Consolidated Financial Statements

Fidia Farmaceutici Group

as at 31 December 2021

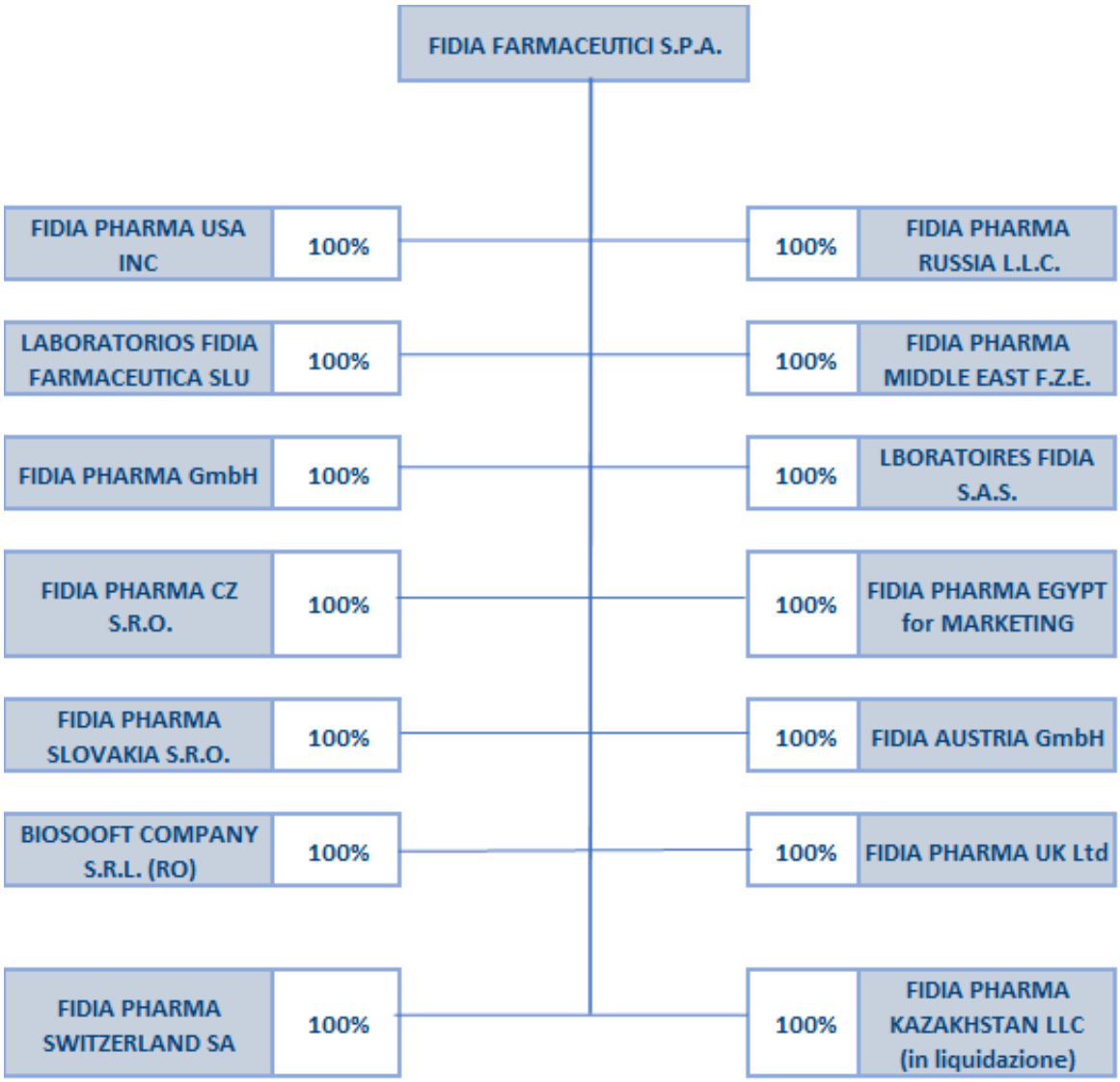
SUMMARY

Directors' Report
of the financial statements as at 31 December 2021

The group structure

The chart below shows the consolidation scope as at 31.12.2021, the Parent Company Fidia Farmaceutici S.p.A. is 95.3% controlled by P&R Farmaceutici S.p.A.

During the financial year, two new companies were established (Fidia Pharma UK Ltd and Fidia Pharma Switzerland SA, both non-consolidated, as they did not carry out any significant operational activity during the period), while the company Sooft Italia S.p.A. was merged into the Parent Company Fidia Farmaceutici S.p.A..



Company bodies

Board of Directors

Carlo Pizzocaro	Chairman
Francesco Pizzocaro	Director
Claudia Adreani	Director
Giovanni Angela	Director
Paolo Rossi	Director

Board of Statutory Auditors

Mario Canevari	Chairman
Donatello Cecchinato	Standing Auditor
Andrea Rittatore Vonwiller	Standing Auditor
Daniele De Martini	Alternate Auditor
Riccardo Spadaro	Alternate Auditor

Supervisory Body

Professional Governance Overview S.r.l.	SB Member
Franco Cerritelli	SB Member
Lawyer Giulia Chiara Paoloni	SB Member

Independent Auditors

KPMG S.p.A.

Operations and markets

The Parent Company and its subsidiaries manufacture and distribute drugs, medical devices and APIs (Active Pharmaceutical Ingredients). Reference should be made to the section of this report entitled "Overview of the Group's operations, financial performance and cash flows" for a discussion of the therapeutic areas.

The past financial year was characterised by the continuation of the global COVID-19 pandemic, the effects of which were felt especially in the second half of the year when, following the resumption of the "third wave", the consequences of the restrictions on mobility have been felt.

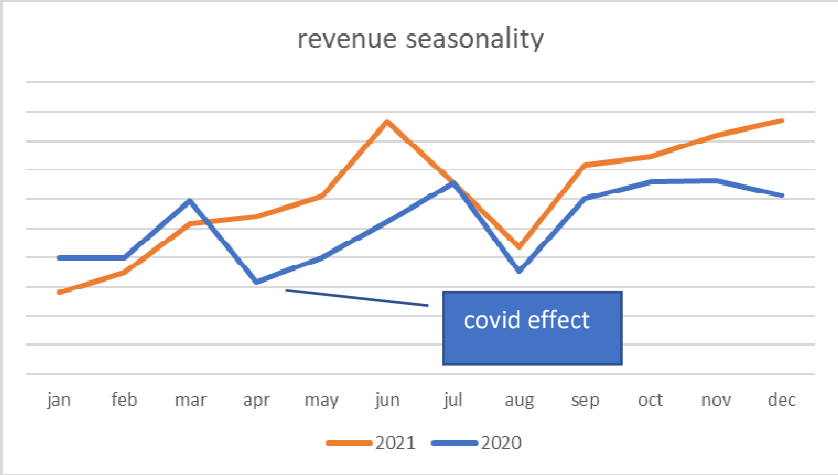
In general, the Italian market trend in 20-21 was steady and essentially pharmaceutical production in 2021 returned to pre-COVID values.

For the Fidia Group, the business trend differed geographically with foreign markets performing particularly well (+31.8% compared to 2020) and to a greater extent than the Italian market (+3.8% compared to 2020).

The osteoarticular therapeutic area (joint care) grew significantly, especially driven by the American and German markets, while the ophthalmology area (eye care) was still affected by the pandemic, especially in the Italian market, where Fidia is the market leader with its Sooft branded products, following the continuing freeze on surgical operations.

As of June, sales performance benefited from the marketing of new products acquired from an international pharmaceutical group and belonging to the corticosteroid category, which gave a significant boost to growth in European and MENA (Middle East and North Africa) markets.

The following graph compares the consolidated monthly turnover with that of the previous year:



April 2020 shows the effect of the lockdown that lasted through May 2020; June 2021 benefited from the boost from sales of newly acquired products.

Italian market

In 2021, the net revenues of Fidia Italia recorded a turnover of €187.2 million, an increase of +3.8% compared to last year, which made it possible to offset the decrease in performance of the eye care therapeutic area, strongly impacted by the consequences of the pandemic.

The domestic pharmaceutical market has been heavily affected by the stock reduction policy implemented by intermediate distributors since early 2021, due to the significant slowdown in the release of winter products, including antibiotics and anti-infectives, due to the absence of seasonal diseases.

Traditional scientific information activities have suffered major limitations in terms of access to outpatient clinics, and surgical activities have been reserved almost exclusively for urgent needs, and because of these factors it has been necessary to postpone the launch of some products.

In this context, there have been several opportunities to meet with the medical profession to ensure an adequate and aligned support to the daily needs of health workers.

Digital promotional initiatives and corporate e-commerce activity through Amazon were boosted, with an almost doubled sales growth on this channel compared with the previous year.

The launch of the new **Green Line of Cartijoint**, historical brand of the company, undisputed leader among the osteoarticular supplements, has been guaranteed. With these new references, **Cartijoint** has also guaranteed an optimal therapeutic solution for patients allergic to products of animal origin or unable to take them for religious reasons, with a consequent growth of the company image in terms of innovation and attention to the needs of all patients.

The month of May also saw the start of Fidia's new challenge in the **field of aesthetics**, with the premium products based on patented and exclusive hyaluronic acids of the **Hyal System Line**, which exceeded the milestone of the first million in sales after just one semester from launch.

Surprising results were also obtained with the **Launch of Nodigap**, the only Vitamin D in soft capsules, which represents already the fourth Brand in the cholecalciferol market with over 130,000 monthly units and a turnover of over €3 million in just 7 months.

In the third quarter, the sales organisation was involved in the launch of the distribution of corticosteroid-based products acquired from an international pharmaceutical group, with particular success in the hospital channel.
Finally, we cannot fail to mention the sales performance of the **Connettivina Brand**, the iconic symbol of Fidia products, which after almost sixty years of presence on the market has seen a growth of about €1 million compared to 2020, consolidating its leadership in the reference market.

International markets

The International Pharmaceutical Department generated a turnover of approximately €172 million, an increase of 31.8% compared to the previous year.

Sales to international distributors were up, despite the pandemic having a negative impact on the results of some geographical areas (particularly CIS countries and Latin American markets), compared with last year, thanks in particular to the skin care products distributed in Europe.
Again in the distribution channel, good sales performance was registered by the gynaecological and beauty products line, the latter thanks to the stipulation of license agreements with distributors in territories such as Russia and the CIS.
As regards sales through direct branches, the results for the year were particularly positive in all the regions covered by the Group.

Particularly noteworthy is the result of the American subsidiary (Fidia USA) with a 25% increase in turnover compared to the previous year; the subsidiary in Germany (Fidia Pharma GmbH), the second largest, saw its turnover increase by 12% compared to the previous year and finally the subsidiary in Spain (Laboratorios Fidia Farmaceutica) grew by 54%.
The French subsidiary (Fidia Laboratoires) also more than doubled its turnover and on average the remaining subsidiaries grew by more than 20%.
Despite the continuation of the pandemic crisis, the international growth strategy continues with more than positive recognition from the market for both the "core" products of the Joint Care therapeutic area (osteoarticular therapy) and the eye care products, whose AIC were acquired in 2019 for the Spanish market.
Finally, sales of CMO (Contract Manufacturing Operation) products also registered a positive performance compared with the previous year.

Events of the year

Corporate events

During the financial year, activities continued for the liquidation of Fidia Pharma Kazakhstan LLC, already excluded from the consolidation in the previous financial year, which is expected to be completed at the beginning of 2022.

In July 2021, Fidia Pharma UK Ltd was established to provide certain pharmacovigilance and regulatory services for the products acquired during the year.

In November 2021, Fidia Pharma Switzerland Sa, a company under Swiss law, was established to provide services in the field of research and development projects.

Both newly formed companies did not have significant operating activities during the year and therefore they were not consolidated but valued at cost in the consolidated financial statements.

Merger by incorporation of Sooft Italia S.p.A.

With statutory effectiveness on 1 December 2021, Sooft Italia S.p.A. was merged by incorporation into the Parent Company Fidia Farmaceutici S.p.A.

The merger was effective retroactively to 1 January 2021, as a result of the merger resolution approved by the Shareholders' Meeting on 29 July 2021.

The transaction is part of the Group's industrial strategy aimed at optimising commercial, logistical and production synergies.

New business acquisition

During the year, negotiations were finalised for the acquisition of assets represented by trademarks, registration files, licenses and production authorisations from a leading international pharmaceutical group.

At the same time as acquiring the licenses, the procedures for the transfer of ownership (Marketing Authorisations) in the various countries, which should be completed in FY 2022, were initiated.

The package of products acquired is represented by some families of corticosteroids useful in therapies both in the osteoarticular field (joint care) and in the tissue repair field (skin care), thus completing the range of products offered in the core segments under the Fidia trademark.

The marketing agreements for these products signed on the closing date (30 June) made it possible to achieve a significant increase in business by the Fidia Group in several European and non-European countries.

Patent Box ruling

With reference to the facilitating regime of the Patent Box, the Italian companies of the Group submitted, during FY 2020, a request for renewal of the respective ruling agreements already signed in relation to the five-year period 2015-2019. In addition, in December 2020, the aforementioned companies submitted a new ruling request, in order to subject new intangible assets that are different from and not complementary to those already subject to the agreement, with reference to the five-year period 2020-2024. As provided for by the regulation, the Italian companies exercised the five-year options for access to the facilitating regime in the 2021 Income Form.

It should be noted that for the first five-year period (2015-2019), the Group obtained a benefit of almost €13 million, which was recognised in the financial statements for the year ended 31.12.2020.

It should be noted that, in relation to the renewal applications and the new applications submitted in FY 2020, as the discussion with the competent Office has not yet started, it was not possible to estimate the tax benefit, which is therefore not yet recorded in the financial statements.

SARS-CoV-2 (Covid-19) public health emergency

All Fidia Group sites continue to manage the health emergency, caused by the spread of CoViD-19, in compliance with national and regional regulations. As of 15 October 2021, and until the end of the state of emergency, Fidia Farmaceutici S.p.A. will verify possession of CoViD-19 green certification or of appropriate medical certification in accordance with the requirements of the law. All employees are given the option of receiving FFP2 masks as an alternative to surgical masks and this is not for a heightened risk, but to increase workers' peace of mind. In addition, worker and visitor information guidelines are periodically updated, and Plexiglass partitions have been placed in the dining areas, cafeterias, and offices. CoViD technical committees meet periodically. Those employees that contracted the virus were infected through contacts unrelated to the working environment, thus demonstrating the effectiveness of the protocols put in place in order to contrast and contain the spread. All reported positive cases were managed in accordance with national protocols, regional ordinances, and corporate guidelines and procedures. In July 2021, the nursing service previously established at the Abano Terme site to perform swabs was replaced by on-call services. The insurance policy covering the expenses incurred into by workers for COVID-19-related treatment was maintained with a leading insurance company for all employees of the Italian facilities.

Operating activities

The Parent Company, Fidia Farmaceutici S.p.A., with registered office in Abano Terme (PD), carries out its operations at 4 facilities: Abano Terme (PD)- Via Ponte della Fabbrica 3/A, Noto (SR)- Contrada Pizzuta, Paderno Dugnano (MI) - Via Ampère 19/21 and Monte Giberto (FM) - Via del Lavoro, 2/4

Abano Terme plant

The Abano Terme (PD) plant produces both APIs (mainly hyaluronic acid) and finished products in various pharmaceutical forms (injectable and sterile lyophilised, solid oral, topical, etc.).

During the year:

- hyaluronic acid production was consolidated;
- production expanded for all pharmaceutical forms;
- a new unit was rolled out for the production of mono-dose eye drops;
- the construction of the new department for the production of vaccines with the insertion of the new

machinery was carried forward.

Paderno Dugnano plant

The Paderno Dugnano (MI) plant produces finished products in various pharmaceutical or cosmetic forms (creams, medicated patches, disinfectant wipes, oral dissolvable films, etc.).

During the year:

- production expanded for the main pharmaceutical and cosmetic forms;
- the project for the automation of the unit for the production of medicated patches was completed;
- the activities to double the areas dedicated to pharmaceutical production and the warehouse were started.

Noto plant

The development and study of new super-producing strains of low molecular weight hyaluronic acid continued at the Noto (SR) plant. The studies related to the development of the collagenase API for the production of a drug currently in phase 2 continued, as well as the activities related to the synthesis, formulation and pre-clinical development of a new API.

In addition, a new department for the production of lyophilised active ingredients is under construction, with the addition of new machinery.

Monte Giberto plant

The Monte Giberto (FM) plant produces medical devices and supplements (disinfectant wipes, secondary packaging of solid forms, etc.).

During the year:

- production of the main pharmaceutical forms was maintained;
- the project to automate the warehouse was completed;
- there has been a transfer of all the activities from the Montegiorgio site to the Monte Giberto site.

Barcelona site - Laboratorios Fidia Farmacéutica SLU

The production, quality control and packaging of certain regenerative medicine products for some countries (excluding the USA) take place at this site, such as HY-TISSUE PRP (a closed system for platelet-rich plasma production) and HY-TISSUE BMC (a system for the concentration of mesenchymal stem cell-rich bone marrow).

The Spanish company also carries out research and development, as well as regulatory activities.

Overview of the Group's operations, financial performance and cash flows

CONSOLIDATED NET REVENUES

Consolidated net revenues came to €371,200 thousand in 2021, a growth of about 16% over 2020.

The following table shows revenues grouped by those earned in Italy and those earned internationally:

thousands of Euros	2021	%	2020	%	Change	%
National	187.187	50	180.348	56	6.839	4
International	172.217	46	130.706	41	41.511	32
Total revenues from sales and services	**359.404**	**97**	**311.054**	**97**	**48.350**	**16**
Other revenues	11.796	3	8.596	3	3.200	37
Total net revenues	**371.200**	**100**	**319.650**	**100**	**51.550**	**16**

Growth at a geographical level shows a more positive result for Italy, +3.8% compared to 2020, while the International area closed the year with an important +31.8% compared to 2020.

Other income mainly includes items referring to other income, indemnities and tax credits.

Revenues from products and services broken down by geographical macro-area are shown below:

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA

thousands of Euros	2021	%	2020	%	Change	%
ITALY	187.187	52	180.348	58	6.839	4
EUROPE	95.862	27	66.764	21	29.098	44
MENA	13.291	4	11.480	4	1.811	16
USA	53.564	15	43.751	14	9.813	22
RoW	9.500	3	8.711	3	789	9
Total net revenues	**359.404**	**100**	**311.054**	**100**	**48.350**	**16**

Sales by therapeutic area show a strong increase in the osteoarticular area (joint care +20.8%) and in the area of tissue repair (skin care +5.5%), partly offset by the contraction in the ophthalmology area (eye care -8.2%), while revenues from active ingredients (hyaluronic acid) and other lines (gynaecology, neurology, aesthetics, cosmetics, etc.) also grew.

Net revenues by therapeutic area are set out below:

CONSOLIDATED REVENUES BY THERAPEUTIC AREA

thousands of Euros	2021	%	2020	%	Change	%
JOINT CARE	145.705	41	120.598	39	25.107	21
SKIN CARE	43.517	12	41.235	13	2.282	6
CORTICOSTEROIDS	24.042	7		0	24.042	
EYE CARE	72.057	20	78.513	25	-6.456	-8
API	4.474	1	4.387	1	87	2
OTHER	69.609	19	66.321	21	3.288	5
Total net revenues	**359.404**	**100**	**311.054**	**100**	**48.350**	**16**

Corticosteroid revenues relate to the sale of newly acquired brands (Urbason, Flubason, Dermatop, Surgam, Esperson and Flebocortid).

