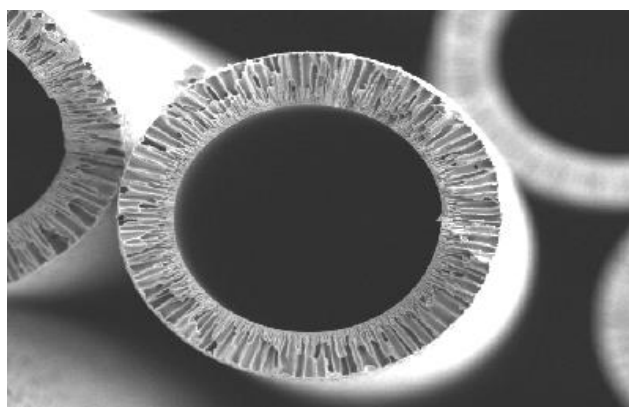

MEDICA



**Separate and Consolidated Financial Statements
at 31 December 2022**

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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 2024

Mazza Anna Laura

Chairman

Grazia Stefania

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 2022, 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.

Since 2021, the Group has expanded its boundaries both through acquisitions and through the incorporation of new companies, as described in the following paragraphs.

At present 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 holding company Pelmo87 Srl (*Ultimate Parent Company*), which was established in March 2022;
- 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. Furthermore, the company acquired 100% of Slom S.r.l., a company specialising in precision machining, at the beginning of September 2022, which was then merged by incorporation at the end of December 2022;
- 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 wholly owned through the sole-quotaholder subsidiary Tecnoideal Srl that in turns holds an interest of 98.29% in Nefrodom (dialysis centres 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 in the 2020 financial year at the same time as the outbreak of the Covid-19 pandemic;
- 7) THF Srl (Marzolarà – Italy), 100% of whose quotas were acquired through the sole-quotaholder subsidiary Tecnoideal Srl at the end of April 2021. 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 consequently approach new industrial markets;
- 8) Spindial SpA (Collecchio – Italy), 51% of whose shares was acquired at the end of July 2022, which is specialising in the sale and technical support concerning medical devices for hospital and home dialysis and the operation of dialysis centres;
- 9) Dialpoint Srl (Traversetolo – Italy), which is 60% owned by Spindial SpA and specialising in the management of services in the field of outpatient hemodialysis;
- 10) Medica USA Inc, established in October 2022 and wholly owned by Medica SpA, which will be responsible for the production of blood filters and water filters under the contract signed with Evoqua and the distribution of medical products, including those manufactured by Medica SpA;
- 11) Medica Advanced Technologies Ltd, a commercial company that was established in October 2022 and is 85% owned by Medica SpA, operating in the field of medical products, mainly in the apheresis division, in the United Kingdom;
- 12) Medica GmbH, a commercial company that was established at the end of February 2023 and is wholly owned by Medica SpA, operating in the field of medical products in Germany.

Tecnoideal ASIA was included in the scope of consolidation from 1 January 2022, while THF Srl was consolidated on a line-by-line basis from 1 July 2021, Spindial SpA and Dialpoint Srl were consolidated on a line-by-line basis from 31 July 2022, and Slom Srl was consolidated on a line-by-line basis from 31 August 2022. Medica USA Inc and Medica AT Ltd have been included in the scope of consolidation since their incorporation.

The table below shows the opening balances of the sub-consolidated accounts of Spindial.

Description (€/th.)	31 July 2022
Fixed assets	19,935
Inventories	2,313
Net Receivables (Payables)	(10,192)
Net Invested Capital	12,055
Net cash on hand (positive sign = assets)	(5,616)
100% Net assets acquired	6,439
of which Minority Interests	3,298
Other assets	2,898
Goodwill	723
Consideration	6,763

The table below shows the opening balances of Slom Srl.

Description (€/th.)	31 August 2022
Fixed assets	440
Inventories	68

Net Receivables (Payables)	118
Net Invested Capital	626
Net cash on hand (positive sign = assets)	(306)
Net assets acquired	320
Goodwill	190
Consideration	510

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. There are no debit/credit relationships with the subsidiary.

General economic performance and Management Analysis

Introduction

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 is experiencing a critical phase with a high level of uncertainty due to the effects of the Russian-Ukrainian conflict, which broke out when we had not yet recovered from the effects of the Pandemic.

Significant growth in energy prices and a significant decline in the supply of materials and components are putting a strain on both businesses and households, and are also adversely affecting the conditions for making investments.

The pandemic has 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, 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, in which Medica operates 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 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 (equipment, lines and filters), which was also supported by considerable growth recorded in previous years in sales of electro-medical equipment, and especially in niche products with substantial profit margins such as plasma filters and hemoconcentrators, and in the product line for kidney and liver transplants.

A positive trend was recorded in tubing for use in laser eye surgery.

The slowdown continued, in line with expectations, in the OEM division while the Water division recorded a slower than expected recovery in the U.S. market, which generated subdued growth below expectations.

The Tecnoideal Automation business line was affected by the adverse impact of the Russian-Ukrainian conflict on the procurement of components, mainly electronics, resulting in delays in the time needed to perform the contracts. In 2023 this economic climate caused a postponement in deliveries and thus in the invoicing of major orders received in 2021 for an amount of approximately Euro 3.0 million.

Despite a global slowdown in the dialysis market, since the pandemic has affected, in particular, hemodialysis patients, Medica achieved substantial growth in the second half of the year, after a declining first half on dialysis filter and line volumes, which brought total sales for the year to a value substantially in line with that of 2021 on a like-for-like basis.

From a financial point of view, the effects of the Russian-Ukrainian conflict described in the previous paragraph are the main causes of an increase in inventory, but both good credit management and higher down payments collected from customers on new orders prevented, together with the high profitability of our business, an absorption of operating cash flows in 2022, which were mainly affected by non-recurring investments on new sheds planned in previous years and for company acquisitions that were also made in the year under review.

The Group's results of operations

The table below shows the reclassified consolidated income statement for the financial years ended 31 December 2022 and 31 December 2021.

<i>(in thousands of Euro)</i>	Financial year ended 31 December				Change	
	2022	(*)	2021	(*)	2022-2021	
Revenues from sales and services	50,864	100%	43,800	100%	7,064	16%
Raw materials, supplies, consumables and goods for resale ⁽¹⁾	-17,220	-34%	-15,215	-35%	-2,005	13%
Gross Profit	33,644	66%	28,585	65%	5,059	18%
Costs for services and leases and rentals	-12,452	-24%	-8,902	-20%	-3,550	40%
Personnel costs	-15,971	-31%	-13,205	-30%	-2,766	21%
Other net operating costs ⁽²⁾	5,950	12%	3,419	8%	2,531	74%
Write-downs ⁽³⁾	0	0%	0	0%	0	0%
EBITDA	11,171	22%	9,897	23%	1,274	13%
Amortisation and depreciation ⁽⁴⁾	-5,896	-12%	-4,046	-9%	-1,850	46%
Accruals to provisions for risks and charges	-11	0%	-27	0%	16	-60%
Operating profit (EBIT)	5,264	10%	5,824	13%	-560	-10%
Net financial costs ⁽⁵⁾	-453	-1%	-207	0%	-246	119%
Profit before tax	4,811	9%	5,617	13%	-806	-14%
Income tax	-798	-2%	-637	-1%	-161	25%
Profit for the period	4,014	8%	4,980	11%	-966	-19%
Of which Profit attributable to minority interests	-337	-1%	7	0%	-344	-4909%
Of which Profit attributable to the Group	4,350	9%	4,973	11%	-623	-13%

(*) 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 50,864 thousand in 2022, showed an increase of Euro 7,064 thousand (16%) compared to 2021. Sales performance in 2022 was mainly characterised by a significant and robust growth in the Acute & Aferesis line of business, from Euro 9,230 thousand in 2021 to Euro 13,514 thousand in 2022 (+46%); this also occurred in the Chronic line of business, which, despite the continuation of the negative effects arising from the pandemic in the first half of 2022, confirmed the 2021 results on a like-for-like basis and, thanks to the contribution of approximately Euro 7,411 thousand from the newly-acquired Spindial SpA and the subsidiary Dialpoint Srl as from 31 July 2022, showed an increase from Euro 5,198 thousand in 2021 to Euro 12,522 thousand in 2022 (+141%). These results were accompanied by more moderate growth in the Menfis division (up by Euro 221 thousand, equal to +19%) and in the Water division (up by Euro 142 thousand, equal to 4%, due to slower-than-expected recovery in the U.S. market), as well as by a downturn in other lines of business for a total of Euro 4,889 thousand. In particular, the Tecnoideal Automation line of business was affected by the adverse impact of the Russian-Ukrainian conflict on the procurement of components, mainly electronics, with consequent delays in the time needed to perform the contracts. Despite the contribution given by the newly-acquired Slom Srl for about Euro 305 thousand (consolidated as from 31 August 2022), this economic climate led to a decrease in the division's revenues, which fell from Euro 11,997 thousand in 2021 to Euro 9,255 thousand in 2022 (-23%).

Gross Profit, equal to Euro 33,644 thousand in 2022, showed an increase of 18% compared to 2021, mainly due to higher sales compared to the previous year, and, for the remaining share, due to a different mix of revenues from sales achieved in 2022 compared to 2021.

EBITDA, equal to Euro 11,171 thousand in 2022, showing an increase of Euro 1,274 thousand (+13%) compared to Euro 9,897 thousand in 2021, was mainly attributable to the contribution of Euro 803 thousand given by the newly-acquired companies in 2022, and to the capital gain of Euro 2,593 thousand realised on the sale of the automation line made several years ago and intended for use within the Group in recent years, as well as, by difference, to the growth in personnel costs and, for the remaining share, to higher costs for services compared to the previous year on a like-for-like basis, which were not absorbed due to lower sales compared to the previous year on a like-for-like basis.

Operating Profit amounted to Euro 5,264 thousand; the decrease of Euro 560 thousand (-10%) compared to the value posted in 2021 was mainly attributable to the reasons for the EBITDA stated in the above paragraph, and to higher amortisation arising from the companies acquired in the year, equal to Euro 1,570 thousand.

Profit for the Period came to Euro 4,014 thousand, showing a decrease compared to the balance of 2021, equal to Euro 4,980 thousand, which was attributable to the factors described in the previous paragraphs, as well as to the financial costs arising from the newly-acquired companies, equal to Euro 151 thousand, and to the higher tax burden compared to the previous year (17% of profit before tax, compared to 11% in the previous year), when the Group benefited from the “Super ACE” (Aid to Economic Growth) tax credit and higher deferred tax assets compared to the previous year.

The Group’s reclassified balance sheet

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

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Investments:		
Net Working Capital (B)⁽²⁾	9,344	7,181
Intangible assets	11,577	9,029
Property, plant and equipment	35,560	17,877
Non-current financial assets	3,775	430

Fixed assets (A)	50,912	27,336
Employee severance pay	(2,238)	(1,471)
Provisions for risks and charges	(2,838)	(60)
Net deferred tax liabilities ⁽¹⁾	1,336	1,392
Net invested capital (A+B+C)	56,517	34,378
Sources:		
Shareholders' Equity	52,179	45,173
Net Financial Debt	4,338	(10,795)
Sources of financing	56,517	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) acquisition of 51% of the shares of Spindial SpA, at a price of Euro 6,763 thousand, of which an amount of Euro 4,000 thousand deposited in an escrow account as security for any possible liabilities and an amount of Euro 2,700 thousand as an increase in the company's capital, in addition to the net negative cash balance acquired for Euro 5,616 thousand;
- 2) acquisition of 100% of the quotas of Slom Srl, at a price of Euro 510 thousand, of which an amount of Euro 90 thousand to be paid within 5 years, excluding the net negative cash balance acquired for Euro 306 thousand;
- 3) acquisition of the remaining 40% of Tecnoideal America Inc for Euro 331 thousand;
- 4) completion of the works involving the new building at subsidiary Sar-med for Euro 294 thousand (for an accumulated balance of Euro 1,636 thousand at 31 December 2022) and the continuation of works on the new building at subsidiary Medica Méditerranée for Euro 2,206 thousand (for an accumulated balance of Euro 3,011 thousand at 31 December 2022, which also included the plot of land acquired in 2019);
- 5) machinery for the Group's plants amounting to Euro 1,032 thousand, of which an amount of Euro 644 thousand relating to the machinery made by Tecnoideal in favour of Sar-med;
- 6) medical equipment purchased from Spindial for Euro 445 thousand;
- 7) capitalisations of costs incurred for development programmes, for Euro 1,949 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 218 thousand, the NewHemo project for Euro 226 thousand, the Life project for Euro 176 thousand, the Detecta project for Euro 103 thousand, the New SAU project for Euro 111 thousand, the HomHemo project for Euro 624 thousand, and the Catetere project for Euro 132 thousand.

The increase in fixed assets was attributable for Euro 24,150 thousand to the change in the perimeter.

