

Labomar S.p.A.

Consolidated Financial Statements

December 31, 2020

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Financial Statements

Consolidated Balance Sheet

Assets

(Euro)	Notes	31/12/2020	31/12/2019
Intangible assets	1	15,734,599	17,186,199
Right-of-use	2	3,130,804	4,029,852
Property, plant and equipment	3	17,121,091	12,656,948
Investments	4	1,881,359	1,392,258
Non-current financial assets and derivative financial instruments	5	196,845	442,960
Deferred tax assets	18	162,159	127,526
Non-current assets		38,226,857	35,835,743
Inventories	6	9,546,220	8,127,369
Trade receivables	7	9,438,872	10,317,448
Other current assets	8	3,547,605	1,980,031
Unavailable cash in trust	9	858,167	4,795,177
Tax receivables	10	549,011	-
Current financial assets and derivative financial instruments	11	-	10,396
Cash and cash equivalents	12	33,660,632	6,882,057
Current assets		57,600,507	32,112,478
Total assets		95,827,363	67,948,220

The notes are presented in paragraph 9 "Notes to the main consolidated balance sheet accounts".



Liabilities

(Euro)	Note	31/12/2020	31/12/2019
Share capital	13	1,848,404	1,415,071
Reserves	13	36,370,493	8,478,437
Group shareholders' equity		38,218,897	9,893,508
Minority interest shareholders' equity		19,634	21,512
Total Shareholders' Equity		38,238,532	9,915,020
Non-current bank and other lender payables	14	24,555,382	17,168,373
Non-current financial liabilities for rights-of-use	15	2,232,622	2,784,734
Non-current payables for acquisition of business unit	20	567,110	1,113,272
Provisions for risks and charges	16	43,380	118,963
Post-employment benefit provision	17	2,591,486	2,065,079
Deferred tax assets	18	134,814	125,513
Non-current liabilities		30,124,794	23,375,933
Current bank and other lender payables	14	8,756,030	13,888,359
Current financial liabilities for rights-of-use	15	627,936	851,164
Other current financial liabilities and derivative financial instruments	19	88,673	11,141
Current payables for acquisition of business unit	20	1,133,517	4,167,694
Trade payables	21	12,685,358	11,565,894
Contractual liabilities	22	464,613	764,860
Other current liabilities	23	3,410,915	3,280,009
Tax payables	10	296,995	128,146
Current liabilities		27,464,038	34,657,266
Total liabilities		57,588,832	58,033,200
Total Shareholders' Equity and Liabilities		95,827,363	67,948,220

Consolidated Income Statement

(Euro)	Note	2020	2019
Revenues from contracts with customers	24	61,059,449	48,343,554
Other income	30	431,576	793,921
Raw materials, ancillaries, consumables and goods	25	(27,986,499)	(24,446,557)
Change in inventories		1,411,599	2,042,715
Service costs	26	(9,968,423)	(7,336,675)
Personnel costs	27	(13,456,040)	(10,105,949)
Amortisation, depreciation & write-downs	28	(4,048,764)	(3,273,151)
Provisions	29	-	-
Other charges	30	(167,311)	(195,134)
EBIT		7,275,586	5,822,724
Financial income	31	443,896	79,565
Financial charges	32	(684,198)	(319,736)
Net exchange gains/(losses)	33	(644,106)	(57,867)
Impairments on financial assets	34	497,942	38,128
Profit before taxes		6,889,120	5,562,813
Income taxes	35	(797,115)	(1,416,849)
Net Profit		6,092,005	4,145,965
Group Net Profit		6,093,883	4,148,953
Minority interest Net Loss		(1,878)	(2,988)
Basic earnings per ordinary share	13	0.40	0.29
Diluted earnings per ordinary share	13	0.40	0.29



Consolidated Comprehensive Income Statement

<i>(Euro)</i>	2020	2019
Net Profit	6,092,005	4,145,965
Other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes		
Change in Cash Flow Hedge reserve	(87,928)	16,163
Income taxes	21,103	(3,879)
Translation of financial statements in currencies other than the Euro	(801,614)	(24,331)
Total other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	(868,439)	(12,047)
Other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes		
Unrealised actuarial gains	(264,063)	(167,863)
Income taxes	63,375	40,287
Total other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes	(200,688)	(127,576)
Total other comprehensive income/(expense) for the year, net of taxes	(1,069,127)	(139,623)
Total comprehensive income/(expense)	5,022,878	4,006,342
Group share	5,024,756	4,009,330
Minority interest	(1,878)	(2,988)

Consolidated Cash Flow Statement

	2020	2019
NET PROFIT	6,092,005	4,145,965
Non-cash adjustments:	5,266,615	5,507,811
Amortisation, depreciation and write-downs of tangible, intangible and property assets	4,048,764	3,273,151
Provisions	489,700	328,510
Income taxes	797,115	1,416,849
Net interest income & charges	240,303	240,171
Other non-cash adjustments	(309,267)	249,131
Changes in operating assets and liabilities:	(1,693,503)	185,890
Change in inventories	(1,624,322)	(1,954,789)
Change in trade receivables	1,207,099	(1,097,829)
Change in trade payables	154,524	4,145,208
(Utilisation of provisions)	50,797	(96,210)
Other changes in operating assets and liabilities	(1,481,601)	(810,490)
Other receipts and payments:	(1,251,503)	(1,767,630)
Interest received (paid)	(134,598)	(197,527)
(Income taxes paid)	(1,116,905)	(1,570,103)
Other receipts (payments)	-	-
CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES	8,413,615	8,072,036
Investing activities:		
Investments in tangible assets	(6,254,187)	(3,489,893)
Divestment of tangible assets	28,060	100,462
Investments in intangible assets	(450,121)	(299,937)
Other cash flow changes from intangible assets	32,680	-
Acquisition of a business	622,466	(19,924,425)
Investments in financial assets	-	(565,455)
Divestment of financial assets	289,756	20,000
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	(5,731,346)	(24,159,247)
Financing activities:		
Paid-in share capital increase	24,800,632	24,500
Transactions between shareholders	-	-
Increase (Decrease) in bank loans	(1,504,429)	5,673,620
Increase (decrease) in short-term bank payables	3,759,109	10,626,804
(Increase) decrease in other financial liabilities	(890,707)	3,322,071
Dividends received (paid)	(1,900,000)	(1,100,000)
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	24,264,605	18,546,995
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,946,873	2,459,784
Currency effect on cash and cash equivalents	(168,300)	4,526
Cash & cash equivalents at beginning of the year	6,882,057	4,417,748
Increase (decrease) in cash and cash equivalents	26,778,573	2,464,310
Cash & cash equivalents at end of the year	33,660,632	6,882,057

Statement of changes in Consolidated Shareholders' Equity

See note 13 of paragraph "8. "Notes to the main balance sheet accounts".

Description	Share capital	Share premium reserve	Legal reserve	ITA Reserve	Actuarial Reserve	Extraor. reserve	Capital payments	Other reserves	SE measure Reserve	Cash Flow Hedging reserve	Retained earnings/accum. losses	Translati on Reserve	Net profit/ (loss)	Group Share. Equity	Min. interest share. equity	Total Share. Equity
December 31, 2018	1,415,071	2,584,929	283,015	910,666	(57,037)	-	-	(2,095,656)	-	(12,850)	7,044	-	4,348,997	7,384,179	-	7,384,179
Allocation of 2018 Result											4,348,997		(4,348,997)			
2019 Result													4,148,953	4,148,953	(2,988)	4,145,965
Reclassification other reserves								2,095,656			54,103					
<i>Other comprehensive income/(expense):</i>																
Cash flow hedges										12,284				12,284		12,284
Translation differences												(24,331)		(24,331)		(24,331)
Adjustment post-em. bens.														(127,576)		(127,576)
Comprehensive income/(expense)										12,284		(24,331)	4,148,953	4,009,330	(2,988)	4,006,342
Dividends											(1,500,000)			(1,500,000)	-	(1,500,000)
Incorporation Herbae															24,500	24,500
December 31, 2019	1,415,071	489,273	283,015	910,666	(238,716)	-	-	-	-	(566)	2,910,144	(24,331)	4,148,953	9,893,508	21,512	9,915,020
Allocation of 2019 Result											494,384		(4,148,953)			
2020 Result													6,093,883	6,093,883	(1,878)	6,092,005
Reclassification other reserves											(54,104)					
<i>Other comprehensive income/(expense):</i>																
Cash flow hedges										(66,825)				(66,825)		(66,825)
Translation differences												(801,614)		(801,614)		(801,614)
Adjustment post-em. bens.														(200,688)		(200,688)
Comprehensive income/(expense)										(146,584)	494,384	(66,825)	1,944,930	5,024,756	(1,878)	5,022,878
Dividends											(1,500,000)			(1,500,000)		(1,500,000)
Share capital increase - listing														25,999,998		25,999,998
Listing charges														(1,199,366)		(1,199,366)
December 31, 2020	1,848,404	24,856,571	283,015	910,666	(385,300)	-	-	-	494,384	(67,391)	5,010,609	(825,945)	6,093,883	38,218,897	19,634	38,238,532