KEY CONSOLIDATED INCOME STATEMENT FIGURES

thousands of Euros	2021	%	2020	%	Change	%
Net revenues	**371.200**	**100**	**319.650**	**100**	51.550	**16**
Consumption of materials and change in inventory	-136.625	-37	-118.199	-37	-18.427	16
Operating costs	-63.031	-17	-51.513	-16	-11.519	22
Personnel expenses	-95.951	-26	-90.868	-28	-5.083	6
EBITDA	**75.592**	**20**	**59.070**	**18**	**16.522**	**28**
Amortisation and depreciation	-21.755	-6	-19.139	-6	-2.617	14
Operating profit	**53.836**	**15**	**39.931**	**12**	**13.905**	**35**
Net financial income (charges)	-2.269	-1	-2.817	-1	549	-19
Profit before tax	51.568	14	37.114	12	14.454	39
Income taxes	-15.096	-4	16.721	5	-31.817	-190
Net profit for the year	**36.471**	**10**	**53.835**	**17**	**-17.363**	**-32**

KEY CONSOLIDATED BALANCE SHEET FIGURES

thousands of Euros	2021	2020	Change
Non-current assets	274.923	173.388	101.535
Net Working capital	89.452	111.394	-21.942
Defined benefit plans	-19.216	-22.398	3.182
Other assets/liabilities	-22.907	-21.145	-1.762
Net invested capital	**322.252**	**241.238**	**81.014**
Net financial debt	-109.569	-66.678	-42.891
Equity	212.683	174.561	38.122

BREAKDOWN OF NET FINANCIAL POSITION

thousands of Euros	2021	2020	Change
Cash and cash equivalents	139.017	181.079	-42.062
Current financial assets/liabilities	0	11.136	-11.136
Long-term financing	-173.132	-185.535	12.403
Short-term financing	-46.454	-44.358	-2.096
Bonds	-29.000	-29.000	0
Net financial debt	**-109.569**	**-66.678**	**-42.891**

BREAKDOWN OF WORKING CAPITAL

thousands of Euros	2021	2020	Change
Trade receivables and other current assets	102.403	100.019	2.384
Inventories	47.573	48.703	-1.130
Trade payables and other current liabilities	-60.524	-37.328	-23.196
Net Operating Working capital	**89.452**	**111.394**	**-21.942**
% on revenue	*24,9%*	*35,8%*	
Other assets/liabilities	-22.907	-21.145	-1.762
Net Working capital	**66.545**	**90.249**	**-23.704**

KEY CONSOLIDATED FINANCIAL STATEMENT RATIOS

thousands of Euros	2021	2020	Change
ROS [(1)]	14,5%	14,5%	0,0%
ROI [(2)]	16,7%	16,6%	0,2%
ROE [(3)]	17,1%	30,8%	-13,7%
Inventory turnover [(4)]	2,8	2,7	17,3%
Average DSO [(5)]	100	114	-1456,4%
Average DPO [(6)]	89	87	273,3%
Group tax rate [(7)]	-29,3%	45,1%	-74,3%

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

thousands of Euros	2021	2020
Net profit for the year	**36.471**	**53.835**
Amortisation, depreciation	21.755	19.139
Profit for the year net of amortisation, depreciation	**58.227**	**72.973**
Cash flows from changes in net working capital	20.522	-27.292
Cash flows from operating activities (A)	78.748	45.681
Cash flows used in investing activities (B)	-123.291	-30.917
Cash flows from financing activities (C)	2.480	-4.728
Cash flow from A+B+C	**-42.062**	**10.036**
Opening cash and cash equivalents	181.079	171.043
Closing cash and cash equivalents	**139.017**	**181.079**

Note: for a description of the indices, see page 15

Overview of the Parent Company's operations, financial performance and cash flows

The data below refer to the financial statements figures of the Parent Company Fidia Farmaceutici S.p.A. according to the national accounting OIC standards. For a better understanding of the figures, it should be noted that during 2021, with effect from 1 January 2021, the company Sooft S.p.A. was merged by incorporation into Fidia Farmaceutici S.p.A.

REVENUES BY TYPE

thousands of Euros	2021	%	2020	%	Change	%
National	191.371	61	116.868	56	74.503	64
International	106.436	34	81.740	39	24.696	30
Total revenues from sales and services	**297.807**	**95**	**198.609**	**95**	**99.198**	**50**
Other revenues	15.385	5	10.669	5	4.716	44
Total net revenues	**313.192**	**100**	**209.278**	**100**	**103.914**	**50**

REVENUES BY GEOGRAPHICAL AREA

thousands of Euros	2021	%	2020	%	Change	%
Revenues from third parties	265.846	85	168.236	80	97.610	58
Revenues from group companies	31.961	10	30.373	15	1.588	5
Total revenues from sales and services	**297.807**	**95**	**198.609**	**95**	**99.198**	**50**
Other revenues	15.385	5	10.669	5	4.716	44
Total net revenues	**313.192**	**100**	**209.278**	**100**	**103.914**	**50**

KEY INCOME STATEMENT FIGURES

thousands of Euros	2021	%	2020	%	Change	%
Net revenues	**313.192**	**100,0**	**209.278**	**100**	**103.914**	**50**
Consumption of materials and change in inventory	-97.160	-31,0	-47.833	-23	-49.327	103
Operating costs	-82.997	-26,5	-66.415	-32	-16.581	25
Personnel expenses	-74.469	-23,8	-54.319	-26	-20.150	37
EBITDA	**58.566**	**18,7**	**40.710**	**19**	**17.855**	**44**
Amortisation and depreciation	-33.188	-10,6	-10.315	-5	-22.873	222
Operating profit	**25.378**	**8,1**	**30.395**	**15**	**-5.017**	**-17**
Net financial income (charges)	1.261	0,4	6.829	3	-5.567	-82
Profit before tax	26.639	8,5	37.224	18	-10.585	-28
Income taxes	-7.385	-2,4	4.420	2	-11.805	-267
Net profit for the year	**19.254**	**6,1**	**41.644**	**20**	**-22.390**	**-54**

KEY BALANCE SHEET FIGURES

thousands of Euros	2021	2020	Change
Non-current assets	264.710	192.622	72.088
Net Working capital	67.485	74.847	-7.363
Defined benefit plans	-15.732	-16.223	491
Net invested capital	**316.464**	**251.247**	**65.217**
Net financial debt	-111.975	-66.477	-45.498
Equity	204.488	184.770	19.719

BREAKDOWN OF NET FINANCIAL POSITION

thousands of Euros	2021	2020	Change
Cash and cash equivalents	81.259	160.614	-79.355
Current financial assets/liabilities	46.102	22.993	23.109
Long-term financing	-42.809	-41.341	-1.468
Short-term financing	-167.527	-179.743	12.216
Bonds	-29.000	-29.000	0
Net financial debt	**-111.975**	**-66.477**	**-45.498**

BREAKDOWN OF WORKING CAPITAL

thousands of Euros	2021	2020	Change
Trade receivables and other current assets	96.971	84.778	12.193
Inventories	39.798	31.477	8.321
Trade payables and other current liabilities	-55.651	-27.331	-28.319
Net Operating Working capital	**81.118**	**88.924**	**-7.806**
% on revenue	*25,9%*	*42,5%*	
Other assets/liabilities	-13.633	-14.076	443
Net Working capital	**67.485**	**74.847**	**-7.363**

MAIN FINANCIAL STATEMENT RATIOS

thousands of Euros	2021	2020
ROS [(1)]	8,1%	14,5%
ROI [(2)]	8,0%	12,1%
ROE [(3)]	9,4%	22,5%
Inventory turnover [(4)]	2,7	1,6
Average DSO [(5)]	106	126
Average DPO [(6)]	84	95
Tax rate [(7)]	-28%	12%

CONDENSED CASH FLOW STATEMENT

thousands of Euros	2021	2020
Net profit for the year	**19.254**	**41.644**
Amortisation, depreciation	33.188	10.315
Profit for the year net of amortisation, depreciation	**52.442**	**51.959**
Cash flows from changes in net working capital	48.597	-37.165
Cash flows from operating activities (A)	101.039	14.795
Cash flows used in investing activities (B)	-157.570	-32.146
Cash flows from financing activities (C)	-33.392	25.510
Cash flow from A+B+C	**-89.923**	**8.158**
Opening cash and cash equivalents	160.614	152.456
Cash flow from business combination	10.568	
Closing cash and cash equivalents	**81.259**	**160.614**

Cash flows for 2021 have been adjusted to take account of the effects of the merger of Sooft Italia S.p.A..

(1) "Return on Sales" (ROS) is the ratio of operating profit (loss) to revenue.
(2) "Return on Investment" (ROI) is the ratio of operating profit (loss) to Net Invested Capital.
(3) "Return on Equity" (ROE) is the ratio of net profit (loss) for the year to net equity.
(4) Inventory turnover is the ratio of (i) purchases of raw materials, consumables and goods and changes in inventory, to (ii) the average closing inventory of the previous year and the closing inventory at the reporting date. This ratio is multiplied by 365.
(5) DSO is calculated as the ratio of (i) average trade receivables at the previous year-end and trade receivables at the reporting date, to (ii) revenues. This ratio is multiplied by 365.
(6) DPO is calculated as the ratio of (i) average trade payables at the previous year-end and trade payables at the reporting date, to (ii) the sum of purchases of raw materials, consumables and goods plus changes in inventory plus services.
(7) The Tax Rate is the ratio of income taxes to pre-tax profit (loss).

Human resources and Workforce

In 2021, the initiatives aimed at organisational change and at the consolidation of the Group's international vocation continued at a global level through the harmonisation of numerous processes in the HR area.

Recruitment, training and development

A total of 127 people were hired across the Abano Terme, Noto, Paderno Dugnano, and Monte Gilberto sites.

At Abano Terme, 97 new hires (3 managers, 12 middle managers, 62 white collars and 20 blue collars) were taken on during the year, while 62 people resigned, some of whom retired. The induction of the new hires involved all group areas.

At Fidia's international sites, 31 people were hired (12 in Europe and 19 in the rest of the world).

The development of Fidia's human capital continued with actions aimed first of all at people managers.

Despite the limitations imposed by the persistence of the pandemic emergency, online sessions dedicated to the management of meetings have been organised, in order to define ex ante the types, manage them effectively in order to improve their quality and ensure the presence of only the necessary people, thus improving quality and efficiency.

In the context of change management, the opportunity emerged to work on the theme of authenticity of relationships as an indispensable tool of individual and cross-functional cooperation; this theme was the focus of the third development initiative aimed at horizontal leadership, thus completing the path started in 2019 on the theme of leadership.

Particularly noteworthy is the initiative launched during the year on the theme of coaching. After two sessions dedicated to all managers, an in-depth study was carried out connecting coaching to the conduct of VOLA (Vision, Openness, Leadership, Accountability), at the end of which an initiative was proposed to train internal coaches. The response has exceeded expectations and 16 coaches were trained through a course developed according to the internationally recognised methodology of the International Coaching Federation. Employees who completed the pathway then volunteered to conduct coaching sessions for colleagues, and by the end of 2021, opportunities were offered to over 30 employees who requested them.

The Leadership Team was presented with the results of the priority actions identified by the global survey of 2020 to "translate" into everyday life the conduct expected of Fidia employees, translated into project hypotheses by self-managed and self-directed teams of employees of all functions in the area of digitalisation of processes, communication and new projects in the research and development field.

2021 was also characterised by organisational interventions aimed at making Fidia's structure increasingly in line with the ambitious development projects.

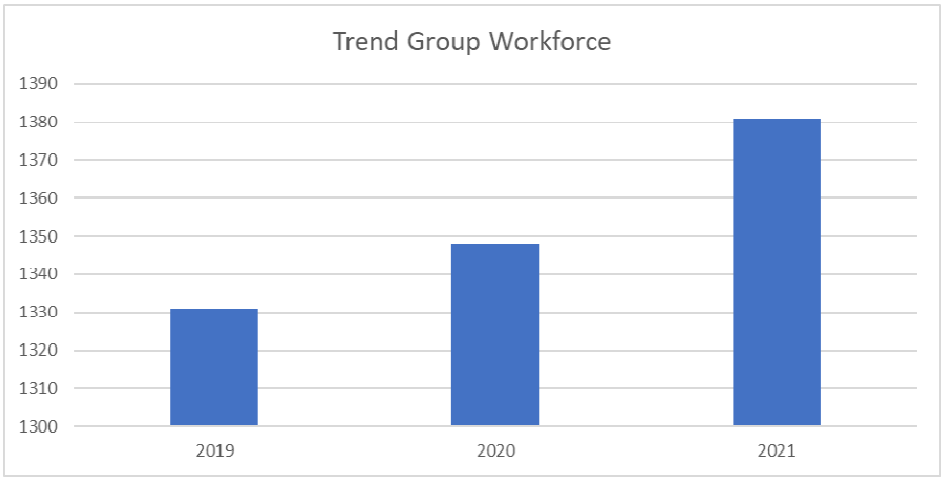
Therefore, a new company department, Corporate Strategic Marketing, has been created, with the aim of designing and implementing actions to enhance the product portfolio.

The acquisition of new products during 2021 has seen Fidia engaged in a challenging project on an international level that has made it essential to reflect on supply chain processes and that has resulted in the definition of a new organisational structure aimed at a unified supervision of the end-to-end process that will be implemented during 2022, after a training program that will support the review of current processes.

In 2021, payroll management was redefined by entrusting Italy to a new provider and identifying a global provider that will ensure activities also for foreign subsidiaries, in order to ensure an optimal control of personnel costs; this project will be completed during 2022.

The growth of the Fidia group also requires the use of tools to manage relations between employees; to this end, an analysis was carried out in order to identify a new software solution as a tool to manage the entry of new employees into the company, the selection, evaluation, development and training processes, allowing resources to benefit from a series of information through "social" tools. The project will be implemented during 2022.

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



Fidia group's workforce by gender and average age:

	Female		Male		Total		%
	Workforce	Average Age	Workforce	Average Age	Workforce	Average Age	
Italy	531	43	566	45	1.097	44	79%
International	134	38	150	38	284	38	21%
Totale	**665**	**42**	**716**	**44**	**1.381**	**43**	100%
%	48%		52%		100%		

Industrial relations

Of particular importance, from this point of view, was the activity related to the merger by incorporation of Sooft into Fidia, completed in November 2021, which entailed the harmonisation of the contracts between the two companies with the transition from the National Collective Labour Agreement for employees of the Tertiary and of Distribution and Services sectors (in use at Sooft Italia S.p.A.) to the National Collective Labour Agreement for workers in the chemical, chemical-pharmaceutical, chemical and abrasive fibres, lubricants and LPG industries (in use at Fidia Farmaceutici S.p.A.).

The transition was carried out through the required trade union consultation procedure, which was concluded with a Trade Union Harmonisation Agreement.

Environment

The Fidia Farmaceutici Group strives to constantly reduce the negative effects of its activities on the environment, trying to find technological solutions that cause the lowest environmental impact and it has a specific Health, Safety and Environment Policy. In addition, since 2019, it has joined the voluntary "Responsible Care" program for the sustainable development of the Chemical Industry.

Fidia has an Integrated Environmental Authorisation (*Autorizzazione Integrata Ambientale* - A.I.A.) and provides an annual report in compliance with the current legislative requirements imposed with the A.I.A. authorisation, as well as other specific documentation which contributes to maintaining a system of monitoring and control of consumption and emissions.

With regard to waste, the company drafts an annual Environmental Declaration Form (MUD), in which the quantity and type of waste produced and/or managed during the year in question is indicated; for the transport of dangerous goods, pursuant to Legislative Decree 35/2010, the ADR report (Accord Dangereuses Route, i.e. the European agreement relating to the international carriage of dangerous goods by road) is drawn up annually by a specially appointed qualified technician; lastly, pursuant to art. 5 of (EC) Regulation 166/2006, the company has to submit the PRTR (Pollutant Release and Transfer Register) declaration relating to pollutant emissions and transfers.

Pursuant to Legislative decree no. 231/01 and for all production sites, the company reports to the Supervisory Body (SB) annually on health, safety and the environment, with a series of environment-related information and performance indicators.

Routine maintenance scheduled in the annual plan is punctually carried out for all plants, in order to ensure optimal consumption efficiency and minimisation.

Energy and fuel consumption

The fuels used in the company are of two types: natural gas, used to guarantee the functioning of the steam generators for the production and heating of the work environments, of the trigeneration cogenerator and of the thermal combustion system for the abatement of gaseous emissions; diesel oil, for maintaining the functionality of the emergency generators and motor pumps serving the water storage tanks for the firefighting system. The group also consumes fuel (petrol and diesel oil) for group vehicles, which are mainly used by the external sales force network comprised of the pharmaceutical reps.

The site's energy consumption is mainly related to the production plants, lighting and air conditioning of the workplace.

The following tables summarise and compare with the previous year direct and indirect energy consumption and the energy intensity calculated in accordance with the GRI 302-1 and 302-3 standards.

Internal direct energy consumption	u.m.	2021	2020
Total direct energy consumption	Gj	316,982	287,045
- From non-renewable sources			
Natural gas (diesel oil used in the owned plant)	m^3	7,264,242	6,697,940
Diesel oil	l	16,417	18,568
- From company vehicles	l		
Petrol	l	18,616	8,457
Diesel oil	l	712,760	541,600

Indirect internal energy consumption by source type:	u.m.	2021	2020
Total indirect energy consumption	Gj	47,308	54,608
Electricity	kWh	13,141,564	15,169,283
From non-renewable sources	kWh	7,878,321	8,667,017
From renewable sources	kWh	5,263,243	6,502,266

Total energy intensity	u.m.	2021	2020
Energy intensity per m^2	Gj/m^2	7	7
Energy intensity per number of employees (*)	Gj/no.	382	378

(*) Compared to the data provided last year, employees belonging to the external sales force have also been taken into account by reparametrizing the 2020 figure.

Emissions

The following tables set out the emissions calculated in metric tons of CO_2 equivalent, including direct and indirect emissions and the emission intensity calculated in accordance with GRI 305-1, 305-2 and 305-4, compared with the figures of the previous year.

Direct energy emissions by source (Scope 1)	u.m.	2021	2020
Total direct energy emissions	t. CO2e	**16,518**	**15,000**
From non-renewable sources:			
Natural gas (diesel oil used in the owned plant)	t. CO2e	14,645	13,556
Diesel oil	t. CO2e	41	47
LPG	t. CO2e		
Other (e.g. coal, etc.)	t. CO2e		
From company vehicles:			
Petrol	t. CO2e	41	18
Diesel oil	t. CO2e	1,791	1,379
Indirect energy emissions by source_(Scope 2)	**u.m.**	**2021**	**2020**
Total indirect energy emissions	t. CO_2e	**1,673**	**2,021**
Electricity			
from non-renewable sources	t. CO_2e	1,673	2,021

Greenhouse gases (GHG) emissions intensity	u.m.	2021	2020
Total emissions (direct + indirect)	t CO2e	**18,191**	**17,021**
Area (space in m^2) (*)	m^2	62,937	60,278
Emissions intensity per area	t CO2e/m^2	**0.29**	**0.28**
Total number of employees (**)	No.	1170	1105
Emissions intensity per number of employees	t CO2e/No.	**15.55**	**15.40**

(*) The area of the plant has been recalculated due to the redevelopment of some previously disused areas

(**) Compared to the data provided last year, employees belonging to the external sales force have also been taken into account by reparametrizing the 2020 figure.

The increase in CO_2 emissions recorded in 2021 compared to the previous year was caused by further optimisation of the use of the company's cogenerator, which made it possible to increase the share of self-produced electricity compared to that absorbed by the grid, by the almost full resumption of work travels by the external sales network due to the improvement in the pandemic situation and by the higher consumption of diesel oil for the generators due to some specific interventions on the electricity grid included in the work site activities related to the new departments under construction.

It should be noted that the table does not include the co-generator's trigenerative function, the absence of which would result in the boilers using more gas and more energy needed for summer cooling. It has been calculated that, in the absence of the Trigenerator, there would have been a production of CO_2 greater than about 500 t CO_2 in 2021 (600 t CO_2 in 2020 - recalculated with the final energy indices reported by the entities).

It should be noted that the electricity used at the Monte Giberto site is supplied entirely from renewable sources and does not contribute to emissions in terms of CO_2.

Improvement activities

In 2021, Fidia undertook the implementation of an Environmental Management System aimed at obtaining the ISO 14001 certification and carried out a major intervention of the thermal combustion system for the abatement of gaseous emissions, in order to improve its safety conditions and optimise the abatement efficiency.

In addition, the first high-efficiency charging station for electric and/or plug-in hybrid company cars was installed at the Abano Terme site.

Occupational health and safety

All Fidia Farmaceutici S.p.A. sites pursue the same Group values oriented towards the protection of Health and Safety in the workplace, promoting and supporting the health and well-being of employees as a fundamental priority and an important key to development.

Specifically, the group is committed to achieving the following internal and external goals:

- disseminating Fidia's vision and values, such as the importance of human capital, responsible partnerships, high quality, strong technological expertise, ongoing investments in research and development, as well as customer satisfaction;
- pursuing ongoing improvement in employee health and safety in the workplace through prevention, the valuation of risks and their elimination or reduction;
- promoting and disseminating a health and safety culture among employees and the importance of compliance with regulations, through continuous example and the systematic control of all major aspects;
- demonstrating senior management's deep commitment to this issue.