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

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Inventories	23,371	15,959
Receivables from customers	13,587	8,849
Advances from customers	(7,031)	(3,384)
Payables to suppliers	(17,272)	(7,488)
Net Trade Working Capital	12,654	13,936
Other current and non-current assets	9,384	5,327
Other current and non-current liabilities	(12,694)	(12,082)
Net Working Capital	9,344	7,181

The increase in net working capital, net of the contribution given by the newly-acquired companies that provided a negative NWC balance of Euro 5,034 thousand, was mainly due to a rise in inventory as a result of the Russian-Ukrainian conflict, which led to delays in the procurement of components, mainly electronics, resulting in delays in the time needed to perform the contracts, particularly in the

Automation division. In 2023 this economic climate caused a postponement in deliveries and then in the invoicing of major orders received in 2021 with a consequent increase in the 2022 inventory. On the other hand, part of the inventory growth was financed by higher advance payments collected from customers.

The Group's Net Financial Debt

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

<i>in thousands of Euro</i>	At 31 December 2022	At 31 December 2021
A. Cash on hand	(20,509)	(30,910)
B. Cash equivalents		
C. Other current financial assets	(10,049)	(1,757)
D. Liquidity (A + B + C)	(30,558)	(32,667)
E. Current financial debt	1,140	14
F. Current portion of non-current financial debt	8,397	5,201
G. Current financial debt (E) + (F)	9,537	5,215
H. Net current financial debt (G)– (D)	(21,021)	(27,452)
I. Non-current financial debt	20,969	16,357
J. Debt instruments		
K. Trade payables and other non-current payables	4,390	300
L. Non-current financial debt (I) + (J) + (K)	25,359	16,657
M. Net financial debt or Net Debt (H) + (L)	4,338	(10,795)

The balance at 31 December 2021 did not include net financial position assets of Euro 82 thousand resulting from the accounting balances of Tecoideal Asia (company consolidated from 2022) at 31 December 2021.

The balance of trade and other non-current payables includes the portion of consideration for company acquisitions not yet paid to sellers, as per the related agreements. The balance of cash and cash equivalents also includes the escrow account of Euro 4,000 thousand.

Net Financial Debt, equal to a negative balance of Euro 4,338 thousand, showed a decrease compared to the balance of the previous year, mainly as a result of the non-recurring corporate transactions that generated a cash impact of Euro 13,526 thousand and non-recurring investments on production plants amounting to Euro 2,500 thousand, in the absence of which net financial debt would be positive by Euro 11,688 thousand, up by Euro 893 thousand compared to 2021.

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Change	
			2022 vs 2021	2022 vs 2021
EBITDA (A)	11,171	9,897	1,274	13%
Current tax (B)	-221	-1,407	1,186	-84%
Change in net working capital (C)	-7,198	-4,165	-3,033	73%
CAPEX (D)	-5,573	-5,311	-262	5%
Total FCFO (E) = (A) – (B) – (C) + (D)	-1,821	-986	-835	85%

CAPEX includes total net investments in property, plant and equipment and intangible assets, net of company investments. If we also exclude non-recurring investments in buildings made at Sar-med and Medica Méditerranée, for a total of Euro 2,500 thousand, FCFO would be positive for Euro 679 thousand.

The Company's results of operations

The table below shows the reclassified separate income statement for the financial years ended 31 December 2022 and 31 December 2021.

<i>(in thousands of Euro)</i>	Financial year ended 31 December				Change	
	2022	(*)	2021	(*)	2022-2021	
Revenues from sales and services	37,970	100%	34,366	100%	3,604	10%
Raw materials, supplies, consumables and goods for resale ⁽¹⁾	-27,972	-74%	-24,727	-72%	-3,245	13%
Gross Profit	9,998	26%	9,639	28%	359	4%
Costs for services and leases and rentals	-3,530	-9%	-3,424	-10%	-106	3%
Personnel costs	-2,889	-8%	-2,796	-8%	-93	3%
Other net operating costs ⁽²⁾	3,153	8%	375	1%	2,778	741%
EBITDA	6,731	18%	3,794	11%	2,937	77%
Amortisation and depreciation ⁽³⁾	-1,735	-5%	-1,644	-5%	-91	6%
Operating profit (EBIT)	4,996	13%	2,150	6%	2,846	132%
Net financial costs ⁽⁴⁾	-187	0%	-100	0%	-87	87%
Profit before tax	4,809	13%	2,050	6%	2,759	135%
Income tax	-1,290	-3%	-26	0%	-1,264	4861%
Profit for the period	3,519	9%	2,024	6%	1,495	74%

(*) 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 depreciation of property, plant and equipment, amortisation of intangible assets and investment property
- (4) This item includes financial income and costs

Revenues from sales and services, equal to Euro 37,970 thousand in 2022, showed an increase of Euro 3,604 thousand (10%) compared to 2021, 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 9,998 thousand in 2022, showed an increase of 4% compared to the result achieved in 2021, equal to Euro 9,639 thousand, mainly due to the growth in turnover, net of the different mix compared to the previous year, when the Company issued invoices for more services for Euro 485 thousand.

EBITDA, equal to Euro 6,731 thousand in 2022, showing an increase of Euro 2,937 thousand compared to Euro 3,794 thousand in 2021, was mainly attributable to the reasons stated in the previous paragraphs, and to the capital gain realised on the sale of the automation line intended for use within the Group for several years for an amount of Euro 2,594 thousand.

Operating Profit amounted to Euro 4,996 thousand, showing an increase of Euro 2,846 thousand compared to Euro 2,150 thousand posted in 2021, which was mainly attributable to the reasons for the EBITDA stated in the above paragraph, in addition to higher amortisation of listing costs capitalised at the end of 2021, for Euro 212 thousand, net of the completion of the accumulated amortisation of previous capitalisations.

Profit for the Period came to Euro 3,519 thousand, showing a significant increase compared to 2021, equal to Euro 2,024 thousand, as a result of the factors described in the previous paragraphs, as well as of a higher tax burden mainly attributable to the absence of the positive impact accounted for during the previous year and arising from the "Super ACE" (Aid to Economic Growth) tax credit, amounting to Euro 180 thousand, and from higher net deferred tax assets.

The Company's reclassified balance sheet

The table below shows the Company's reclassified statement of financial position at 31 December 2022 and at 31 December 2021:

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Investments:		
Net Working Capital (B)⁽²⁾	(5,502)	(12,581)
Intangible assets	6,716	5,899
Property, plant and equipment	3,458	5,730
Non-current financial assets	20,846	13,788
Fixed assets (A)	31,020	25,417
Employee severance pay	(169)	(155)
Provisions for risks and charges	(163)	(33)
Net deferred tax liabilities ⁽¹⁾	54	397
Net invested capital (A+B+C)	25,241	13,045
Sources:		
Shareholders' Equity	35,052	31,532
Net Financial Debt (net financial position assets)	(9,811)	(18,488)
Sources of financing	25,241	13,045

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 51% of the shares of Spindial SpA, at a price of Euro 6,763 thousand, of which an amount of Euro 4,000 thousand was deposited in an escrow account as security for any possible liabilities and an amount of Euro 2,700 thousand as an increase in the capital of the company;
- 2) capital increase of the newly-established Medica USA Inc for Euro 198 thousand;
- 3) capitalisations of costs incurred for ongoing development projects, for Euro 920 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 219 thousand, the Life project for Euro 176 thousand, the NewHemo project for Euro 281 thousand, the New SAU project for Euro 111 thousand and the Catetere project for Euro 132 thousand;
- 4) systems, machinery and equipment for Euro 198 thousand.

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

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Inventories	5,080	5,391
Receivables from customers	7,655	6,218
Advances from customers	(2,981)	(1,314)
Payables to suppliers	(2,654)	(1,650)
Net Receivables from/Payables to Group companies	(11,634)	(14,880)
Net Trade Working Capital	(4,533)	(6,235)
Other current and non-current assets	2,933	1,166
Other current and non-current liabilities	(3,902)	(7,512)
Net Working Capital	(5,502)	(12,581)

The increase in net working capital was mainly due to the sale of the automation line intended years ago for use within the Group, for which the company had an advance payment debt of Euro 3,855 thousand, classified among other liabilities, and to a reduction in the debt to group companies to finance growth in their working capital and investments in both companies and new plants.

Other assets mainly included an increase in VAT credit of Euro 925 thousand compared to the previous year and a higher IRES (Corporate Income) tax credit of Euro 161 thousand compared to the previous year due to a lower result posted by the companies included in the tax consolidation compared to the previous year.

The Company's Net Financial Debt

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

<i>in thousands of Euro</i>	At 31 December 2022	At 31 December 2021
A. Cash on hand	(15,639)	(26,319)
B. Cash equivalents		
C. Other current financial assets	(12,999)	
D. Liquidity (A + B + C)	(28,638)	(26,319)
E. Current financial debt	14	3
F. Current portion of non-current financial debt	4,001	2,428
G. Current financial debt (E) + (F)	4,015	2,431
H. Net current financial debt (G)– (D)	(24,623)	(23,888)
I. Non-current financial debt	10,811	5,400
J. Debt instruments		
K. Trade payables and other non-current payables	4,000	
L. Non-current financial debt (I) + (J) + (K)	14,811	5,400
M. Net financial debt or Net Debt (H) + (L)	(9,812)	(18,488)

The balance of trade and other non-current payables includes the portion of consideration for company acquisitions not yet paid to sellers, as per the related agreements. The balance of cash and cash equivalents also includes the escrow account of Euro 4,000 thousand.

Net Financial Debt, equal to a positive balance of Euro 9,812 thousand, showed a decrease of Euro 8,677 thousand compared to the value posted at 31 December 2021, mainly due to the outlays relating to the non-recurring investments described in the previous paragraphs.

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Change	
			2022 vs 2021	2022 vs 2021
EBITDA (A)	6,731	3,794	2,938	77%
Current tax (B)	-948	-563	-385	68%
Change in net working capital (C)	-7,079	-3,412	-3,667	107%
CAPEX (D)	-279	-1,349	1,070	-79%
Total FCFO (E) = (A) – (B) – (C) + (D)	-1,574	-1,530	-44	3%

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 2022, reference should be made to note 23 "Related-party Transactions" in the notes to the separate and consolidated financial statements at 31 December 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 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.

Legal risks: they are associated with the exposure to potential losses that might result from ongoing proceedings. The company manages the risk through advice from legal counsels and is confident that the potential effects of such proceedings are not significant.

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, and considering 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 human capital plays a crucial role for the Group; the latter operates in newly-built premises, with improved working 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 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.

Research and development activity

The Group, which is oriented towards continuous innovation, has sustained substantial development costs for projects which it believes may have an excellent chance of becoming new innovative 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, but in any case it does not show any evidence of permanent impairment.

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 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 most of the Western countries, including Italy, have taken economic decisions aimed at imposing sanctions on the Russian Federation, which have also had repercussions on economy in our country.

Although the Company has no direct commercial relations with the two countries and has no significant exposure with respect to energy costs, the gradual deterioration of economy resulting from the sanctions and from 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 for the coming financial years, 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.

In July 2022, Medica SpA acquired 51% of Spindial SpA, which specialises in the sale and technical assistance for medical devices for hospital and home dialysis and in the operation of dialysis centres, for a total consideration of Euro 6,763 thousand (including an amount of Euro 2,700 thousand as a capital increase), of which an amount of Euro 4,000 thousand was withheld by Medica as security for the sellers' obligations. The acquisition of Spindial SpA contributes to the Medica Group's path to growth, envisaged since its listing on Euronext Growth Milan, which will thus be able to integrate Spindial SpA's substantial commercial skills with Medica's wide range of products and strengthen its footprint in the Italian market and be better able to compete with multinationals in the sector. The inclusion of Spindial SpA into the Medica Group perimeter will therefore have significant strategic value.

With the acquisition of Spindial SpA, Medica's scope of consolidation was also extended to Dialpoint Srl, which is 60% owned by Spindial SpA.

In September, Tecnoideal Srl acquired 100% of Slom Srl, which specialises in precision mechanical machining, for a total consideration of Euro 510 thousand, of which an amount of Euro 90 thousand was withheld by Tecnoideal as security for the sellers' obligations. The acquisition of Slom Srl contributes to the vertical integration plan of the Medica Group, which will thus be able to take advantage of qualified services in local areas in favour of both a reduction in machine manufacturing costs and an improved efficiency in the production department. The company was then merged by incorporation into Tecnoideal Srl.

In September, Tecnoideal Srl acquired the remaining 40% of the share capital of Tecnoideal America Inc for a consideration of Euro 331 thousand, thus becoming the sole shareholder of Tecnoideal America.

In October 2022 the company established Medica USA Inc (100% of the share capital) and Medica AT Ltd (85% of the share capital), which will be dedicated to the development of the medical business in their respective areas of their operations.