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

1. General information

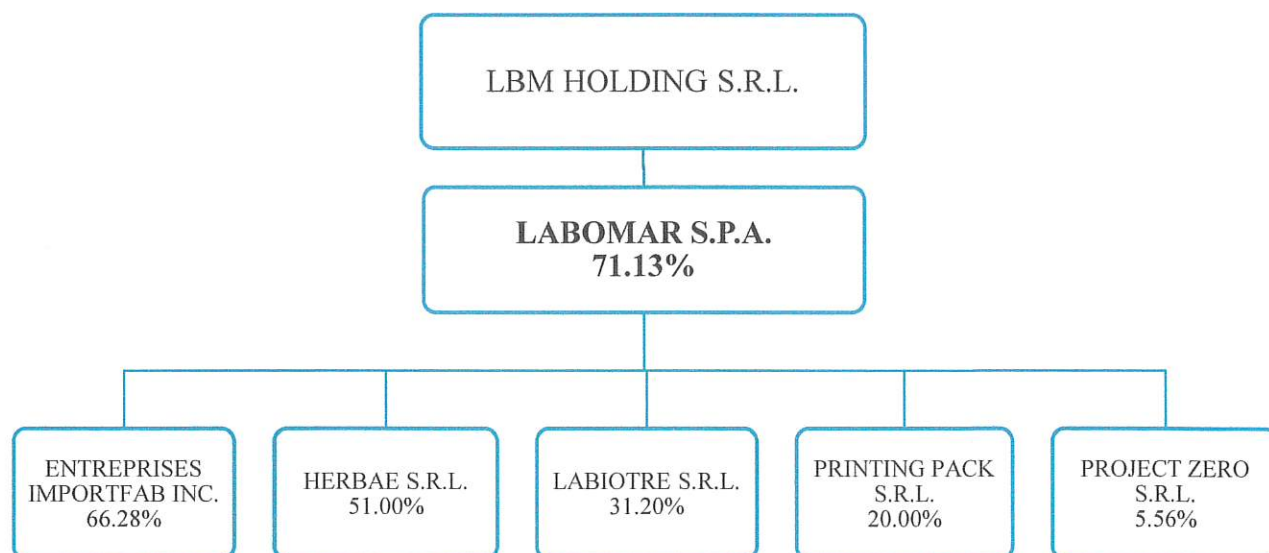
The parent company Labomar S.p.A. is an industrial company that undertakes the research, development and production of food supplements and medical devices at its headquarters and secondary offices located in Istrana (TV).

On November 27, 2018, the Board of Directors of Labomar S.p.A. adopted IFRS for the preparation of its financial statements.

The consolidated financial statements at December 31, 2020 of Labomar S.p.A were approved by the Board of Directors on March 29, 2021.

Labomar S.p.A. is required to prepare the consolidated financial statements from the year ended December 31, 2019, as it holds controlling interests in other companies. Labomar S.p.A. is also subject to consolidation by the company LBM Holding S.r.l.

The following table presents the Group structure within which Labomar S.p.A. currently operates.



Entreprises Importfab Inc.: a Canadian-registered company incorporated in October 2019, which in addition to Labomar S.p.A., is held by SIMEST-SACE. On November 1, 2019, it acquired the operating assets of Entreprises Importfab Inc., a Canadian company based in Montreal, specialised, since 1990, in the production and packaging of liquid and semi-liquid pharmaceuticals, in addition to medical devices for the pharmaceutical, cosmetics and nutraceutical industry.

Herbae Srl: incorporated at the end of 2019 in partnership with Zero Srl, the company is in the start-up phase and will develop projects for the cultivation of medicinal and similar plants using Vertical Farming techniques, developed by Zero Srl, with parties interested in creating new products (food supplements, medical devices and similar) that use the active ingredients from plants grown in this manner.

Labiotre Srl: founded in 2011 in partnership with Biodue S.p.a. and involved in the extraction of active plant ingredients, using proprietary technology and know-how exclusively for the end-customer. Labiotre Srl supplies Labomar with raw materials and natural vegetable extracts to be used in the production cycle.

Printing Pack Srl: founded in July 2013 following the merger of various entities with twenty-years experience in the graphics, paper and printing sector. The company is located in Sambuca Val di Pesa (FI) in the Tavarnelle industrial zone. Labomar acquired a 20% stake upon incorporation so as to guarantee a solid and secure high-quality and professional partner, with reduced timeframes for the procurement of cardboard for packaging.

Project Zero Srl: a holding company with a majority (78.75%) stake in Zero Srl, the company developing aeroponic cultivation technologies (Vertical Farms) which are suitable within a controlled environment, through the use of artificial intelligence, for the optimised cultivation of plants with high costs/value profiles or considered difficult-to-produce due to the absence of appropriate natural and environmental conditions.

1.2 Consolidation scope

The following table illustrates the consolidation scope at December 31, 2020 compared to December 31, 2019:

COMPANY	2020			2019		
	Group share	Direct holding	Note	Group share	Direct holding	Note
Parent Company						
Labomar S.p.A.	100.00%			100.00%		
Subsidiaries consolidated line-by-line						
Entreprises Importfab Inc.	100.00%	66.28%		100.00%	66.28%	
Herbae S.r.l.	51.00%	51.00%		51.00%	51.00%	
Associates consolidated at equity						
Labiotre S.r.l.		31.20%	4		31.20%	4
Printing Pack S.r.l.		20.00%	4		20.00%	4
Unilab Immobiliare S.r.l.		-	4		38.00%	
Project Zero S.r.l.		5.56%	4		5.00%	

Control of the business unit of a Canadian company was acquired last year through the incorporation of Entreprises Importfab Inc. The direct stake (66.28%) refers to the portion of legally-held share capital; the residual minority holding was subscribed by Simest through an “equity loan”, presented for accounting purposes as a financial liability, as outlined in greater detail in Note 14: the Group’s holding is therefore 100%.

The consolidated financial statements are drawn up as follows:

- the balance sheet figures reflect the consolidation of the assets and liabilities of Labomar S.p.A. and of the companies Entreprises Importfab Inc. and Herbae S.r.l.;
- the income statement figures reflect the consolidation of the costs and revenues of Labomar S.p.A. and of the companies Entreprises Importfab Inc. and Herbae S.r.l.;
- the financial year of the consolidated financial statements conclude on December 31, 2020 and coincides with the financial year of all of the Group companies;
- the balance sheet and income statement items of the consolidated subsidiaries were aggregated on a line-by-line basis;
- the investments in associates are measured under the equity method;
- transactions and balances between consolidated companies are fully eliminated. Gains and losses from transactions between consolidated companies not arising through transactions with third parties are eliminated;
- the financial statements of Entreprises Importfab Inc., prepared in accordance with law and Canadian GAAP, have been adjusted in line with IAS/IFRS, upon which the separate financial statements of the parent company are based;
- the financial statements of Herbae S.r.l., prepared in accordance with law and Italian GAAP, have been adjusted in line with IAS/IFRS, upon which the separate financial statements of the parent company are based;
- currency conversions were applied to financial statements expressed in currencies other than the reporting currency (Euro) - specifically the 2020 financial statements of Entreprises Importfab Inc., while the related Translation Reserve was recognised. The exchange rates applied for the translation of financial statements are as follows:

Currency	Exchange rate at 31.12.2020	Average exchange rate 2020	Exchange rate at 31.12.2019	Average exchange rate 2019
Canadian Dollar - CAD	1.5633	1.5300	1.4598	1.4635

2. Assessment of the going concern assumption by the directors

Although taking close account of the continued state of general economic crisis at the time of drawing up these financial statements, the directors consider, on the basis of the operating performances to date and its solid equity and financial position, that Labomar S.p.A. (hereafter the parent company) has the capacity to continue to operate over the foreseeable future and therefore the financial statements were drawn up on a going concern basis.

3. Basis of presentation of the financial statements

3.1 Statement of compliance with IFRS

The consolidated financial statements at December 31, 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and in force at the reporting date. The Explanatory Notes to the financial statements were supplemented with the additional information required by the Civil Code. "IFRS" refers to the International Accounting Standards ("IAS") in force, as well as those of the IFRS Interpretation Committee, previously known as the International

Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

3.2 Content and form of the consolidated financial statements

The consolidated financial statements of the Parent Company comprise:

- the **consolidated balance sheet** classified by current and non-current assets and liabilities based on their realisation or settlement within the normal operating cycle, not more than 12 months subsequent to the reporting date;
- the **consolidated income statement** which classifies costs and revenues by type, which is considered more representative than a breakdown by Group operating segment;
- a separate **consolidated comprehensive income statement** from the income statement, which presents the accounts directly recognised to shareholders' equity where provided for under IFRS;
- a **consolidated cash flow statement** drawn up according to the indirect method which presents the operating, investment and financial cash flows in the year;
- a **statement of changes in consolidated shareholders' equity** and the comprehensive income/expense for the year;
- the **explanatory notes** presenting all the disclosures required by current regulations and international accounting standards.