Each employee is required to pay close attention in carrying out their duties, stringently complying with all safety and prevention measures, in order to avoid any risks to themselves and their co-workers, thereby minimising the risk of accidents in the workplace and of occupational diseases. In order to protect health and safety, Fidia provides its employees with suitable and properly maintained work equipment and methods, as well as the collective and personal protective equipment made available by technical and scientific progress.

Moreover, in order to swiftly identify, resolve or mitigate issues that affect health and safety, the Fidia sites have a procedure for the reporting of accidents, injuries and near-misses, for the analysis of the related causes and for the implementation of corrective actions.

Pursuant to enacted national legislation, at least once a year in the various production facilities:

- the company doctor performs a general inspection accompanied by the prevention and protection officer, and updates the health protocol;
- the members of the group's prevention system (the employer, officers, employees' safety representatives, the company doctor and the prevention and protection officer) attend the periodic meeting required by Legislative decree 81/2008.

Training

The Fidia Group pays great attention to the education, information and training of all its employees, in order to make them work with awareness in a healthy environment, protected from the dangers present in the workplace.

At all sites there are training programs in place that, starting from the needs of workers and in compliance with legal requirements, provide appropriate interventions monitored over time both for adherence of learners and for effectiveness. The pandemic emergency has increased the use and familiarity of digital tools, that will continue to be used thereafter.

In 2021, new hires were trained in accordance with the State-Regions Agreement, refresher courses for specific training as required every five years were provided, as well as role-related training. Workers' safety representatives (RLS), supervisors and managers were trained; where deemed necessary, new emergency team members were trained (firefighting and first aid).

Safety supervision at the production facilities

Each local unit has workers' safety representatives authorised pursuant to Legislative Decree 81/08.

Accidents and injuries

During FY 2021, neither deaths nor cases of occupational disease were recorded at any of the Group's sites.

The tables below report the injuries and the related accident indices recorded for the employees of the Fidia Abano Terme (PD), Paderno Dugnano (MI), Noto (SR) and Monte Giberto (FM) sites.

Compared to the previous year, the number of accidents during working hours decreased (from 12 to 7), while the number of accidents commuting increased (from 1 to 2). The total frequency index decreased from 7.812 to 4.975, and the total severity index decreased from 0.311 to 0.067.

Number of TOTAL accidents	2021	2020
In the workplace	7	12
Commuting	2	1

Accident indices	2021			2020		
	Cases during working hours	Cases commuting	Total	Cases during working hours	Cases commuting	Total
Severity Index	0.056	0.011	0.067	0.301	0.010	0.311
Frequency Index	3.869	1.106	4.975	7.211	0.601	7.812

Improvement activities

In 2021, demonstrating the constant commitment of the Group, numerous interventions were completed and numerous investments were authorised, in order to improve the safety level of employees.

By way of example, the most significant events are listed below:

- At the Abano site, extraordinary maintenance and upgrading of the thermal combustion system have been authorised and completed, with both safety and environmental impacts. Investments have been authorised, and are now being implemented, for the replacement of pumps in the pressurisation and fire-fighting water system, the supply and installation of emergency showers and defibrillators, the overhaul and adaptation of light towers, the renovation of furniture and R&D rooms, the revamping of obsolete equipment, etc.
- At the Paderno site, in 2020 a series of interventions were started up aimed at bringing structures and systems up to standard and/or upgrading them; a new room was created for positioning boilers and plant certification was carried out. Certifications for the electrical system and for the ATEX areas have been requested and obtained from qualified professionals.
- In 2021, the Monte Giberto site underwent general improvements, in order to accommodate headquarters personnel and the Montegiorgio logistics department. A new picking area has been created in the warehouse; in the central area, the normal shelving has been replaced with new radio-shuttle shelving, that has allowed the capacity to be increased in full respect of safety. Structural changes were also made in order to adapt the space to accommodate more workers.

Research and development

The Fidia Group invests about 6% of its turnover into research and development. During 2021, a total of almost €23 million were invested, divided between personnel and operating costs and €1.0 million in capitalised costs.

Despite a context made more complex by living with the pandemic, in 2021 Research and Development activities focused on the main strategic areas for the Group: joint health and regenerative medicine, dermatology and wound care, gynaecology, oncology and neuroscience. Numerous research projects, but not all of them, have involved hyaluronic acid formulations, both those that are new and the subject of new lines of development and those already on the market.

The most significant activities are summarised below, with reference to the various Departments that make up the Research and Development Department, and specifically: Discovery, Pre-clinical Development, Formulation Development, Pre-Production Development, Clinical Research, and Pharmacovigilance, reviewed below for the description of their respective milestones.

Discovery

The Abano Terme laboratories continued their discovery activities mainly on hyaluronic acid (HA) and its derivatives, aimed at:

- coordination of the activities related to validation and implementation of analytical processes and methods within an oncology project with management of product supply for phase III clinical trial;
- screening of a new series of prototypes for the pharmacological therapy of osteoarthritis on animal species, with the consequent selection of the most promising ones for the subsequent development phases;
- advancement of the design phase of new biomaterials for regenerative medicine (cartilage), with planning of the study plan for registration purposes;
- development and in vivo testing of solutions based on hyaluronic acid derivatives in the prevention and drug therapy to contrast SARS-CoV-2 contagion;
- slow-release formulations for the management of post-operative pain in orthopaedics: the first phase of studies for regulatory purposes has been completed, with interactions with Regulatory Authorities and pre-production development aimed at preparing the clinical evaluation phase;
- development of applications of HA and derivatives in ophthalmology: the study of candidate products to be used as vitreous humor substitute in vitrectomies was successfully completed. Studies of application of HA derivatives in other ocular pathologies have also begun;
- screening of various formulations and subsequent identification of cross-linked HA and gelatin blends as an ideal bioink in 3D printing applications in regenerative medicine; the selected formulations are now being evaluated for in vitro efficacy and tolerability.

Finally, the Analytical Methods Development and Cellular Biology laboratories, in addition to following the internal projects of the Discovery group, have given increasing support in the analytical and biological characterisation of the products under development in the entire Fidia R&D and in the external units, as well as in investigations for the improvement of some Fidia industrial processes.

Pre-clinical research

The pre-clinical development department, in addition to managing in vitro and in vivo studies for some experimental products under development (drugs and medical devices), dedicated in 2021 a strong commitment in adapting the pre-clinical documentation, necessary for the renewal of the CE mark in the delicate phase of transition from Directive 93/42 EC to the New European Regulation 745/2017, for all Medical Devices already on the market.

Formulation development

In relation to the Formulation Development Team, in 2021 the following activities were carried out and the relative results were achieved:

- in the Osteoarticular area (joint care):

- the conclusion of the formulation development activity of the liquid solution for oral administration of HA-Carnosine;
- the start of the development of the following new "Green" line supplements: CartiJoint Green chewable tablets, CartiJoint Slim Green and CartiJoint D1000 Green;
- the completion of the reformulation activities of CartiJoint Forte and TendiJoint Forte supplements;
- the start of development activities for the transfer of packaging to the Monte Giberto Plant of CartiJoint Forte, CartiJoint Forte Green and TendiJoint Forte supplements;

- in the Skin Care area:
  - the completion of development activities for a new Medical Device;
  - the initiation of development activities for a new wound care formulation for a new Medical Device registration according to the new regulation MDR 2017/745;
  - the initiation of the development of an HA-based spray formulation for bedridden elderly patients;
- in the Aesthetic Medicine area, the conclusion of the development of 3 new cosmetic references (Face Serums) of the PERFIDIA line, with launch during 2021;
- in the Ophthalmic area (eye care), the conclusion of the development of cosmetic eye contour OPTOyal cream.

Finally, it should be noted that the development of new references as line extensions has begun, especially in the Cosmetics (PERFIDIA line) and Neuroscience (Samefast extension line) areas.

Pre-production development

In 2021, pre-production development activities mainly focused on the development of new API manufacturing processes and on the production of clinical trial batches.

With regard to the development of new API, the activities concerned both new methods of production of hyaluronic acid from fermentation processes with different bacterial strains (for the reduction of the industrial cost of hyaluronic acid for topical and injective use) and the development of the HA-Carnosine API, contributing to the achievement of the goals of the related MiSE-funded project.

In terms of clinical batch production, Pre-production Development met the requirements of Clinical product Research for pre- and post-marketing clinical trials in 2021.

Finally, another main activity managed in 2021 by Pre-production Development was the design of 5 products of the Hyal System line for the purpose of registration according to the new regulation MDR 745/17.

Clinical research

In the **area of movement (joint care)** with the conclusion of a number of clinical trials, trial results were published in scientific journals. In addition, during 2021, several clinical trials were initiated for the collection of the evidence necessary for the renewal of the CE mark according to the New European Regulation 745/2017.

In the **area of tissue repair (skin care)**, some completed studies have led to the publication of scientific papers in major journals and new protocols of clinical trials have also been prepared, in order to cover specific indications for use of devices currently on the market.

In the **gynaecology area,** a study with the HYALOGYN gel device has been published and at the same time the development of an important trial involving some Italian Opinion Leaders has started.

In the **area of aesthetics**, clinical trials have been initiated, in order to support currently marketed medical devices.

In the **oncology area,** in 2021 the application to the FDA (Food and Drug Administration) for the start of the Phase III clinical trial has been initiated.

In the **urological area**, several studies have been initiated to collect clinical evidence on HYDEAL CYST and some collaborations with important Opinion Leaders in the field have started.

In the **neuroscience area**, two post-authorisation efficacy studies (PAES) are underway.

In the **area of regenerative medicine,** where clinical trials are underway with leading research centres, a research call, that will allow to collect important clinical evidence on HY-TISSUE SVF and on HY-TISSUE BMC, has been won.

In the eye care **area,** with the conclusion of some clinical trials, the results of the trials have been published in scientific journals and during 2021, several clinical trials were planned and in some cases started for the collection of evidence necessary for the renewal of the CE mark according to the New European Regulation 745/2017.

Patents

During 2021, Fidia's patent portfolio grew with the filing of:

- 3 new patent applications in Italy;
- 6 international patent extension applications lodged via the PCT system (Patent Cooperation Treaty);
- 33 national or regional phases for applications previously extended through the PCT system.

In addition, in 2021, 9 patents were registered in Italy (including 5 national patents and 4 from endorsements of European patents) and 82 worldwide (including endorsements of European patents).

At the end of 2021, the group has about 1,300 patents, more than 1,100 of which focused on the production, therapeutic applications and pharmaceutical composition of hyaluronic acid.

Pharmacovigilance

The Pharmacovigilance Service (Safety Surveillance Unit - SSU) has carried out all the documentary production activities within its competence, in compliance with the national and international regulatory obligations provided for by the Countries where Fidia products are registered.

In 2021, the process of adapting the corporate pharmacovigilance system to European pharmacovigilance regulations continued with the drafting of a new SOP (Standard Operating Procedure) and with the revision of the existing ones.

In view of the entry in force of the new Medical Device Regulation, the SSU also updated the vigilance system SOPs by completing 5 revisions in 2021.

In 2021, as part of the project to expand the company's portfolio, the SSU has also actively participated in projects for the acquisition of new products for the definition of the parts of competence (periodic meetings, internally and with Partners, review of contracts for the parts related to pharmacovigilance, research of service providers, etc.), starting from the Due Diligence phases and up to the closing.

As part of the creation of a pharmacovigilance system shared with its associated companies, the SSU continued to support them in the refinement of their system, in particular Laboratoires Fidia s.a.s (France).

Following the merger between Fidia Farmaceutici S.p.A. and Sooft S.p.A., the SSU is now responsible for managing the oversight activities for all ex-Sooft branded medical devices and also for the activities of managing reports and updating the relevant PVAs.

In addition, the SSU has provided all the information necessary to carry out the annual Privacy Audit conducted by the DPO for the part concerning pharmacovigilance/medical device vigilance.

In the last month of the year, the SSU personnel attended specific training courses on the new pharmacovigilance system for veterinary drugs held by EMA, preparatory to intensively update the system, in order to meet the requirements of the new Regulation 2019/6 to be applied starting from 28.01.2022.

During 2021, the SSU received several Inspections/Audits, both in the area of Drugs, Medical Devices and Veterinary Drugs with no critical findings.

Trademarks and domains

The following trademark activities were carried out in 2021:

- ITALY: 4 new filings, 60 trademark renewals and 15 marketing authorisations;
- W.I.P.O. (World Intellectual Property Organisation): 12 new filings, 11 marketing authorisations, 33 designations of new Countries for previous marketing authorisations and 14 trademark renewals;
- E.U.I.P.O. (European Union Intellectual Property Office): 1 first filing, 11 renewals and 2 marketing authorisations;
- Rest of the world: 67 new filings, 35 renewals and 23 marketing authorisations;
- Acquisition from third parties of 5 international trademarks and of 3 Italian trademarks relating to products belonging to the category of corticosteroids and acquisition of all the registrations of the HYALOVET trademark, relating to a veterinary product based on hyaluronic acid:
- Domains: in 2021, 28 new domains were acquired, 204 domains were renewed and 39 domains were transferred from subsidiaries or distributors or third parties to Fidia.

Main risks and uncertainties

The following are the main risks to which the Group is exposed:

Credit Risk

Credit risk relates to potential losses as a result of the inability of commercial counterparties to meet their obligations.

The Group mainly operates with private customers, represented by pharmacies, medical clinics, opticians, wholesalers and distributors, but also with large industrial groups, as well as with the Public Administration (hospital sector).

The group carefully monitors its credit exposure through an internal reporting system, in order to contain potential losses. Each Group company handles credit recovery on the sales made in their respective markets. Coordination between the companies that operate on the same market is based on the electronic exchange of information on common customers and on the coordination of any halts on deliveries or commencement of legal actions.

The bad debt provision is the nominal amount due, less any receivables secured by bank guarantees. The recoverability of all guarantees shall be evaluated critically. The provision is based on the individual analysis of overdue amounts, of the customers known to have financial difficulties and of those receivables for which legal action has commenced. A generic analysis based on historical losses is also carried out.

Liquidity Risk

It is related to the possibility of having insufficient liquidity to manage the Group's normal transactions. The group closely monitors this risk on the basis of thorough weekly financial reporting on its net financial position. The Group's gross debt is about 70%, comprised of fixed-rate debt with an average term of approximately 3 years. Any excess liquidity, i.e. liquidity in excess of free cash flow requirements, is

invested in working capital securities, as described in greater detail in the notes to the financial statements, to which reference should be made. For this reason, part of the liquidity is subject to the risk arising from the market valuation of the underlying securities.

Price Risk

The Group sells products reimbursed by the National Health System and other (OTC) non-reimbursable products.

The first group of products is a major public spending item for countries, exposing the Group to uncontrollable external risks, such as changes to the products covered by the National Health Service, the removal or reduction of reimbursability, the expenditure payback mechanism and patent expirations with the consequent introduction of generic drugs.

The second group of products is more influenced by macroeconomic factors, such as inflation and interest rate trends, which could impact the spending capacity of consumers.

In order to avoid these risks, the sales department closely monitors the group's markets, analysing their trends and possible developments.

Currency Risk

Since it sells its products in various countries, the Group is exposed to risks arising from exchange rate fluctuations. Currency risk mainly relates to sales transactions in US dollars and Russian rubles. The group's treasury unit closely monitors exchange rate trends, carrying out Euro conversion transactions to reduce the translation risk.

The Parent Company also holds equity investments in companies whose share capital is denominated in currencies other than the Euro. Changes in net equity arising from exchange rate fluctuations are recognised in a "translation reserve" under net equity. The risk arising from the translation of net equity is not currently hedged.

Risks of changes in the pharmaceutical legislative and regulatory framework

The pharmaceutical sector is highly regulated both nationally and internationally, thereby affecting activities at all levels. In order to reduce its dependence on the decisions of the individual national governments in terms of pharmaceutical expenditure, the Group pursues a strategy of diversifying and expanding its sales in various geographical areas.

The pharmaceutical sector is also subject to national and international technical regulations governing how pharmaceutical research, development, production, distribution, and reporting are carried out. By policy, the Group constantly monitors regulatory developments in all the markets in which it operates through internal and external organisational structures.

Management and coordination

The Parent Company, Fidia Farmaceutici S.p.A., is not managed and coordinated pursuant to art. 2497-bis.4 of the Italian Civil Code.

Administrative liability

By resolution of the Board of Directors on 30 March 2021, the update of the Company's Organisational Model was approved, and amended in order to incorporate the provisions of Legislative Decree of 14 July 2020, no. 75, issued in implementation of Directive (EU) 2017/1371 on combating fraud affecting the financial interests of the Union by means of criminal law, which expanded the scope of the predicate offences under Legislative Decree 231/2001, including, *inter alia*, the offence of smuggling.

The Supervisory Body met periodically in 2021 to verify the adequacy of the organisation model with respect to the sensitive activities identified. It also monitored the activities carried out to prevent crimes against the Public Administration, involuntary manslaughter and injury, crimes against the environment, corporate crimes, money laundering, counterfeiting, copyright infringements and tax offences, with detection of the results of this significant formalisation of procedures.

The Parent Company has implemented procedures to meet the requirements of Regulation (EU) no. 2016/679 of the European Parliament and of the Council of 27.04.2016 on the protection of personal data.

Also with regard to compliance, the company continued to update its medical promotion procedures and its disclosure of transfers of value procedures, in compliance with the guidelines issued by the Confindustria Dispositivi Medici (Confindustria Medical Devices) trade association.

Relations with subsidiaries, associated companies, parent companies and companies subject to control of the latter

As regards Fidia's relations with the Parent Company, its subsidiaries, associated companies and controlled by the Parent Company, the following is a summary of the data relating to receivables, payables, revenues and costs as at 31 December 2021 (in thousands of Euro):

	Assets			Liabilities		
thousands of Euros	Trade receivables	Other receivables	Financial activities	Trade payables	Other payables	Financial liabilities
S.C. BIOSOOFT ROMANIA	402	-	-	69	-	-
FIDIA PHARMA USA INC	3.364	-	-	-	-	-
FIDIA PHARMA GMBH	841	-	212	(98)	-	-
FIDIA PHARMA AUSTRIA GMBH	3	-	25	220	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	2.982	-	-	117	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	363	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	567	-	25
FIDIA EGYPT FOR MARKETING	510	-	-	508	-	-
FIDIA PHARMA CZ SRO	1.318	-	-	347	-	-
FIDIA PHARMA SLOVAKIA SRO	194	-	-	630	-	-
LABORATOIRES FIDIA SAS	128	-	1.321	3	-	-
FIDIA PHARMA SWITZERLAND *	40					
FIDIA PHARMA UK LTD*						24
Total subsidiaries	**9.782**	**0**	**1.558**	**2.726**	**0**	**49**

*entity no in consolidation scope

	Revenues			Expenses		
thousands of Euros	Revenues	Other revenues	Net financial income	Costs of services	Costs of products	Net financial expenses
S.C. BIOSOOFT ROMANIA	1.988	-	500	69	-	-
FIDIA PHARMA USA INC	17.954	891	2.494	-	-	-
FIDIA PHARMA GMBH	4.432	-	5	187	268	6
FIDIA PHARMA AUSTRIA GMBH	-	-	3	806	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	2.817	3.283	14	542	21	0
FIDIA PHARMA RUSSIA LLC	-	-	-	2.594	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	1.798	-	-
FIDIA EGYPT FOR MARKETING	-	-	17	1.520	-	-
FIDIA PHARMA CZ SRO	3.733	-	-	3.343	-	-
FIDIA PHARMA SLOVAKIA SRO	855	-	-	1.370	-	-
LABORATOIRES FIDIA SAS	183	-	32	3	2	0
Total subsidiaries	**31.961**	**4.174**	**3.065**	**12.231**	**291**	**6**
P&R FARMACEUTICI S.P.A.	-	-	64	-	-	-
Total parent	-	-	**64**	-	-	-
Total subsidiaries and parents	**31.961**	**4.174**	**3.129**	**12.231**	**291**	**6**

Own shares

The Parent Company, Fidia Farmaceutici S.p.A., holds 333,513 own shares for an amount of €11,211,523, corresponding to 4.7% of the share capital. They are recognised in a negative reserve for own shares in portfolio.

Reference to the financial statements for further details should be made.

No new own shares were acquired during the year.

Subsequent events

The year 2022 has begun in a national and international context still affected by the pandemic, and this is accompanied by the first inflationary signs related to rising energy prices and packaging material that is beginning to lack. In addition to said phenomena, which were in part foreseen, from February 2022, the impact of the geo-political situation linked to the Russia-Ukraine conflict has been added, the evolution of which appears very difficult to predict.