Events after the reporting date

On 1 March 2023 the subsidiary Medica USA Inc signed a final agreement with Evoqua Water Technologies (NYSE: AQUA), a leading company in mission-critical solutions for water treatment to acquire assets to manufacture blood filters and water filters. Evoqua will retain the distribution rights to the water filtration product line, including life-science filters and filters used in washing of endoscopes (AERs). The transaction is expected to be completed within the next 30 days.

This transaction is a key step in Medica USA's strategic growth as a manufacturer of blood and water filters and provides for long-term cooperation with Evoqua in the water filter business based on the acquired technology.

At the end of February 2023 Medica GmbH was established, which is a commercial company that is wholly owned by Medica SpA and operates in the field of medical products in Germany.

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 2023 in this situation. On the one hand, the substantial order backlog (equal to about Euro 35 million, excluding Spindial, of which an amount of about Euro 10 million in the Automation division and an amount of Euro 13 million in the Acute & Aferesis division) and the hyper-performing market trends of our main products (apheresis) are positive signals in terms of growth, to which must be added the contributions given by the new acquisitions and incorporations, while on the other hand the continuation of the pandemic, geopolitical and military tensions and difficulties in the supply chain may lead to slippage of sales into the subsequent financial year.

Medolla, 30 March 2023

For the Board of Directors

Luciano Fecondini
(Chairman)



CONSOLIDATED FINANCIAL STATEMENTS OF THE MEDICA GROUP

Balance Sheet

ASSETS	31.12.2022	31.12.2021
B) FIXED ASSETS:		
I – INTANGIBLE ASSETS:		
1) start-up and expansion costs	1,032,265	1,199,079
2) development costs	583,618	1,287,442
3) industrial patent and intellectual property rights	194,522	151,980
4) concessions, licences, trademarks and similar rights	72,716	97,202
5) goodwill	2,710,069	2,000,623
6) fixed assets under development and advances	5,957,706	4,234,006
7) others	1,025,759	58,255
TOTAL I	11,576,654	9,028,588
II – PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings	10,080,834	5,433,255
2) plant and machinery	7,885,507	9,305,190
3) industrial and business equipment	582,928	590,133
4) other assets:	13,687,803	325,287
5) fixed assets under construction and advances	3,323,161	2,222,860
TOTAL II	35,560,233	17,876,723
III – NON-CURRENT FINANCIAL ASSETS:		
1) Equity investments in:	66,607	362,708
a) subsidiaries:	-	300,000
d) other companies	66,607	62,707
2) receivables:	3,708,750	1,824,539
b) from associates:	10,000	-
a.1) due beyond 12 months	10,000	-
d bis) from others	3,698,750	1,824,539
a.1) due within 12 months	3,628,173	1,756,800
a.2) due beyond 12 months	4,070,577	67,739
3) other securities	10,049,000	-
TOTAL III:	17,824,357	2,187,247
TOTAL FIXED ASSETS (B)	64,961,245	29,092,558
C) CURRENT ASSETS		
I – INVENTORIES:		
1) raw materials, supplies and consumables	8,147,926	6,499,312
2) work in progress and semi-finished products	4,228,905	3,216,602
3) contract work in progress	4,042,029	2,094,011
4) finished products and goods for resale	6,897,421	4,099,109
5) advances:	54,683	49,651
TOTAL I:	23,370,964	15,958,684
II – RECEIVABLES		
1) from customers:	13,586,727	8,848,855
a.1) due within 12 months	13,586,727	8,848,855
2) from subsidiaries:	-	42,993
a.1) due within 12 months	-	42,993
5) bis tax receivables:	7,341,588	3,867,734
due within 12 months.	6,588,695	3,153,317
due beyond 12 months.	752,893	714,417
5) ter deferred tax assets:	1,910,894	1,497,554
5) quater from others:	1,524,189	1,171,592
a.1) due within 12 months	1,449,466	1,093,743
a.2) due beyond 12 months	74,723	77,849
TOTAL II:	24,363,398	15,428,729
IV – CASH AND CASH EQUIVALENTS:		
1) bank and postal deposits:	16,501,065	30,904,053
3) money and cash on hand:	7,701	5,594
TOTAL IV:	16,508,766	30,909,647
TOTAL CURRENT ASSETS (C):	64,243,128	62,297,060
D) ACCRUED INCOME AND PREPAID EXPENSES:		
1) accrued income and prepaid expenses:	518,179	244,807
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	518,179	244,807
TOTAL ASSETS	129,722,552	91,634,426

A) SHAREHOLDERS' EQUITY:	31.12.2022	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	1,721,314	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	736,582	667,553
VIII - PROFITS (LOSSES) CARRIED FORWARD	11,667,804	9,270,366
IX - PROFITS (LOSSES) FOR THE YEAR	4,350,280	4,972,919
TOTAL GROUP EQUITY	49,201,649	44,970,215
I - MINORITY INTERESTS' CAPITAL AND RESERVES	3,313,388	195,903
I - PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	-336,607	6,929
I - EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	2,976,782	202,832
TOTAL CONSOLIDATED EQUITY	52,178,431	45,173,047
B) PROVISIONS FOR RISKS AND CHARGES:		
1) for pension fund and similar obligations	203,879	7,708
2) for tax, including deferred tax	575,312	105,578
4) others	2,633,891	52,060
TOTAL PROVISIONS FOR RISKS AND CHARGES	3,413,083	165,346
C) EMPLOYEE SEVERANCE PAY	2,237,714	1,470,969
D) PAYABLES		
4) payables to banks:	27,200,713	17,935,433
a.1) due within 12 months	8,487,260	4,097,866
a.2) due beyond 12 months	18,713,453	13,837,566
5) payables to other lenders:	3,305,425	3,635,772
a.1) due within 12 months	1,050,432	1,115,894
a.2) due beyond 12 months	2,254,993	2,519,878
6) advances	8,889,831	5,131,095
a.1) due within 12 months	8,889,831	5,131,095
7) payables to suppliers:	17,372,426	11,442,317
a.1) due within 12 months	17,272,426	7,487,567
a.2) due beyond 12 months	100,000	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:	1,079,953	531,987
a.1) due within 12 months	1,079,953	531,987
13) payables to social security institutions	929,814	759,414
a.1) due within 12 months	929,814	759,414
14) other payables:	9,804,761	1,793,955
a.1) due within 12 months	5,564,761	1,479,671
a.2) due beyond 12 months	4,240,000	314,284
TOTAL PAYABLES	68,582,923	41,514,506
E) ACCRUED EXPENSES AND DEFERRED INCOME:		
1) accrued expenses and deferred income:	3,310,401	3,310,557
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	3,310,401	3,310,557
TOTAL LIABILITIES	129,722,552	91,634,425

Income Statement

A) VALUE OF PRODUCTION:	31.12.2022	31.12.2021
1) revenues from sales and services	50,863,747	43,799,580
2) changes in inventories of work in progress, semi-finished and finished products	1,225,488	649,119-
3) changes in contract work in progress	2,092,307	2,035,892
4) capitalisation of internal construction costs	2,050,948	2,693,987
5) other revenues and income	4,650,359	1,290,278
a) operating grants	764,220	336,252
b) capital grants (portions for the year)	484,454	417,985
c) others	3,401,684	536,041
TOTAL A)	60,882,850	49,170,618
B) PRODUCTION COSTS:		
6) for raw materials, supplies, consumables and goods for resale	22,222,794	18,173,437
7) for services	11,573,298	8,233,848
8) for leases and rentals	878,424	667,663
9) personnel costs	15,971,392	13,205,171
a) wages and salaries	11,442,920	9,713,966
b) social security contributions	3,124,931	2,511,679
c) employee severance pay	895,513	688,441
d) pension fund and similar obligations	35,637	31,920
e) other costs	472,391	259,164
10) amortisation, depreciation and write-downs	5,914,517	4,046,493
a) amortisation of intangible assets	1,642,957	1,370,372
b) depreciation of property, plant and equipment	4,253,211	2,676,121
d) write-downs of receivables stated under current assets and of cash and cash equivalents	18,348	-
11) changes in inventories of raw materials, supplies, consumables and goods for resale	1,685,404-	1,572,014-
12) provisions for risks	10,777	27,060
14) other operating charges:	733,084	565,334
TOTAL B)	55,618,882	43,346,992
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	5,263,968	5,823,626
C) FINANCIAL INCOME AND COSTS		
16) other financial income	14,181	3,474
d) income other than the foregoing	14,181	3,474
d.5) others	14,181	3,474
17) interest and other financial costs	533,020	285,736
4) from others	533,020	285,736
17) bis Foreign exchange gains and losses	66,046	75,599
TOTAL (15+16-17)	452,794-	206,662-
PROFIT (LOSS) BEFORE TAX (A-B+-C+-D)	4,811,174	5,616,964
20) current, deferred and prepaid tax for the year	797,501	637,113
21) PROFIT (LOSS) FOR THE YEAR:	4,013,673	4,979,850
<i>Profit (loss) attributable to minority interests</i>	336,607-	6,929
Profit (loss) attributable to the Group	4,350,280	4,972,921

Cash Flow Statement

(indirect method)

	<u>31/12/2022</u>	<u>31/12/2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the year	4,013,673	4,979,850
Income tax	797,501	637,113
Interest expense	533,020	285,736
Interest income	(14,181)	(3,474)
Capital losses from disposal of assets	18,000	174,781
Capital gains from disposal of assets	(2,601,000)	(1,283)
Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	2,747,013	6,072,723
<i>Adjustments for non-monetary items without a contra-entry in net working capital</i>		
Accruals to provisions	477,081	208,000
Amortisation and depreciation of fixed assets	5,896,168	4,046,493
Other non-monetary adjustments		0
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	9,120,262	10,327,216
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(5,004,734)	(2,878,966)
Decrease/(increase) in receivables (from customers and others)	(525,793)	(447,346)
Increase/(decrease) in payables (to suppliers and others)	3,649,076	(1,301,344)
Decrease/(increase) in accrued income and prepaid expenses	(174,513)	(43,187)
Increase/(decrease) in accrued expenses and deferred income	(390,984)	1,326,412
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	6,673,313	6,982,785
<i>Other adjustments</i>		
Interest collected	6,205	5,219
Interest paid	(538,352)	(265,212)
Income tax paid	(824,056)	(2,244,468)
Use of provisions	(95,786)	(203,173)
TOTAL OTHER ADJUSTMENTS	(1,451,989)	(2,707,634)
CASH FLOW FROM OPERATING ACTIVITIES	5,221,325	4,275,151
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(2,097,424)	(2,187,000)
Selling price of disinvestments from intangible assets	17,000	20,123
Investments in property, plant and equipment	(4,836,000)	(4,492,807)
Selling price of disinvestments from property, plant and equipment	71,612	111,150
Investments in non-current financial assets	(12,245,083)	(558,430)
Acquisition or sale of subsidiaries or business units, net of cash and cash equivalents	(3,397,503)	(1,627,092)
CASH FLOW FROM INVESTING ACTIVITIES	(22,487,398)	(8,734,056)
CASH FLOWS FROM FINANCING ACTIVITIES:		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	(100,216)	(63,672)
New loans	11,500,000	2,040,000
Repayments of loans	(8,534,591)	(5,703,382)
<i>Net worth</i>		
Capital increase against payment		18,499,150
CASH FLOW FROM FINANCING ACTIVITIES	2,865,193	14,772,096
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,400,881)	10,313,191
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30,909,647	20,596,456
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16,508,766	30,909,647

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 2023 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 2022 (“**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 2021.

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;

- the items in the financial statements have been valued on a going-concern basis and thus taking account of the fact that the business constitutes a functioning economic complex, which is intended for the production of income, at least for a foreseeable future time horizon (12 months from the relevant reporting date of the financial statements).

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/Quota Capital	Group's ownership %
Tecnoideal Srl unipersonale	Mirandola – Italy	EUR 101,490	100%
Tecnoideal USA	Maryland – USA	USD 50,000	100%
Nefrodom	Santo Domingo – Dominican Republic	DOP 1,900,000	98.42%
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%
Slom Srl (merged into Tecnoideal Srl)	Medolla – Italy	EUR 10,400	100%
Spindial SpA	Collecchio – Italy	EUR 13,102,000	51%
Dialpoint Srl	Traversetolo - Italy	EUR 10,400	30.6%
Medica USA Inc	Delaware – USA	USD 10,000	100%
Medica AT Ltd	Birmingham - UK	GBP 100,000	85%
Tecnoideal Asia	Shanghai – China	RMB 478,464	100%

The scope of consolidation underwent changes during the year as a result of the acquisition of Spindial SpA, which with its subsidiary Dialpoint Srl, were consolidated from 31 July 2022, and of Slom Srl, which was consolidated from 31 August 2022, while Tecnoideal Asia was consolidated from 1 January 2022, and the newly-established companies Medica USA Inc and Medica AT Ltd were consolidated since the date of their incorporation.

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.

Climate Change

It should be pointed out that Medica does not fall under the scope of Directive 2003/87/EC (as finally amended by Directive (EU) 2018/410), which introduced and regulated the European Union Emissions Trading System (EU ETS).

