lenders	2,873	2,873		
Advances	6,231	422	2,344	3,464
Payables to suppliers	10,245	5,234	853	4,158
Tax payables	676	556	-	119
Payables to social security institutions	666	592	-	74
Other payables	2,626	2,342	-	283
Total payables	39,307	28,001	3,197	8,110

Tax Payables

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Income tax	170	-
IRAP tax	135	79
IRPEF (Personal Income) tax deductions for employees and others	371	453
Total tax payables	675	532

Payables to social security institutions

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Payables to INPS (National Social Security Institute)	386	522
Payables to other social security and welfare institutions	142	151
Others	138	86
Total payables to social security and welfare institutions	666	759

Other payables

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Accrued vacation and leave time	1,048	667
Salaries	889	677
Residual debt for the acquisition of quotas of THF Srl	300	300
Others	389	150
Total other payables	2,625	1,794

16. Accrued expenses and deferred income

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 30 June	At 31 December
	2022	2021
Accrued expenses	71	51
Deferred income	2,989	3,260
Total accrued expenses and deferred income	3,060	3,311

Deferred income mainly related to capital grants.

17. Revenues from sales and services

Revenues from sales and services, equal to Euro 20,424 thousand in the first half of 2022, showed an increase of Euro 121 thousand (1%) compared to the first half of 2021. This figure was mainly attributable to a significant and robust growth in the Acute & Aferesis business line, from Euro 4,896 thousand in the first half of 2021 to Euro 5,966 thousand in the first half of 2022 (+22%); this was accompanied by more moderate growth, impacted by the effects of the pandemic and the Russian-Ukrainian conflict, in the lines of business of Tecnoideal Automation, which grew from Euro 2,587 thousand to Euro 4,368 thousand (+69%) , partially due to the contribution given by the newly-acquired THF Srl for Euro 1,526 thousand, and of Water, which grew from Euro 1,416 thousand to Euro 1,824 thousand (+29%). This growth was accompanied by a downturn in other lines of business: the OEM segment recorded a reduction, in line with our expectations, by 29% (equal to Euro -1,814 thousand) compared to Euro 6,175 thousand achieved in the first half of 2021; the Chronic line, reduced by 24% (equal to Euro -738 thousand) compared to Euro 3,036 thousand achieved in the first half of 2021, continued to be affected by the effects of the pandemic in a significant manner.

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

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Italy	6,330	5,774
Europe (excluding Italy)	4,634	5,392
Non-EU countries	9,461	9,136
Total	20,424	20,302

18. Other revenues

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Grants	500	313
Others	126	5
Total	626	318

“Others” mainly include contingent assets (Euro 95 thousand), of which an amount of Euro 69 thousand has been accounted for by THF.

19. Costs for Services and leases and rentals

The table below shows the breakdown of these items.

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Third-party manufacturing	1,085	1,053
Transport	519	543
Consultancy and collaborations	678	425
Utilities	345	350
Maintenance, repair and service	247	248
Advertising and promotions	136	59
Travel and business trips	204	42
Fees due to directors	206	115
Fees due to the members of the board of statutory auditors	19	17
Fees due to the audit firm/independent auditors	65	56
Insurance	76	57
Other services	759	810
Total cost for services	4,339	3,775

The cost for the first half of 2022 includes costs of Euro 371 thousand incurred by THF (mainly consisting of Third-party manufacturing and Consultancy and collaborations for Euro 157 thousand and Euro 60 thousand, respectively, and Fees due to directors for Euro 45 thousand) and costs of Euro 29 thousand incurred by Tecnoideal Asia.

Net of the effects resulting from the change in the scope of consolidation, the increase in costs for services, amounting to Euro 164 thousand, was mainly due to higher costs of advertising, promotions, travel and business trips totalling Euro 108 thousand, mainly due to participating in various trade fairs during the period and the greater amount of travel that occurred as a result of easing Covid restrictions, as well as to higher costs of technical advice for product testing and validation, which were incurred by the parent company for Euro 45 thousand, and administrative advice, which were incurred by the parent company for Euro 44 thousand and mainly related to recurring services after listing.

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Rents payable for buildings	256	229
Others	107	96
Total leases and rentals	362	325

20. Personnel costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Wages and salaries	5,576	4,911
Social security contributions	1,442	1,270
Contributions to pension funds	434	324
Other personnel costs	140	130
Total	7,593	6,635

The increase in personnel costs compared to the previous half-year was mainly due to the Medica Group extending the scope of consolidation to THF Srl (25 employees for a cost of Euro 560 thousand in the half-year) and Tecnoideal Asia (2 employees for a cost of Euro 31 thousand in the half-year), as well as to a different workforce mix among the various Group companies, with average headcount at Medica Méditerranée decreasing by 56 employees compared to the first half of 2021 and increasing by a total of 4 (including executives and middle managers) at other companies.

The table below shows the average and exact headcount by category:

<i>(in figures)</i>	Half-year ended 30 June			
	2022 average	2021 average	2022 exact	2021 exact
Executives	12	11	12	12
Middle managers	33	30	34	30
Office workers	162	164	163	163
Manual workers	346	366	378	369
Trainees	17	25	21	27
Total	570	595	608	601

21. Financial income and costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Interest expense	105	122
Net foreign exchange loss (profit)	(48)	20
Other financial costs	16	9
Total financial costs	73	151
Financial income	5	0
Total net financial costs	68	151

22. Income tax

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Half-year ended 30 June	
	2022	2021
Current tax	260	475
Net deferred tax liabilities (assets)	2	(540)
Total	262	(65)

The tax charge showed a decrease compared to the previous half-year both due to the lower result before tax achieved in the half-year compared to 30 June 2021 and due to higher net deferred tax assets on capital grants and provisions for inventory write-down accounted for in the half-year of 2021.