These consolidated financial statements are presented in Euro, the functional currency of the parent Company, in compliance with IAS 1.

The Parent Company set January 1, 2017 as the date of transition to IFRS (First Time Adoption - FTA date) and determined the effects of the transition to IFRS as at January 1, 2017 and December 31, 2017, preparing the reconciliations required by IFRS 1 (First-time Adoption of International Financial Reporting Standards), which are presented in paragraph 13 of the financial statements at December 31, 2018, to which reference should be made.

The consolidated financial statements were audited in accordance with Article 14 of Legislative Decree No. 39 of January 27, 2010 by the audit firm Ernst & Young S.p.A..

3.3 Consolidation principles

The consolidated financial statements include the financial statements of Labomar S.p.A. and its subsidiaries Entreprises Importfab Inc. and Herbae S.r.l. at December 31, 2020.

Investments of the Group in associates are measured using the equity method.

The Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

The profit/(loss) and each of the other comprehensive income statement items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group. All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation. Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other equity items, while any gain or losses are recorded in the income statement. Any holding maintained is recorded at fair value.

4. Accounting standards and interpretations

4.1 Accounting standards and interpretations effective from January 1, 2020 and thereafter

From January 1, 2020, the following accounting standards are mandatory:

- Amendments to IFRS 3 Business Combinations, issued by the IASB on October 22, 2018;
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform, issued on September 26, 2019;
- Amendments to IAS 1 and IAS 8: Definition of Material, issued on October 31, 2018;
- Amendments to the References to the Conceptual Framework in IFRS Standards, issued on March 29, 2018;
- Amendments to IFRS 16 Leases COVID 19-Related Rent Concessions, issued by the IASB on May 28, 2020 and made mandatory by the EU from June 1, 2020.

IFRS 3 – Business Combination

The amendments to IFRS 3 became necessary as a result of the post-implementation review of IFRS 3, which highlighted the need to provide assistance to entities in determining whether an acquisition is a business or a group of assets.

The changes essentially involved:

- updating the definition of a business;
- the addition of an (optional) concentration test;
- the addition of supplementary guidance including new illustrative examples.

In particular, the definitions of outputs and "business activity" are narrowed by focusing on the revenue from selling products and services to customers, rather than cost reductions. In addition, it is clarified that in order to be considered a business, the set of assets and activities acquired must include, at a minimum, a "production factor" and a "relevant process" that together contribute significantly to production capacity.

An optional concentration test has been added as a simplification to conclude that certain types of acquisitions are not business combinations.

Finally, the guidance on inputs, processes, and production in paragraph B7 is adjusted to match to the new definition, and extensive guidance is provided on what constitutes a relevant process.

Therefore, a set of assets and liabilities will require a minimum of relevant inputs and processes to be considered a business. Production factors and processes are major contributors to the ability to create output.

A substantive process is one that has all of the following characteristics:

- the acquired process is critical to the ability to develop or convert an acquired input into production;
- the acquired inputs include an organised workforce that is highly skilled, trained, or experienced to carry out the acquired process;
- acquired inputs include other inputs that the organised workforce can develop or convert into production.

The optional concentration test provides that the set of assets and activities may not qualify as a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, or a group of identifiable assets. If not, the set of assets and business activity is a business activity.

These amendments to IFRS 3 did not have any effect on the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by benchmark interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties about the timing and magnitude of cash flows based on benchmark rates with respect to the hedged instrument. These amendments did not have any impact on the Group consolidated financial statements.

Amendments to IAS 1 and IAS 8

Entities should apply the definition of materiality in assessing whether a disclosure should be included, or whether an amount should be adjusted in the financial statements.

The amendment clarifies the definition of what is material to the financial statements and how to apply the definition of material.

It is expected that this new definition could reasonably be expected to increase the thresholds for the materiality of information provided, and, consequently, reduce the scope of information to be provided. In addition, only primary users will be considered when assessing the information to provide. Primary users are existing and potential investors, lenders, and other creditors who must rely on financial reports.

These amendments did not have any significant effects for the Group.

Amendments to IFRS 16

The amendments mainly concerned the inclusion of a practical expedient to be applied on fees that are a direct result of the COVID-19 pandemic. The amendment allows lessors to not analyse individual lease contracts to determine whether lease instalment concessions that occur as a direct consequence of the COVID-19 pandemic are amendments to the lease contract in accordance with IFRS 16 and allows lessees to recognise such concessions as if they were not amendments to the lease (lease modification), but to recognise them directly to the income statement. This amendment applies to concessions on lease instalments relating to COVID-19 which reduce the payments due by the lessor under the contract by June 30, 2021.

The amendments to IFRS 16 provide 4 criteria that must be met for the application of the practical expedient:

- 1) that fee concessions are a direct result of the COVID-19 pandemic;
- 2) that the change in lease payments due results in a revision of the lease consideration that is substantially equal to or less than the lease consideration immediately preceding the change;
- 3) that any reduction in lease payments due shall relate only to payments originally due before and including June 30, 2021;
- 4) that there is no material change in the other terms and conditions of the lease.

The practical expedient must be applied consistently to leases with similar characteristics and conditions.

These amendments did not have any effect for the Group.

4.2. Accounting standards not yet endorsed by the relevant European Union bodies and those in progress

New standards and amendments issued by the IASB not yet endorsed by the EU

The main changes introduced by the amendments or by the new standards issued by the IASB, which have not yet completed the related endorsement process, are described below. In particular, the following new standards and interpretations are highlighted:

- Changes to the IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date, issued respectively on January 23, 2020 and July 15, 2020;
- Changes to:
 - IFRS 3 Business Combinations;
 - IAS 16 Property, Plant and Equipment;

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- IFRS 17 – Insurance Contracts (issued on May 18, 2017); which includes Amendments to IFRS 17, issued on June 25, 2020.

Goodwill and impairment

The impairment of goodwill is undoubtedly one of the most critical aspects of the application of IFRS. In fact, the impairment test outlined by IAS 36 is a complex model, but above all has too many subjective variables that are decided by the same company required to decide whether or not to write down the object of impairment. EFRAG has already opened up the discussion of this issue by publishing in 2017 the Discussion Paper "Goodwill Impairment: Can it be improved?", which illustrates potential changes to the goodwill impairment test with the aim of improving its application and effectiveness, as well as reducing its complexity.

The objective of the IASB research project is to address the following three main areas of interest in the post-implementation-review (PIR) of IFRS 3 - Business Combination:

- 1) the changes to be made to the impairment test of Goodwill and other non-current non-financial assets;
- 2) subsequent goodwill recognitions, including the relative merits of the impairment-only approach and the amortisation and impairment approach;
- 3) the methodology for identifying other intangibles separate from goodwill.

PIR identified differing views, received from comment letters and targeted interviews, regarding the relevance and cost-effectiveness of fulfilling current requirements for initial recognition and subsequent goodwill assessments. The PIR also highlighted the need for improvements to the impairment testing processes for goodwill and other non-current non-financial assets.

The concern that emerged was that the current impairment model was not effective in identifying the performance losses of the business areas (cash generating units) to which the goodwill was allocated. In particular, accounting for impairment losses is perceived as a slower process than for losses in the Economy.

In March 2020, the IAS published a Discussion Paper entitled Business Combinations Disclosures, Goodwill and Impairment. This paper sets forth the Board's preliminary views on how entities can provide better information so that investors can understand acquisitions of other companies. Preliminary opinions focus on disclosure of information and the accounting of goodwill. Feedback was received by December 31, 2020. This will help the Board to decide whether and how to develop detailed proposals in the next phase of the project.

Primary financial statements

The Primary Financial Statements project proposes to establish requirements for financial statement presentation and disclosure, particularly with regard to the structure of the income statement. The Board undertook this project in response to investor concerns regarding the comparability and transparency of company performance reporting. The research project focused on:

- the structure and content of financial performance statements, including evaluating the inclusion of sub-totals for operating income and examining the use of Alternative Performance Measures (APMs), i.e., those financial metrics (such as EBITDA, NFP, etc.) that are not defined or specified in a standard;

- requests for changes to the financial statements and financial position: this research will include comments received on the discussion paper on financial reporting prepared by the staff of the UK Financial Reporting Council;
 - the implications of digital reporting on the structure and content of Primary Financial Statements.
- In December 2019, the International Accounting Standards Board issued an Exposure Draft entitled General Presentation and Disclosures, which sets out proposals to improve the way information is disclosed in the financial statements, with particular emphasis on information contained in the income statement.