The ETS is the main tool adopted by the European Union to achieve CO2 reduction targets in major manufacturing sectors and in the aviation industry.

Although the accounting standards OIC issued by the Italian Accounting Board do not make any explicit reference to climate-related issues, these impacts are taken into account by the Company in the application of accounting standards when they are significant, assessing their effects, both in the application of each accounting standard and on the Company's ability to continue as a going concern. In this context, it should be noted that no significant risks have been reported for the Company from the application of each standard, and no doubts or uncertainties have arisen in relation to events or conditions that might call into question the Company's ability to continue as a going concern. It should also be considered that the transition to reducing emissions from economies in response to climate change will create challenges and opportunities for global growth.

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 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	72	39	67	-	24	-	996	1,198
Investments	20	19	39	5	959	1,948	19	3,010
Disinvestments			-17					-17
Amortisation	-259	-883	-47	-30	-274	-	-150	-1,643
Reclassifications	-	121	-	-	-	-224	103	-

Balance at 31 December 2022	1,032	584	195	73	2,710	5,958	1,026	11,577
<i>Of which:</i>								
- historical cost	1,387	11,135	916	261	3,688	5,958	4,913	28,258
- amortisation fund	-355	-10,552	-721	-188	-978	-	-3,887	-16,682

The investments mainly related to the following items:

- 1) goodwill of Euro 723 thousand for the acquisition of 51% of the shares of Spindial, of which an amount of Euro 190 thousand for the acquisition of 100% of Slom Srl, for which we have estimated 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;
- 2) capitalisations of costs incurred for development projects, amounting to Euro 1,948 thousand, which had been started in previous years, the most significant of which related to the Grafene project for Euro 218 thousand, the NewHemo project for Euro 226 thousand, the Life project for Euro 176 thousand, the Detecta project for Euro 103 thousand, the New SAU project for Euro 111 thousand, the HomHemo project for Euro 624 thousand and the Catetere project for Euro 132 thousand.

The investments made in 2021, amounting to Euro 3,982 thousand, mainly related to the capitalisation of costs incurred for development projects, the acquisition of THF Srl and the Costs incurred for the increase in the capital of Medica SpA, which is functional for the listing of its ordinary shares on the Euronext Growth Milan market.

The net assets of the sub-consolidated accounts of Spindial and Slom Srl that were acquired and consolidated and the calculation of goodwill are shown below:

Sub-consolidated accounts - Spindial

Description (€/th.)	31 July 2022
Fixed assets	19,935
Inventories	2,313
Net Receivables (Payables)	(10,192)
Net Invested Capital	12,055
Net cash on hand (positive sign = assets)	(5,616)
100% Net assets acquired	6,439
of which Minority Interests	3,298
Goodwill	723
Consideration	6,763
Credit	2,898

Slom

Description (€/th.)	31 August 2022
Fixed assets	440
Inventories	68
Net Receivables (Payables)	118
Net Invested Capital	626
Net cash on hand (positive sign = assets)	(306)
Net assets acquired	320
Goodwill	190
Consideration	510

The details on the net book value at 31 December 2022 for the major development projects are provided below:

- 1) NewHemo project (in progress): Euro 2,967 thousand
- 2) Grafene project (in progress): Euro 548 thousand
- 3) Med-Log project (in progress): Euro 238 thousand
- 4) Detecta project (in progress): Euro 339 thousand
- 5) New SAU project (in progress): Euro 308 thousand
- 6) Catetere project (in progress): Euro 223 thousand
- 7) Life project (in progress): Euro 167 thousand
- 8) HomHemo project (in progress): Euro 690 thousand
- 9) Other fixed assets under development: Euro 479 thousand
- 10) CCB Horizon (completed at the end of 2022): Euro 121 thousand
- 11) Apheresis membrane and filter project (under amortisation): Euro 170 thousand
- 12) Walter filter line project (under amortisation): Euro 52 thousand
- 13) Flexiper project (under amortisation): Euro 62 thousand
- 14) New dispenser project (under amortisation): Euro 34 thousand
- 15) Estorflow project (under amortisation): Euro 41 thousand
- 16) Medair project (under amortisation): Euro 44 thousand
- 17) Other projects under amortisation: Euro 60 thousand

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

As at 31 December 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.

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 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
Change in perimeter	3,624	587	71	14,152	-	18,434
Investments	33	1,032	277	639	2,855	4,836
Disinvestments	-	-1,317	-	-17	-9	-1,343
Depreciation	-323	-2,119	-379	-1,433	-	-4,253
Exchange difference				10		10
Reclassifications	1,314	398	23	12	-1,746	-0
Balance at 31 December 2022	10,081	7,886	583	13,688	3,323	35,560
<i>Of which:</i>						
- historical cost	14,758	24,616	3,631	23,408	3,323	69,736
- depreciation fund	-4,677	-16,730	-3,048	-9,720	-	-34,175

The investments mainly related to the following items:

- 1) completion of the works involving the new building at subsidiary Sar-med for Euro 294 thousand (accumulated balance equal to Euro 1,636 thousand at 31 December 2022) and the continuation of works on the new building at subsidiary Medica Méditerranée for Euro 2,206 thousand (accumulated balance equal to Euro 3,011 thousand at 31 December 2022, which also included the plot of land acquired in 2019);
- 2) machinery for the Group's plants for Euro 1,032 thousand, of which machinery manufactured by Tecnoideal for Sar-med for Euro 644 thousand;
- 3) medical equipment purchased from Spindial for Euro 445 thousand.

Divestments mainly concerned the sale of a large automation line made several years ago and used within the Group, from which a capital gain of Euro 2,593 thousand was realized.

Investments made in property, plant and equipment amounted to Euro 4,492 thousand in 2021, mainly relating to the continuation of works on new buildings for Euro 1,840 thousand, the manufacturing by Tecnoideal of machinery for Sarmed for Euro 1,593 thousand and for the Graphene project for Euro 228 thousand, and by Tecnoideal and THF of machinery for subsidiary Medica Méditerranée, equal to Euro 217 thousand, and the equipment acquired for the Grafene project for Euro 96 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, while plant and machinery include a revaluation carried out for Euro 375 thousand in the newly-acquired Slom Srl in 2020 in application of Decree Law 126 of 2020.

Plant and machinery include assets stated for a total of Euro 2,432 thousand, while other assets include medical equipment for a total of Euro 618 thousand, which are 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>	2022	2021
Opening balance	2,187	428
Change in perimeter	494	1
Increases	16,900	1,758
Decreases	(1,757)	-
Closing balance	17,824	2,187

The increases mainly related to two multi-branch insurance policy contracts (branch I and branch III), which were signed by Medica SpA at the beginning of 2022 for the purpose of cash management, without any constraints/conditions on their duration, with major credit institutions for a total of Euro 9,999 thousand and to the escrow account of Euro 4,000 thousand set up as security for liabilities (if any) with the seller of Spindial SpA.

The decrease concerned the 2021 receivable of Euro 1,757 thousand from MPS Leasing, which was collected in January 2022, for the sale of the machinery granted under a finance lease to the subsidiary Sar-med at the end of 2021.

The change in the scope of consolidation mainly included increases from company acquisitions for an amount of Euro 794 thousand (mainly consisting of a receivable of Euro 730 thousand from FUG [*Fondo Unico Giustizia*, Single Justice Fund], which is expected to be collected after the settlement of the tax dispute and a securities investment for Euro 50 thousand) and the decrease in the carrying

amount of Tecnoideal Srl's investment in Tecnoideal Asia, which was consolidated from 1 January 2022, equal to Euro 300 thousand.

The balance also consisted of equity investments in other companies for Euro 67 thousand, which mainly included:

- 1) the equity investment in MISTER SMART INNOVATION S.C.A.R.L. for approximately Euro 57 thousand;
- 2) 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 2022, 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 Centre 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.

10. Inventories

<i>(in thousands of Euro)</i>	31 December 2022	31 December 2021
Raw materials, supplies and consumables	8,691	7,120
Work in progress and semi-finished products	4,451	3,217
Contract work in progress	3,810	2,094
Finished products and goods for resale	7,386	4,224
Inventories, including the provision for write-down	24,338	16,655
Provision for inventory obsolescence	(1,022)	(746)
Advances	55	50
Inventories	23,371	15,959

The increase in inventories compared to 31 December 2021 was mainly due to both the contribution given by the companies acquired during the year, for Euro 2,380 thousand (mainly stock of finished products), and higher stock levels of the Group's manufacturing companies to cope with the significant increase in the backlog of orders received from customers; it was also due to a slowdown in the product processing times in the Automation division, which was most affected by the Russian-Ukrainian conflict on the lengthening of lead times of components from suppliers, which consequently had an impact on the growth in inventory of subsidiary Tecnoideal compared to the previous year, equal to Euro 3,880 thousand.

The provision for inventory write-down, which showed an increase of Euro 276 thousand compared to 31 December 2021, included both the addition due to the change in the perimeter for Euro 375 thousand, and a provision of Euro 38 thousand and uses of Euro 137 thousand.

11. Receivables stated under current assets

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December	<i>Of which</i>	At 31 December	<i>Of which</i>
-------------------------------	---------------------------	-----------------	---------------------------	-----------------

	<i>due beyond 12 months</i>		<i>due beyond 12 months</i>	
	2022		2021	
Receivables from customers	13,587		8,849	
Receivables from unconsolidated subsidiaries			43	
Tax receivables	7,342	753	3,868	715
Deferred tax assets	1,911		1,498	
Receivables from others	1,524	75	1,172	78
Total receivables	24,363	828	15,429	793

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
	2022			
Receivables from customers	13,587	7,255	2,076	4,255
Tax receivables	7,342	7,340		2
Deferred tax assets	1,911	1,894		17
Receivables from others	1,524	1,389	86	49
Total receivables	24,363	17,879	2,162	4,323

Receivables from customers, net of receivables of Euro 4,106 thousand claimed by the newly-acquired companies, did not change significantly compared to the previous year, and this change was mainly due to a different distribution of receipts at the turn of the financial year.

Tax receivables mainly include VAT credits for Euro 3,291 thousand (Euro 1,576 thousand at 31 December 2021), which showed an increase due to both the inclusion of Spindial in the scope of consolidation (Euro 959 thousand) and a lower use of the ceiling for frequent exporters, tax credits on investments for Euro 1,360 thousand (Euro 1,692 thousand at 31 December 2021), tax credits on R&D, energy efficiency bonus and energy for Euro 378 thousand (Euro 195 thousand at 31 December 2021), and IRES (Corporate Income) and IRAP (Regional Production Activity) tax credits and taxes of foreign companies for Euro 2,297 thousand (against a balance of Euro 398 thousand in 2021), which showed an increase due to both the contribution given by the newly-acquired companies to the consolidated financial statements (for Euro 897 thousand) and higher advances paid with respect to the tax burden for the year.

Deferred tax assets mainly related to temporary differences on provisions for inventory write-down for Euro 138 thousand, on capital grants of Medica SpA for Euro 564 thousand, on previous tax losses of newly-acquired subsidiaries for Euro 569 thousand and on the effects of consolidation entries (mainly the elimination of profit margins arising from transactions between group companies) for Euro 618 thousand.

Receivables from others mainly included amounts for grants to be collected for Euro 960 thousand (Euro 809 thousand at 31 December 2021) and advances to suppliers for Euro 330 thousand (Euro 166 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
Change in perimeter	89
Accrual	18
Release	
Use	-3
Balance at 31 December 2022	490

12. Cash and cash equivalents

<i>(in thousands of Euro)</i>	31 December 2022	31 December 2021
Bank and postal deposits	16,501	30,904
Cheques	-	-
Money and cash on hand	8	6
Total	16,509	30,910

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 2022	31 December 2021
Accrued income	0	0
Prepaid expenses	518	245
Total	518	245

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

The increase was mainly attributable to the newly-acquired companies (Euro 156 thousand).

14. Shareholders' equity

Share capital

As at 31 December 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>	<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 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
Allocation of the result for the previous year		101		1,923		2,949	(4,973)	-	-	-
Reclassifications										
Company transactions (Tecnoideal America, Slom, Spindial)					432	(551)		(118)	3,111	2,992
Profit (loss) for the year							4,350	4,350	(337)	4,013
At 31 December 2022	4,223	470	18,576	7,456	2,458	11,668	4,350	49,202	2,977	52,178

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, with a capital increase of Euro 18,499 thousand.

The acquisition of Spindial and the incorporation of Medica AT Ltd generated equity attributable to minority interests for a total of Euro 3,315 thousand, while the acquisition of the remaining 40% of Tecnoideal America Inc generated a decrease of Euro 204 thousand in the share attributable to minority interests.