The serious geo-political tensions between the two countries, which have led to war, have clearly worsened the entire global economic and financial context, with immediate repercussions on inflation and business exports and potentially not short-term repercussions on the growth that has just begun (strongly influenced by the trend in energy commodity prices, also in light of the significant dependence on energy supplies from the area affected by the conflict).
In response to the aggression against Ukraine, the EU immediately adopted the largest package of sanctions against Russia in its history. It is clear that even these measures will not be without repercussions on the European economy.
The repercussions of the crisis in question on the global macroeconomic scenario, which is already characterised by tensions in global supply chains, will therefore predictably affect the European economy in terms of greater volatility and effects on production activities. However, it is not currently possible to determine the impact that may arise from the aforementioned situation, as it is not possible to exclude the risk of recession, despite the solidity of the economic recovery that has begun thanks to the fundamental support of national and European budgetary policies.
The Fidia Group considers the aforementioned events as a non-adjusting, pursuant to IAS 10. In view of a constantly and rapidly evolving overall situation, it is not currently possible to make a quantitative estimate of the potential impact that the geopolitical tensions in question could have on the Bank's and the Group's economic and financial situation (in fact, there are many factors involved that are difficult to evaluate, and many of them have not yet been fully defined). As a result, these analyses will be progressively updated as part of the accounting estimates for FY 2022.

Certainly, this situation may have some repercussions on business in those markets which, however, represent for Fidia about 1% of turnover.

In order to provide a better understanding of the effects on the financial statements deriving from the risk linked to the performance of the Ruble, a specific sensitivity analysis was carried out to determine the impact on the balance sheet of fluctuations in the exchange rate against the Euro. Therefore, please refer to the explanatory notes for more details on the subject.

Outlook

Considering the above, it is currently not possible or prudent to give any precise forecasts in relation to the year underway.

* * * * *

Abano Terme, 30 March 2022

For the Board of Directors

The Chairman

Carlo Pizzocaro

Consolidated financial statements and notes

31 December 2021

Consolidated statement of financial position

thousands of Euros	Note	2021	2020
Property, plant and equipment	4.1	83.031	60.483
Intangible assets	4.2	81.644	22.288
Equity investments		118	0
Goodwill	4.3	89.876	65.897
Other equity investments and securities	4.4	89	89
Non current financial assets	4.5	1.317	1.639
Deferred tax assets	4.6	18.847	22.991
Non current assets		**274.923**	**173.388**
Inventory	4.7	47.573	48.703
Trade receivables	4.8	102.403	100.019
Current tax assets	4.9	3.808	7.070
Current financial assets	4.10	8.155	17.567
Derivatives financial instruments - fair value	4.11	95	24
Cash and cash equivalents	4.12	139.017	181.079
Current assets		**301.051**	**354.462**
Total assets		**575.974**	**527.850**
Equity			
Share capital		36.120	36.120
Share premium reserve		-	-
Treasury shares		-	-
Reserve for financial derivatives - fair value		(199)	(1.271)
Foreign exchange translation differences		1.430	(135)
Other reserves		6.885	6.923
First Time Adoption reserve		8.953	8.953
Undivided profits		123.023	70.137
Profit / (Loss) for the year		36.471	53.835
Interim dividend		-	-
Group equity		**212.683**	**174.561**
Minority Interests			
Equity	**4.13**	**212.683**	**174.561**
Long term financial payables	4.14	173.132	214.535
Employees' leaving entitlement	4.15	10.856	11.777
Deferred tax liabilities	4.17	2.444	2.796
Provisions for risks and charges	4.16	5.116	7.024
Derivatives financial instruments - fair value	4.18	358	1.696
Other liabilities	4.19	589	1.177
Non current liabilities		**192.495**	**239.007**
Trade payables	4.20	60.524	37.328
Tax payables	4.21	4.020	4.267
Other current liabilities	4.22	29.999	27.529
Provisions for risks and charges	4.23	800	800
Derivatives financial instruments - fair value	4.24	-	-
Short term financial payables	4.25	75.454	44.358
Current liabilities		**170.796**	**114.283**
Total shareholders equity and liabilities		**575.974**	**527.850**

Consolidated income statement

thousands of Euros	Note	2021	2020
Net revenue	5.1	**371.200**	**319.650**
Cost of goods sold	5.2	(136.625)	(118.199)
Industrial Margin		**234.575**	**201.451**
Sales and Marketing expenses	5.2	(113.483)	(98.661)
R&D expenses	5.2	(22.597)	(19.209)
G&A expenses	5.2	(44.170)	(43.566)
Other income and expenses	5.2	(488)	(84)
Operating profit		**53.836**	**39.931**
Net financial (expense)/income	5.3	(2.269)	(2.817)
Profit before tax		**51.568**	**37.114**
Income taxes	5.4	(15.096)	16.721
Profit for the year		**36.471**	**53.835**

Consolidated statement of comprehensive income

thousands of Euros	2021	2020
Profit for the year	**36.471**	**53.835**
Items that may be subsequently reclassified to profit or loss:		
Fair value gains (losses)	(1.072)	204
Exchange differences	1.565	(2.446)
Income taxes on items that may be subsequently reclassified to profit or loss	257	(49)
Items that may not be subsequently reclassified to profit or loss:		
Revaluation of net liabilities / (assets) for employee benefits	(53)	(126)
Equity investments accounted for using the equity-quota method	-	-
Taxes on components that will not be reclassified in profit / (loss) for the year	15	35
Profit for the year	**37.184**	**51.452**

Consolidated statement of changes in shareholders' equity

	Group equity											
thousands of Euros	Share Capital	Share premium reserve	Treasury shares	Reserve for financial derivatives measured at fair value	Foreign exchange translation differences	Other reserves	First Time Adoption reserve	Undivided profits	Profit/(Loss) for the year	Interim dividend	Minority equity investments	Equity
Balance at 01.01.2020	**36.120**	**-**	**-**	**(1.068)**	**2.346**	**7.014**	**8.953**	**57.878**	**16.959**	**-**	**-**	**128.201**
Allocation of prior yearprofit						(156)		13.372	(13.216)			-
Change in the consolidation scope									9			9
Gain (losses) previous exercises (group level)								(8.790)	8.790			-
Dividend distributions								(4.667)				
Other changes				(203)	(2.481)	65		12.344	(12.542)			(2.817)
Profit for the year									53.835			53.835
Balance at 31.12.2020	**36.120**	**-**	**-**	**(1.271)**	**(135)**	**6.923**	**8.953**	**70.136**	**53.835**	**-**	**-**	**174.561**
Allocation of prior yearprofit								53.835	(53.835)			-
Dividend distributions								(607)				(607)
Other changes				1.072	1.565	(38)		(342)				2.257
Profit for the year									36.471			36.471
Balance at 31.12.2021	**36.120**	**-**	**-**	**(199)**	**1.430**	**6.885**	**8.953**	**123.023**	**36.471**	**-**	**-**	**212.683**

Consolidated cash flow statement

thousands of Euros	2021	2020
Cash flows from operating activities		
Net profit for the year	36.471	53.835
Income taxes	15.096	(16.721)
Financial income and expenses	2.895	2.301
Net gains/(losses) on the sale of assets	(177)	(23)
Accruals to/utilisations of provisions	(3.199)	(7.044)
Amortisation and depreciation	21.084	17.712
Write-downs for impairment losses	282	-
Other adjustments for non-monetary items	-	893
Income taxes paid	(14.690)	(3.032)
Net interest paid	(2.905)	(1.998)
Cash flows before changes in net working capital	**54.858**	**45.923**
Working capital		
Change in trade receivables	(2.083)	(96)
Change in inventories	1.101	(8.541)
Change in other receivables and other current assets	2.546	(1.454)
Change in trade payables	10.511	(5.449)
Change in other payables and other current liabilities	3.413	296
Change in accrued and deferred income and expenses	623	418
Change in receivables from parents	11.136	(10.577)
Changes in net working capital	**27.248**	**(25.402)**
Cash flows from (used in) operating activities	**82.106**	**20.521**
Cash flows from investing activities		
Investments in tangible fixed assets net of divestments	(23.685)	(2.068)
Investments in intangible fixed assets net of divestments	(90.703)	(11.183)
Investments in financial fixed assets	(59)	(236)
Acquisition of equity investments	-	-
Cash flows from (used in) investing activities	**(114.447)**	**(13.488)**
Cash flows from financing activities		
New loans	80.000	85.000
Repayment of loans	(91.338)	(70.665)
Payment of leasing liabilities	1.031	(4.577)
Change in bank loan	-	-
Other changes in net equity	1.186	(2.422)
Dividend distributions	(600)	(4.667)
Cash flows from (used in) financing activities	**(9.721)**	**2.669**
Change in cash and cash equivalents	**(42.062)**	**9.701**
Cash and cash equivalents - opening balance (01.01)	181.079	171.378
Cash and cash equivalents - closing balance (31.12)	139.017	181.079

Notes to the consolidated financial statements as at 31 December 2021

1. General Information

The Fidia Group (hereinafter also referred to as the "Group") operates in the field of the sale of pharmaceutical products, the result of its own research, worldwide through commercial agreements with international companies operating in the pharmaceutical and biomedical sectors and through direct presence in strategic markets.

The Parent Company is Fidia Farmaceutici S.p.A. (hereinafter also referred to as "the Parent Company"). The registered office is in Abano Terme (PD) in via Ponte della Fabbrica 3/A. The Parent Company carries out its activities in 3 operating sites: Abano Terme (PD) - Via Ponte della Fabbrica 3/A, Noto (SR) - Contrada Pizzuta and Paderno Dugnano (MI) - Via Ampère 19/21.

The Board of Directors of Fidia Farmaceutici S.p.A., during the meeting held on 21 September 2021, resolved to adopt international accounting standards (IFRS) and reviewed the consolidated financial statements as at 31 December 2020.

2. Form and content of the consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2021, prepared on the assumption that the Parent Company and the other consolidated companies are a going concern, were prepared pursuant to articles 2 and 3 of Legislative Decree no. 38/2005, in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Commission, which include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the previous International Accounting Standards (IAS) and the interpretations of the Standard Interpretations Committee (SIC) still in force. For the sake of simplicity, the set of all standards and interpretations is hereinafter referred to as the "IFRS".

The first consolidated financial statements to be prepared in accordance with IFRS are the financial statements for the year ended 31 December 2020, which are available at http://www.fidiapharma.com.

The consolidated financial statements comprise the consolidated financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement) and these explanatory notes, applying the provisions of IAS 1 "Presentation of the Financial Statements" and the general criterion of historic cost, with the exception of those items which, on the basis of the IFRS, are recognised at fair value, as indicated in the valuation criteria for the individual items described in Note 3 "Accounting standards and valuation criteria applied". The statement of financial position is presented in accordance with the scheme that distinguishes between current and non-current assets and liabilities. In the income statement, costs are classified according to their purpose. The cash flow statement is prepared by applying the indirect method.

The IFRS are applied consistently with the indications provided in the "Conceptual Framework for Financial Reporting" and no critical issues arose that required recourse to waivers pursuant to IAS 1, paragraph 19.

All amounts are in thousands of Euro, unless otherwise indicated. The Euro is the functional currency of the Parent Company and its main subsidiaries, as well as the presentation currency of these consolidated financial statements. For comparative purposes, the corresponding value for the previous year is shown for each item in the consolidated financial statements.

3. Accounting standards and valuation criteria applied

The most significant accounting standards and valuation criteria applied in the preparation of the consolidated financial statements for the year ended 31 December 2021 are described below. These standards and criteria are in line with those described in the Note on Transition to International Financial Reporting Standards ("IFRS").

Application of new standards

The table below lists the new standards, amendments and interpretations approved by the IASB and endorsed for adoption in Europe, whose adoption is mandatory for accounting periods beginning on or after 01 January 2021.

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication
Reform of the benchmarks for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1st January 2021	13-Jan-21	(UE) 2021/25 14/01/2021
Concessions on fees related to COVID-19 after 30 June 2021 (Amendment to IFRS 16)	March 2021	1st April 2021*	30-Aug-21	(UE) 2021/1421 31/08/2021
Deferral of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1st January 2021	15-Dec-20	(UE) 2020/2097 16/12/2020

**The IASB document shall enter into force from the financial years starting on or after 1 April 2021, but it may also be applied in advance for financial statements not authorised for publication by 31 March 2021 (date of publication of the amendment to IFRS 16). The European Union Type Approval Regulation, published in August 2021, provides that the amendment to IFRS 16 shall be applied at the latest by 1 April 2021 for financial years starting on 1 January 2021. The European Union Type-Approval Regulation shall apply from 1 April 2021 at the latest.*

Document title	Date of issue	Effective date	Registration date	EU Regulation and date of publication
Improvements to IFRS (cycle 2018-2020) [Amendments to IFRS 1, IFRS 9, IFRS 16* and IAS 41]	mag-20	1° gennaio 2022	28-giu-21	(UE) 2021/1080 02-lug-21
Property, Plant and Equipment - Income before intended use (Amendments to IAS 16)	mag-20	1° gennaio 2022	28-giu-21	(UE) 2021/1080 02-lug-21
Costly Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37)	mag-20	1° gennaio 2022	28-giu-21	(UE) 2021/1080 02-lug-21
Reference to the Conceptual Framework (Amendments to IFRS 3)	mag-20	1° gennaio 2022	28-giu-21	(UE) 2021/1080 02-lug-21
IFRS 17 Insurance Contracts (including amendments published in June 2020)	mag-17 giu-20	1° gennaio 2023	19-nov-21	(UE) 2021/2036 23-nov-21

* The amendment to IFRS 16 has not been approved by the European Union because the amendment refers to an illustrative example that is not an integral part of the Standard

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed for adoption in Europe as at the date of these financial statements:

IAS/IFRS and related IFRIC interpretations applicable to financial statements for periods beginning after 1 January 2021
Documents NOT yet approved by the EU at 31 December

Document title	Date of issue by the IASB	Effective date of IASB document	Expected date of EU approval
Standards			
IFRS 14 Regulatory Deferral Accounts	Jan-14	1st January 2016	Approval process suspended on hold of the new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Set-14	Differita fino al completamento del progetto IASB sull'equity method	Approval process suspended on hold of the conclusion of the IASB equity method project
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020 *	Jan-20 Jul-20	1st January 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Feb-21	1st January 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	Feb-21	1st January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May-21	1st January 2023	TBD
Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	Dec-21	1st January 2023	TBD

* A project is underway by the IASB to change the requirements of the document published in 2020 and to postpone its entry into force until 1 January 2024. The Exposure Draft was released on November 19, 2021.

Leased assets

IFRS 16 introduces a single accounting model for leases in the financial statements of the tenants, according to which the tenant acquires an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease fees. There are exemptions to the application of IFRS 16 for short-term leases and leases of low-value assets. The method of accounting for the lessor remains similar to the current standard, i.e. the lessor continues to classify leases as operating or financial.

IFRS 16 replaced previous lease provisions, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

Where the Group acts as a tenant, it has recognised new assets and liabilities for operating leases of facilities housing warehouses and factories. The nature of the costs related to these leases changes as the Company amortises right-of-use assets and financial expenses on lease liabilities.

The group has applied IFRS 16 from the date of first application (i.e. 1 January 2019), using the modified retrospective method.

Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, without restatement of comparative information.

The Group has also applied the practical expedient of not adopting the new definition of lease at the time of transition to the new standard. In other words, the Group applied IFRS 16 to all contracts signed before 1 January 2019 that were already identified as leases in accordance with IAS 17 and IFRIC 4.

The Group has used the following practical techniques in applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- it applied the exemption from recognition of right-of-use assets and lease liabilities to contracts with a term of less than 12 months.
- it excluded initial direct costs from the valuation of the right-of-use asset on the date of initial application.
- it relied on the experience acquired in determining the term of leases containing options for extension or early termination.

Use of estimates

In connection with the preparation of the consolidated financial statements, management was required to make estimates and valuations that affect the application of accounting policies and the amounts of assets, liabilities, expenses and revenues recognised in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that will require, in the future, a significant adjustment to the carrying value of these assets and/or liabilities.

These estimates and the underlying assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognised prospectively.

The following is a brief description of those items in the financial statements that require greater subjectivity on the part of the Directors in developing estimates than others and for which a change in the conditions underlying the assumptions used could have a material impact on the financial data.

1) Goodwill

In accordance with the accounting standards applied by the Group, goodwill is subject to an annual "impairment test" to determine whether there has been any impairment. This review requires the Directors to make subjective valuations based on information available within the Group and from the market, as well as from historical experience. In addition, the considerations made by the Directors depend on factors that may change over time, affecting the valuations and the estimates. In addition, if it is determined that there may be potential impairment, the Group proceeds to determine the same using appropriate valuation techniques.

2) Provision for risks and charges

The Directors evaluate the existence or otherwise of a current obligation (whether legal or constructive) on a case-by-case basis in conjunction with estimating the amount of economic resources required to meet the obligation. When the Directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making any provision.

3) Deferred tax assets

The accounting is supported by a recoverability plan prepared on the basis of assumptions and hypotheses that the Directors have considered as reasonable.

4) Inventories

Inventories are subject to periodic obsolescence and slow-moving analysis. Should their recoverable value be lower than their book value, a write-down is recognised, the value of which is based on estimates deriving from experience and historical results.

5) Financial instruments

Trade receivables are subject to periodic analysis of their recoverable value. Any write-downs are determined on the basis of subjective valuations that take into account historical results, current conditions and prospects for credit recovery.

The following are methods of determining Fair Value for accounting or disclosure purposes for financial instruments:

- Derivative financial instruments: pricing models on market values;
- Unlisted financial receivables and payables: for instruments with a maturity of more than one year, the expected cash flows at the time of recognition have been discounted; for valuations subsequent to the date of recognition, the amortised cost method has been applied.

IFRS13 establishes that valuations of financial instruments at fair value are classified on the basis of a fair value hierarchy characterised by three levels that reflect the significance of the inputs used in the valuations. According to the standard, the following levels of fair value are therefore distinguished:

- Level 1 of fair value: the inputs to the instrument valuation are quoted prices for identical instruments in active markets to which one has access at the measurement date;
- Level 2 of fair value: the inputs to the valuation of the instrument are other than the quoted prices referred to in the previous point, which are observable directly or indirectly on the market;
- Level 3 of fair value: the inputs to the valuation of the instrument are not based on observable market data.

As indicated in the regulations, the hierarchy of approaches adopted for determining the fair value of all financial instruments (shares, UCITS, bonds, bond issues and derivatives) gives absolute priority to the official prices available on active markets for the assets and liabilities to be valued and, if not available, to the valuation of assets and liabilities based on significant quotations, or making reference to similar assets and liabilities. Finally, on a residual basis, valuation techniques based on unobservable and, therefore, more discretionary inputs may be used.

Assets and liabilities at fair value on a recurring basis: breakdown by fair value levels.

The following table shows the assets and liabilities that are valued at fair value as at 31 December 2021 by fair value hierarchy level.

Financial instrument	Book value	Fair Value 1	2	3	Total
Financial assets not measured at fair value					
Cash and cash equivalents	139.017			139.017	139.017
Trade receivables	102.403			102.403	102.403
Financial assets measured at fair value					
Derivatives at fair value	95		95		95
Financial liabilities not measured at fair value					
Medium and long-term loans (*)	173.132			173.132	173.132
Bank loans and borrowings and medium / long-term financing (*)	46.454			46.454	46.454
Bonds	29.000			29.000	29.000
Other non-current liabilities (*)	589			589	589
Trade and other payables (*)	90.523			90.523	90.523
Financial liabilities measured at fair value					
Passive derivative instruments measured at fair value	358		358		358

(*) The amounts refer to financial assets and liabilities whose book value is considered a reasonable approximation of the fair value, which consequently has not been disclosed.

Consolidation criteria

The consolidated financial statements include the financial statements of the Parent Company and those of its subsidiaries, drawn up on 31 December of each year. Control is achieved when the Parent Company has the power to determine the financial and management policies of a company in such a way as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared by adopting the same accounting standards for each accounting period as the Parent Company. Any consolidation adjustments are made in order to standardise items that are affected by the application of different accounting standards.

All intra-group balances and transactions, including any unrealised profits arising from transactions between Group companies, are derecognised. Unrealised losses are derecognised, unless they cannot be recovered at a later date.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group, and they cease to be consolidated from the date on which control is transferred outside the Group. Where there is a loss of control of a company included in the scope of consolidation, the consolidated financial statements include the result for the period in proportion to the period of the year in which the Group retained control.