In December 2020, the Board discussed the feedback received on the aforementioned Exposure Draft, which proposes the issuance of a standard on presentation and disclosure in financial statements that, once finalised, should replace IAS 1 - Presentation of Financial Statements.

Management Commentary

The project concerns the directors' report. The IASB project is intended to update the Practice Statement 1 Management commentary issued in 2010. To this end, the IASB has set up a special advisory group. The IASB is also considering whether to require disclosure on intangible assets (including those not recorded in the financial statements) and on environmental, corporate and social issues. The Board substantially completed its discussions regarding the guidance to be provided in the revised Practice Statement at its October 2020 meeting. It plans to publish a revised Practice Statement Exposure Draft in April 2021.

Accounting Policies and Accounting Estimates (Amendments to IAS 8)

In practice, it is often difficult to distinguish between a change in accounting policy and a change in estimate, especially with regard to the measurement method. This distinction becomes very important as a company represents a change in an accounting policy differently from a change in an accounting estimate. In fact, a change in accounting policies is applied retrospectively, with companies making adjustments to the prior period information, while a change in an accounting estimate is accounted for prospectively, with companies applying from the financial statements in which the change is decided upon. Thus, when companies make inconsistent distinctions between these two types of change, it is difficult for investors to compare the financial performance of these companies. The International Accounting Standards Board has provisionally decided to amend IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to introduce a definition of "accounting estimates" and provide other clarifications to help entities distinguish between changes in accounting policies and changes in accounting estimates. The Board has provisionally decided to change the effective date of application of the amendments to IAS 8 in annual financial statements to on or after January 1, 2023 and to allow for earlier application. The Board expects to publish the changes in the first quarter of 2021.

Disclosure Initiative

This project is part of the IASB's plan to promote better communication in financial reporting. The Discussion Paper released in March 2017 identified three main issues related to information disclosed in financial reporting (collectively referred to as the disclosure problem). These issues essentially involve:

- The possibility that relevant information may not be sufficient;
- the presence of too much irrelevant information;
- the ineffective communication of information.

The feedback collected on the Discussion Paper suggests that guidance may be needed to help entities determine which accounting policies to report. The Board added this project to its agenda in response to the aforementioned feedback received. The goal of this project is to help stakeholders improve reporting on accounting policies for primary users of financial statements. To achieve this objective, the IASB plans to:

- amend paragraphs 117-122 of IAS 1 to require firms to report their accounting policies (if material) rather than reporting significant accounting policies;
- amend the Materiality Practice Statement to include guidance and examples on the application of materiality to accounting policy disclosures.

On August 1, 2019, the Board released an Exposure Draft of the proposed amendments and in February 2020 discussed the feedback received on the amendments. From May to July 2020, the Board re-considered the Exposure Draft. The IASB expects to issue final amendments to IFRS Practice Statement 2 and IFRS 1 in the first quarter of 2021.

Financial Instruments with Characteristics of Equity

The IASB met to discuss some potential clarifications to IAS 32 - Financial Instruments: Presentation, which would help address practical applications with respect to the classification of financial instruments that will or may be settled as equity instruments of the issuer. In particular, the Board explored potential clarifications to the basic principle for classifying equity derivatives. In June 2018, the IASB had published a Discussion Paper regarding how issuers should classify financial instruments that exhibit characteristics of an equity investment in their financial statements. It originally began as a joint project between the IASB and FASB to further explore the distinction between liabilities and equity. The objective of the project was to identify the characteristics that a financial instrument must possess in order to be classified as equity or as a debt instrument. Currently, the Board is evaluating possible improvements related to:

- a) the classification of liabilities and equity in IAS 32 - Financial Instruments, and possible improvements to the definitions of liabilities and equity in the Conceptual Framework;
- b) the presentation and disclosure of Financial Instruments with Characteristics of Equity regardless of their classification as liabilities or equity.

The above distinction is quite important as the different classification of the instrument impacts the financial position and the correct effect of fair value changes on the income statement or directly on shareholders' equity.

The IASB, taking into account the feedback received on the above Discussion Paper, has provisionally decided to examine the possibility of making amendments to IAS 32 Financial Instruments Presentation to address the most common accounting issues that arise in the practical application of IAS 32. It also intends to further develop certain submission and disclosure requirements. In December 2020, the Board decided to add the project to its standard-setting program and to continue to use the expertise of advisory bodies instead of establishing a dedicated advisory group for the project.

Sustainability Reporting

As a result of an increased focus on environmental, social, and governance (ESG) issues, developments in sustainability reporting, and increased demands for standardisation of such reporting, IFRS Foundation Trustees are now seeking stakeholder input on the need for global



sustainability standards and support for the Foundation to play a primary role in the development of such standards. The Trustees began reviewing sustainability reporting in the first quarter of 2019 as part of their five-year strategy. The consultation paper, released in September 2020, sets out possible ways in which the Foundation could contribute to the development of global standards by expanding its current mandate beyond the development of financial reporting standards and using its experience in international standard setting. It also establishes the Foundation's standard-setting processes and governance structure.

5. Discretionary valuations and significant estimates.

For the preparation of the financial statements in compliance with IFRS, company management must make valuations, estimates and assumptions in application of the accounting policies which impact the amounts of the assets, liabilities, costs and revenues recorded in the financial statements. The estimates and the relative assumptions are based on historical experience and other factors considered reasonable and were adopted to estimate the carrying amount of the assets and liabilities, which are not easily obtained from other sources.

These estimates and assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognised in the period in which the revision is made.

The principal data subject to estimates are illustrated below.

Deferred tax assets

Deferred tax assets are recognised in accordance with IAS 12. A discretionary valuation is required by the Directors to establish the amount of the deferred tax assets which may be recorded. They must estimate the probable timeframe and amount of future assessable income, in addition to a planning strategy for future taxes. The carrying amount of deferred tax assets is reported at Note 18.

Provisions for risks and charges

The Directors make estimates for the provisions for risks and charges. In particular, the Directors have made estimates and assumptions in determining the level of probability of a liability arising and, where the risk is considered probable, in determining the amount of the provision against the risks identified.

Employee benefits

The carrying amount of defined benefit plans is calculated utilising actuarial valuations, which require the consideration of statistical hypothesis concerning discount rates, the expected return on assets, future salary increases, mortality rates and future pension increases. Management considers the estimated rates used by the actuaries for the valuation at the year-end reasonable, but does not exclude that significant future changes in the rates may have considerable impacts on the liability recognised in the financial statements. Further details are shown at Notes 15-16.

Inventory obsolescence provision

The value of inventories is adjusted for risks associated with the slow turnover of certain types of raw materials and consumables.

Doubtful debt provision

The doubtful debt provision reflects the estimate of expected losses (Expected Credit Loss) on the entire life of trade receivables recognised to the financial statements and not covered by any insurance. This estimate considers the historical information available to the Group and expectations of future economic conditions.

Impairment of non-financial assets

The Group reviews, at each year-end, if indicators highlight a long-term impairment for all of the non-financial assets which require an impairment test. If there is an impairment loss, the carrying value is aligned to its recoverable amount. The Group recognises goodwill and other intangible assets with indefinite useful lives, accounted for in connection with the Canadian business combination, which must be tested at least annually for impairment.

6. Classification criteria and accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at December 31, 2020 are disclosed below.

Current/non-current classification

Assets and liabilities in the consolidated financial statements of the Group are classified according to the current/non-current criterion. An asset is current when:

- it is expected to be realised in, or is intended for sale or consumption in, the normal operating cycle;
- it is held principally for trading;
- it is expected to be realised within twelve months from the balance sheet date; or
- it comprises cash or cash equivalents upon which no prohibition exists on their exchange or utilisation to settle a liability for at least 12 months from the balance sheet date.

All other assets are classified as non-current.

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it is expected to be settled within 12 months from the year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Intangible assets

Intangible assets acquired separately and held by the Group are recognised to assets at acquisition cost in the case in which the cost may be reliably established and it is probable that usage will generate future economic benefits. The useful life is valued as indefinite or definite.

Intangible assets with indefinite useful life are not subject to amortisation and a review is carried out each year to establish whether the circumstances continue to support their classification as having indefinite useful life. In accordance with IAS 36, these assets are subject to impairment tests for any permanent value reductions.

Intangible assets with definite useful life are recorded at acquisition or production cost and subsequently recognised net of the relative accumulated amortisation and any impairments established according to the means indicated in the "Impairments" section below. Amortisation, which begins when the intangible asset is available for use, is calculated on a straight-line basis over the estimated useful life, which is reviewed on an annual basis. Any changes, where necessary, are reflected prospectively.