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 2022	Profit (loss) for 2022	Other changes in 2022	Equity at 31 December 2021
Medica SpA equity	35,052	3,519	-	31,532
Equity investments	15,849	169	(119)	15,799
Eliminations of intercompany transactions	(1,477)	390		(1,867)
Leases	(222)	272		(494)
Group Equity	49,202	4,350	(119)	44,970
Minority Interests	2,977	(337)	3,111	203
Consolidated Equity	52,178	4,013	2,992	45,173

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 2021	8	106	52	165
Change in perimeter	194	24	2,438	2,656
Accruals	2	445	144	591
Uses				
Releases				
At 31 December 2022	204	575	2,634	3,413

Other provisions mainly include the best estimate of the payback provision on the years 2019-2022 (for more details on the nature of the liability, reference should be made to the following paragraph on Payables), amounting to Euro 1,143 thousand, the provision for tax litigation amounting to Euro 1,245 thousand (mainly relating to a tax dispute on the years 2013-2018 with the Parma Revenue Agency, as estimated for the amount that the Company intends to pay to join the schemes of concession settlement with agreement for 2013-2016 and special voluntary correction of tax returns for 2017-2018 provided for in the Budget Law 2023 pursuant to Article 1, paragraph 174, of Law no.197 of 2022) and a provision for charges for disposal of special waste amounting to Euro 73 thousand. The provision for deferred tax liabilities related for Euro 498 thousand to the instalment payment of the capital gain realised from the sale of the automation line during the year.

16. Employee severance pay

<i>(in thousands of Euro)</i>	Total
At 31 December 2021	1,471

Change in perimeter	531
Accruals	332
Uses	(96)
At 31 December 2022	2,238

17. Payables

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

<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>
	2022			2021		
Payables to banks	27,201	18,713		17,935	13,838	
Payables to other lenders	3,305	2,255		3,636	2,520	
Advances	8,890			5,131	-	
Payables to suppliers	17,372	100		11,442	3,955	
Payables to subsidiaries				285	240	240
Tax payables	1,080			532	-	
Payables to social security institutions	930			760	-	
Other payables	9,805	4,240		1,794	314	
Total payables	68,583	25,308		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 current accounts payable, an advance account and credit card balances for Euro 1,140 thousand (mainly arising from the newly-acquired companies), while the remaining amount consisted of mortgages and loans. During the year, we took out new loans for Euro 11,500 thousand, as well as acquired bank debts from the acquired companies for Euro 5,020 thousand and by difference repaid the principal amounts. Two loan agreements at Medica SpA provide for the following covenants on the figures in the consolidated financial statements (NFP/EBITDA<2.50 and NFP/Equity<1.00), which have been complied with.

Payables to other lenders mainly related to the finance machinery lease from MPS Leasing for Euro 2,222 thousand, as well as to finance leases on medical equipment for Euro 566 thousand and the loan from MISE (Ministry of Economic Development) for Euro 311 thousand. The change in the debt compared to the previous year included the increase due to the change in the perimeter for Euro 986 thousand and decreases due to instalment payments for the remaining value.

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

Advances related to capital grants for the Graphil and Life projects for Euro 1,859 thousand, with the remainder relating to advances received from customers. The increase compared to 2021 was mainly due to the work in progress under the contracts in the Automation division and to higher volumes in the order backlog compared to the previous year.

Payables to suppliers showed an increase of Euro 5,930 thousand compared to 2021, which, net of the value of the newly-acquired companies amounting to Euro 8,648 thousand and the use of debt beyond 12 months for the previous year, amounting to Euro 3,855 thousand following the sale of the automation line intended for use within the Group, was mainly attributable to the higher purchases made during the year.

Other payables increased compared to 2021 mainly due to the debt of Euro 4,090 thousand to the sellers of Spindial SpA and Slom Srl and the debt of Euro 3,892 thousand pertaining to the newly-acquired companies, which mainly included the payback debt for the financial years from 2015 to 2018.

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2022	Italy	EU countries (excluding Italy)	Non-EU countries
Payables to banks	27,201	27,181		20
Payables to other lenders	3,305	3,200	105	
Advances	8,890	629	2,955	5,306
Payables to suppliers	17,372	10,211	6,152	1,009
Tax payables	1,080	937		142
Payables to social security institutions	930	821		109
Other payables	9,805	5,576	4,000	228
Total payables	68,583	48,555	13,213	6,815

Tax payables

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Income tax	113	-
IRAP tax	109	79
IRPEF tax deductions for employees and others	858	453
Total tax payables	1,080	532

The balance of IRPEF (Personal Income) tax deductions for employees and others included a remaining amount of tax payables of Euro 325 thousand with respect to the amounts entered on the taxpayer's record in 2021 and related to the ongoing tax dispute with subsidiary Spindial Spa on the years 2013-2016.

Payables to social security institutions

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Payables to INPS (National Social Security Institute)	679	522
Payables to other social security and welfare institutions	161	151
Others	90	86
Total payables to social security and welfare institutions	930	759

Other payables

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Accrued vacation and leave time	1,027	667
Salaries	909	677
Residual debt for the acquisition of shares of Spindial, and quotas of THF and Slom	4,390	300
Others	3,479	150
Total other payables	9,805	1,794

The "payback" liability arose from the various decrees issued since 2011 (namely Decree Law 98 of 2011, Decree Law 95 of 2012, Law 228 of 2012, Decree Law 78 of 2015 and the 2019 State-Regions Conference) whereby it was established that the overrun of the regional spending ceiling (equal to 4.4% of the annual National Health Fund (FSN)) for purchases of medical devices was charged to the companies supplying medical devices for a variable share of 40% to 50% of the annual overrun as from 2015 and in the amount equal to the percentage incidence of their turnover in relation to the total regional expenditure for the purchase of medical devices for each year. Subsequently during 2022, the Aid-bis Decree Law (as converted into Law 142 of 2022) provided for a structured process that has currently concluded with the adoption by the Regional Governments and the Autonomous Provinces of a set of measures whereby medical device supplier companies were required to pay a sum proportional to the share of the overrun in spending, which had been previously certified. However, this process is waiting for the Regional Administrative Court (TAR, *Tribunale Regionale Amministrativo*) to hand

down a ruling following the litigation brought by the industry operators, even as a result of the postponement of the payment stipulated under Aid-bis Decree Law from 15 January 2023 to 30 April 2023 as per Decree Law 4 of 11 January 2023. For the amounts requested by each regional government from the Group, a liability of Euro 3,423 thousand (of which an amount of Euro 3,299 thousand came from the newly-acquired companies) was accounted for in relation to the years 2015-2016-2017-2018 on the basis of the measures described above. The Group has also made provisions for a liability for the subsequent years 2019-2022, totalling Euro 1,143 thousand (classified among provisions for risks, and mainly coming from the newly-acquired companies), estimating an overall lower value than in the period 2015-2018 because with the effect of the Covid-19 pandemic we expect that the expenditure ceilings were not exceeded in 2020 and 2021 and those in 2022 were exceeded by lower values than in the past. Pending the outcome of the appeal, the Group is in any case firm in reiterating in the appropriate venues that the claimed reimbursement is unlawful and will continue to act in defence of its rights. At the same time, the Company is confident that the Government will find a solution to this which is a serious problem for the entire industry.

18. Accrued expenses and deferred income

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December	
	2022	2021
Accrued expenses	97	51
Deferred income	3,213	3,260
Total accrued expenses and deferred income	3,310	3,311

Deferred income mainly related to the tax credit and grants on investments for Euro 3,180 thousand, while accrued expenses mainly related to interest expense.

19. Revenues from sales and services

Revenues from sales and services, equal to Euro 50,864 thousand in 2022, showed an increase of Euro 7,064 thousand (16%) compared to 2021. Sales performance in 2022 was mainly characterised by a significant and robust growth in the Acute & Aferesis line of business, from Euro 9,230 thousand in 2021 to Euro 13,514 thousand in 2022 (+46%) and in the Chronic line of business, which, despite the continuing negative effects arising from the pandemic in the first half of 2022, confirmed the 2021 results on a like-for-like basis and, thanks to the contribution of about Euro 7,411 thousand from the newly-acquired Spindial SpA and subsidiary Dialpoint Srl as from 31 July 2022, showed an increase from Euro 5,198 thousand in 2021 to Euro 12,522 thousand in 2022 (+141%). These results were accompanied by more moderate growth in the Menfis division (up by Euro 221 thousand, equal to 19%) and in the Water division (up by Euro 142 thousand, equal to 4%, due to the slower than expected recovery of the U.S. market) and by a downturn in other lines of business totalling Euro 4,889 thousand. In particular, the Tecnoideal Automation line of business was affected by the adverse impact of the Russian-Ukrainian conflict on the procurement of components, mainly electronics, with consequent delays in the timing of performance of contracts. Despite the contribution given by the newly-acquired Slom Srl for approximately Euro 305 thousand (consolidated as from 31 August 2022), this economic climate led to a decline in the division's revenues, which fell from Euro 11,997 thousand in 2021 to Euro 9,255 thousand in 2022 (-23%).

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

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Italy	18,395	10,932
Europe (excluding Italy)	15,813	11,330

Non-EU countries	16,656	21,538
Total	50,864	43,800

20. Capitalisation of internal construction costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Property, plant and equipment	905	1,988
Development projects	1,146	638
Others	-	68
Total	2,051	2,694

21. Other revenues

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Grants	1,255	754
Others	3,395	536
Total	4,650	1,290

Others mainly include the capital gain of Euro 2,593 thousand arising from the sale of the automation line.

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	
	2022	2021
Third-party manufacturing	2,507	2,106
Transport and customs charges	1,556	1,062
Consultancy and collaborations	2,575	1,506
Utilities	826	772
Maintenance, repair and service	463	324
Advertising, promotions and commissions	764	424
Fees due to directors (including social security contributions)	628	362
Fees due to the members of the board of statutory auditors/sole statutory auditor	47	34
Fees due to the audit firm/independent auditors	104	86
Insurance	157	117
Travel, business trips and board, expense reimbursement	964	397
Waste disposal	189	98
Research project costs (mainly homhemo, graphene and medair)	145	303
Other services	554	645
Total cost for services	11,573	8,234

The contribution given by the companies included in the scope of consolidation since 2022 and by THF (consolidated as from 1 July 2022) to the total was Euro 3,191 thousand. The increase in costs, on a like-for-like basis, was mainly due to higher costs of travel and business trips for Euro 138 thousand (mainly due to participation in various trade fairs and increased travel that occurred during the year

following the easing of Covid-19 restrictions), consulting services for Euro 171 thousand (mainly for product testing and validation), and higher costs for third-party manufacturing for Euro 260 thousand (mainly incurred to meet the increased orders in progress in the Automation division).

<i>(in thousands of Euro)</i>	Financial year at 31 December	
	2022	2021
Rents payable for buildings	546	476
Others	332	192
Total leases and rentals	878	668

The balance includes the contribution of Euro 149 thousand given by the companies included in the scope of consolidation from 2022.

Other operating charges, amounting to Euro 733 thousand at 31 December 2022, showed an increase of Euro 168 thousand compared to the 2021 balance, equal to Euro 565 thousand, including the contribution of Euro 249 thousand given by the companies included in the scope of consolidation from 2022.

23. Personnel costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Wages and salaries	11,443	9,714
Social security contributions	3,125	2,512
Contributions to pension funds	931	720
Other personnel costs	472	259
Total	15,971	13,205

The increase in personnel costs compared to the previous year was mainly due to the contribution given by the companies included in the scope of consolidation from 2022, amounting to 45 employees for a total cost of Euro 1,160 thousand, the contribution given by THF, which joined the scope of consolidation from 1 July 2022 (amounting to Euro 569 thousand with 25 employees), the different mix of resources both among roles and geographical areas, the increase in welfare to employees for Euro 133 thousand, and normal pay increases that occurred during the year.

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

<i>(in figures)</i>	Financial year ended 31 December			
	2022 average	2021 average	2022 exact	2021 exact
Executives	13	13	13	13
Middle managers	35	29	34	28
Office workers	188	173	190	166
Manual workers	392	376	433	364
Trainees	22	16	34	22
Total	650	607	704	593

24. Financial income and costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Interest expense	460	225
Net foreign exchange loss (profit)	(66)	(76)
Other financial costs	73	61
Total financial costs	467	210
Financial income	14	3
Total net financial costs	453	207

The balance includes interest expense of Euro 150 thousand pertaining to the companies included in the scope of consolidation from 2022; on a residual basis, the increase was mainly due to higher outstanding loans compared to the previous year.

25. Income tax

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Current tax	221	1,407
Net deferred tax liabilities (assets)	576	(770)
Total	797	637

During the previous year the tax charge had benefitted both from the Super ACE (Aid to Economic Growth) 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 higher contingent assets.

Reconciliation of theoretical tax charge	31 December 2022	31 December 2021
Profit before tax	4,811	5,617
Theoretical IRES and IRAP tax (24%+3.9%)	1,342	1,567
IRES and IRAP tax from financial statements	798	637
Effective rate	17%	11%
Difference	545	930
Extraordinary income	124	407
Hyper/Super amortisation	341	261
Super ACE tax credit	-	180
Income from tax credits	171	80
Foreign tax	88	49
Others	(179)	(47)
Total	544	930

26. Related-party transactions

Transactions with related parties are mainly commercial in nature, and are linked to operations that are 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 232 thousand in 2022 (Euro 206 thousand in 2021).

