

Press release

MEDICA S.P.A.

APPROVAL OF THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

DESPITE THE PERSISTENCE OF THE PANDEMIC, THE GROUP REALIZED GROWING RESULTS COMPARED TO 2020

SUMMARY DATA	
Consolidated Net Revenues	Euro 43,8 million (-1%)
EBITDA¹	Euro 9,9 million (+4%)
EBIT²	Euro 5,8 million (+4%)
Net Result	Euro 5,0 million (+29%)
NFP positive	Euro 10,8 million (negative of Euro 3,1 million as at 31 december 2020)

Medolla (MO), 30 march 2022 – The Board of Directors of Medica S.p.A., an integrated Italian biomedical and MedTech group with a strong international footprint, approved the financial statements and the consolidated financial statements as at 31 December 2021, with a consolidated net profit of Euro 5.0 million, a significant increase compared to the consolidated net profit realized in 2020, equal to Euro 3.8 million (+29%).

Commenting the Group's performance, the President Luciano Fecondini said: "**I am very satisfied with the excellent results achieved in 2021**; despite the difficulties encountered due to the persistence of the pandemic, with uncertainties in the delivery of materials from suppliers and a decline in the first half of the revenues of the Water Division, to which was added the stop of the plant of our main sterilization service provider, occurred mainly in the last period of the year, the 2021 ranks first as the highest Ebitda, Ebit and Net Result in the history of Medica, driven mainly by a strong acceleration in the Acute & Aferesis and Automation division; our DNA in development and innovation has allowed us to brilliantly face a complex year, characterized by the Covid emergency, also thanks to the contribution of our employees and collaborators and the stable relationships with our business partners, and has further strengthened our solid foundations for medium-long term growth".

¹ the amount includes the effect from the costs occurred for the capital increase

² the amount includes the effect from the costs occurred for the capital increase

Operating performance

The result for the year is characterized by very diversified situations in the broad product portfolio of the group.

The sustained growth in sales of products (machines and filters) for apheresis on the German market and beyond continues; important growth in the product lines for kidney and liver transplantation and in the tubing sets supporting laser surgery of the eye.

In addition, we completed and then invoiced a major apheresis machine development project for a world-leading company in this business and obtained the CE mark. This project, being Medica contractually the manufacturer of the machines, will allow to benefit from a recurring revenue starting from 2022. The trend is also positive for other niche products with important margins such as plasma filters and plasma fractionators.

The strong increase in sales of electromedical equipment will also guarantee a growth in the sale of dedicated disposables in future years.

Regarding the Water Division, it should be noted that the hospital purification of water has been strongly affected by the pandemic that has removed part of the resources normally allocated to the microbiological purification of water.

This dynamic caused a decreasing in the business line, which began in the last months of 2020 and continued in the first half of 2021. However, during the second half of 2021 there were significant signs of recovery generating good expectations for 2022.

In general, there has been a global decreasing in the dialysis market, as the pandemic has particularly affected hemodialysis patients.

Medica has also been affected by this decline in volumes of dialysis filters and dialysis lines.

Economic performance

The item "Revenues from sales and services" of Euro 43.8 million in 2021, shows a decrease of Euro 0.3 million (1%) compared to 2020. The 2021 turnover trend was mainly characterized by a significant growth in the Acute & Aferesis business lines, which went from 7.1 million euros in 2020 to 9.2 million euros in 2021 (+31%), and Tecnoideal Automation which, also thanks to the contribution of the newly acquired THF Srl starting from 1 July 2021 for about 1.3 million euros, went from 8.8 million euros to 12.0 million euros (+37%). Growth was also recorded, even if more contained, in the Menfis division (up by Euro 0.1 million, +13%) and in the performing of services and other activities (up by Euro 0.8 million, +50%). On the other hand, the other business lines decreased (overall reduction of Euro 6.5 million, -26%); in particular, the Water Division, which went from 4.8 million euros in 2020 to 3.5 million euros in 2021 (-27%), saw important signs of recovery already from the second half of 2021 with a revenues of about 2.1 million euros, compared to that realized in the first half of 2021, equal to 1.4 million euros (+47%).

In addition, we report the growth in the revenues of electromedical equipment, which from Euro 4.1 million in 2020 reached Euro 4.6 million in 2021 (+0.5 Euro million, +12%).