The rates used for amortisation (by category) are as follows:

Intangible assets with definite useful life		Amortisation %
Patents and trademarks		50.00/25.00
Software		33.33
Know-how		25.00
Customer relations with Importfab		6.67
Importfab brand		10
Other deferred costs	20.00 - shorter between useful life and duration of contract	

Business combinations and goodwill

Business combinations are recognised using the acquisition method. The purchase cost is calculated as the sum of the consideration transferred, measured at the fair value at the acquisition date, and the value of minority equity holding. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under administration expenses. When the Group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. This includes the verification to establish whether an embedded derivative must be separated from the host contract. In the case of business combinations undertaken in a series of phases, the previously holding is revalued at fair value at the acquisition date and any gain or loss is recorded to the income statement.

Any contingent payment to be recognised is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the contingent amount classified as an asset or liability, as a financial instrument covered by IFRS 9 Financial instruments, must be recognised in the income statement.

Goodwill is initially recognized at cost represented by the excess of the total amount paid and the amount recognized for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement. After its initial recognition, goodwill is measured at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units. If the goodwill is allocated to a cash-generating unit and the entity sells part of the activities of this unit, the goodwill associated with the activity sold is included in the book value of the activity when determining the gain or loss deriving from the sale. The goodwill associated to assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash-generating unit.

Property, plant & equipment

Property, plant and equipment are recognised at acquisition or production cost, including directly allocated accessory costs and those necessary for bringing the asset to the condition for which it was acquired, and recorded net of the relative accumulated depreciation provisions and any cumulative loss in value. If major components of tangible fixed assets have different useful lives, they are accounted for separately.

Financial charges directly attributable to the acquisition or construction of a qualifying asset shall be capitalised as part of the cost of that asset. All other financial charges are recorded in the income statement when incurred.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred.

Depreciation is calculated on a straight-line basis from the moment the asset is available for use according to the estimated useful life of the asset; the useful life is reviewed annually and any changes, where necessary, are applied prospectively.

The depreciation rates applied are as follows:

Property, plant & equipment	Depreciation %
Buildings	5.50
General plant	10.00
Specific plant	12.00
Machinery	12.00
Miscellaneous production and laboratory equipment	40.00
Company vehicles and commercial vehicles	25.00 - 20.00

Internal transport	20.00
Office furniture and fittings	12.00
EDP	20.00
Phones and radio phones	20.00
Light constructions	10.00

The carrying amount of property, plant and equipment is tested for impairment when events or changes indicate that the carrying amount can no longer be recovered based on the current depreciation schedules. Where such an indication exists and where the carrying amount exceeds the recoverable value, the assets must be written down to their recoverable value.

The impairments are recognised to the income statement. Such losses are restated when the reasons for their write-down no longer exist.

Upon sale or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale's price and book value) is recorded in the income statement in the year of its elimination.

Right-of-use - leased assets

As indicated in the introduction, with the exception of contracts with a duration of less than twelve months and contracts involving assets with a low unit value, all finance leases, rentals or hire agreements are capitalised under "Right-of-use" from the commencement date of the contract at the value of the liability, reduced by any incentives received and increased for any initial direct costs incurred and the estimated cost of restoration. Liabilities include a payable equal to the present value of fixed payments over the duration of the contract, as well as payments for any purchase options that are reasonably certain to be exercised and any penalties for terminating the contract, where the duration of the contract takes this into account. The duration of the contract takes into account the non-cancellable period as well as extension options where there is reasonable certainty of their exercise and the periods covered by termination options where there is reasonable certainty of not exercising termination. The liability is progressively reduced based on the repayment of the capital portion included in the contractual instalments.

Lease payments should be apportioned between the finance charge and the capital portion so as to produce a constant periodic rate of interest on the remaining balance of the payable. Financial charges are expensed to the income statement. The right-of-use is depreciated by applying the criterion indicated for property, plant and equipment over the duration of the contract, or on the basis of the rates indicated for property, plant and equipment if it is reasonably certain that the purchase option will be exercised. Depreciation and interest are shown separately.

For leasing, rental or hire contracts that do not include a purchase option and whose duration is less than twelve months, as well as contracts relating to assets with a low unit value, the related charges are recorded as costs in the Income Statement on a straight-line basis over the duration of the contract.

Investments in associates and joint ventures

Investments in associates are measured under the equity method.

They are therefore initially recorded at purchase cost and, after acquisition, adjusted as a result of changes in the share pertaining to the investor in the net assets of the investee company. The share of profit or loss reflects the share held in the result for the period of the investee and the other comprehensive income items reflects the share held of the other comprehensive income items of the investee.

The carrying amount of investments in associates is subsequently increased or decreased to recognise the company's share of the associate's profit or loss, or other changes in equity, realised after the acquisition date. The dividends received from the associate reduce the carrying amount of the investment. Carrying amount adjustments may also be necessary as a result of changes in the investor's interest in the associate, arising from changes in items in the investee's other comprehensive income. These changes include changes arising from the restatement of property, plant and equipment and from translation differences of foreign currency items. The share of these changes, pertaining to the investment, is recognised under other comprehensive income items.

Investments in other companies

Investments in other companies, i.e. investments held in companies other than subsidiaries, associates or joint ventures, are measured as per IFRS 9, as financial assets measured at fair value through the income statement with changes in the income statement. Where the most recent information necessary to determine fair value is not available, or in cases where the range of possible fair value values is wide, the cost value is assumed to be the best approximation of fair value.

Impairment

IAS 36 requires the assessment at each reporting date of impairments to tangible and intangible fixed assets and equity investments amid indicators that such a loss may exist. In assessing whether there is any indication that an asset with definite useful life may be impaired, an entity shall consider internal and external information sources. Relating to internal sources, consideration is made of whether there has been significant changes in the use of the asset and whether the economic performance of the asset is different than expected. For external sources, consideration is taken of technological or market or regulation discontinuation which may reduce the value of the asset.

Independently of whether there are internal or external reductions in value, intangible assets with indefinite useful life are subject at least annually to an impairment test, as required by IAS 36. In both cases of a verification of the carrying amount of intangible assets with definite useful life or of the carrying amount of intangible assets with indefinite useful life, goodwill and equity investments, the Group makes an estimate of the recoverable value.

The impairment is determined through a valuation of the recoverable value of the cash-generating unit (or group of units) to which the goodwill is allocated.

The recoverable value is the higher between the fair value of an asset or a CGU less costs to sell and its value in use and is determined for each asset, except when the asset does not generate cash flows which are sufficiently independent from those generated from other assets or groups of assets; in this case the recoverable value of the cash-generating unit to which the asset belongs is estimated. When the carrying amount of an asset or cash-generating unit is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value. In the determination of the value in use, the estimated future cash flows are discounted at a rate that reflects the market assessment of the time value of money and the specific risks of the asset.

For the purposes of estimating the value in use, future revenue streams are obtained from the Group's business plans, which constitute the best estimate on the forecast economic conditions over the period of the plan. The long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate for the sector, country or market and, if appropriate, may amount to zero or may even be negative. Future cash flows are estimated taking account of current conditions: the estimates therefore do not consider the benefits deriving from future restructurings for which the Company has not committed or future investments or optimisation of the assets or of the unit. Impairment losses incurred by operating assets are recorded in the income statement in the category of costs relating to those assets.

At each reporting date, an evaluation is made of any indicators of a recovery in the loss in value previously recorded and, where these indicators exist, an estimate is made of the recoverable value. The value of an asset previously written down, except for goodwill, may be restated only if there have been changes in the estimates used to determine the recoverable amount of the asset after the last recording of an impairment loss. In this case, the carrying amount following a restatement shall not exceed the carrying amount that would have been determined (net of write-downs or amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A restated amount is recorded as income in the income statement, except when the asset is recorded as a revalued amount, in which case the restatement is treated as an increase of the revaluation. After the recording of the amount restated, the depreciation of the asset is adjusted in future years, in order to record the adjusted book value of the asset, net of any residual value, on a straight line basis over the useful life of the asset.

Financial assets

The financial assets are classified as follows:

- financial assets measured at amortised cost;
- financial assets at fair value through the comprehensive income statement;
- financial assets at fair value through the income statement.

The classification depends on the entity's business model for the management of the financial assets and the contractual cash flow characteristics of each financial asset. The Group classifies the asset on initial recognition, with subsequent verification at each reporting date. Financial assets are initially recognised at cost or fair value, which is equal to the amount paid as an advance or loan or the consideration agreed against determined services, increased by any accessory acquisition charges.

Financial assets at fair value through the income statement are classified under current financial assets and measured at fair value; gains or losses from this valuation are recognised to the income statement.

Loans and receivables are measured at amortised cost on the basis of the effective original yield of the financial asset.

Inventories

Raw materials, ancillary and consumables and semi-finished products are measured at the lower of acquisition cost (or production), including accessory charges, and net realisable value. The cost of inventories includes purchase costs and other costs incurred in bringing the inventories to their present location and condition, excluding financial charges.