27. Events after the reporting date

On 1 March 2023 a final agreement was signed with Evoqua Water Technologies (NYSE: AQUA), a leading company in mission-critical solutions for water treatment to acquire assets to manufacture blood filters and water filters. Evoqua will retain the distribution rights to the water filtration product line, including life-science filters and filters used in endoscope washing (AERs). The transaction is expected to be completed within the next 30 days. The acquisition of these assets enables Medica to use its strong expertise in the design and manufacture of hollow fiber filters to increase its product portfolio and continue to bring quality products to the U.S. and international markets, in line with its strategy of geographic expansion of its business.

At the end of February 2023 Medica GmbH was established, which is a commercial company that is wholly owned by Medica SpA and operates in the field of medical products in Germany.

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 2022	31 December 2021
Guarantees given to third parties	144	976
Guarantees given to group companies	4,024	5,250
Guarantees received	4,073	8,479
Description – Tecnoideal Srl	31 December 2022	31 December 2021
Guarantees received and given to third parties	3,331	4,383
Description – Sar-med Srl	31 December 2022	31 December 2021
Guarantees received	4,687	5,450
Description – THF Srl	31 December 2022	31 December 2021
Guarantees received	164	360
Description – Medica Méditerranée	31 December 2022	31 December 2021
Guarantees given to third parties	138	-
Description – Spindial SpA	31 December 2022	31 December 2021
Guarantees given to third parties	4,947	-
Guarantees received	879	-
Total	22,387	24,898

Guarantees given to third parties:

- Sureties of Euro 34 thousand to public bodies for tendering on the part of the parent company;
- Sureties of Euro 110 thousand for ceiling of the parent company's credit cards;
- Sureties of Euro 4,020 thousand to public bodies for tendering on the part of Spindial;
- Surety bond of Euro 927 thousand in favour of the Revenue Agency on VAT refunds of Spindial.

Guarantees given by the parent company to group companies:

- 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 500 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 899 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 SRL: surety bond granted for Euro 1,500 thousand in favour of BPER on financing.

Guarantees received by the Parent Company

- SACE surety of Euro 153 thousand on Banca Popolare Emilia-Romagna loan;
- FEI surety of Euro 114 thousand on loans granted by Banco Popolare di Milano and Banca Popolare Emilia-Romagna;
- Medio Credito Centrale guarantees for Euro 3,806 thousand.

Guarantee received and given to third parties by Tecnoideal:

- Guarantees received from FEI for Euro 53 thousand, and from Medio Credito Centrale for Euro 2,622 thousand on loans received;
- Guarantee received from BPER for a signature line of credit amounting to Euro 370 thousand, surety in favour of a customer on Intesa for Euro 271 thousand, and guarantee on suspension of BPM loan instalment due to the Covid-19 pandemic for the former Slom amounting to Euro 15 thousand.

Guarantees received by Sar-med Srl:

- Guarantees received from Medio Credito Centrale for Euro 4,687 thousand on loans received.

Guarantees received by THF Srl:

- Medio Credito Centrale guarantee for Euro 164 thousand on loans received.

Guarantee given to third parties by Medica Méditerranée:

- Bank guarantee for Euro 138 thousand on a building.

Guarantees received by Spindial SpA

- Guarantees received from Medio Credito Centrale for Euro 879 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

In relation to the provision of Article 1, paragraph 125-*bis*, of Law 124 of 2017, the Group hereby certifies that during 2022 it benefited from the state aids for which reference should be made to the National Register of State Aids, which can be consulted on the ministerial website www.rna.gov.it and which can be briefly summarised below:

- a) aids relating to the Fund Guarantee On Special Section under Article 56 of Decree Law 18 of 17 March 2020;

- b) Contribution relief for employment in disadvantaged areas – Reduced contribution for Southern Italy (Article 27 of Decree Law 104 of 2020);
- c) Guarantee Fund under Law 662 of 1996;
- d) COVID-19 Guarantee Fund for State Aids to SMEs;
- e) Contribution exemption on new hires (Article 1, paragraphs 10-15, of Law 178 of 2020);
- f) tax credits for energy expenses, energy efficiency bonus to companies with high electricity consumption, tax credits on investments.

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 2023

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, 2022

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

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

To the Shareholders of
Medica S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Medica Group (the Group), which comprise the balance sheet as at December 31, 2022, 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, 2022, 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 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.

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

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

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

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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 Group as at December 31, 2022 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 Group as at December 31, 2022 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 Group as at December 31, 2022 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, 2023

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

<i>ASSETS</i>	31.12.2022	31.12.2021
<i>B) FIXED ASSETS:</i>		
I – INTANGIBLE ASSETS:		
1) start-up and expansion costs	967,443	1,199,079
2) development costs	213,902	323,249
3) industrial patent and intellectual property rights	142,657	147,512
4) concessions, licences, trademarks and similar rights	34,947	38,126
5) goodwill	285,753	295,092
6) fixed assets under development and advances	4,952,910	3,868,879
7) others	118,124	27,496
TOTAL I	6,715,736	5,899,434
II – PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings	2,218,539	2,287,549
2) plant and machinery	908,942	2,934,829
3) industrial and business equipment	217,200	357,569
4) other assets	72,775	75,902
5) fixed assets under construction and advances	40,341	74,100
TOTAL II	3,457,798	5,729,947
III – NON-CURRENT FINANCIAL ASSETS:		
1) Equity investments in:	20,838,371	13,781,237
a) subsidiaries	20,781,345	13,724,210
d) other companies	57,026	57,026
2) receivables:	3,008,058	6,241
a) from subsidiaries:	3,000,000	
a.2) due beyond 12 months	3,000,000	
d bis) from others:	8,058	6,241
a.2) due beyond 12 months	4,008,058	6,241
3) other securities	9,999,000	
TOTAL III:	37,845,429	13,787,477
TOTAL FIXED ASSETS (B)	48,018,963	25,416,859
<i>C) CURRENT ASSETS</i>		
I – INVENTORIES:	324,266	329,698
1) raw materials, supplies and consumables	345,892	351,946
2) work in progress and semi-finished products	380,488	208,706
3) contract work in progress	4,005,610	4,468,438
4) finished products and goods for resale	24,028	31,937
5) advances	5,080,283	5,390,724
TOTAL I:		
II – RECEIVABLES		
1) from customers:	7,654,948	6,218,391
a.1) due within 12 months	7,654,948	6,218,391
2) from subsidiaries:	2,538,682	1,478,101
a.1) due within 12 months	2,538,682	1,478,101
5) bis tax receivables:	2,441,071	711,842
due within 12 months.	2,322,503	558,847
due beyond 12 months.	118,568	152,995
5) ter deferred tax assets:	613,463	502,196
5) quater from others:	336,470	311,954
a.1) due within 12 months	261,747	237,231
a.2) due beyond 12 months	74,723	74,723
TOTAL II:	13,584,633	9,222,484
IV – CASH AND CASH EQUIVALENTS:		
1) bank and postal deposits	11,634,622	26,317,301
3) money and cash on hand	4,535	1,576
TOTAL IV:	11,639,157	26,318,877
TOTAL CURRENT ASSETS (C=I+II):	30,304,074	40,932,084
<i>D) ACCRUED INCOME AND PREPAID EXPENSES:</i>		
1) accrued income and prepaid expenses	155,531	142,007
TOTAL ACCRUED INCOME AND PREPAID EXPENSES:	155,531	142,007
TOTAL ASSETS:	78,478,568	66,490,950

A) SHAREHOLDERS' EQUITY:	31.12.2022	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		
IV - LEGAL RESERVE	470,241	369,026
V – RESERVES REQUIRED BY ARTICLES OF ASSOCIATION	7,456,358	5,533,281
VI – OTHER RESERVES	806,821	806,821
VIII – PROFITS (LOSSES) CARRIED FORWARD		
IX - PROFITS (LOSSES) FOR THE YEAR	3,519,307	2,024,292
TOTAL SHAREHOLDERS' EQUITY	35,051,797	31,532,490
B) PROVISIONS FOR RISKS AND CHARGES:		
1) for pension fund and similar obligations	9,879	7,708
2) for tax, including deferred tax	559,178	105,578
4) others	153,000	25,000
TOTAL (B=1+2+3+4)	722,058	138,286
C) EMPLOYEE SEVERANCE PAY	168,980	155,153
D) PAYABLES		
4) payables to banks:	14,826,881	7,830,940
a.1) due within 12 months	4,015,429	2,431,151
a.2) due beyond 12 months	10,811,452	5,399,789
6) advances	4,839,620	3,061,470
a.1) due within 12 months	4,839,620	3,061,470
7) payables to suppliers:	2,753,817	5,604,398
a.1) due within 12 months	2,653,817	1,649,648
a.2) due beyond 12 months	100,000	3,954,750
9) payables to subsidiaries:	14,172,437	16,357,849
a.1) due within 12 months	14,172,437	16,357,849
12) tax payables:	236,639	122,523
a.1) due within 12 months	236,639	122,523
13) payables to social security institutions	230,593	221,981
a.1) due within 12 months	230,593	221,981
14) other payables:	4,356,846	339,381
a.1) due within 12 months	356,846	339,381
a.2) due beyond 12 months	4,000,000	
TOTAL (D= 1+2+3+4+5+6+7+8+9+10+11+11 bis+12+13)	41,416,834	33,538,541
E) ACCRUED EXPENSES AND DEFERRED INCOME:		
1) accrued expenses and deferred income:	1,118,900	1,126,479
TOTAL (E=1+2)	1,118,900	1,126,479
TOTAL LIABILITIES	78,478,568	66,490,950

Income Statement

A) VALUE OF PRODUCTION:	31.12.2022	31.12.2021
1) revenues from sales and services	37,969,665	34,366,261
2) changes in inventories of work in progress, semi-finished and finished products	-667,846	1,170,405
3) changes in contract work in progress	171,782	208,706
4) capitalisation of internal construction costs	476,776	272,336
5) other revenues and income	2,805,457	209,769
a) operating grants	7,583	30,455
c) others	2,797,874	179,314
TOTAL A)	40,755,834	36,227,477
B) PRODUCTION COSTS:		
6) for raw materials, supplies, consumables and goods for resale	27,669,504	26,317,027
7) for services:	3,277,121	3,181,303
8) for leases and rentals:	252,779	243,190
9) personnel costs:	2,888,957	2,796,425
a) wages and salaries:	2,033,436	1,989,650
b) social security contributions:	606,998	596,012
c) employee severance pay:	168,765	156,270
d) pension fund and similar obligations	20,527	20,974
e) other costs:	59,232	33,520
10) amortisation, depreciation and write-downs	1,734,948	1,643,574
a) amortisation of intangible assets	479,120	411,549
b) depreciation of property, plant and equipment	1,255,828	1,232,025
d) write-downs of receivables stated under current assets and of cash and cash equivalents		
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	-193,533	211,182-
14) other operating charges:	129,587	106,913
TOTAL B)	35,759,362	34,077,250
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	4,996,472	2,150,227
C) FINANCIAL INCOME AND COSTS		
16) other financial income	29,938	3,388
d) income other than the foregoing	29,938	3,388
d.5) others:	29,938	3,388
17) interest and other financial costs	221,801	139,305
4) from others	221,801	139,305
17) bis Foreign exchange gains and losses:	4,627	36,051
TOTAL FINANCIAL INCOME AND COSTS (15+16-17 and 17 bis)	187,236-	99,866-
PROFIT (LOSS) BEFORE TAX (A-B+-C+-D+-E)	4,809,235	2,050,362
20) current, deferred and prepaid tax for the year		
Current tax	947,594	562,717
Deferred and prepaid tax	342,334	536,647-
Total current, deferred and prepaid tax for the year	1,289,928	26,070
21) PROFIT (LOSS) FOR THE YEAR:	3,519,307	2,024,292

Cash Flow Statement

(indirect method)

	<u>31/12/2022</u>	<u>31/12/2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss) for the year	3,519,307	2,024,292
Income tax	1,289,927	26,070
Interest expense	221,801	139,304
Interest income	(29,938)	(3,388)
Capital losses from disposal of assets	10,158	0
Capital gains from disposal of assets	(2,594,230)	(1,283)
Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	2,417,025	2,184,995
<i>Adjustments for non-monetary items without a contra-entry in net working capital</i>		
Accruals to provisions	143,998	7,005
Amortisation and depreciation of fixed assets	1,734,948	1,643,574
CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	4,295,971	3,835,574
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	310,441	(1,612,090)
Decrease/(increase) in receivables (from customers and others)	(3,977,683)	2,044,133
Increase/(decrease) in payables (to suppliers and others)	(46,958)	(2,694,755)
Decrease/(increase) in accrued income and prepaid expenses	(13,524)	(15,650)
Increase/(decrease) in accrued expenses and deferred income	(7,579)	165,943
CASH FLOW AFTER CHANGES IN NET WORKING CAPITAL	560,667	1,723,155
<i>Other adjustments</i>		
Interest collected	6,077	5,176
Interest paid	(198,098)	(131,634)
Income tax paid	(508,710)	(1,864,327)
Use of provisions	0	(52,985)
TOTAL OTHER ADJUSTMENTS	(700,731)	(2,043,770)
CASH FLOW FROM OPERATING ACTIVITIES	(140,064)	(320,615)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(1,308,950)	(1,948,120)
Selling price of disinvestments from intangible assets	3,800	19,683
Investments in property, plant and equipment	(298,000)	(738,190)
Selling price of disinvestments from property, plant and equipment	53,371	80,031
Investments in non-current financial assets	(13,000,817)	(2,451)
Investments in non-current financial assets	(4,000,000)	0
Acquisition or sale of subsidiaries or business units, net of cash and cash equivalents	(2,961,298)	
CASH FLOW FROM INVESTING ACTIVITIES	(21,511,894)	(2,589,047)
CASH FLOWS FROM FINANCING ACTIVITIES:		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	(9,046)	(44,058)
New loans	10,000,000	0
Repayments of loans	(3,018,716)	(3,874,836)
<i>Net worth</i>		
Capital increase against payment		18,499,050
CASH FLOW FROM FINANCING ACTIVITIES	6,972,238	14,580,156
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,679,720)	11,670,495
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	26,318,877	14,648,382
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11,639,157	26,318,877

Notes to the financial statements

1. Basis of preparation

The financial statements for the financial year ended 31 December 2022, 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 and thus taking account of the fact that the business constitutes a functioning economic complex, which is intended for the production of income, at least for a foreseeable future time horizon (12 months from the relevant reporting date of the financial statements).