The different mix of revenues achieved in 2021 compared to 2020, in favour of the business lines with higher margins, in addition to the contribution of THF Srl for Euro 0.2 million, contributed significantly to **the growth of EBITDA 2021 compared to 2020 (+Euro 0.4 million, +4%)** despite the strengthening of the Group's workforce in 2021 and the occurrence of some non-recurring consulting costs. The growth in EBITDA drove **the growth in EBIT (+Euro 0.2 million, +4%)**. It should be noted that the EBITDA and EBIT amounts include non-capitalized costs related to the IPO (Euro 74 thousand) as well as the amortization of the capitalized portion (Euro 40 thousand).

The 2021 tax charge is significantly improved compared to 2020 both because of the super ACE deriving from the share capital increase that took place in 2021, which generated a tax benefit of Euro 180 thousand, and as a result of higher deferred taxes assets accounted for in 2021 compared to 2020, mainly on investment grants and provisions.

Financial performance

The significant improvement in the net financial position, which went from a net debt of Euro 3.1 million in 2020 to a net cash of Euro 10.8 million in 2021, is mainly due to the collection, net of listing costs, of the capital increase of Euro 17.2 million, the positive cash flow deriving from operations of Euro 4.3 million and the negative cash flow deriving from investments, equal to Euro 7.6 million (which includes Euro 2.3 million for the purchase of THF Srl net of the acquired active NFP and extraordinary investments for new buildings and machinery in the two subsidiaries Sar-med and Medica Mediterranée, for Euro 3.4 million).

Net of cash in from the capital increase and cash out for extraordinary investments, operating free cash flow was positive at Euro 2.4 million.

Significant events in 2021

On April 28, 2021, the Company, through its subsidiary Tecnoideal Srl sole quote-holder, purchased 100% of the shares of THF Srl, based in Marzolarà (PR) – Italy, for a contribution of 2,500 thousand euros. The company operates in the design and manufacture of special machines for radiofrequency or thermal pulse welding for plastic films, applied to various products including medical ones (typically blood bags or fluid bags to be sterilized). With this acquisition, declares president Fecondini Luciano, "we plan to expand our technological offer by adding the sector of welding machines for medical films and approach new industrial markets".

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

During the year, a total of 7 practices were approved, including important changes to existing medical devices and the introduction of new types of medical devices on our CE Certificate. This is a clear indicator of the potential for further development of the Group's revenues.

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

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

On November 1, 2021, we received from Borsa Italiana S.p.A. the admission to listing of Medica's ordinary shares on Euronext Growth Milan. The placement price was set at Euro 27.00 per share. As a result of the placement, the share capital of Medica increased from 3,538,100 shares to 4,223,250 ordinary shares without nominal value, of which 20.07% free float.

Main subsequent events

Since the end of the financial year, relations between the nations of Russia and Ukraine have deteriorated to such an extent that they have resulted in armed conflict. At the time of writing this note, the conflict is limited to the two nations, but since most Western countries, including Italy, have taken decisions of an economic nature aimed at imposing sanctions on the Russian Federation, repercussions on the economy of our country cannot be excluded.

Although the Company does not have direct business relations in the two countries, the progressive economic deterioration resulting from the economic sanctions and the consequences of the conflict could have an indirect impact on the Company that at present it is not possible to quantify or predict how such repercussions may be reflected on the financial statements of the next financial year, depending substantially on the duration of the conflict, its geographical and temporal extension and the consequent duration of economic sanctions.

Outlook for the current year

The Group will continue to work to give rapid responses to the needs of the market and its customers even if the current conditions of procurement of raw materials (plastics, metals, electronic components) put a strain on the programming of the various productions.

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Capitale sociale € 4.223.250,00 i.v. – Registro Ditte/REA n° 229672 – Registro Imprese di Modena n° 01604300366
Iscrizione Registro Nazionale Produttori A.E.E. n. IT08020000003645
Partita IVA e Codice Fiscale 01604300366 – Identification Number IT 01604300366

Added to this is the generalized increase in prices that greatly complicates industrial relations with both suppliers and customers. The group has a still unexpressed growth potential, but it is difficult in this context to estimate the results for 2022. On the one hand, the order books acquired to date and the market trends of our main products should lead us to achieve results for 2022 that improve compared to the 2021 financial year, on the other hand, the protracted pandemic, geopolitical and military tensions, and difficulties in finding raw materials can lead to negative deviations.