The method used to determine the cost of inventories is the FIFO (first-in-first-out) method, whereby goods purchased first are sold first, with the result that the value of goods in stock at the end of the period is the same as that of goods purchased and produced last.

The net realisable value is represented by the estimated normal sales price less the estimated costs for completion and estimated costs to sell. Obsolete and/or slow-moving inventories are written down in relation to their presumed utilisation or realisable value. Write-downs are restored in future years should the reason for the write-down no longer exist.

Trade receivables and other current assets

Receivables included under current assets are initially recorded at fair value, identified as the nominal value, and subsequently reduced for any impairment. Trade receivables, which mature within the normal commercial terms, are not discounted as the effect of cash flow discounting is insignificant. They are recognised at cost (identified by their nominal value), net of the relative impairment recorded to a specific provision. The estimate of the amounts considered non-recoverable are determined based on the present value of expected cash flows.

Receivables due beyond one year, non-interest bearing or which mature interest below lower market rates are discounted using market rates. Trade receivables are discounted wherever payment terms are greater than the average payment term granted.

Derecognition of financial assets

A financial asset is eliminated from the financial statements when:

- the right to receive the cash flows of the asset terminate;
- the Group retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the Group has transferred its right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset or (ii) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control.

Where the Group has transferred all the contractual rights to receive the cash flows from an asset and has not transferred or withheld substantially all of the risks and rewards or has not lost control, the asset is recorded in the financial statements of the Group up to the amount of its residual holding in the asset. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the asset's initial book value or the maximum consideration that the Group could be required to pay, whichever is less.



Impairments of financial assets

Financial assets are recognised net of the relative write-down provisions, calculated to reflect the estimate of expected losses (Expected Credit Loss) on the entire life of receivables recognised to the financial statements and not covered by any insurance. This estimate considers the historical information available to the Group and expectations of future economic conditions. At the reporting date, the Group considers indicators of a loss in value may include when a debtor or a group of debtors are in financial difficulty, are incapable of meeting obligations, incapable or delayed in paying interest or in making important payments, where administration procedures or other financial restructurings are probable, or where observable data indicates a measurable decrease in the estimated future cash flows, such as changes in markets and economic conditions due to the emergence of a financial crisis.

Cash and cash equivalents

Cash and cash equivalents include those amounts that meet the requirements of being available on demand or in the very short-term, certain in nature and with no payment expenses, having a maturity of three months or less, being readily convertible into a given amount of cash, and subject to an insignificant risk of changes in value. Current account overdrafts repayable on demand are also included in cash and cash equivalents, as they form an integral part of treasury management.

Financial liabilities

All financial liabilities other than derivative instruments are initially recorded at an amount equal to the payment received or due net of transaction costs (commissions or loan charges).

Financial liabilities are measured at amortised cost, using the effective interest rate method. A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled. Where an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

Lease liabilities for right-of-use

The financial liabilities for right-of-use correspond to the liabilities for leases and are calculated as the present value of the payments due for the lease and not yet settled at that date. Under IFRS 16, lease payments due must be discounted using the lease's implicit interest rate where it can be easily determined; where it may not, the lessee must use its marginal financing interest rate.

At the effective date, the lease payments due included in the measurement of the lease liability include the following payments for the right to use the underlying asset over the term of the lease not settled at the effective date:

- the fixed payments, net of any lease incentives to be received;
- the variable lease payments that depend on an index or rate, initially measured using an index or rate at the effective date;
- the amounts the lessee is expected to pay as guarantee of the residual value;

- the exercise price of the purchase option, if the lessee is reasonably certain to exercise the option;
- the lease termination penalty payments, where the lease duration takes account of the exercise of the termination option of the lease.

Derivative financial instruments

Derivative financial instruments are only used for hedging purposes, in order to reduce the foreign currency or interest rate risk, as per the company's policies. In accordance with IFRS 9, financial derivatives may be accounted for under hedge accounting only when, at the beginning of the hedge, the following conditions are met:

- the formal allocation of the hedging instrument exists;
- documentation is available demonstrating the hedging and a high degree of efficacy;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated. All derivative financial instruments are measured at fair value, in accordance with IFRS 9.

Derivative financial instruments are initially recognised at fair value.

When the hedged derivatives cover the risk of a change in the fair value of the instruments hedged (fair value hedge), these are recorded at fair value through the income statement; therefore, the hedged instruments are adjusted to reflect the changes in fair value associated with the risk covered. Where hedging derivatives relate to cash flow changes of the hedged instruments (cash flow hedge), these are recorded at fair value through the comprehensive income statement.

If the derivative instruments do not qualify as accounting hedges, the changes in the fair values are directly recorded to the income statement.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. The provisions for risks and charges are recorded when a legal or implicit current obligation exists that derives from a past event and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.

The obligation is recognised at the present value established through discounting the expected future cash flows at a rate which takes into account the cost of money and the risk of the liability; for the risks for which the recognition of a liability is only considered possible, the relative disclosure is made and no provision is recorded.

Net liabilities for defined employee benefits

Post-employment benefits issued at the time of or subsequent to employment are divided between defined contribution plans and defined benefit plans. For the defined contribution plans, the legal or implied obligation of an enterprise is limited to the amount of contributions to be paid. For the defined benefit plans, the obligation of the entity concerns the granting and assurance of the agreed employee plans: consequently, the actuarial and investment risks are borne by the company.

Until December 31, 2006, the Post-employment benefits were classified as “defined benefit” type plans, with independent actuaries utilising the unitary projection method for valuing the receivable. This calculation involves an estimate of the amount of the benefit to be received by an employee at the expected employment conclusion date, utilising demographic assumptions (e.g. mortality rates and personnel rotation rates) and financial assumptions (e.g. the discount rate and future salary increase rates). This amount is discounted and reportioned on the basis of the years of services matured compared to the total years of service.

Following the reform introduced through Law No. 296 of December 27, 2006, the Post-employment benefit, for the portion matured from January 1, 2007, was substantially considered as classifiable as a “defined contribution plan”. In particular, these amendments introduced the option for the worker to choose the allocation of their maturing Post-employment benefit as follows: new Post-employment benefits accruing may, in companies with more than 50 employees, be channelled by the worker to pre-chosen pension forms or transferred to the INPS Treasury Fund.

In relation to the presentation in the income statement of the various cost items relating to the post-employment benefit it was decided to apply the accounting method permitted by IAS 19 which requires the separate recognition in the income statement of the cost items relating to employment services (classified under personnel expense) and net financial charges (classified under financial items), with recording of the actuarial gains and losses deriving from the measurement each year of the assets and liabilities in the comprehensive income statement. The gains and losses deriving from the actuarial calculation of the defined benefit plans (Post-employment provision) was entirely recorded to the comprehensive income statement.

Contractual Liabilities

In accordance with the provisions of IFRS 15, if the customer pays the consideration or if the entity is entitled to an amount of consideration that is unconditional (i.e., a receivable), before transferring the goods or services to the customer the Group presents the contract as a liability arising from the contract at the time payment is made or (if earlier) at the time payment is due. The contractual liability is the Group’s obligation to transfer to the customer goods or services for which the Group has received consideration from the customer (or for which the amount of consideration is due).

In accordance with the above, upon receipt of a payment on account made by a customer, the Group recognises as a contractual liability the amount of the payment for the obligation to transfer, or be prepared to transfer, goods or services in the future. The Group derecognises the liability arising from a contract (by recognising revenue) when it transfers the goods or services and, therefore, fulfils its obligation to do so.

Trade payables and other liabilities

Trade payables, which mature within the normal commercial terms, are not discounted and are recognised at cost (identified by their nominal value). Payables with a maturity of less than twelve months are not discounted as the effect is deemed insignificant.

Other liabilities included among current and non-current liabilities are substantially recognised at cost, corresponding to the fair value of the liabilities, net of settlement costs which may be associated with the issue of the liability. After initial recognition, the financial liabilities shall be measured at amortised cost using the original effective interest rate.



Derecognition

A financial liability is derecognised when the underlying obligation of the liability is extinguished, settled or cancelled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the separate income statement.

Revenue recognition

The Group operates in the business of manufacturing and selling food supplements; revenues from customers are recognised to the income statement when control of those goods or services is transferred to the customer. Revenues are recorded at a value that reflects the amount which the Group expects to receive in exchange for the goods or services sold. The Group generally operates as a "principal", having in fact control of the goods or services before they are sold to customers.

The Group's business model primarily consists of the sale of goods, the revenue from which is recognised at a specific point in time, i.e., when the goods are transferred to the customer, generally with the shipment or delivery of the goods. Normally, payment terms provide for extensions of no more than one hundred and twenty days. The Group utilises the practical expedient of not separating the financing component from the amount of the fees for contracts in which the expected time interval between the moment the promised goods or services is transferred to the customer and the moment the customer makes the related payment does not exceed one year.