Consolidation is carried out using the line-by-line method; the criteria adopted for consolidation include:

- the elimination of the investment account against the assumption of the assets and liabilities of the investee companies in accordance with the line-by-line method;

- the indication of any portion of shareholders' equity and profit/loss attributable to minority shareholders;

- the elimination of all intercompany transactions, and therefore of payables, receivables, sales, purchases and unrealised gains and losses with third parties;

- the financial statements of subsidiaries used to prepare the Consolidated Financial Statements are those approved by their respective Boards of Directors and submitted to their respective meetings for approval. The closing date of the financial statements of the consolidated Companies is the same as that of the Parent Company. The financial statements of the consolidated Companies are adjusted, where necessary, in order to bring them into line with the accounting standards used by the Parent Company, which are in accordance with the IFRS adopted by the European Union.

The assets and liabilities, expenses and income of the companies consolidated on a line-by-line basis are fully included in the consolidated financial statements; the book value of the equity investments is eliminated against the corresponding portion of shareholders' equity of the investee companies.

The Companies included in the Consolidated Financial Statements as at 31 December 2021, are shown in the table below:

Legal entity	Legal Headquarter location	Share Capital (Currencies)	Group shareholding %
List of investments consolidated on a line-by-line basis			
Fidia Farmaceutici S.p.A. (Capogruppo)	Abano Terme (PD)	Euro 36.120.000	100%
S.C. Biosooft Company S.r.l.	Bucharest (Romania)	Lei 3.400	100%
Fidia Pharma Usa Inc.	Florham Park (USA)	USD 1.000	100%
Fidia Pharma GmbH	Monheim am Rhein (Germania)	Euro 25.000	100%
Laboratorios Fidia Farmacéutica S.L.U.	Madrid (Spagna)	Euro 3.000	100%
Fidia Pharma Russia LLc	Mosca (Russia)	RUB 10.000	100%
Pharma Middle East FZE	Dubai (EAU)	AED 100.000	100%
Fidia Pharma Egypt for Marketing	Il Cairo (Egitto)	EGP 50.000	100%
Fidia Pharma CZ s.r.o.	Praga (Rep. Ceca)	CZK 200.000	100%
Fidia Pharma Slovakia s.r.o.	Bratislava (Slovacchia)	Euro 6.640	100%
Fidia Pharma Austria GmbH	Vienna (Austria)	Euro 35.000	100%
Laboratoires Fidia SAS	Parigi (Francia)	Euro 10.000	100%

Translation of financial statements expressed in currencies other than the functional currency

The functional and presentation currency adopted by the Fidia Group is the Euro. The rules for the translation of Companies' financial statements expressed in currencies other than the Euro are as follows:

- assets and liabilities are translated using the exchange rates in force at the reporting date;
- costs and revenues, expenses and income are converted at the average exchange rate for the period;

- the "Translation reserve" includes both exchange rate differences deriving from the translation of income statement items at a rate different from the closing rate and those deriving from the translation of opening shareholders' equity at an exchange rate different from the closing rate for the reporting period;
- goodwill associated with the acquisition of a foreign entity is treated as an asset and a liability of the foreign entity and translated at the closing exchange rate for the period.

The exchange rates applied are shown in the table below and correspond to those published by the Ufficio Italiano dei Cambi (Italian Foreign Exchange Office):

	2020 Exchange rate		2021 Exchange rate	
	Closing rate	Average annual rate	Closing rate	Average annual rate
RON	4,8683	4,8383	4,949	4,9215
USD	1,2271	1,1422	1,1326	1,1827
RUB	91,4671	82,7248	85,3004	87,1527
AED	4,5065	4,1947	4,1595	4,3436
EGP	19,3168	18,0654	17,8012	18,5678
CZK	26,242	26,4551	24,858	25,6405

Valuation criteria

The Consolidated Financial Statements of the Fidia Group for the year ended 31 December 2021 have been prepared using the historical cost valuation criterion, except for the following significant items: investments in financial assets and derivative instruments, which are recorded at fair value.

The Consolidated Financial Statements have been prepared on a going concern basis, which is deemed to be positively satisfied. For further details, reference to the report on operations should be made.

Property, plant and equipment

Property, plant and equipment are recognised at historical cost, including directly attributable ancillary expenses necessary to bring the asset to working condition for the use for which it was purchased. Land, whether undeveloped or attached to civil and industrial buildings, has generally been accounted for separately and is not depreciated, as it has an unlimited useful life. Maintenance and repair costs that are not likely to enhance and/or extend the residual life of assets are expensed in the period in which they are incurred; otherwise, they are capitalised.

Property, plant and equipment are shown net of the related accumulated depreciation and of any impairment losses determined on the basis of the impairment test. Depreciation is calculated to write off

the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is generally recognised in profit/(loss) for the year. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The main economic-technical depreciation rates used are as follows:

Tangible fixed assets	Rates
Non-industrial buildings	5,5%
Industrial buildings	3% - 5,5%
Light constructions	10,0%
Generic plant	9% - 15%
Plant and machinery for slightly corrosive processes	12% - 20%
Plant and machinery for highly corrosive processes	17,5%
Photovoltaic system	9,0%
Small sundry and lab equipment	12% - 40%
Ordinary office furniture and equipment	3% - 33%
Electronic office equipment and computers	9% - 33%
Transport vehicles	20,0%
Cars, motorcycles and similar	20% - 50%

At each reporting date, the Company reviews for objective evidence of impairment with respect to the book values of property, plant and equipment.

If, on the basis of this check, it emerges that the assets have actually been impaired, the company estimates their recoverable value.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. When the book value of an asset exceeds the recoverable value, an impairment loss is recognised. Impairment losses are recognised in profit/(loss) of the year. Impairment losses recognised in prior periods are reversed up to the book value that would have been determined (net of depreciation) if the asset impairment loss had never been recognised.

Leased assets

On 13 January 2016, the IASB published the new IFRS 16 Lease standard, which replaces IAS 17. This document was adopted by the European Union through its publication on 09 November 2017. IFRS 16 applies to financial statements relating to years beginning on or after 1 January 2019. In fact, the new standard eliminates the difference in the accounting of operating and financial leases despite the presence of elements that allow simplifying the application thereof and introduces the concept of control within the definition of lease. In particular, in order to determine whether or not a contract represents a lease, IFRS 16 requires verifying whether or not the tenant has the right to control the use of a given asset for a certain period of time.

On the effective date of the lease, the Group recognises the right-of-use asset and the lease liability. The right-of-use asset is initially valued at cost, including the amount of the initial valuation of the lease liability, adjusted for the payments due for the lease made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the tenant will have to incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or of the site where it is located, net of lease incentives received.

The right-of-use asset is subsequently amortised on a straight-line basis from the effective date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, determined on the same basis as that of property and equipment. In addition, the right-of-use asset is regularly decreased by any impairment losses and adjusted to reflect any changes resulting from subsequent valuations of the lease liability.

The Group evaluates the lease liability at the present value of unpaid lease payments due at the effective date, discounting them using specific marginal financing rates based on the country, currency and term of the related leases. The rates identified were between 1.5% and 3.5%. Right-of-use assets were valued at an amount equal to the lease liability, adjusted by the amount of any accumulated prepayments.

Lease payments due included in the valuation of the lease liability include:

- fixed payments (including substantially fixed payments);
- lease payments that depend on an index or rate, initially valued using an index or rate on the effective date;
- the amounts expected to be paid as collateral on the residual value;
- lease payments due in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Group is reasonably certain not to terminate the lease early.

The lease liability is valued at amortised cost using the effective interest method and is remeasured when there is a change in the future lease payments due resulting from a change in the index or rate, when there is a change in the amount the Group expects to have to pay as security on the residual value or when the Group changes its valuation by reference to whether or not it exercises an option to purchase, extend or terminate or when there is a review of the lease payments due that are fixed in substance.

When the lease liability is remeasured, the tenant makes a corresponding change to the right-of-use asset. If the book value of the right-of-use asset is reduced to zero, the tenant recognises the change in profit/(loss) for the period.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under 'Property, plant and equipment' and lease liabilities under 'Financial payables'.

The Group recognises the related lease payments due as an expense on a straight-line basis over the lease term.

For contracts entered into prior to 1 January 2019, the Group would determine whether the agreement was or contained a lease by ascertaining whether:

- the fulfilment of the agreement depended on the use of one or more specific assets;
- the agreement transferred the right to use the asset.

Other leased assets were classified as operating leases and were not recognised in the Group's statement of financial position. Payments related to operating leases were recognised as an expense on a straight-line basis over the lease term, while incentives granted to the tenant were recognised as an integral part of the total lease cost over the lease term.

The Group has decided not to recognise right-of-use assets and lease liabilities related to low-value assets and short-term leases, including computer equipment. The Group recognises the related lease payments due as an expense on a straight-line basis over the lease term.

Business combinations and goodwill

Acquisitions of businesses and branches are accounted for using the acquisition method, as provided for by IFRS 3; to this end, the assets acquired and the liabilities assumed and identifiable are recognised at their respective fair values at the date of acquisition. The cost of the acquisition is measured by the total of the fair values, at the date of exchange, of the assets disbursed, the liabilities assumed and any equity instruments issued by Group companies in exchange for control of the acquired entity.

Goodwill is recorded as the positive difference between the cost of the acquisition, plus both the fair value at the acquisition date of any non-controlling interests already held in the acquired company, and the value of non-controlling interests held by third parties in the acquired company (the latter valued at fair value or in proportion to the current value of the acquired company's identifiable net assets), and the fair value of those assets and liabilities.

As of the acquisition date, the goodwill that has emerged is allocated to each of the substantially independent cash-generating units that are expected to benefit from the synergies resulting from the business combination.

In the event of a negative difference between the cost of the acquisition (as increased by the components described above) and the fair value of the assets and liabilities, this is recorded as income in the income statement for the year of acquisition.

Any goodwill relating to non-controlling interests is included in the carrying value of the investments relating to those companies.

After initial recognition, goodwill is not amortised and is decreased by any accumulated impairment losses, determined according to the methods described in the paragraph "Impairment and reversal of impairment of assets (impairment test)".

IFRS 3 has not been applied retroactively to acquisitions made prior to 1 January 2019, the date of the Parent Company's transition to IFRS; consequently, the value of goodwill determined under the previous accounting standards, equal to the net book value in place at that date, was maintained for these acquisitions, after testing and recognising any impairment losses.

Intangible assets

An intangible asset is recognised only if it is identifiable, if it is likely to generate future economic benefits and if its cost can be reliably determined.

Intangible assets with a definite useful life are tested for impairment when events or changes in circumstances indicate that the book value cannot be realised.

Intangible assets acquired separately are recorded under assets at purchase cost, inclusive of directly attributable ancillary expenses.

Subsequent to initial recognition, intangible assets with a definite useful life are recorded net of the related accumulated amortisation and any impairment losses, determined according to the same procedures indicated for property, plant and equipment.

Useful life is reviewed annually and changes, if necessary, are made with prospective application.

Intangible assets are recognised at purchase cost and systematically amortised over their estimated useful lives. The amortisation of patents, licenses and know-how starts from the year in which the marketing of the relevant products begins.

Concession and license fees are amortised in proportion to the period of use provided for in the contract, using the percentages considered representative of the estimated useful life of the assets.

The main economic-technical depreciation rates used are as follows:

Intangible fixed Assets	Average useful life
Patents	3 - 5 years
Trademarks	10 - 18 years
Software licences	3 - 10 years
Drug licences	according to the agreement
Leasehold improvements	according to the agreement
Development	3 years
Domains	5 years

The Group has goodwill with an indefinite useful life.

In accordance with IAS 38, development costs are recorded to balance sheet assets only if they positively meet the following specific characteristics: they must be related to a clearly defined product or process, as well as identifiable and measurable; they must refer to a feasible project, i.e. technically feasible, for which the company owns or can dispose of the necessary resources; they must be recoverable, i.e. the company must have income prospects, so that the revenues it expects to realise from the project are at least sufficient to cover the costs incurred for the study of the same, after deducting all the other development costs and the production and sales costs that will be incurred for the marketing of the product. Development costs are amortised according to their useful life, which is assumed to be of three years; in exceptional cases where their useful life cannot be reliably estimated, they are amortised over a period not exceeding five years.

Gains or losses from the disposal of an intangible asset are determined as the difference between the disposal value and the book value of the asset and are recognised in the income statement at the time of disposal.

Impairment loss

At each reporting date, or more frequently if necessary, the Group reviews the book value of its tangible and intangible assets, in order to determine whether there is any indication that these assets are impaired. Where these indications exist, the recoverable amount of the assets is estimated, in order to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of net selling price and value in use. In evaluating the value in use, estimated future cash flows are discounted to their present value using an after-tax rate that reflects current market valuations of the value of money and risks specific to the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than its book value, the book value of the asset is reduced to the lower recoverable amount. The impairment loss is recognised in the income statement.

When an impairment loss no longer exists, the book value of the asset (or of the cash-generating unit) is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been recognised. The reversal of the value is charged to the income statement. An impairment loss in respect of goodwill may not be reversed.

Equity investments in associated or other companies

An associated company is an enterprise in which the Group is able to exercise significant influence, but not control, through participation in the financial and operational decision-making policies of the investee. The results of operations and the assets and liabilities of associated companies are recognised in the consolidated financial statements using the equity method.

Other equity investments, which represent long-term investments recorded under financial fixed assets, are valued on the basis of the purchase price, of the subscription price or of the value attributed to the assets transferred, including any ancillary expenses.

Equity investments are tested for impairment annually, or more frequently if necessary. If there is evidence that these equity investments have suffered an impairment loss, this is recognised in the income statement as a write-down; the original value is restored in subsequent years if the reasons for the write-down no longer apply.

Financial instruments

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the financial instrument. Except for trade receivables that do not contain a significant financing component, financial assets and liabilities are initially valued at fair value plus or minus, in the case of financial assets or liabilities not valued at FVTPL, the transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. Upon initial recognition, trade receivables that do not have a significant financing component are valued at the transaction price.

Under IFRS 9, loans and receivables recognised as financial assets are classified into the following three categories based on the cash flow characteristics of these assets (SPPI Test) and the business model with which they are managed:

- assets valued at amortised cost;
- assets valued at fair value through other components of the statement of comprehensive income (FVOCI);
- assets valued at fair value through profit or loss (FVTPL).

The aforementioned categories envisaged by IFRS 9 replace the previous categories of IAS 39, that is, assets held to maturity, loans and receivables, assets available for sale and assets valued at FVTPL.

Specifically, a financial asset should be valued at amortised cost if it is not designated at FVTPL and both of the following conditions are met:

- the financial asset is held as part of a business model whose goal is to hold financial assets for the purpose of collecting contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows at certain dates, represented solely by payments of capital and interest on the amount of capital to be repaid.

A financial asset must be valued at FVOCI if it is not designated at FVTPL and both of the following conditions are met:

- the financial asset is held as part of a business model whose goal is achieved through both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates, represented solely by payments of capital and interest on the amount of capital to be repaid.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its position against foreign exchange and interest rate risks. Derivative instruments are initially valued at fair value. After initial recognition, derivatives are valued at fair value and changes in fair value are usually recognised in net result for the year.

The Group designates certain derivative financial instruments as hedging instruments to hedge the variability of cash flows related to highly probable forecast transactions arising from fluctuations in foreign exchange and interest rates, and certain derivatives and non-derivative financial liabilities as hedging instruments for foreign exchange risk on a net investment in a foreign transaction. At the beginning of the designated hedging relationship, the Group documents the goals in managing the risk and the strategy in carrying out the hedge, as well as the economic relationship and the hedging instrument, and whether the changes in cash and cash equivalents of the hedged item and of the hedging instrument are expected to offset each other.

When a derivative financial instrument is designated as a hedge of exposure to variability in cash flows, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other components of the statement of comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in the fair value of the derivative financial instrument that is recognised in the other components of the statement of comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The ineffective portion of changes in the fair value of the derivative financial instrument is recognised immediately in net result for the year.

If the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges ceases, the amount accumulated in the cash flow hedge reserve remains in equity until, in the case of a hedge of a transaction that results in the recognition of a non-financial asset or a non-financial liability, it is included in the cost of the non-financial asset or non-financial liability upon initial recognition or, in the case of other cash flow hedges, it is reclassified to the result in the same year or subsequent year in which the hedged expected cash flows affect the result for the year.

If future hedged cash flows are no longer expected, the amount must be reclassified immediately from the cash flow hedge reserve and from the hedge cost reserve to the result for the year.

The company evaluates, at least annually, whether there are any indicators that a financial asset or a group of financial assets may be impaired.

Impairment of financial assets

A financial asset or a group of financial assets is only written down if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition date of the asset or group of assets and that had an impact, that can be reliably estimated, on the future cash flows that can be generated by the asset or group of assets. In particular, the impairment of trade receivables, expressed by a specific bad debt provision, reflects the objective evidence that the Company will not be able to collect the receivable for its original value, taking into account the economic and general conditions in the sector.

Medium- and long-term loans

Medium- and long-term loans are initially recorded at fair value, net of any transaction costs incurred. Following initial recognition, financial liabilities are valued at amortised cost using the original effective interest rate method, represented by the rate that makes the present value of the cash flows and the initial book value equal at the time of initial recognition.

Inventories

Inventories are recorded at the lower of purchase and/or production cost, determined using the weighted average cost method on an annual basis, and the net estimated realisable or replacement value. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.

Obsolete and/or slow-moving inventories are written down in relation to their presumed possibility of future use or realisation. The write-down is derecognised in subsequent years if the reasons thereof no longer apply.

Cash and cash equivalents

These consist of demand deposits with credit institutions and short-term investments that can be liquidated, and that are valued at fair value, which coincides with the nominal value, net of any expected deterioration in value.

Shareholders' equity

Equity instruments issued by the Company are recognised based on the amount received. Dividends distributed by the Parent Company are recognised as a liability at the time of the distribution resolution. The purchase cost and the sale price of own shares are recorded directly in the shareholders' equity and therefore they do not pass through the income statement.

Provision for risks and charges

Provisions for risks and charges are recognised when there is a current obligation (legal or implicit) deriving from a past event, if an outlay of resources to meet the obligation is probable and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the value representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties at the end of the period. If the effect of discounting is significant, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market valuation of the time value of money. If discounting is used, the increase in the provision due to the passage of time is recognised as financial expense.

Post-employment benefits to employees

Benefits guaranteed to employees, paid when or after employment is terminated, by means of defined benefit programmes (Employees' termination benefits) or other long-term benefits (retirement indemnity) are recognised in the period when the right accrues.

With regard to severance indemnities owed by the Group's Italian companies, the benefits due after termination of employment are broken down by economic type into:

- defined contribution plans, represented by the quotas accrued as from 1 January 2007;
- defined benefit plans, represented by the personnel severance provision accrued until 31 December 2006.

In defined contribution plans, the company's legal or constructive obligation is limited to the amount of contributions to be made: consequently, the actuarial and investment risk falls on the employee. In defined benefit plans, the company's obligation is to grant and guarantee the agreed benefits to employees: consequently, the actuarial and investment risk is borne by the company.

Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned. The liability is valued by independent actuaries using the projected unit credit method, based on demographic assumptions, in relation to the mortality and turnover rates of the

target population, and financial assumptions, in relation to the discount rate reflecting the value of money in time and the inflation rate.

The amount to be recognised as an expense in the income statement consists of the following elements:

- social security costs related to current services, recorded under personnel costs;
- the cost of interest, recorded under financial expenses;
- the expected return from program assets, if any, still charged to financial components.

Actuarial gains and losses that arise from revaluations of the net defined benefit plan liability are recognised immediately in the other components of the statement of comprehensive income.

Trade payables

Trade payables, whose due date falls within normal commercial terms, are not discounted and are recorded at cost (identified by their nominal value).

This item includes certain and determined liabilities, both in terms of amount and contingency.

Other current assets and liabilities

Other current liabilities and assets are recorded at their nominal value.

Revenues

Revenues are recognised based on fees allocated to "performance obligations" arising from contracts with customers.

Revenue recognition takes place when the relevant "performance obligation" is met, i.e. when the Group has transferred control of the good or service to the customer, in the following ways:

- over time;
- at point in time.

In cases where a contract with a customer consists of several "performance obligations", the Group allocates a fair contractual fee on the basis of the "expected cost plus margin" criterion.

Revenues and income are recorded at fair value less returns, discounts, allowances, premiums and indirect taxes. Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

Interest income, as well as interest expense, is calculated on the value of the related financial assets and liabilities using the effective interest rate.

Dividends are recognised when the shareholders' right to receive payment arises.