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, it 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 of purchase or when they 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 non-current 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 in progress 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 reimbursement 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.

Provisions 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 favor 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

They are 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 2022 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, allocating the result to each debt 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 and intangible assets, as well as of current and non-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.

Climate Change

It should be pointed out that Medica does not fall under the scope of Directive 2003/87/EC (as finally amended by Directive (EU) 2018/410), which introduced and regulated the European Union Emissions Trading System (EU ETS).

The ETS is the main tool adopted by the European Union to achieve CO2 reduction targets in major manufacturing sectors and in the aviation industry.

Although the accounting standards OIC issued by the Italian Accounting Board do not make any explicit reference to climate-related issues, these impacts are taken into account by the Company in the application of accounting standards when they are significant, assessing their effects, both in the application of each accounting standard and on the Company's ability to continue as a going concern. In this context, it should be noted that no significant risks have been reported for the Company from the application of each standard, and no doubts or uncertainties have arisen in relation to events or conditions that might call into question the Company's ability to continue as a going concern. It should also be considered that the transition to reducing emissions from economies in response to climate change will create challenges and opportunities for global growth.

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 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
Investments	20		39		45	1,187	17	1,309
Disinvestments			-14					-14
Amortisation	-252	-109	-31	-3	-55		-29	-479
Reclassifications						-103	103	-
Balance at 31 December 2022	967	214	143	35	286	4,593	118	6,716
<i>Of which:</i>								
- historical cost	1,259	2,846	449	58	865	4,953	177	10,608
- amortisation fund	-292	-2,633	-307	-23	-579		-59	-3,892

The investments mainly related to the following items:

- 1) capitalisations of costs incurred for ongoing development projects, amounting to Euro 920 thousand, which had been started in previous years, the most significant of which related to the Graphene project for Euro 219 thousand, the Life project for Euro 177 thousand, the NewHemo project for Euro 281 thousand, the New SAU project for Euro 111 thousand and the Catetere project for Euro 132 thousand.

Net investments made in 2021, amounting to Euro 1,948 thousand, mainly related to the capitalisation of costs incurred for development projects and the capitalisation of listing costs.

The details on the net book value at 31 December 2022 for the major development projects are provided below:

- 18) NewHemo project (in progress): Euro 3,080 thousand
- 19) Graphene project (in progress): Euro 548 thousand
- 20) Med-Log project (in progress): Euro 238 thousand
- 21) New SAU project (in progress): Euro 308 thousand
- 22) Catetere project (in progress): Euro 223 thousand
- 23) Life project (in progress): Euro 167 thousand
- 24) Apheresis membrane and filter project (under amortisation): Euro 170 thousand
- 25) Other projects under amortisation: Euro 45 thousand

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

As at 31 December 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.

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 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
Investments	4	128	70	10	85	298
Disinvestments	-	1,304		-	9	1,313
Depreciation	-	74	-	234	-	1,256
Reclassifications	1	74	23	12	- 110	0
Balance at 31 December 2022	2,219	909	217	73	40	3,458
<i>Of which:</i>						

- historical cost	2,939	2,742	1,268	359	40	7,348
- depreciation fund	- 721	- 1,833	- 1,050	- 286	-	3,890

The investments mainly related to the machinery and equipment that were acquired during the year for a total of Euro 198 thousand. Divestments mainly concerned the sale of the automation line intended for use within the Company several years ago, whereby the company realised a capital gain of Euro 2,593 thousand, net of the advance payment for Euro 3,855 thousand.

Investments made in property, plant and equipment amounted to Euro 738 thousand in 2021, mainly relating to machinery and equipment for the Graphene 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 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	282	77	920	360	219

5. Non-current financial assets

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

	Equity investments in subsidiaries	Equity investments in other companies	Receivables from subsidiaries	Receivables from others	Securities	Total
<i>(in thousands of Euro)</i>						
Balance at 31 December 2021	13,724	57		6		13,787
Increases	7,057		3,000	4,002	9,999	20,058
Decreases						
Balance at 31 December 2022	20,781	57	3,000	4,008	9,999	33,845

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

Company	HQ	Investment	ownership %	Share capital	Equity 2022	Profit (loss) 2022	Share of equity
Sar-med Srl	Italy	10,747	100%	10,318	13,757	(84)	13,757
Tecnoideal unipersonale Srl	Italy	1,437	100%	101	8,170	(160)	8,170
Medica Méditerranée	Tunisia	1,540	92,1%	5,605	7,867	636	7,245

Spindial SpA	Italy	6,763	51%	13,102	5,026	(3,635)	2,563
Medica USA Inc	USA	198	100%	10 USD	179 USD	(18) USD	179 USD
Medica Advanced Technologies Ltd	UK	96	85%	100 GBP	100 GBP	-	85 GBP
Total		20,781					

Receivables from subsidiaries concern an interest-bearing 36-month bullet loan receivable from subsidiary Spindial SpA for Euro 3,000 thousand.

Receivables from others mainly include the escrow account of Euro 4,000 thousand set up as security for liabilities (if any) with the seller of Spindial SpA.

With regard to securities, it should be noted that at the beginning of 2022 Medica SpA signed two multi-branch insurance policy contracts (branch I and branch III) for the purpose of cash management, without any constraints/conditions on their duration, with major credit institutions for a total of Euro 9,999 thousand.

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

With regard to equity investments, we have not identified any risk of permanent losses; with regard to the investment in Spindial SpA, the company was acquired in July 2022; most of the loss for the year accrued before the acquisition, which is expected to be recovered in the coming years based on the growth prospects of the results estimated in the 2023-2027 plan.

6. Inventories

(in thousands of Euro)

	31 December 2022	31 December 2021
Raw materials, supplies and consumables	325	332
Work in progress and semi-finished products	346	352
Contract work in progress	380	209
Finished products and goods for resale	4,160	4,593
Inventories, including the provision for write-down	5,211	5,483
Provision for inventory obsolescence	(155)	(125)
Advances	24	32
Inventories	5,080	5,390

The value of inventory remained substantially in line with the previous year. The value in 2021 had been affected by the plant downtime of our major provider of sterilisation services, which mainly occurred at the end of the year, resulting in a reduction in deliveries of products and then an increase in inventory.

7. Receivables stated under current assets

This item is broken down as follows:

(in thousands of Euro)

	At 31 December 2022	Of which due beyond 12 months	At 31 December 2021	Of which due beyond 12 months
Receivables from customers	7,655		6,218	
Receivables from subsidiaries	2,539		1,478	
Tax receivables	2,441	119	712	153

Deferred tax assets	613		502	
Receivables from others	336	75	312	75
Total receivables	13,585	194	9,222	228

This item is broken down as follows:

<i>(in thousands of Euro)</i>				
	At 31 December 2022	Italy	EU countries (excluding Italy)	Non-EU countries
Receivables from customers	7,655	3,516	1,421	2,718
Receivables from subsidiaries	2,539	443		2,096
Tax receivables	2,441	2,441		
Deferred tax assets	613	613		
Receivables from others	336	261	68	7
Total receivables	13,585	7,274	1,489	4,821

The increase in receivables from customers compared to the previous year was mainly due to a rise in sales recorded in 2022 compared to 2021, in particular in the last months of the year. In 2021 receivables from subsidiaries had included the amount claimed from IRES tax consolidation of the two consolidated companies (Tecnoideal, Sar-med), equal to Euro 1,218 thousand, while in 2022 the company reported a debt of Euro 790 thousand from tax consolidation.

Tax receivables mainly include VAT credits for Euro 1,283 thousand (Euro 355 thousand at 31 December 2021), which showed an increase due to both higher purchases made in 2022 compared to 2021, and a lower use of the ceiling, as well as IRES (Corporate Income) and IRAP (Regional Production Activity) tax credits, equal to Euro 908 thousand (Euro 113 thousand at 31 December 2021), which showed an increase that was mainly due to the lower profit posted by the companies included in tax consolidation compared to the previous year.

The balance also included tax credits on investments for Euro 82 thousand, as well as that on studies and research for Euro 154 thousand, on energy efficiency bonuses and energy for Euro 15 thousand (Euro 245 thousand at 31 December 2021).

Deferred tax assets mainly related to the following temporary differences:

- provisions for inventory write-down for Euro 43 thousand;
- capital grants of Medica SpA for Euro 564 thousand.

Receivables from others mainly included advances paid to suppliers for Euro 227 thousand.

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		193
Accrual		-
Release		-
Use		(3)
Balance at 31 December 2022		190

8. Cash and cash equivalents

<i>(in thousands of Euro)</i>	31 December 2022	31 December 2021
Bank and postal deposits	11,635	26,317
Cheques		
Money and cash on hand	4	2
Total	11,639	26,319

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 2022	31 December 2021
Accrued income	16	0
Prepaid expenses	140	142
Total	156	142

Prepaid expenses were recognised in relation to insurance, leases and rentals. Accrued income related to interest on the loan receivable taken out in 2022 and accrued on an accruals basis in the last months of the year.

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 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>	<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 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
Allocation of the result for the previous year		101		1,923			(2,024)	-
Profit (loss) for the year							3,519	3,519
At 31 December 2022	4,223	470	18,576	7,456	807	-	3,519	35,052

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	470	Profits	B	470
Share premium reserve	18,576	Capital	A B C	18,576
Reserve required by articles of association	7,456	Profits	A B C	7,456
Merger surplus reserve	207	Capital	A B C	207
Extraordinary reserve	600	Profits	A B C	600
Total	31,533			27,309
Non-distributable share				25,182
Distributable share				2,127

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 2021	8	106	25	138
Accruals	2	453	128	583
Uses				-
Releases				-
At 31 December 2022	10	559	153	722

The Provision for tax, including deferred tax, includes only deferred tax liabilities, the main value of which, amounting to Euro 498 thousand, was due to the instalment payment over 5 years concerning the capital gain realised for Euro 2,593 thousand in 2022.

12. Employee severance pay

<i>(in thousands of Euro)</i>	Total
At 31 December 2021	155
Accruals	14
Uses	-
Releases	-
At 31 December 2022	169

13. Payables

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

<i>(in thousands of Euro)</i>	At 31 December 2022	Of which due beyond 12 months	Of which due beyond 5 years	At 31 December 2021	Of which due beyond 12 months	Of which due beyond 5 years
Payables to banks	14,827	10,811	-	7,831	5,400	
Payables to other lenders	-			-		
Advances	4,840			3,061		

Payables to suppliers	2,753	100		5,604	3,955	
Payables to subsidiaries	14,172			16,358		
Tax payables	236			123		
Payables to social security institutions	230			222		
Other payables	4,357	4,000		339		
Total payables	41,417	14,911	-	33,539	9,355	-

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 2022.

Payables to banks were made up of current accounts payable, advance accounts and credit card balances for a total of Euro 15 thousand, while the remaining amount consisted of mortgages and loans. During the year, we took out new loans for Euro 10,000 thousand. Two loan agreements at Medica SpA provide for the following covenants on the figures in the consolidated financial statements (NFP/EBITDA<2.50 and NFP/Equity<1.00), which have been complied with.