The Group constantly assesses whether other implied promises exist in its contracts additional to the transfer of goods and, where these promises are separate, it allocates the expected consideration to the various contractual promises. In determining the transaction price, the Group considers the effect of any variable consideration, the existence of significant financial components, non-cash consideration or consideration payable to its customers.

The contracts entered into by the Group with its customers generally do not provide for any particular obligations in terms of returns and refunds, nor do they provide for any specific guarantees beyond the compliance of products with the agreed specifications.

Generally, the Group does not incur significant incremental costs to obtain customer contracts. The Group utilises the option to consider such costs as an expense at the time they are incurred, as they have an amortisation period of less than twelve months.

At the preparation date of this report, the Group has no outstanding contracts of an original expected duration of more than twelve months with contractual promises that have not yet been fulfilled (or only partially fulfilled).

Finally, it should be noted that, given the Group's business model, there are no opinions or estimates that have a significant impact on the calculation of the amount and timing of revenue recognition.

Financial income and charges

Financial income and charges are recognised according to the accruals principle considering the effective return/charge of the relative asset/liability. The Group does not capitalise financial charges.

Current taxes

Income taxes include all the taxes calculated on the assessable income of the Group. They are recognised to the income statement, except where they relate to items charged or credited directly to equity, in which case the tax effect is also recognised directly in equity.

Current taxes for the year are valued at the amount expected to be paid to / received from the tax authorities. The tax rates and regulations used to calculate such amounts are those in force at the reporting date.

Deferred tax assets and liabilities

Deferred tax assets/liabilities are calculated on all temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets are recorded when their recovery is considered probable, based on expected availability of future taxable income for recovery. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient tax profits will be generated in the future for the utilisation of all or part of the asset. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the tax profit is sufficient to permit such deferred tax assets to be recovered.

Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be applied in the year in which the assets are realised or the liabilities are paid, considering the rates in force and those already issued or substantially issued as of the reporting date of the financial statements.

Deferred taxes concerning items recognised outside of the income statement are also recognised outside of the income statement and therefore to net equity or to the comprehensive income statement, in line with the item to which they refer.

The Group offsets deferred tax assets and deferred tax liabilities only when there is a legal right to offset current tax assets and current tax liabilities.

Translation of accounts in foreign currencies: transactions and balances

Foreign currency transactions are initially recorded in the functional currency, applying the exchange rate at the transaction date.

Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Exchange rate differences realised or arising on the translation of monetary items are recorded in the income statement, with the exception of monetary items which hedge a net investment in a foreign operation.

Non-monetary items, measured at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded.

Grants

Grants from public bodies are recorded at fair value when there is a reasonable certainty that the conditions required to obtain them will be satisfied and they will be received.

Grants received against specific assets or development activities whose value is recorded under fixed assets are recognised as a direct reduction of the fixed assets and credited to the Income Statement in relation to the residual depreciation period to which the asset refers. Operating grants are fully recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year.

The diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year and those potentially arising from the conversion of financial instruments, such as convertible preference shares, options, warrants, or shares to be issued upon the occurrence of contractually-defined conditions. At the preparation date of this document, there are no potential ordinary shares as the Parent Company has not issued any convertible instruments, nor are there any contractual agreements that would result in the issuance of new shares.

7. Acquisition of ImportFab

On October 23, 2019, the Board of Directors of the Parent Company approved the acquisition of the Canadian company Entreprises Importfab Inc., headquartered in Poite-Claire, Quebec – Canada (approx. 20 km from Montreal): the company is a CMO (Contract Manufacturing Organization), specialised since 1990 in the production and packaging of liquid and semi-liquid pharmaceuticals, in addition to medical devices for the pharmaceutical, cosmetics and nutraceutical industry. It also provides assistance to customers in developing new pharmaceuticals and obtaining all approvals for distribution in the US and Canada.

This was the Group's first M&A and marks further international expansion: the subsidiary became a vehicle to enter the Canada and US markets and lends itself to establishing a range of synergies with the Group (specialised in the production of liquids and semi-liquids, which are difficult to transport overseas by Labomar; without internal R&D and therefore can utilise the know-how and patents developed by Labomar; it has already begun tests for the production of cannabis-based liquids and semi-liquids - a market segment considered particularly interesting by Labomar).

An asset deal for 100% of the assets of Importfab (including authorisations, licenses, commercial goodwill, certifications and all that required for full operability) was identified as the most appropriate format for the acquisition: the acquisition of the assets led to the setting up of a new Canadian-registered company, held 66.28% by Labomar and 33.72% by SIMEST-SACE. The acquisition was closed on November 1, 2019. For the acquisition of the assets described above, the subsidiary in Canada has funding of approx. Euro 20 million, through a share capital increase of approx. Euro 12 million and a shareholder loan of approx. Euro 8 million.

SIMEST-SACE's capital injection as minority shareholder was approx. Euro 4 million.

In May 2020, as contractually established, the Group and the vendor set the price adjustments, substantially confirming the Group receivable of approx. Euro 0.6 million ("Acquisition of a business" account of the consolidated cash flow statement), which was quantified in the consolidated financial statements at December 31, 2019 and which was repaid to the Group.

8. Listing of the Parent Company on the AIM Italia multilateral trading facility

By Notice No. 25436 of October 1, 2020, BORSA ITALIANA officially announced the admission to trading of the ordinary shares issued by Labomar S.p.A. on the AIM Italia market, a multilateral trading system organised and managed by Borsa Italiana S.p.A., effective as of October 1, 2020.

The trading of ordinary shares officially began subsequently on October 5, 2020.

The placement concerned 4,333,333 newly issued shares, in addition to 649,917 shares resulting from the exercise of the over-allotment and greenshoe options granted by the shareholder LBM Holding to IMI - Intesa Sanpaolo, in its capacity as Global Coordinator. Therefore, the overall offer concerned a total of 4,983,250 ordinary shares for a value of approx. Euro 29.9 million.

In service of the placement process, on August 4, 2020 the Extraordinary Shareholders' Meeting of Labomar S.p.A. considered and approved the divisible paid-in share capital increase, in a single tranche, with the exclusion of the option right as per Article 2441, paragraph 5 of the Civil Code, for a maximum amount of Euro 30 million, including share premium, through the issue of new ordinary shares, without indication of nominal value, the same features as those already in circulation, with full rights, in dematerialised form as per Article 83-*bis* and subsequent of the Consolidated Finance Act, at an issue price to be determined by the Parent Company's Board of Directors and to be paid in cash. Therefore, the share capital increase was approved to service the private placement for the admission of Labomar shares to trading on the AIM Italia multilateral trading system.

On September 29, 2020, the Board of Directors of Labomar, in execution of the motion adopted by the Shareholders' Meeting of the Parent Company on August 4, 2020, set the final subscription price for the above shares as Euro 6.00, of which Euro 5.90 as share premium and the issue of 4,333,333 ordinary shares to be offered in subscription under the share capital increase.

On October 5, 2020, as a result of the subscription and release of the capital increase as part of the offering:

- Labomar's share capital amounted to Euro 1,848,404.30;
- Labomar's share capital is made up of 18,484,043 ordinary shares with no par value.

9. Notes to the main consolidated balance sheet accounts

ASSETS

Note 1: Intangible assets

Intangible assets present the following movements:

	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks & similar rights	Assets in progress & advances	Other intangible assets	Total intangible assets
Opening balance						
Cost at December 31, 2019	7,438,005	1,455,175	3,904,593	252,992	6,460,764	19,511,580
Amortisation (Accumulated amortisation)		(1,308,404)	(10,110)		(1,006,816)	(2,325,025)
Carrying amount at December 31, 2019	7,438,005	146,771	3,894,483	252,992	5,453,949	17,186,199
Changes in the year						
Increases for acquisitions		322,933		127,187		450,120
Reclassifications (at carrying amount)		63,616		(63,616)		
Disposals (at carrying amount)				(32,680)		(32,680)
Decreases for write-downs				(113,494)		(113,494)
Amortisation in the year		(224,151)	(58,170)		(378,091)	(660,411)
Exchange differences	(492,441)		(256,599)		(346,096)	(1,095,137)
Adjustments accumulated amortisation						
Total changes	(492,441)	162,399	(314,769)	(82,603)	(724,187)	(1,451,600)
Closing balance						
Cost at December 31, 2020	6,945,564	1,841,724	3,648,045	170,389	6,114,668	18,720,390
Amortisation (Accumulated amortisation)		(1,532,555)	(68,331)		(1,384,906)	(2,985,791)
Carrying amount at December 31, 2020	6,945,564	309,170	3,579,714	170,389	4,729,762	15,734,599

In addition to the natural decrease in the amortisation of intangible assets, increases are essentially represented by investments in new patents and software.

It should be noted that in the financial statements at December 31, 2019, assets arising from the acquisition of Importfab, as outlined in section 7. "ImportFab acquisition", to which reference should be made, have been recognised as intangible assets.