Costs

Costs are recognised when they relate to goods and services that are sold or used during the year or by systematic allocation, or when their future usefulness cannot be determined.

Personnel costs include the amount of wages and salaries paid, provisions for pensions and for vacations accrued but not taken, and social security and welfare contributions, in accordance with contracts and current legislation.

Contributions from public entities

Contributions are recognised at fair value when there is the reasonable certainty that they will be received and that the conditions for obtaining them will be met.

When contributions are commensurate with specific components of operating costs (excluding depreciation and amortisation), they are recognised directly as a reduction of those expenses.

Government contributions obtained for investment in plants are recognised in the income statement over the period necessary to match them with the related costs and presented in the balance sheet by recording

the contribution as deferred income. Operating contributions, including those relating to research activities, are accounted for on an accruals basis and credited to the income statement under "other income".

Financial income and expenses

Financial income and expenses are recognised on an accruals basis on the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate method.

Taxes

Provisions for taxes for the year are calculated on the basis of the charges envisaged by current tax legislation. The provision for current income taxes is shown in the balance sheet net of advances paid and of withholding taxes incurred. Deferred tax assets and liabilities are also determined, with the exception of goodwill arising from business combinations, in respect of temporary differences between the balance sheet values recorded in the financial statements and the corresponding values recognised for tax purposes. In particular, deferred tax assets are recognised if there is a probability of their recovery, i.e. when it is expected that sufficient taxable profits will be available in the future to allow for their recovery, while deferred taxes are not recognised only if it is doubtful that the related liability will arise. Deferred tax assets and liabilities are determined according to enacted tax rates that are expected to be applicable to taxable income in the years when those temporary differences are expected to be recovered or settled, with reference to the jurisdictions where the Group operates. In accordance with IAS 12, the Group recognises deferred taxes on equity reserves in suspension of tax purposes, only when such reserves are not valued by Management as having been permanently acquired by the Group or when it is not probable that they will be use in a way that would result in a tax liability.

Deferred taxes relating to items recognised outside the income statement are also recognised outside the income statement and, therefore, as shareholders' equity or in the statement of comprehensive income, in line with the element to which they refer.

Conversion of foreign currency items

The functional and presentation currency adopted by the Group is the Euro. The reporting packages of each consolidated company are prepared using the functional currency related to the economic environment in which each company operates. Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are subsequently adjusted to the exchange rate in force at the end of the reporting period, and any exchange differences arising are reflected in the income statement. Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are translated using the exchange rate in force on the date the transaction is initially recognised.

For consolidation purposes in the Group's accounts, the reporting packages of consolidated companies denominated in functional currencies other than the Euro are translated into Euro by applying the exchange rate in force at year-end to assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rates for the year (if these approximate to the exchange rates in force at the date of the respective transactions) or for the period being consolidated, whichever is lower. The related exchange rate differences are recognised directly in the statement of comprehensive income and reclassified in the income statement upon loss of control of the equity investment and, therefore, of its deconsolidation.

4. INFORMATION ON THE ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Below are notes on the items of the consolidated statement of financial position as at 31 December 2021. For details of the items of the consolidated statement of financial position deriving from transactions with related parties, reference to note 6.6 Transactions with related parties should be made.

4.1 Property, plant and equipment

thousands of Euros	Land	Buildings	Plant and machinery and industrial equipments	Other tangible assets	Assets under construction	Total
Balance at 31 December 2019	**5.051**	**17.591**	**23.788**	**6.180**	**5.871**	**58.482**
Increases	-	1.786	8.084	3.368	6.392	19.630
Decreases	-	(7)	(1.608)	(1.184)	(5.279)	(8.078)
Other changes	-	358	(611)	(189)	-	(442)
Depreciation	-	(2.530)	(5.640)	(3.737)	-	(11.907)
Other changes accumulated depreciation	-	51	1.623	1.124	-	2.798
Total changes in FY2020	**-**	**(342)**	**1.848**	**(618)**	**1.113**	**2.000**
Historical cost	5.051	100.252	243.608	21.993	7.358	378.263
Accumulated depreciation and write-downs	-	(83.002)	(217.972)	(16.432)	(374)	(317.780)
Balance at 31 December 2020	**5.051**	**17.250**	**25.636**	**5.562**	**6.984**	**60.483**
Increases	-	1.713	4.544	4.183	27.024	37.464
Decreases	-	-	(4.009)	(466)	(179)	(4.655)
Reclassifications	0	(2.247)	1.672	575	(0)	0
Other changes	274	1.797	(10.359)	135	(1.142)	(9.296)
Depreciation	-	(2.703)	(7.747)	(3.545)	-	(13.996)
Other changes accumulated depreciation	(0)	(1.396)	13.908	518	0	13.029
Total changes in FY2021	**274**	**(589)**	**(3.664)**	**824**	**25.703**	**22.547**
Historical cost	5.325	101.516	235.455	26.420	33.061	401.777
Accumulated depreciation and write-downs	(0)	(87.101)	(211.811)	(19.459)	(374)	(318.746)
Balance at 31 December 2021	**5.325**	**14.415**	**23.644**	**6.960**	**32.687**	**83.031**

The value of Property, plant and equipment as at 31 December 2021 is €83,031 thousand, an increase of €22,548 thousand compared to 31 December 2020 (€60,483 thousand).

The increases for the year refer to:

€1,713 thousand of the item Buildings and mainly referable to €628 thousand for lease redemption of the building in Monte Giberto, €250 thousand for building works on buildings in Abano Terme, €806 thousand due to the effect of the IFRS 16 accounting standard for rights of use on lease contracts of the Parent Company and subsidiaries;

€4,544 thousand of the item Plant and machinery and industrial equipment, mainly referable for €3,523 thousand for investments made by the Parent Company in the production departments of Abano Terme;

€4,183 thousand of the item Other assets and mainly referable for €3,438 thousand to the effect of the accounting standard IFRS 16 for the rights of use of motor vehicles used by scientific representatives and other Group employees;

€27,024 thousand of the item Fixed assets under construction and advances, primarily referring to the Parent Company's investment in the new vaccine shop-floor.

4.2 Intangible assets

thousands of Euros	Development expenses	Industrial patents and intellectual property rights	Concessions, licences and trademarks	Other intangible assets	Assets under development	Total	Goodwill	Total
Balance at 31 December 2019	844	23.422	30.043	11.693	12.388	78.391	100.469	178.860
Accumulated amortization and write-downs	(731)	(22.023)	(8.534)	(10.987)	(9.610)	(51.885)	(34.572)	(86.457)
Balance at 31 December 2019	**113**	**1.400**	**21.509**	**706**	**2.778**	**26.506**	**65.897**	**92.403**
Increases	-	1.438	153	226	1.250	3.067	-	3.067
Decreases	-	-	-	(222)	(1.173)	(1.395)	-	(1.395)
Other changes	-	307	(442)	(27)	(131)	(293)	(5)	(298)
Amortizations	(55)	(1.340)	(4.042)	(238)	-	(5.676)	5	(5.671)
Other changes accumulated amortization	-	-	8	71	-	79	-	79
Total changes in FY2020	**(55)**	**405**	**(4.323)**	**(190)**	**(54)**	**(4.218)**	**(0)**	**(4.218)**
Historical cost	844	25.167	29.754	11.670	12.334	79.770	100.464	180.234
Accumulated amortization and write-downs	(786)	(23.362)	(12.568)	(11.154)	(9.610)	(57.482)	(34.567)	(92.049)
Balance at 31 December 2020	**58**	**1.805**	**17.186**	**516**	**2.724**	**22.288**	**65.897**	**88.185**
Increases	-	124	63.871	141	2.343	66.479	24.060	90.539
Decreases	-	(75)	(24)	(89)	(54)	(242)	(90)	(332)
Reclassifications	(7)	1.637	(1.540)	(57)	(0)	-	0	-
Other changes	-	544	776	(1.524)	(2.038)	(2.243)	20	(2.223)
Amortizations	(28)	(1.313)	(5.553)	(226)	-	(7.088)	-	(7.088)
Other changes accumulated amortization	0	721	(208)	1.937	(0)	2.450	(11)	2.439
Total changes in FY2021	**(36)**	**1.638**	**57.322**	**181**	**250**	**59.356**	**23.979**	**83.335**
Historical cost	837	27.397	92.838	10.141	12.584	143.764	124.453	268.217
Accumulated amortization and write-downs	(815)	(23.954)	(18.330)	(9.444)	(9.610)	(62.120)	(34.578)	(96.697)
Balance at 31 December 2021	**22**	**3.443**	**74.508**	**697**	**2.974**	**81.644**	**89.876**	**171.520**

The value of intangible assets as at 31 December 2021 was €171,520 thousand, an increase of €83,335 thousand compared to 31 December 2020 (€88,185 thousand).

Industrial patents and intellectual property rights are represented by the external costs incurred in obtaining patent registrations from the competent authorities. Software usage rights refer to the costs incurred for the purchase of application software by way of user license. Concessions, licenses, trademarks and similar rights are represented by costs incurred to register trademarks and acquire licenses for products from third parties for marketing purposes.

The increase of the item Concession of licenses and trademarks of €63,871 thousand is mainly due to the acquisition of a package of products from a third party carried out by the Parent Company.

The increase of the item Fixed assets under construction and advances, amounting to €2,343 thousand, primarily includes the following investment contracts:

- costs relating to the process of registering patents and trademarks, incurred in the current and previous periods. These costs will be amortised from the time the patent registration is obtained or the trademark is filed;
- advances paid to suppliers for the purchase of licenses, production and marketing rights for products or active ingredients for which marketing authorisation has not yet been obtained from the health authority;
- advances paid for the purchase of management software;
- costs for activities related to development projects on phase 3 products and studies for the creation of new formulations on medical devices (compliance with the new Regulation MDR 2017/745).

4.3 Goodwill

Goodwill as at 31 December 2021 amounted to €89,876 thousand, an increase of €23,979 thousand compared to 31 December 2020 (€65,897 thousand). The breakdown of Goodwill is shown in the table below:

thousands of Euros	Stress test (WACC)	at 31 December 2021	at 31 December 2020
Glynn group	20%	1.756	1.837
Sooft group	12%	59.217	59.217
Laboratorios SLU	17%	4.843	4.843
Corticosteroids	12%	24.060	-
Total goodwill		**89.876**	**65.897**

The change reflects an increase of €24 million due to the acquisition of the business units relating to the new corticosteroid-based products (Urbason, Flubason, Flebocortid, Dermatop, Surgam and Esperson trademarks) carried out by the Parent Company from a third party company and a net decrease of €81 thousand in the Glynn Group due to a value adjustment.

As indicated in the note on "Summary of accounting standards" and as provided for by IFRS 3, goodwill is not systematically amortised but subject to an impairment test to determine its recoverable value. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and markets in which the acquired companies operate. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the book value of the unit, which includes goodwill, with the recoverable amount of the unit. If the recoverable amount of a unit exceeds the book value of that unit, the unit and the goodwill allocated to that unit shall be treated as if it were not impaired. If the book value of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss.

The impairment test exercise was conducted from the three-year multi-year plans prepared by management and, with reference to the financial variables, using a discounted cash flow rate (WACC) of 14.1% for the Glynn Group, of 6.1% for the Sooft Group, of 13.1% for Laboratorios SLU and of 6.1% for corticosteroid Products. The discount rate used is represented by the weighted average cost of capital, estimated after tax, which reflects current market valuations of the cost of money and the specific risk associated with the cash-generating unit. The growth rates adopted for the period following the explicit forecast period have been conservatively estimated, taking into account the peculiarities of the various countries concerned.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units. The main assumptions used in the calculation of value in use regard expectations of operating cash flows during the period assumed for the calculation, the discount rate and the growth rate.

Operating cash flow forecasts for the explicit period assumed for the calculation (2022-2024) derive from the business plan approved by the Parent Company's Board of Directors on 1 October 2021.

With regard to the recoverability of goodwill relating to the cash-generating units (CGUs) indicated above, impairment tests were carried out and no impairment losses were found in the years under review.

The column "Stress test (WACC)" shows the discount rates above which the respective goodwill is written down.

4.4 Other investments and securities

Equity investments in other companies are summarised in detail in the table below:

thousands of Euros	Book value		% of ownership	
	at 31 December 2021	at 31 December 2020	at 31 December 2021	at 31 December 2020
Consorzio Dafne	20	20	2%	2%
CONAI Consorzio Nazionale Imballaggi	0	0	0%	0%
Consorzio Universitario Unifarm	73	73	10%	10%
Other	0	0	0%	0%
Accumulated amortizations other equity investments	**(4)**	**(4)**		
Total other equity investments	**89**	**89**		

Investments in other companies include equity instruments of unlisted companies, which fall within level 3 of the fair value hierarchy.

4.5 Receivables

As at 31 December 2021, the item Non-current receivables amounted to €1,317 thousand, down €322 thousand compared to 31 December 2020 (€1,639 thousand).

The item Receivables mainly refers to:

- insurance policy for €638 thousand;

- guarantee deposits for €655 thousand relating to utilities, rents and leases.

See note 6 for information on the Group's exposure to credit and market risks and fair value.

4.6 Deferred tax assets

As at 31 December 2021, deferred tax assets amounted to €18,847 thousand (€22,991 thousand as at 31 December 2020). The overall change is as follows:

thousands of Euros	Historical losses	Revenues / (costs) with deferred tax effect	Tax credits	Other	Total
Balance at 31 December 2020	**1.525**	**21.480**	-	**(14)**	**22.991**
Recognitions in the income statement	(502)	(3.914)	-		(4.416)
Recognitions in the comprehensive income statement				272	272
Other changes					-
Balance at 31 December 2021	**1.023**	**17.566**	-	**258**	**18.847**

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

thousands of Euros	at 31 December 2021	at 31 December 2020	Changes
Tax effect on reversal of intercompany profits on assets	2.997	467	2.530
Taxed provision for risks	3.393	3.511	(118)
Changes in the value of fixed assets	-	257	(257)
Tax set up of intangible assets	6.294	12.226	(5.932)
Effect of derivative financial instruments	86	407	(321)
Actuarization of severance pay	381	366	15
Benefit on carried forward tax losses	1.023	1.524	(501)
Tax effect of leasing	16	68	(52)
Intercompany profit effect on inventory	2.528	2.924	(396)
Other deferred tax assets	2.130	1.241	889
Deferred tax assets (A)	**18.847**	**22.991**	**(4.144)**
Changes in the value of fixed assets	(2.309)	(2.357)	48
Effect of derivative financial instruments	(23)	(6)	(17)
Effect on depreciation of leasing assets	(91)	(310)	219
Other deferred tax liabilities	(21)	(123)	102
Deferred tax liabilities (B)	**(2.444)**	**(2.796)**	**352**
Net balance of deferred tax assets (A -B)	**16.403**	**20.195**	**(3.792)**

The decrease in net deferred tax assets recognised during the year is primarily related to the reduction of the item "tax set up of intangible assets", which at 31.12.2020 included the tax benefit expected from the introduction of Art. 110 of Legislative Decree no. 104 of 14 August 2020.

In accordance with the reference standards, the consolidated financial statements do not reflect the statutory effects of the revaluation of assets. However, in order to align the tax burden in the consolidated financial statements with that in the statutory financial statements, which was created with the payment of the aforementioned 3% substitute tax on the higher values recorded, during 2020 deferred tax assets equal to the value of the tax benefit of future higher deductible amortisation and depreciation were recognised in the income statement for approximately €12,226 thousand, gross of the aforementioned substitute tax.

In FY 2021, the Italian government amended the previous provision with the Budget Law 2021 (L.234/21, paragraph 622, art. 1) revising the deductibility of revaluations on trademarks and goodwill from 18 to 50 years. The Parent Company opted not to adjust the higher substitute tax required in order to take advantage of deductibility over 18 years, with the result that the expected tax benefits will be obtained over a period of 50 years. For this reason, in the consolidated financial statements this tax benefit, although not lost, was written down by €3,713 thousand.

With regard to changes of the item Deferred taxes, reference to note 4.17 should be made.

4.7 Inventories

Inventories as at 31 December 2021 amounted to €47,573 thousand (€48,703 thousand as at 31 December 2020), net of a bad debt provision of €6,507 thousand (amounting to €5,320 thousand as at 31 December 2020).

The table below shows the breakdown of the item Inventories:

thousands of Euros	at 31 December 2021	at 31 December 2020	Change
Raw materials and consumables	10.041	9.972	68
Finished products and semi-finished products	44.039	44.051	(12)
Total gross closing inventory	**54.079**	**54.023**	**56**
Write-down provision	(6.507)	(5.320)	(1.186)
Total net closing inventory	**47.573**	**48.703**	**(1.131)**

Raw, ancillary and consumable materials consist of raw materials, excipients, packaging material used for the production of products for sale and for the production of active ingredients.

The amount relating to inventories is prudentially written down through the registration of a bad debt provision, in order to cover any problems of future use and slow-moving turnover, as well as an estimate of the obsolescence phenomena affecting the materials in stock.

The decrease of €1,131 thousand is linked to the increase in the inventory bad debt provision, which included part of the stocks of products for which the launch had been postponed from 2020 to 2021 due to the pandemic.

4.8 Trade receivables

Trade receivables as at 31 December 2021 amounted to €102,403 thousand, up €2,384 thousand compared to 31 December 2020 (€100,019 thousand). The values indicated are expressed net of the bad debt provision.

The following table summarises the breakdown of the item Trade receivables and details of the bad debt provision:

thousands of Euros	at 31 December 2021	at 31 December 2020	Change
Trade receivables to Customer	105.779	106.440	(661)
Trade receivables to Customer	**105.779**	**106.440**	**(661)**
Provision for bad debts	(3.376)	(6.421)	3.045
Net trade receivables to Customer	**102.403**	**100.019**	**2.384**

The Group carries out a detailed analysis of the positions with the highest recoverability risk, considering the relationship with the customer and the geo-political situation of the country in which the customer operates, and a generic analysis of historical and expected credit losses. Credit losses are estimated using a method based on the probability of credit deterioration by considering exposures in different categories based on common characteristics of credit risk, geographic area, credit seniority, presence of litigation and length of customer relationship.

4.9 Tax receivables

Tax receivables amounted to €3,808 thousand, down €7,070 thousand compared to 31 December 2020.

The reduction is mainly attributable to the recovery of the tax credit from Patent Box recorded in 2020 by the Italian companies of the Group (ruling 2015-2019) net of the increases related to the Treasury account VAT and tax advances.

4.10 Other current assets

Other current assets amounted to €8,155 thousand, down €9,412 thousand compared to 31 December 2020 (€17,567 thousand) and relate to other receivables and accrued income and prepaid expenses. The following table provides a breakdown of this item.

thousands of Euros	at 31 December 2021	at 31 December 2020	Change
Accrued income	271	114	157
Deferred charges	1.524	1.153	371
Other remaining Credits	6.307	16.277	(9.970)
Advance payments from customers	53	23	30
Other current assets	**8.155**	**17.567**	**(9.412)**

The decrease in Receivables from others of €9,970 thousand is mainly attributable to the repayment of the loan to the Parent Company P&R farmaceutici (€11,000 thousand) and to the increase in advances to suppliers (€1,242 thousand).

4.11 Derivative instruments valued at fair value

The item Derivative instruments valued at fair value as at 31 December 2021 amounted to €95 thousand and refers to the adjustment of the positive value of the hedging instrument of a loan.

4.12 Short-term financial investments and cash and cash equivalents

The composition of the item Cash and cash equivalents is summarised in the table below:

thousands of Euros	at 31 December 2021	at 31 December 2020	Change
Current financial assets	42.118	6.048	36.071
Deposit accounts	96.881	175.015	(78.135)
Cash on hand and equivalent	19	16	2
Cash and cash equivalents reported in the statement of financial position	**139.017**	**181.079**	**(42.062)**
Bank overdrafts used for liquidity management	-	-	-
Cash and cash equivalents reported in the statement of cash flows	**139.017**	**181.079**	**(42.062)**

Unrestricted financial assets are represented by unrestricted term loans that are remunerated with liquidity. This item showed a net increase of €36,071 thousand during the year.

A detailed analysis of the change in this item is provided in the Cash Flow Statement.

4.13 Shareholders' equity

Shareholders' equity attributable to the Group amounted to €212,683 thousand, up €38,122 thousand compared to 2020 (€174,561 thousand). The main changes during the year, shown in detail in the statement of changes in shareholders' equity, primarily concern:

- recognition of the profit for FY 2021, equal to €36,471 thousand;
- negative impact of the distribution of dividends to the subsidiary for €607 thousand;
- the positive impact of the translation reserve of accounts denominated in foreign currency, amounting to €1,565 thousand;
- the positive impact of the change of €1,072 thousand in the fair value of hedging derivatives;
- other negative changes amounting to €380 thousand.