Results of the parent company Medica SpA

The parent company Medica SpA realized a turnover of Euro 34.4 million with a net profit of approximately Euro 2.0 million.

The Board of Directors will propose to the Shareholders' Meeting to allocate the net profit, equal to Euro 2,024,292 as follows:

- Euro 101,215 as a legal reserve
- Euro 1,923,077 as a statutory reserve.

Calling of the Medica SpA shareholders' meeting

The Board of Directors has resolved to call for 29 April 2022:

- the Ordinary Shareholders' Meeting to approve the financial statements for the year ended 31 December 2021, the presentation of the consolidated financial statements, the allocation of profit for the year and the appointment of the Board of Statutory Auditors;

The documentation relating to the items on the agenda will be made available to the public at the registered office, on the website www.medica.it and on the website of Borsa Italiana, within the terms provided for by current legislation.

This Press Release is available on the Company's website www.medica.it in the Investors section. On March 31, 2022 at 11.00 am, the management will illustrate in audio-conference the results achieved by the Medical Group in 2021. Below are the phone numbers to connect to the audio conference:

Italy: +39 02 802 09 11

France: +33 170918704

Germany: +49 6917415712

Switzerland: +41 225954728

UK: +44 1 212818004

USA: +1 718 7058796

Attached below are the consolidated reclassified income statement, the consolidated reclassified Balance Sheet and the net financial debt of the Group and of the Company for the year ended 31 December 2021 and 31 December 2020.

Medica Profile

Medica Group is operating since 1985 in the biomedical district of Mirandola (Italy). Development of innovative products for blood purification has always been company's core business. Thanks to the activity of two extremely dynamic R&D groups (medical equipment, membranes and disposable), the Group competes successfully in several markets, namely:

- **Medical** (dialysis, CRRT, ECCO2, Apheresis, DFPP, CHF, HIPEC, pre-transplant organ perfusion, bioregenerative medicine, gastroenterology, urodynamics, oxygen humidification).
- **Microbiological purification of water**
- **Industrial automation** for the biomedical sector.

R&D focus has been integrated over the years with a highly automated production systems in five different facilities, four in Italy and one in Tunisia, and two commercial entities (in US and in China).

The key success factors of the Group are:

- **extrusion of hollow fiber membranes** for hemofiltration, plasmapheresis, cascade filtration, oxygen humidification, ultrafiltration and microfiltration of water
- **vertical integration**, proved by the ability to manage not only the design and development of medical disposables and equipment, and the development of the automation technologies required for their production as well.
- **International recognition with significant share of export** (69% of revenues in 2020), with sales in over 60 countries.

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Consolidated reclassified income statement

<i>(in thousand of Euro)</i>	For the Year ended December 31				Change	
	2021	(*)	2020	(*)	2021-2020	
Revenues from sales and services	43.800	100%	44.060	100%	-260	-1%
Raw, ancillary, and consumable materials and goods	-15.215	-35%	-17.390	-39%	2.175	-13%
Gross Profit	28.585	65%	26.670	61%	1.915	7%
Purchases of services, leases and rentals	-8.902	-20%	-8.122	-18%	-779	10%
Personnel costs	-13.205	-30%	-12.448	-28%	-757	6%
Other operating costs, net	3.419	8%	3.484	8%	-65	-2%
Impairments	0	0%	-37	0%	37	-100%
EBITDA	9.897	23%	9.546	22%	351	4%
Depreciation and amortization	-4.046	-9%	-3.955	-9%	-92	2%
Accrual to provisions	-27	0%	0	0%	-27	0%
Operating result (EBIT)	5.824	13%	5.592	13%	232	4%
Net finance expense	-207	0%	-294	-1%	88	-30%
Profit before tax	5.617	13%	5.297	12%	320	6%
Income tax expense	-637	-1%	-1.450	-3%	812	-56%
Profit for the period	4.980	11%	3.848	9%	1.132	29%
Of which Profit of Minorities	7	0%	76	0%	-69	-91%
Of which Profit of the Group	4.973	11%	3.772	9%	1.201	32%