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 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, an entity related to the ultimate controlling company of Medica, amounting to Euro 105 thousand at 30 June 2022.

24. Events after the reporting date

In July 2022 Medica SpA acquired 51% of Spindial SpA, specialising in the sale of medical devices and related technical assistance for hospital and home dialysis and in the operation of dialysis centers, for a total consideration of Euro 7,500 thousand (an amount of Euro 2,700 thousand of which was a capital increase). The total consideration was paid in the amount of Euro 3,500 thousand, while the remaining amount of Euro 4,000 thousand was withheld by Medica as security for the obligations placed on the sellers. The acquisition of Spindial S.p.A. contributes to the growth plan of the Medica Group, as envisaged since its listing on Euronext Growth Milan market, which will thus be able to integrate Spindial S.p.A.'s high commercial skills with the wide range of Medica products, strengthen its footprint in the Italian market and be better able to compete with multinationals in the sector. The inclusion of Spindial S.p.A. in the Medica Group perimeter will therefore have significant value in terms of strategy. As proof of confidence in his management skills, we have confirmed Marcello Grondelli as CEO, since we are sure that, with the support of the new directors Marco Fecondini and Giovanni Plasmati he will be able to achieve the ambitious growth targets we have set for the Group.

At 31 December 2021 Spindial SpA recorded revenues of about Euro 15.5 million and adjusted EBITDA (excluding non-recurring costs) of about Euro 2.0 million, with growth prospects in the short to medium term in terms of both sales volume and EBITDA and EBITDA margin.

Following the acquisition of Spindial SpA, Medica will also extend its scope of consolidation to Dialpoint Srl, which is 60% owned by Spindial SpA, the revenues of which amounted to about Euro 0.8 million, with EBITDA of about Euro 0.1 million, at 31 December 2021.

In September Tecnoideal Srl acquired 100% of Slom Srl, specialising in precision machining, for a total consideration of Euro 590 thousand, which was paid for Euro 500 thousand, while the remaining amount of Euro 90 thousand was withheld by Tecnoideal as security for the obligations placed on the sellers. The acquisition of Slom Srl contributes to the Medica Group's vertical integration, which will thus be able to make use of qualified services in local areas against a reduction in machine production costs and a better efficiency of the production department. Moreover, it is our intention to proceed shortly with the merger by incorporation of Slom Srl into Tecnoideal Srl.

At 31 December 2021 Slom Srl recorded revenues of about Euro 1.3 million and EBITDA of about Euro 0.1 million, while shareholders' equity came to about Euro 0.5 million.

In September Tecnoideal Srl acquired the remaining 40% of the share capital of Tecnoideal America Inc for a consideration of Euro 339 thousand, thus becoming the sole shareholder. Ludovico Giavotto was confirmed as CEO of the company.

25. 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	30/6/2022
Guarantees given to third parties	975
Guarantees given to group companies	2,838
Guarantees received	4,863
Description – Tecnoideal Srl	30/6/2022
Guarantees received	3,027
Description – Sar-med Srl	30/6/2022
Guarantees received	4,977
Description – THF Srl	30/6/2022
Guarantees received	215
Description – Medica Méditerranée	30/6/2022
Guarantees received	138
Total	17,033

Guarantees given to third parties:

- Sureties of Euro 35 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 53 thousand in favour of Banco Popolare di Milano;

- SAR-MED SRL: surety bond of Euro 75 thousand in favour of Banco Popolare di Milano on current account opening;
- SAR-MED SRL: surety bond of Euro 100 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 1,060 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;
- TECNOIDEAL: general comfort letter on BPER for Euro 500 thousand.

Guarantees received by the Parent Company

- SACE surety of Euro 277 thousand on Mortgages granted by Banca Nazionale del Lavoro and Banca Popolare Emilia-Romagna;
- FEI surety of Euro 208 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 147 thousand on the loan granted by Banca Nazionale del lavoro;
- Medio Credito Centrale guarantees for Euro 4,231 thousand.

Guarantee received by Tecnoideal:

- Guarantees received from FEI for Euro 106 thousand and Medio Credito Centrale for Euro 2,921 thousand on loans received.

Guarantees received by Sar-med Srl:

- Guarantees received from FEI for Euro 27 thousand and Medio Credito Centrale for Euro 4,950 thousand on loans received.

Guarantees received by THF Srl:

- Medio Credito Centrale guarantee for Euro 215 thousand on loans received.

Guarantees received by Medica Méditerranée:

- Bank guarantee for Euro 138 thousand on the new building under construction.

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

For more information on fees due to Directors and independent auditors, reference should be made to the table reported in note 19.

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, 28 September 2022

For the Board of Directors

Luciano Fecondini
(Chairman)

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

Independent Auditors' Report



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Review report on the interim consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Medica S.p.A.

Introduction

We have reviewed the interim consolidated financial statements, comprising the statement of financial position, the statements of income and cash flows and the related explanatory notes of Medica S.p.A. and its subsidiaries (the "Medica Group") as of June 30, 2022. The Directors of Medica S.p.A. are responsible for the preparation of the interim consolidated financial statements in conformity with the accounting principle OIC30. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the *International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Medica Group as of June 30, 2022 are not prepared, in all material respects, in conformity with the accounting principle OIC30.

Bologna, September 28th, 2022.

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

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