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

Share Capital

The share capital as at 31 December 2021 amounted to €36,120 thousand.

Reserve for derivative financial instruments valued at fair value

The cash flow hedge reserve includes the effective portion of the cumulative net change in the fair value of hedging instruments used in the cash flow hedge, pending subsequent recognition in net income/(loss) for the year, or included directly in the initial cost or other book value of a non-financial asset or non-financial liability. The value as at 31 December 2021, net of the tax effect, was negative for €199 thousand.

Translation reserve

The translation reserve includes all foreign exchange differences arising from the translation of the financial statements of foreign operations and those arising from the effective portion of the hedge of a net investment in a foreign operation. As at 31 December 2021, the reserve amounted to €1,430 thousand.

Other reserves

As at 31 December 2021, these amounted to €6,885 thousand and include:

- Legal reserve, amounting to €7,224 thousand, is unchanged compared to the previous year;
- Own shares reserves in portfolio, equal to €11,212 thousand, did not change during the year; this item was recorded as part of the merger between Fidia Farmaceutici S.p.A. and Solmag S.p.A., which took place in 2008;

- Negative reserve for treasury shares in portfolio of €11,212;
- Negative OCI reserve amounting to €339 thousand.

First-Time Adoption Reserve

The reserve of €8,953 thousand originated as a result of the transition to the IFRS international accounting standards.

The Group's goals in managing capital are aimed at creating value for shareholders, safeguarding business continuity, guaranteeing the interests of stakeholders, as well as enabling efficient access to external sources of financing, such as to adequately support the development of the Group's activities.

A reconciliation of consolidated shareholders' equity with the shareholders' equity of the Parent Company is provided below.

thousands of Euros	Net Equity at at 31 December 2021	Profit for the year 2021	Net Equity at at 31 December 2020	Profit for the year 2020
Balances in the parent's financial statements	**195.080**	**28.619**	**172.164**	**46.812**
Consolidation adjustments:				
Consolidation of the carrying amount of net equity and net profit (loss) for the year of the investees, net of the carrying amount of the parent's investments therein	16.082	9.494	16.515	18.045
Net effect of other consolidation entries	4.516	1.353	(3.327)	(231)
Elimination of intragroup dividends	(2.994)	(2.994)	(10.800)	(10.800)
Change in consolidation scope	-	-	9	9
Balances in the consolidated financial statements of the Group	**212.683**	**36.471**	**174.561**	**53.835**
Effect of minority equity	-	-	-	-
Balances in the consolidated financial statements	**212.683**	**36.471**	**174.561**	**53.835**

4.14 Loans due beyond one year

As at 31 December 2021, loans due beyond the year amounted to €173,132 thousand with a net decrease of €41,403 thousand compared to €214,535 thousand as at 31 December 2020, broken down as follows:

- €12,192 thousand referring to a decrease in bank borrowings, mainly due to the combined effect of capital repayments made in 2021 (€91 million, of which €58 million relating to the syndicated loan repaid in full) and the disbursement of new loans (€80 million); these are two loans of respectively €30 and 50 million disbursed on 21 and 28 April 2021, both with a duration of 5 years, with quarterly instalments in arrears and expiring on 30 June 2026 and 31 January 2026 respectively;
- €29,000 referring to reclassification of the bond loan from a payable due beyond one year to a payable due within one year.

Conditions and repayment plans of the loans

The following table shows the breakdown of medium- and long-term loans as at 31 December 2021 and 2020:

thousands of Euros	Currency	Nominal interest rate	Maturity	at 31 December 2021		at 31 December 2020	
				Nominal value	Accounting value	Nominal value	Accounting value
Granted to Fidia Farmaceutici S.p.A.							
Amortizing loan	€	Variable	2022			18.000	17.963
Bullet loan	€	Variable	2023			40.000	39.866
Amortizing loan	€	Variable	2024	29.250	29.202	38.250	38.179
Amortizing loan	€	Fixed	2024	12.084	12.084	16.056	16.056
Amortizing loan	€	Variable	2025	57.600	57.382	68.800	68.501
Amortizing loan	€	Variable	2025	13.350	13.350	15.000	15.000
Amortizing loan	€	Variable	2025	21.667	21.631	25.000	24.950
Amortizing loan	€	Fixed	2026	30.000	30.000		
Amortizing loan	€	Variable	2026	46.052	46.052		
Other loans	€			635	635	620	620
Lease liabilities and IFRS 16				5.486	5.412	4.088	4.049
Bonds				29.000	29.000	29.000	29.000
Total loans granted to the parent company				**245.124**	**244.748**	**254.814**	**254.184**
Granted to other Group companies							
Other loans				25	25	-	(0)
Lease liabilities and IFRS 16				4.057	3.814	5.046	4.709
Total loans granted to other Group companies				**4.082**	**3.838**	**5.046**	**4.709**
Total loans (by and over)				**249.206**	**248.586**		**258.893**
Total loans at amortised cost					(302)		(591)
Loans due within the year - current liabilities				**75.454**	**75.454**	**44.358**	**44.358**
Loans due over the year - non-current				**173.752**	**173.132**	**215.126**	**214.535**
Total loans (by and over)					**248.586**		**258.893**

Financial payables to third parties were recorded following the introduction of the IFRS 16 standards for a value of €9.2 million related to the lease commitments undertaken by the company.

The maturities of financial liabilities in terms of the nominal value of the expected outlay, as contractually defined, are described below:

thousands of Euros	at 31 December 2021
2022	75.454
2023	45.545
2024	45.548
2025	55.934
2026	25.230
over	875
Total loans (by and over)	**248.586**

Derivative financial instruments

As at 31 December 2021, these loans refer entirely to the Parent Company. In order to hedge the risk of fluctuations in interest rates, the Company has entered into Interest rate swap (IRS) transactions, whose original notional values are described in the table below and whose repayment schedules coincide with those of the underlying loans. As at 31 December 2021, these transactions showed an overall negative mark-to-market of €358 thousand and a positive mark-to-market of €95 thousand.

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

thousands of Euros	Risk covered	at 31 December 2021		at 31 December 2020	
		Fair value positive/(negative)	Notional amount	Fair value positive/(negative)	Notional amount
Cash flow hedge derivatives					
Interest rate Swap	Interest rate	49	21.666	(233)	25.000
Interest rate Swap	Interest rate	-	-	(33)	6.000
Interest rate Swap	Interest rate	-	-	(33)	6.000
Interest rate Swap	Interest rate	-	-	(33)	12.000
Interest rate Swap	Interest rate	-	-	(221)	13.333
Interest rate Swap	Interest rate	-	-	(222)	13.333
Interest rate Swap	Interest rate	-	-	(222)	13.333
Interest rate Swap	Interest rate	(69)	13.350	24	15.000
Interest rate Swap	Interest rate	-	-	(76)	8.250
Interest rate Swap	Interest rate	(289)	29.250	(625)	30.000
Interest rate Swap	Interest rate	46	46.052	-	-
Total derivatives		**(263)**	**110.318**	**(1.672)**	**142.249**

Interest rate risk hedging transactions are classified as cash flow hedges in accordance with IFRS 9.

The carrying value of hedging transactions falls within level 2 of the fair value hierarchy.

Please refer to paragraph 6.2 for a description of the company's exposure to liquidity risk.

Loan covenants

In view of the bank loans, the company is bound to comply with certain financial ratios to be calculated on the consolidated financial statements as follows:

- ratio of net financial position to EBITDA not exceeding 3;
- ratio of EBITDA to financial expenses not exceeding 6.

The parameters as at 31 December 2021 are met.

Reconciliation of financial liabilities deriving from loans

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

thousands of Euros	at 31 December 2020	Cash flow	Acquisitions	Other	at 31 December 2021
Non-current bank loans	179.744	(12.309)		117	167.552
Other non-current financial liabilities	34.791	(211)		(29.000)	5.580
Non-current financial liabilities (A)	**214.535**	**(12.520)**	-	**(28.883)**	**173.132**
Current bank loans	41.391	1.418			42.809
Other current financial liabilities	2.967	678		29.000	32.645
Current financial liabilities (B)	**44.358**	**2.096**	-	**29.000**	**75.454**
Financial liabilities (A) + (B)	**258.893**	**(10.424)**	-	**117**	**248.586**

Financial lease liabilities

The following table illustrates the maturity dates of finance lease liabilities recorded as at 31 December 2021 and 2020.

	Minimum payments for leasing		Interex		Minimum payments present value	
thousands of Euros	2021	2020	2021	2020	2021	2020
Within the year	3.725	2.939	141	72	3.584	2.867
Over the year	4.653	4.467	176	305	4.477	4.162
Total payables for leasing	**8.379**	**7.406**	**318**	**376**	**8.061**	**7.029**

Leases exempt from IFRS 16 relate to low-value leases (worth less than US$5 thousand) and leases with a contractual duration of less than 12 months.

The table below shows the classes of financial instruments held by the Company.

thousands of Euros	Loans and receivables	Financial assets at fair value	Derivative instrument	'Investments held to maturity	'Financial assets available for sale	Total
Financial assets:						
Trade receivables	102.403	-	-	-	-	102.403
Tax receivables	3.808	-	-	-	-	3.808
Other current assets	8.155	-	-	-	-	8.155
Derivative instruments at fair value	-	-	95	-	-	95
Non-current receivables	1.317	-	-	-	-	1.317
Cash and cash equivalents	139.017	-	-	-	-	139.017
Total Financial assets	**254.700**	-	**95**	-	-	**254.795**

thousands of Euros	Liabilities at amortized cost	Liabilities at fair value	Derivative instrument at fair value	Total
Financial liabilities:				
Loans	248.586			248.586
Provisions for risks and charges	5.916			5.916
Derivative instruments at fair value	-		358	358
Other non-current payables	589			589
Trade payables	60.524			60.524
Tax payables	4.020			4.020
Other current liabilities	29.999			29.999
Total Financial liabilities	**349.634**	-	**358**	**349.991**

The Group only evaluates derivative contracts at fair value. The value of amounts due to banks and other loans, recorded at amortised cost and contracted at variable interest rates, does not differ appreciably from their fair value.

All financial instruments recorded at fair value can be classified into the three categories defined below:

Level 1: Market quotation.

Level 2: Valuation techniques (based on observable market data).

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

All assets and liabilities that are valued at fair value as at 31 December 2021 are classified within fair value hierarchy level number 2. In addition, there were no transfers from Level 1 to Level 2 or Level 3 and vice versa during the year.

Net financial position

In order to complete the analysis of the Group's financial position, the following summary is also provided.

thousands of Euros	at 31 December 2021	at 31 December 2020
Cash and cash equivalents	96.899	175.032
Short-term bank deposits	42.118	6.048
Other financial assets	-	11.136
Short-term financial investments and cash	**139.017**	**192.215**
Loans due within the year	(42.809)	(41.343)
Lease liabilities due within the year	(3.645)	(3.014)
Bonds	(29.000)	-
Current financial debt	**(75.454)**	**(44.358)**
Short-term financial debt	**63.563**	**147.857**
Bonds	-	(29.000)
Loans due over the year	(167.552)	(179.791)
Lease liabilities due over the year	(5.580)	(5.744)
Non-current financial debt	**(173.132)**	**(214.535)**
Net financial debt	**(109.569)**	**(66.678)**

4.15 Employee severance indemnities and other benefits

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

	Employees' leaving entitlement		Other	
thousands of Euros	**2021**	**2020**	**2021**	**2020**
Balance at 31 December 2020	*11.777*	*13.142*	-	-
Included in profit (loss) for the year:	**(974)**	**(1.491)**	-	-
Cost related to job positions	430	593		
Employee benefits paid	(1.399)	(2.127)		
Net financial (income) expense	(5)	44		
Included in the other components of the income statement:	**53**	**126**	-	-
Actuarial losses	53	126		
Other variations	-	-	341	-
Balance at 31 December 2021	**10.856**	**11.777**	**341**	-

Severance indemnities relate to the Italian companies of the Group and, on the basis of national legislation, they accrue on the basis of service rendered and are paid out when the employee leaves the company.

The treatment due to the termination of the employment relationship is calculated based on its duration and on the taxable remuneration of each employee. The liability, annually revalued on the basis of the official cost of living and statutory interest rate, is not associated with any accrual condition or period, nor with any financial funding obligation; therefore, there is no activity at the service of the provision.

The discipline was subsequently supplemented by Legislative Decree no. 252/2005 and by Law no. 296/2006 which, for companies with at least 50 employees, has established that the portions accrued since 2007 be allocated, on the employees' option, either to the INPS Treasury Fund or to supplementary pension schemes, assuming the nature of "Defined contribution plan".

However, revaluations of amounts outstanding at the option date, as well as, for companies with less than 50 employees, also those amounts accrued and not allocated to complementary pension funds, remain recorded as severance indemnities for the Parent Company. In accordance with IAS 19, this provision is accounted for as a "Defined benefit plan".

The tables below describe the financial and demographic assumptions adopted in calculating the liability in application of IAS 19:

Financial assumptions	**at 31 December 2021**	**at 31 December 2020**
Annual discount rate	0,98%	0,16%
Annual inflation rate	1,75%	0,80%
Annual rate of increase in severance pay	2,81%	2,10%

Lastly, the item Other employee benefits (€341 thousand) includes the liability for a Long Term Incentive plan for certain senior managers, which provides for the payment of a three-year bonus upon achievement of certain economic goals set out in the three-year business plan.

4.16 Provision for risks and charges (non-current)

The following table shows the breakdown of provisions for non-current risks and charges.

thousands of Euros	**Provision for agents' termination benefits**	**Structural interventions provision**	**Land restoration provision**	**Provision for risk and charges**	**Total**
Balance at 31 December 2020	***542***	***2.217***	***1.883***	***2.382***	***7.024***
Increase					-
Provisions for the year	92				92
Amounts used during the year	(47)	(260)		(1.688)	(1.995)
Amounts written off during the year	(5)		(700)	700	(5)
Release of the discount rate					-
Balance at 31 December 2021	**582**	**1.957**	**1.183**	**1.394**	**5.116**

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

The *Structural Provisions* decreased by €260 thousand due to maintenance interventions on the production complex.

The *Provision for Land Restoration* was set up in FY 2014 by reclassifying the depreciation of land included under depreciation provisions, in compliance with the provisions of OIC 16 which, in its new version, eliminated the provision that allowed the value of the land not to be separated from the buildings on which they stand when the value of the land coincides with the value of the site restoration/reclamation provision, on the assumption that separate recognition of the land and the related provision provides a better representation to the reader of the financial statements. The provision underwent a decrease of €700 thousand during the year and is consequently shown in the financial statements at €1,183 thousand. This amount is believed to represent the charge reasonably to be incurred for future remediation activities.

The Provision for risks and charges, the balance of which represents the valuation of risks deriving from disputes with third parties, shows a net use of €1,699 thousand due mainly to the conclusion, following an arbitration award, of a commercial dispute of the Parent Company and an increase of €700 thousand following the reclassification of part of the Provision for Land Restoration to cover new potential risks.

4.17 Deferred tax liabilities

As at 31 December 2021, deferred taxes amounted to €2,444 thousand, down €352 thousand compared to 31 December 2020 (€2,796 thousand).

The Provision for Deferred Taxes underwent the following changes during the year:

- a decrease of €43 thousand in the Parent Company due to the combined effect of changes in hedging instruments and uncollected dividends;
- a decrease of €219 thousand in deferred tax liabilities following the consolidation entries relating to finance leases;
- other net decreases amounting to €90 thousand.

The provision in place at year-end refers to the recognition of deferred taxes on other income components that have been recognised in this Income Statement or in that of previous years on an accrual basis in fiscal years subsequent to the recognition of deferred taxes.

4.18 Derivative instruments valued at fair value (non-current)

The market valuation (fair value) as at 31 December 2021 of the interest rate swaps hedging certain loans showed a total liability calculated as €358 thousand, representing the missed opportunity to pay in the future, for the duration of the loans, the variable interest rates currently expected instead of the agreed rates. The valuation relates to interest rate swaps entered into by the Parent Company to hedge interest rates on loans identified in note 4.14.

During FY 2021, forward sale transactions were carried out by Fidia Farmaceutici S.p.A. to cover intercompany collections in US dollars from the subsidiary Fidia Pharma Inc. As at 31 December 2021, there were no forward sales transactions.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in IFRS 13 (see note 2). Fair value is equal to the present value of estimated future cash flows. Estimates of future variable rate cash flows are based on quoted swap rates, futures prices and interbank rates. Estimated cash flows are discounted using a yield curve, which reflects the benchmark interbank rate applied by market participants to value interest rate swaps.

4.19 Other non-current payables

As at 31 December 2021, other payables recorded under non-current liabilities amounted to €589 thousand and refer to tax payables due beyond the year relating to the long-term portion of the substitute revaluation tax whose recognition is envisaged by the so-called August Decree as described in note 4.6.

4.20 Trade payables

Trade payables, entirely of a commercial nature and including year-end provisions for invoices to be received, amounted to €60,524 thousand as at 31 December 2021 (€37,328 thousand in 2020). The increase is mainly due to an increase in payables for assets under construction (€12,683 thousand).

The table below provides a breakdown of trade payables as at 31 December 2021 and 31 December 2020.

thousands of Euros	at 31 December 2021	at 31 December 2020	Change
Trade payables	60.524	37.328	23.195
Trade payables	**60.524**	**37.328**	**23.195**
Non-current	-	-	-
Current	60.524	37.328	23.195
Trade payables	**60.524**	**37.328**	**23.195**

4.21 Tax payables

As at 31 December 2021, tax payables amounted to €4,020 thousand (€4,267 thousand as at 31 December 2020) and mainly include tax payables, net of advances paid, determined by the companies on the basis of taxable income, and payables to the tax authorities as withholding agent.

4.22 Other current liabilities

As at 31 December 2021, other current liabilities amounted to €29,999 thousand, up by €2,470 thousand compared to 31 December 2020 (€27,529 thousand) mainly due to the increase in accrued expenses for employees and directors.

The following table shows the breakdown of other current liabilities as at 31 December 2021 and 31 December 2020.

thousands of Euros	at 31 December	at 31 December	Change
Accrued costs	3.936	2.789	1.146
Deferred revenues	370	365	5
Advance payments	53	82	(29)
Other payables	20.009	18.988	1.021
Payables to social security institutions	5.632	5.305	327
Total other payables	**29.999**	**27.529**	**2.470**
Non-current	589	1.177	(588)
Current	29.999	27.529	2.470
Total other payables	**30.588**	**28.706**	**1.882**

4.23 Provisions for risks and charges (current)

As at 31 December 2021 provisions for risks and charges amounted to €800 thousand and relate to the allocation of the Assinde Provision, which represents the risk deriving from returns relating to sales in 2021 that are estimated to be processed in 2022 by Assinde itself, and that will be charge in that period, based on the Return Policy agreement.

Changes in provisions for current risks and charges are shown in the following table.

thousands of Euros	Provision for agents' termination benefits	Structural interventions provision	Land restoration provision	Assinde provision	Provision for risk and charges	Total
Balance at 31 December 2020	-	-	-	*800*	-	*800*
Increase	-	-	-	-	-	-
Provisions for the year	-	-	-	-	-	-
Amounts used during the year	-	-	-	-	-	-
Amounts written off during the year	-	-	-	-	-	-
Release of the discount rate	-	-	-	-	-	-
Balance at 31 December 2021	-	-	-	**800**	-	**800**

4.24 Derivative instruments valued at fair value (current)

As at 31 December 2021, there are no current derivative instruments. Refer to note 4.18 for a breakdown of non-current derivative instruments.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in IFRS 13 (see note 2). Fair value is equal to the present value of estimated future cash flows. Estimates of future variable rate cash flows are based on quoted swap rates, futures prices and interbank rates. Estimated cash flows are discounted using a yield curve, which reflects the benchmark interbank rate applied by market participants to value interest rate swaps.

4.25 Loans due within one year

The value of the loans due within the year as at 31 December 2021 is equal to €75,454 thousand and includes the short-term portion of bank loans described in section 4.14. This item also includes use of short-term credit lines, from overdraft positions of certain foreign subsidiaries and from interest accrued on outstanding loans.