Consolidated reclassified balance sheet

<i>(in thousand of Euro)</i>	As of 31 december	As of 31 december
	2021	2020
Investments:		
Net working capital (B)	7.181	3.016
Intangible assets	9.029	6.423
Tangible assets	17.877	15.507
Financial investments	430	428
Fixed assets (A)	27.336	22.358
Employee benefit	(1.471)	(1.086)
Provisions	(60)	(88)
Deferred tax assets - net	1.392	582
Net invested capital (A+B+C)	34.378	24.782
Sources:		
Equity	45.173	21.672
Net debt (net cash)	(10.795)	3.110
Sources of financing	34.378	24.782

Consolidated net financial debt

<i>in thousand of Euro</i>	As of 31 december 2021	As of 31 december 2020
A. Cash	(30.910)	(20.597)
B. Cash equivalent	-	-
C. Other current financial assets	(1.757)	(1.204)
D. Liquidity (A + B + C)	(32.667)	(21.801)
E. Current financial liabilities	14	69
F. Current portion of non-current financial liabilities	5.201	5.519
G. Current debt (E) + (F)	5.215	5.588
H. Net current debt (G)– (D)	(27.452)	(16.213)
I. Non current financial liabilities	16.357	19.322
J. Issued bonds	-	-
K. Non-current financial and other payables	300	-
L. Non-current debt (I) + (J) + (K)	16.657	19.322
M. Net Debt (H) + (L)	(10.795)	3.110

Reclassified income statements of the Company

<i>(in thousand of Euro)</i>	For the Year ended December 31				Change	
	2021	(*)	2020	(*)	2021-2020	
Revenues from sales and services	34.366	100%	39.005	100%	-4.638	-12%
Raw, ancillary, and consumable materials and goods	-24.727	-72%	-29.848	-77%	5.121	-17%
Gross Profit	9.640	28%	9.157	23%	483	5%
Purchases of services, leases and rentals	-3.424	-10%	-3.117	-8%	-308	10%
Personnel costs	-2.796	-8%	-2.641	-7%	-155	6%
Other operating costs, net	375	1%	553	1%	-178	-32%
Impairments	0	0%	-37	0%	37	-100%
EBITDA	3.794	11%	3.915	10%	-121	-3%
Depreciation and amortization	-1.644	-5%	-1.509	-4%	-134	9%
Accrual to provisions	0	0%	0	0%	0	0%
Operating result (EBIT)	2.150	6%	2.405	6%	-255	-11%
Net finance expense	-100	0%	-160	0%	60	-38%
Profit before tax	2.050	6%	2.245	6%	-195	-9%
Income tax expense	-26	0%	-979	-3%	952	-97%
Profit for the period	2.024	6%	1.266	3%	758	60%

Reclassified balance sheet of the Company

<i>(in thousand of Euro)</i>	As of 31 december	As of 31 december
	2021	2020
Investments:		
Net working capital (B)	(12.581)	(15.993)
Intangible assets	5.899	4.383
Tangible assets	5.730	6.303
Financial investments	13.788	13.785
Fixed assets (A)	25.417	24.470
Employee benefit	(155)	(203)
Provisions	(33)	(31)
Deferred tax assets - net	397	(140)
Net invested capital (A+B+C)	13.045	8.103
Sources:		
Equity	31.532	11.009
Net debt (net cash)	(18.488)	(2.906)
Sources of financing	13.045	8.103

Net financial debt of the Company

<i>in thousand of Euro</i>	As of 31 december 2021	As of 31 december 2020
A. Cash	(26.319)	(14.648)
B. Cash equivalent	-	-
C. Other current financial assets	-	-
D. Liquidity (A + B + C)	(26.319)	(14.648)
E. Current financial liabilities	3	42
F. Current portion of non-current financial liabilities	2.428	3.877
G. Current debt (E) + (F)	2.431	3.919
H. Net current debt (G) - (D)	(23.888)	(10.729)
I. Non current financial liabilities	5.400	7.824
J. Issued bonds	-	-
K. Non-current financial and other payables	-	-
L. Non-current debt (I) + (J) + (K)	5.400	7.824
M. Net Debt (H) + (L)	(18.488)	(2.905)