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

Advances related to advances from customers, which showed an increase as a result of higher orders in the backlog compared to the previous year, and the advance payment on the capital grant for the Graphil and Life projects for Euro 1,859 thousand (of which an amount of Euro 112 thousand collected in 2022).

Payables to suppliers due beyond 12 months showed a decrease of Euro 3,855 thousand as a result of the sale of the automation line intended for use within the company several years ago, on which a capital gain of Euro 2,593 thousand was realised, while the current portion of the debt to suppliers showed an increase which was mainly due to the higher costs incurred in the year compared to 2021.

Other payables included a portion of the price agreed for the acquisition of 51% of the capital of Spindial SpA, which had been set aside in an escrow account as security for liabilities (if any) charged to the seller, for Euro 4,000 thousand.

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December 2022	<i>Italy</i>	EU countries (excluding Italy)	<i>Non-EU countries</i>
Payables to banks	14,827	14,827		
Payables to other lenders	-			
Advances	4,840	154	2,954	1,733
Payables to suppliers	2,753	2,397	188	168
Payables to subsidiaries	14,172	12,155	97	1,920
Tax payables	236	236		
Payables to social security institutions	230	230		
Other payables	4,357	357	4,000	
Total payables	41,417	30,356	7,239	3,821

Tax payables

<i>(in thousands of Euro)</i>	At 31 December 2022	At 31 December 2021
Income tax	-	
IRAP tax	109	
IRPEF (Personal Income) tax deductions for employees and others	128	123
Total tax payables	237	123

Payables to social security institutions

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2022	2021
Payables to INPS (National Social Security Institute)	135	131
Payables to other social security and welfare institutions	34	32
Others	62	59
Total payables to social security and welfare institutions	231	222

Other payables

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2022	2021
Accrued vacation and leave time	207	207
Salaries	138	128
Others	4,012	4
Total other payables	4,357	339

14. Accrued expenses and deferred income

This item is broken down as follows:

<i>(in thousands of Euro)</i>	At 31 December	At 31 December
	2022	2021
Accrued expenses	27	9
Deferred income	1,092	1,117
Total accrued expenses and deferred income	1,119	1,126

Deferred income mainly related to the capital grants of Euro 925 thousand, which had been collected in previous years in relation to development projects for Euro 638 thousand and a building for Euro 287 thousand, as well as to tax credits on investments for Euro 167 thousand.

15. Revenues from sales and services

Revenues from sales and services, equal to Euro 37,970 thousand in 2022, showed an increase of Euro 3,604 thousand (10%) compared to 2021, 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	
	2022	2021
Italy	9,533	10,188
Europe (excluding Italy)	13,304	10,256
Non-EU countries	15,133	13,922
Total	37,970	34,366

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Electro-medical equipment	5,670	4,572
Tubing	9,725	8,160
Blood filters	10,771	9,835
Water filters	3,644	3,503
Others	8,160	8,296
Total	37,970	34,366

16. Capitalisation of internal construction costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Property, plant and equipment	16	6
Development projects	460	266
Total	476	272

17. Other revenues

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Grants	55	87
Others	2,750	123
Total	2,805	210

Others mainly include the capital gain on the sale of the automation line for Euro 2,593 thousand, as well as tax credits under Decree Law 145 of 2013-Law190 of 20114-Law 160 of 2019 for Euro 94 thousand, and on energy for Euro 6 thousand.

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	
	2022	2021
Third-party manufacturing	500	523
Transport and customs charges	623	559
Consultancy and collaborations	847	1,081
Utilities	112	105
Maintenance, repair and service	92	124
Advertising, promotions and commissions	288	158
Fees due to directors (including social security contributions)	173	160
Fees due to the members of the board of statutory auditors	28	24
Fees due to the audit firm/independent auditors	57	61
Insurance	52	44
Travel, business trips and board, expense reimbursement	168	105
Research costs	113	75
Other services	225	162
Total cost for services	3,277	3,181

The decrease in consultancy costs compared to 2021 was mainly due to activities carried out by Tecnoideal, equal to Euro 350 thousand, for a technical consulting project that the Company had invoiced to the end customer in 2021, while the increase in costs of advertising, promotions and commissions, and of travel and business trips mainly related to participation in more trade fairs than in 2021, a year that had still been impacted by the Covid-19 pandemic and related restrictions on movement or gatherings.

The company also states that it has introduced as part of its in-house procedures a procurement policy that integrates environment-related issues, including purchasing, transport and energy supplies.

Financial year at 31 December

<i>(in thousands of Euro)</i>	2022	2021
Rents payable for buildings	106	102
Others	147	141
Total leases and rentals	253	243

19. Personnel costs

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Wages and salaries	2,033	1,990
Social security contributions	607	596
Contributions to pension funds	189	177
Other personnel costs	59	33
Total	2,889	2,796

The increase in personnel costs compared to the previous financial period was mainly due to various pay adjustments and to a different mix of employees.

In addition, the Company declares that it has allocated 0.14% of annual sales to a ceiling dedicated to employee welfare, amounting to Euro 51,341.

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

<i>(in figures)</i>	Financial year ended 31 December			
	2022 average	2021 average	2022 exact	2021 exact
Executives	6	6	6	6
Middle managers	6	5	6	5
Office workers	27	31	30	32
Manual workers	10	10	11	11
Trainees	3	3	3	2
Total	53	55	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	
	2022	2021
Interest expense	156	109
Net foreign exchange loss (profit)	(5)	(36)
Other financial costs	66	30
Total financial costs	217	103
Financial income	30	3
Total net financial costs	187	100

The increase in interest expense compared to the previous year was mainly due to the new loan agreements entered into in 2022, while the increase in financial income mainly included interest earned for Euro 16 thousand on the loan disbursed to subsidiaries in 2022.

21. Income tax

This item is broken down as follows:

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2022	2021
Current tax	948	563
Tax relating to previous years	-	0
Net deferred tax liabilities (assets)	342	(537)
Total	1,290	26

The tax charge increased significantly compared to the previous year due to both the impacts that occurred in 2021 as a result of the Super ACE (Aid to Economic Growth) tax credit calculated on an amount of Euro 5,000 thousand of the capital increase carried out at Medica in 2021 (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 compared to 2020.

Breakdown of deductible temporary differences 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 "Deferred tax assets and liabilities" for the year, the composition of deductible temporary differences that have gave rise to "Deferred tax assets", the composition of taxable temporary differences that gave 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	2,126	2,668
Total taxable temporary differences	(2,295)	(219)
Net temporary differences	(169)	2,449
B) Tax effects		
Provision for deferred tax liabilities (assets) at the beginning of the year	(309)	(88)
Deferred tax liabilities (assets) for the year	350	(8)
Provision for deferred tax liabilities (assets) at the end of the year	41	(96)

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	226	(7)	219	24%	53	3.9%	8
Capital gains on assets	150	1,925	2,075	24%	498	-	-
Others	25	(24)	1	24%	0	3.9%	0
Total deferred tax liabilities	401	1,894	2,295		551		8
Grants	1,525	416	1,942	24%	466	3.9%	98
Inventory write-down	125	30	155	24%	37	3.9%	6

Others	38	(9)	29	24%	7	-	-
Total deferred tax assets	1,688	437	2,126		510		104

Reconciliation of theoretical tax charge	31 December 2022	31 December 2021
Profit before tax	4,809	2,050
Theoretical IRES and IRAP tax (24%+3.9%)	1,342	572
IRES and IRAP tax from financial statements	1,290	26
Effective rate	27%	1%
Difference	52	546
Extraordinary income	-	316
Super ACE tax credit	-	180
Hyper/Super amortisation	39	45
Income from tax credits	37	25
Others	(24)	(20)
Total	52	546

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

During the tax period, the Company did not receive any economic benefit, in accordance with the provisions of Article 1, paragraph 125-bis, of Law no. 124 of 4 August 2017; for more information, reference should be made to the National Register of State Aids, which can be consulted on the ministerial website www.rna.gov.it.

For more information on tax credits and grants, reference should be made to the paragraph on Tax receivables and Other revenues.

23. Related-party transactions

Transactions with related parties are mainly commercial and financial 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 Villaflora Immobiliare Srl, a reference entity for the controlling company, amounting to Euro 64 thousand (Euro 62 thousand at 31 December 2021).
- The transactions with Group companies are described below.

FY2022	Receivables	Loans	Payables	Revenues	Other revenues/ Sale of assets	Costs of raw materials	Costs for services	Purchases of assets	Other costs	Financial income and costs
Sar-med Srl			9,451	365	49	12,149	50			
Tecnoideal Srl			2,701	293	4	4,205	65	334		

Medica Méditerranée	2,002		1,799	3,545	4	6,420	23			-1
THF Srl	12		3	9				2		
Tecnoideal America Inc	26		121	27		201		70		
Nefrodom Srl	67			41						
Medica AT Ltd			97							
Spindial SpA	431	3,000		415						16
Total	2,539	3,000	14,172	4,697	57	22,975	138	406	-	15
FY2021	Receivables		Payables	Revenues	Other revenue s/ 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

At the end of February 2023 Medica GmbH was established, which is a commercial company that is wholly owned by Medica SpA and operates in the field of medical products in Germany.

25. Other information

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

The Parent Company Medica Spa provides the following guarantees:

Description – Medica SpA	31 December 2022	31 December 2021
Guarantees given to third parties	144	976
Guarantees given to group companies	4,024	5,250
Guarantees received	4,073	8,479

Guarantees given to third parties:

- Sureties of Euro 34 thousand to public bodies for tendering on the part of the parent company;
- Sureties of Euro 110 thousand for ceiling of the parent company's credit cards.

Guarantees given by the parent company to group companies:

- 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 500 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 899 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 SRL: surety bond granted for Euro 1,500 thousand in favour of BPER on financing.

Guarantees received by the Parent Company

- SACE surety of Euro 153 thousand on Banca Popolare Emilia-Romagna loan;
- FEI surety of Euro 114 thousand on loans granted by Banco Popolare di Milano and Banca Popolare Emilia-Romagna;
- Medio Credito Centrale guarantees for Euro 3,806 thousand.

Information on extraordinary costs or revenues

It should be noted that the Company 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 155

Fees due to Statutory Auditors: Euro 28 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 and half-year accounts: Euro 48 thousand (of which Euro 16 thousand for the audit of the half-year report)

Other independent auditors' activities: Euro 3 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 of 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 Article 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 2022. Allocation of the profit for the year; related and consequent resolutions.

You are invited to approve:

- the draft separate financial statements at 31 December 2022 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 3,519,307, as follows:
 - a) Euro 175,965 to legal reserve
 - b) Euro 3,343,342 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 2023

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 31/12/2022, 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 2022, ha svolto le funzioni previste dagli artt. 2403 e ss. c.c.. Nel corso dell'esercizio chiuso al 31 dicembre 2022 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 31.12.2022, redatto in conformità alle norme italiane che ne disciplinano la redazione, che evidenzia un risultato d'esercizio positivo di euro 3.519.307=; 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 senza modifica di cui si riferirà in seguito.

Il Collegio Sindacale, non essendo incaricato della revisione legale, ha svolto sul bilancio le attività di vigilanza previste dalla Norma 3.8. delle "Norme di comportamento del collegio sindacale di società non quotate" 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.

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 degli Azionisti 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, 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 controllate, 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.

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 31.12.2022, 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 sviluppo per € 1.030.533,23.

Osservazioni e proposte in ordine alla approvazione del bilancio

Considerando le risultanze dell'attività da noi svolta, e dal 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 2022, 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 2022 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 precede al consolidato.

Il bilancio consolidato è stato redatto conformemente a quanto dispone il D.Lgs n. 127/1991, e si chiude con un risultato positivo di euro 4.013.673, di pertinenza del gruppo di euro 4.350.280; il patrimonio netto consolidato ammonta a euro 52.178.431, di pertinenza del gruppo per euro 49.201.649.

In 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 art. 26 e 28 del D.Lgs. n. 127/1991 e le variazioni rispetto all'esercizio precedente; il metodo di consolidamento principale adottato è quello dell'integrazione globale. 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 31.12.2022, 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".

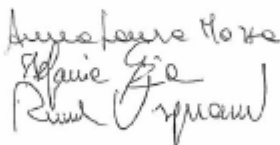
Medolla (Mo), 13 aprile 2023

Il collegio sindacale

Anna Laura Mazza (Presidente)

Stefania Grazia (Sindaco effettivo)

Riccardo Vergnanini (Sindaco effettivo)



Independent auditors' report on the separate financial statements



Medica S.p.A.

Financial statements as at December 31, 2022

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, 2022, 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, 2022, 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.

EY S.p.A.
Sede Legale: Via Meravigli, 12 - 20123 Milano
Sede Secondaria: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
iscritta alla S.C. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000594 - numero R.E.A. di Milano 806158 - P.IVA 00891231003
iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/07/1997
iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera 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, 2022 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, 2022 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, 2022 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, 2023

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.