As at 31.12.2021, this item includes the value of bonds as shown in the table:

thousands of Euros	at 31 December 2021	at 31 December 2020
Collections deriving from the issue of bonds	29.000	29.000
Transaction costs	-	-
Net proceeds	**29.000**	**29.000**
Discount on bond loans	-	-
Interest accrued	582	582
Book value of the bonds	**29.582**	**29.582**

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

- €18 million, represented by 18,000 bonds €1,000.00 each, with a duration 1 December 2020 - 30 September 2022, interest payable semi-annually in arrears;
- €11 million, represented by 11,000 bonds €1,000.00 each, with a duration 01 October 2020 - 30 September 2022, interest payable semi-annually in arrears.

4.26 Fair value of financial assets and liabilities

As provided for by IFRS 7, the comparison between the value recorded in the financial statements as at 31 December 2021 and the related fair value of financial assets and liabilities is presented:

thousands of Euros	Accounting value	Fair Value
Financial assets at fair value		
Other equity investments and securities	89	89
Derivative instruments at fair value	95	95
Financial assets not measured at fair value		
Short-term financial investments and cash	139.017	139.017
Trade receivables	102.403	102.403
Other receivables	8.155	8.155
Total financial assets	**249.760**	**249.760**
Financial assets at fair value		
Derivative instruments at fair value	358	358
Other non-current payables		-
Financial assets not measured at fair value		
Bonds	29.000	29.000
Lease liabilities	8.061	8.061
trade payables	60.524	60.524
Other payables	29.999	29.999
Other non-current payables	589	589
Financial debts	211.525	211.525
Total financial liabilities	**340.055**	**340.055**

5. INFORMATION ON THE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

The main balances of the 2021 consolidated income statement are analysed below. Details of the balances of items in the consolidated income statement deriving from transactions with related parties are provided in the Report on Operations.

5.1 Revenues and other income

The Group's revenues derive from contracts with customers and are broken down as follows:

thousands of Euros	2021	2020	Change
Total revenues from sales and services	358.539	309.663	48.876
Other revenues	12.661	9.987	2.674
Total net revenues	**371.200**	**319.650**	**51.550**

Revenues from products and services include the sale of pharmaceuticals, medical devices and active ingredients, as well as revenues from third-party activities (CMO) for the production of vaccines.

Other revenues include revenues from the license to use the trademark for €5.4 million, compensation for sundry damages for €2.4 million, revenues from claims and fees for €1.2 million, sundry insurance reimbursements for €0.6 million and other revenues for €3.1 million.

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

5.2 Operating costs

Operating costs in 2021 totalled €317,363 thousand, an increase of €37,645 thousand compared to 2020. Below is the classification of costs by purpose for fiscal years 2021 and 2020.

thousands of Euros	2021	2020	Change
Cost of sales	136.625	118.199	18.427
Sales and Marketing Expenses	113.483	98.661	14.822
Research and Development Expenses	22.597	19.209	3.388
General & Administrative Expenses	44.170	43.566	604
Other Income and Expenses	488	84	404
Total operative costs	**317.363**	**279.719**	**37.644**

The cost of sales amounted to €136,625 thousand, with a margin of 36.8% in line with 2020 (37.0%).

Selling expenses amounted to 113,483 thousand or 30.6% of revenues, in line with 2020 (30.9%).

Research and development expenses amounted to €22,597 thousand, with a stable incidence on revenues of 6.1%.

General and administrative expenses as a percentage of revenues, amounting to €44,170 thousand (11.9%), fell by 1.7% compared with the previous year, due to the fact that they are not directly linked to the turnover.

Other net expense/(income) amounted to €488 thousand and primarily referred to the following costs of the Parent Company:

- write-down of fixed assets for €190 thousand;
- various taxes and duties for €120 thousand;
- sundry non-deductible expenses for €93 thousand.

The following table shows operating costs classified by nature.

thousands of Euros	2021	2020	Change
Raw materials, consumables, supplies and goods	89.171	83.661	5.510
Services	103.765	92.643	11.122
Use of third-party assets	2.331	1.992	339
Wages and salaries	95.951	90.891	5.060
Depreciation of fixed assets	21.084	17.579	3.505
Write-downs of fixed assets	282	616	(334)
Write-downs of current receivables	390	695	(306)
Change in raw materials	1.422	(9.257)	10.678
Provisions for risks and other provisions	91	98	(7)
Other operating costs	2.876	800	2.076
Total operating costs	**317.363**	**279.719**	**37.644**

The most significant changes are linked to the increase in the cost of raw materials and goods for resale and third-party processing, changes that are primarily linked to the increase in sales volumes during the year, as described in greater detail in the Report on Operations to which reference should be made.

Costs for services mainly refer to third-party processing of semi-finished or packaged products (€27,931 thousand), technical, marketing, legal and administrative consultancy services amounting to €17,059 thousand, external research consultancy (€8,855 thousand), transport costs (€13,580 thousand), advertising and representation activities amounting to €17,984 thousand. The residual value of service costs also refers to plant maintenance, fees to third-party collaborators, travel expenses and employee training, fees to directors and statutory auditors (for which reference to note 6.8 should be made) and commissions to agents.

The increase in personnel costs (€5 million) is mainly linked to the increase in the number of employees, normalisation of bonus policies and reduction in the use of the vacation provision compared to 2020.

A breakdown of the Group's headcount as at 31 December is provided below:

	Female		Male		Total		%
	Workforce	Average Age	Workforce	Average Age	Workforce	Average Age	
Italy	531	43	566	45	1.097	44	79%
International	134	38	150	38	284	38	21%
Totale	**665**	**42**	**716**	**44**	**1.381**	**43**	100%
%	48%		52%		100%		

Amortisation and depreciation for the period amounted to €21,084 thousand and included €13,996 thousand for tangible assets, of which €3,881 thousand refer to the amortisation of assets for rights of use as per IFRS 16, and the remainder, €7,088 thousand, to intangible assets.

Among the write-downs, we point out €282 thousand relating to the write-down of intangible assets (of which €192 thousand on intangible assets underway and €90 thousand for the adjustment of the value of the goodwill of the Glynn group) and €390 thousand relating to the write-down of trade receivables as per note 4.8 recorded among the assets of Fidia Pharma USA.

5.3 Net financial income and expenses

Net financial expenses/(income) in 2021 amounted to €2,269 thousand with a negative balance, down by €578 thousand compared to the previous year: the change is mainly due to the increase of the item Other Financial expenses, up by €597 thousand, mainly due to the early closure of the derivative on the syndicated loan settled in 2021.

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

thousands of Euros	2021	2020	Change
Interest income			
Active loans	64	136	(72)
Other	377	274	103
Exchange gains	975	357	618
Financial income	**1.416**	**767**	**649**
Interest expense			
Lease liabilities	(363)	(288)	(75)
Exchange losses	(320)	(871)	551
Expenses for discounting employee benefits	6	(44)	49
Other	(3.007)	(2.381)	(597)
Financial expenses	**(3.685)**	**(3.584)**	**(71)**
Financial income and charges	**(2.269)**	**(2.817)**	**578**

5.4 Taxes

Taxes amounted to €15,096 thousand and included the income taxes of all the Group's consolidated companies, as well as the regional tax on productive activities foreseen for companies resident in Italy (IRAP).

The incidence of taxes on pre-tax profit was -29.6% compared to the positive incidence of 45% in the previous year mainly due to the tax credit from the Patent Box and the future tax benefits related to the revaluation pursuant to LD 104 carried out in 2020.

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

Net current taxes for €11,753 thousand, broken down as follows:

- €7,002 thousand for IRES due for FY 2021;
- €1,665 thousand for IRAP due for FY 2021;
- €3,086 thousand for other current taxes relating to subsidiaries

Deferred and prepaid taxes for €3,343 thousand, broken down as follows:

- €2,530 thousand of deferred taxes (positive effect) on the reversal of assets sold within the Group;
- €5,932 thousand of deferred taxes (negative effect) relating to the statutory revaluation of fixed assets;
- €501 thousand of deferred taxes (negative effect) relating to the benefit of tax loss of the Group carried forward;
- €118 thousand of deferred taxes (negative effect) relating to use of taxed provisions;
- €209 thousand of deferred taxes (negative effect) relating to differences in the value of fixed assets:
- €396 thousand of deferred taxes (negative effect) on the reversal of intercompany inventory margin;
- €219 thousand of deferred taxes (positive effect) on the depreciation of leased assets;
- €1,064 thousand of deferred taxes (positive effect) relating to other items.

The table below distinguishes between current and deferred taxes for FY 2021 and 2020.

thousands of Euros	2021	2020
Current income taxes		
IRES	(7.002)	(9.463)
IRAP	(1.665)	(1.438)
Other current income taxes	(2.542)	(1.377)
Adjustments related to prior years	(545)	14.033
Current income taxes	**(11.753)**	**1.756**
Active and Passive deferred taxes		
IRES/IRAP	(4.973)	14.525
Other Active and Passive deferred taxes	1.630	439
Active and Passive deferred taxes	**(3.343)**	**14.965**
Income taxes	**(15.096)**	**16.721**

The table below shows a reconciliation between the corporate income tax rate in force in Italy and the effective consolidated tax rate.

thousands of Euros	2021	2021	2020	2020
Profit before tax		51.568		37.114
Income tax using the national tax rate	*27,9%*	*14.387*	*27,9%*	*10.355*
Effect of tax rates in foreign jurisdictions	-0,9%	(459)	-0,9%	(348)
Effect of shooting increasing and decreasing	3,3%	1.712	2,4%	893
Tax benefit from 2020 asset revaluation	0,0%	-	-36,6%	(13.594)
Tax benefit 2020 from "Patent Box"	0,0%	-	-37,8%	(14.034)
Other taxes relating to previous years	-1,1%	(544)	0,0%	7
Tax rate on profit before tax	**29,3%**	**15.097**	**-45,1%**	**(16.721)**

6. Other information

6.2 Information on financial risks

The Group constantly monitors the financial risks to which it is exposed, in order to take immediate action to mitigate their effects.

As provided for in IFRS 7, information on the main financial risks to which the Group is exposed is given below.

Credit Risk

Credit risk relates to potential losses as a result of the inability of commercial counterparties to meet their obligations.

The Group mainly operates with private customers, represented by pharmacies, medical clinics, opticians, wholesalers and distributors, but also with large industrial groups, as well as with the Public Administration (hospital sector).

The group carefully monitors its credit exposure through an internal reporting system, in order to contain potential losses. Each Group company handles credit recovery on the sales made in their respective markets. Coordination between the companies that operate on the same market is based on the electronic exchange of information on common customers and on the coordination of any halts on deliveries or commencement of legal actions.

The bad debt provision is the nominal amount due, less any receivables secured by bank guarantees. The recoverability of all guarantees shall be evaluated critically. The provision is based on the individual analysis of overdue amounts, of the customers known to have financial difficulties and of those receivables for which legal action has commenced. A generic analysis based on historical losses is also carried out.

Liquidity Risk

It is related to the possibility of having insufficient liquidity to manage the Group's normal transactions. The group closely monitors this risk on the basis of thorough weekly financial reporting on its net financial position. About 80% of the Group's gross debt is represented by fixed-rate debt with an average term of approximately 3 years. Any excess liquidity, i.e. liquidity in excess of free cash flow requirements, is invested in working capital securities, as described in greater detail in the notes to the financial statements, to which reference should be made. For this reason, part of the liquidity is subject to the risk arising from the market valuation of the underlying securities.

As required by IFRS 7, the following table shows the cash flows related to the Group's financial liabilities by maturity:

thousands of Euros	Bank loans	Bond	Other	Total
Within the following 12 months	42.809	29.000	3.645	75.454
Between 1 and 5 years	167.552	-	4.705	172.257
Over 5 years	-	-	875	875
Loans	**210.361**	**29.000**	**9.225**	**248.586**

In order to provide a better understanding of outstanding debt, the change in cash flow of bank loans as a result of changes in Euribor is reported below:

thousands of Euros	Accounting value	change in cash flow as the Euribor changes		
		-50 bps	Euribor at 31 dic 2021	+50 bps
Within the following 12 months	43.023	43.708	43.996	44.284
Between 1 and 5 years	167.338	169.212	169.740	170.268
Over 5 years			-	-
Bank Loans	**210.361**	**212.920**	**213.736**	**214.552**

Price Risk

The Group sells products reimbursed by the National Health System and other (OTC) non-reimbursable products.

The first group of products is a major public spending item for countries, exposing the Group to uncontrollable external risks, such as changes to the products covered by the National Health Service, the removal or reduction of reimbursability, the expenditure payback mechanism and patent expirations with the consequent introduction of generic drugs.

The second group of products is more influenced by macroeconomic factors, such as inflation and interest rate trends, which could impact the spending capacity of consumers.

In order to avoid these risks, the sales department closely monitors the group's markets, analysing their trends and possible developments.

Currency Risk

Since it sells its products in various countries, the Group is exposed to risks arising from exchange rate fluctuations. Currency risk mainly relates to sales transactions in US dollars and Russian rubles. The group's treasury unit closely monitors exchange rate trends, carrying out Euro conversion transactions to reduce the translation risk.

The Parent Company also holds equity investments in companies whose share capital is denominated in currencies other than the Euro. Changes in net equity arising from exchange rate fluctuations are recognised in a "translation reserve" under net equity. The risk arising from the translation of net equity is not currently hedged.

The following table shows a sensitivity analysis of the risk arising from the translation of receivables and payables as at 31 December 2021 in USD and RUB of the Group companies, for exchange rate changes in the range of +/- 10% compared to the year-end exchange rate and with the conversion to the exchange rate as at 30 March 2022:

thousands of Euros	at 31 December 2021			
USD	FX 31/12/2021	FX +10%	FX -10%	FX 30/03/2022
Receivables	13.935	12.668	15.484	14.186
Payables	(4.306)	(3.914)	(4.784)	(4.383)
Active current accounts	14.722	13.383	16.357	14.986
USD - Dollar USA	**24.351**	**22.138**	**27.057**	**24.789**

thousands of Euros	at 31 December 2021			
RUB	FX 31/12/2021	FX +10%	FX -10%	FX 30/03/2022
Receivables	1.531	1.391	1.701	1.395
Payables	(252)	(229)	(279)	(229)
Active current accounts	830	754	922	756
RUB - Russia	**2.109**	**1.917**	**2.343**	**1.922**

Risks of changes in the pharmaceutical legislative and regulatory framework

The pharmaceutical sector is highly regulated both nationally and internationally, thereby affecting activities at all levels. In order to reduce its dependence on the decisions of the individual national governments in terms of pharmaceutical expenditure, the Group pursues a strategy of diversifying and expanding its sales in various geographical areas. The pharmaceutical sector is also subject to national and international technical regulations governing how pharmaceutical research, development, production, distribution, and reporting are carried out. By policy, the Group constantly monitors regulatory developments in all the markets in which it operates through internal and external organisational structures.

6.3 Change in the scope of consolidation

It should be noted that during this financial year, Fidia Pharma UK Ltd and Fidia Pharma Switzerland SA, 100% controlled subsidiaries, were established: both companies have not been consolidated, as they did not carry out any significant operating activities during the period.

6.4 Guarantees

Guarantees have been provided in favour of third parties for €759 thousand and refer to guarantees towards the credit system issued in favour of third parties for €346 thousand and to insurance guarantee policies issued by Aviva Italia in favour of the Province of Padua for "provisional storage of special waste" for €413 thousand.

Third-party assets held by the Company amounted to €2,705 thousand and refer to goods on consignment, loan for use and deposit for €2,482 thousand, to third-party goods under processing for €131 thousand and to goods on loan for €92 thousand.

Commitments refer to residual rents relating to property purchased under financial leases for €1,164 thousand.

6.5 Disputes and contingent liabilities

Based on an analysis of contracts and litigation underway as of the date of preparation of these financial statements, no circumstances were noted that would indicate the need for provisions for contingent liabilities significantly different from those disclosed in these financial statements.

6.6 Transactions with related parties

The Group's direct Parent Company is P&R Farmaceutici S.p.A., which is owned by Fiore Farmaceutici S.r.l., based in Rodano (MI).

There are no credit and debit transactions with the Parent Company.

In compliance with the disclosure requirements established by art. 38 of Legislative Decree no. 127/91, it should be noted that the total fees due to the Parent Company's Directors and Statutory Auditors for carrying out their specific duties, including in other Group companies, in 2021 amounted to €3,524 thousand and €173 thousand, respectively.

Except as indicated above, to the best of our knowledge, there have been no transactions or contracts with related parties which, with reference to the materiality of the effects on the financial statements, could be considered significant in terms of value or conditions.

The following table shows a breakdown of receivables and payables due to and from the Parent Company in relation to Group Companies as at 31 December 2021.

	Assets			Liabilities		
thousands of Euros	Trade receivables	Other receivables	Financial activities	Trade payables	Other payables	Financial liabilities
S.C. BIOSOOFT ROMANIA	402	-	-	69	-	-
FIDIA PHARMA USA INC	3.364	-	-	-	-	-
FIDIA PHARMA GMBH	841	-	212	(98)	-	-
FIDIA PHARMA AUSTRIA GMBH	3	-	25	220	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	2.982	-	-	117	-	-
FIDIA PHARMA RUSSIA LLC	-	-	-	363	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	567	-	25
FIDIA EGYPT FOR MARKETING	510	-	-	508	-	-
FIDIA PHARMA CZ SRO	1.318	-	-	347	-	-
FIDIA PHARMA SLOVAKIA SRO	194	-	-	630	-	-
LABORATOIRES FIDIA SAS	128	-	1.321	3	-	-
FIDIA PHARMA SWITZERLAND *	40					
FIDIA PHARMA UK LTD*						24
Total subsidiaries	**9.782**	**0**	**1.558**	**2.726**	**0**	**49**

*entity no in consolidation scope

The following table shows a breakdown of the Parent Company's revenues and costs relating to Group Companies as at 31 December 2021.

	Revenues			Expenses		
thousands of Euros	Revenues	Other revenues	Net financial income	Costs of services	Costs of products	Net financial expenses
S.C. BIOSOOFT ROMANIA	1.988	-	500	69	-	-
FIDIA PHARMA USA INC	17.954	891	2.494	-	-	-
FIDIA PHARMA GMBH	4.432	-	5	187	268	6
FIDIA PHARMA AUSTRIA GMBH	-	-	3	806	-	-
LABORATORIOS FIDIA FARMACEUTICA SLU	2.817	3.283	14	542	21	0
FIDIA PHARMA RUSSIA LLC	-	-	-	2.594	-	-
FIDIA PHARMA MIDDLE EAST FZE	-	-	-	1.798	-	-
FIDIA EGYPT FOR MARKETING	-	-	17	1.520	-	-
FIDIA PHARMA CZ SRO	3.733	-	-	3.343	-	-
FIDIA PHARMA SLOVAKIA SRO	855	-	-	1.370	-	-
LABORATOIRES FIDIA SAS	183	-	32	3	2	0
Total subsidiaries	**31.961**	**4.174**	**3.065**	**12.231**	**291**	**6**
P&R FARMACEUTICI S.P.A.	-	-	64	-	-	-
Total parent	**-**	**-**	**64**	**-**	**-**	**-**
Total subsidiaries and parents	**31.961**	**4.174**	**3.129**	**12.231**	**291**	**6**

6.7 Subsequent events

There were no events occurring after the end of the financial year that would have a significant impact on these combined financial statements. For further information, reference to the Report on Operations should be made.

6.8 Fees paid to Directors, Auditors and Independent Auditors

In accordance with the law, the total fees due to the Directors, to the members of the Board of Statutory Auditors and to the Independent Auditors are shown.

	2021
Directors	3.524
Statutory auditors	173
Independent auditors	139
Other services	16
Total	**3.852**

These Notes form an integral part of the Group's Consolidated Financial Statements, and the accounting information contained therein corresponds to the accounts of the companies included in the basis of consolidation as they stand after combination, eliminations and adjustments.

With regard to the nature of the companies' activities, significant events and outlook, reference to the Consolidated Report on Operations should be made.

Abano Terme, 30 March 2022

For the Board of Directors

The Chairman

Carlo Pizzocaro

KPMG S.p.A.
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Fidia Farmaceutici S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Fidia Farmaceutici Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fidia Farmaceutici Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Fidia Farmaceutici S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Comparative figures

The consolidated financial statements present the corresponding prior year figures for comparative purposes prepared in accordance with the International Financial Reporting Standards endorsed by the European Union. These figures have been derived from the consolidated financial statements at 31 December 2020 prepared on a voluntary basis in conformity with the International Financial Reporting Standards endorsed by the European Union. These consolidated financial statements are unaudited.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2021 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2021 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2021 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Padua, 12 April 2022

KPMG S.p.A.

(signed on the original)

Alessandro Ragghianti
Director of Audit