In particular, the intangible assets identified separately from goodwill are represented by the value attributed to customer relationships (originally approx. Euro 5.4 million, an asset with definite useful life of 15 years, approx. Euro 4.6 million at December 31, 2020), to licenses (originally approx. Euro 3.3 million, an asset with indefinite useful life, Euro 3.1 million at December 31, 2020) and the brand (approx. Euro 0.6 million, whose useful life was identified as 10 years, with a residual value of approx. Euro 0.5 million at December 31, 2020).

Goodwill and licenses recognised at the time of allocation of the price paid for the acquisition, being intangible assets with an indefinite useful life, are subject to impairment testing at least annually, regardless of whether there are any indications of impairment, as required by IAS 36.

For the purposes of these consolidated financial statements, the test was performed with reference to the Cash Generating Unit identified with the Canadian entity at December 31, 2020, based on projections for the period 2021-2023, approved by the Board of Directors of the Parent Company Labomar held on February 24, 2021, assuming a terminal value including a long-term growth rate of 2%. The projections take into account the current general economic situation and assume a compound average growth rate ("CAGR") for revenues over the period 2021-2023 of 8%. The recoverable amount was therefore determined based on the value-in-use, applying a discount rate of 9.97% (11.4% at December 31, 2019). The test did not indicate any impairment losses. The rate that would equal the recoverable amount to the carrying amount is 10.78% (12.1% at December 31, 2019).

Note 2: Right-of-use

	Right-of-use: buildings	Right-of-use: plant and machinery	Right-of- use: equipment	Right-of- use: vehicles	Right-of-use: EDP	Right-of-use: total
Opening balance						
Historic cost at December 31, 2019	3,876,116	1,362,781	240,288	396,849	89,589	5,965,623
Depreciation (Accumulated depreciation)	(1,047,598)	(608,435)	(96,228)	(145,325)	(38,186)	(1,935,772)
Carrying amount at December 31, 2019	2,828,519	754,346	144,060	251,524	51,403	4,029,852
Changes in the year						
Increase for new contracts	15,997	-	51,509	70,293	9,937	147,736
Reclassification for lease redemption (historic cost)		(363,223)			(16,090)	(379,313)
Reclassification for lease redemption (accumulated depreciation)		206,334			16,090	222,424
Disposals (cost)	(167,021)		(10,284)	(72,607)		(249,912)
Disposals (accumulated depreciation)	152,303		10,284	71,759		234,346
Depreciation in the year	(464,804)	(189,330)	(44,796)	(115,479)	(22,314)	(836,723)
Exchange differences	(37,605)					(37,605)
Total changes	(501,130)	(346,219)	6,713	(46,034)	(12,377)	(899,048)
Closing balance						
Cost at December 31, 2020	3,687,487	999,558	281,513	394,535	83,436	5,446,529
Depreciation (Accumulated depreciation)	(1,360,099)	(591,431)	(130,740)	(189,045)	(44,410)	(2,315,725)
Carrying amount at December 31, 2020	2,327,388	408,127	150,773	205,490	39,026	3,130,804

Assets at December 31, 2020 qualifying as "right-of-use" refer, as indicated in the table, to properties, plant and machinery, equipment, vehicles and EDP acquired through lease and finance lease agreements.

It should be noted that the leasing, rental and hire contracts currently in place do not provide for variable payments not linked to indices or rates of an appreciable amount. At the reporting date, there are no outstanding contracts with guarantees for the residual value, nor commitments for contracts that have not yet commenced.

The Group uses property rental contracts in order to obtain the availability of the premises at which it carries out its activities; these contracts include extension and termination options in accordance with standard commercial practice. At the consolidated reporting date, none of the assets consisting of the right-of-use meet the definition of investment property.

The Group does not have any sublease agreements in place. There were no sale and leaseback transactions during the year.

There are costs for the period relating to leasing, rental and hire contracts of less than twelve months' duration or of insignificant unit value, for which the Group has exercised the right not to capitalise the right-of-use, amounting to Euro 202,440 (see Note 26, "Service costs").

Note 3: Property, plant and equipment

	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress and advances	Total property, plant and equipment
Opening balance						
Cost at December 31, 2019	5,659,496	14,999,669	1,409,789	2,537,990	812,031	25,418,974
Depreciation (Accumulated depreciation)	(1,888,897)	(8,322,355)	(1,301,609)	(1,249,166)	-	(12,762,026)
Carrying amount at December 31, 2019	3,770,599	6,677,315	108,180	1,288,824	812,031	12,656,948
Changes in the year						
Increases for acquisitions	34,656	2,692,262	232,716	307,844	3,459,699	6,727,177
Reclassifications (at carrying amount)		213,942			(213,942)	
Decreases for disposals/reversals			(15,146)	(11,864)		(27,010)
Reclassification for redemption of leased assets (at carrying amount)		156,889				156,889
Depreciation in the year	(287,256)	(1,622,093)	(116,425)	(332,976)		(2,358,751)
Exchange differences		(59,241)		(1,931)		(61,172)
Adjustments accumulated depreciation			15,146	11,864		27,010
Total changes	(252,600)	1,381,759	116,291	(27,063)	3,245,757	4,464,144
Closing balance						
Cost at December 31, 2020	5,694,152	18,003,520	1,627,359	2,832,039	4,057,788	32,214,858
Depreciation (Accumulated depreciation)	(2,176,153)	(9,944,448)	(1,402,888)	(1,570,277)	-	(15,093,767)
Carrying amount at December 31, 2020	3,517,998	8,059,072	224,471	1,261,762	4,057,788	17,121,091

All asset categories reported increases, reflecting the Group's consistent capex investments. "Assets in progress and advances" includes, among other items, approx. Euro 1.9 million of plant and machinery not yet ready for use at the reporting date. In addition, approx. Euro 0.8 million concerns the new production facility.

Decreases for disposals are decreases to the historical cost.

There are no restrictions on the ownership and title of property, plant and equipment pledged as security for the liability.

Note 4: Investments

The list of investments, held directly or through trustees or nominees, in associates and in other companies at December 31, 2020 is presented below.

COMPANY	2020		2019	
Associates measured using the equity method	Carrying amount	Holding	Carrying amount	Holding
Labiotre S.r.l.	1,107,542	31.20%	914,974	31.20%
Printing Pack S.r.l.	239,271	20.00%	217,447	20.00%
Unilab Immobiliare S.r.l.	-	-	14,889	38.00%
Project Zero S.r.l.	531,099	5,56%	241,500	5%
Other companies				
Quota in Univ.Treviso Scarl	2,000		2,000	
Banca Credito Cooperativo	1,263		1,263	
Quota in Ribes-Next Scarl	185		185	

The associate Labiotre S.r.l. reports revenues in 2020 of over Euro 6,000,000, with a net profit of Euro 426,171. Shareholders' equity totalled Euro 4,480,178.

The associate Printing Pack S.r.l. reports revenues in 2020 of approx. Euro 3,700,000, with a net profit of Euro 115,035. Shareholders' equity totalled Euro 1,229,637.

The holding in the associate Unilab Immobiliare S.r.l. was sold in 2020.

The movements in the year concern the measurement of the investments according to the equity method and the loss resulting from the above-mentioned disposal of the investment in Unilab Immobiliare S.r.l.

The application of the shareholders' equity resulted in the following adjustments in 2020:

- Euro (38,802) with reference to Labiotre S.r.l.. This adjustment relates to the losses arising from unrealised margins from inter-company commercial transactions;
- Euro (6,656) with reference to Printing Pack S.r.l.. This adjustment relates to the losses arising from unrealised margins from inter-company commercial transactions;
- the investment in Project Zero S.r.l. was revalued on the basis of a corporate transaction in the year. The transaction concerns the increase in the value of the subsidiary Zero S.r.l., reflected therefore in Project Zero S.r.l.

With regards to Project Zero S.r.l., held 5.56%, the company is considered an associate as the parent company exercises significant influence. As for the other shareholders, it appoints a member of the Board of Directors, although exercising greater influence on the basis of commercial interests together with the management of Project Zero S.r.l. and of its subsidiary Zero S.r.l. in the development of new technologies for herbaceous applications with principles that can be used in food supplements and medical devices.

There are no restrictions on the ability of the above companies to transfer funds to the Parent Company in the form of dividends and the repayment of any loans or advances received. There are no particular commitments/agreements with the above-mentioned companies except for those arising from ordinary commercial dealings.

The following table presents the movements in the year:

	Value at 31.12.2019	Increases	Decreases	Value at 31.12.2020
ASSOCIATES				
LABIOTRE S.R.L.	914,974	192,568		1,107,542
PRINTING PACK S.R.L.	217,447	21,824		239,271
UNILAB IMMOBILIARE S.R.L. (*)	14,889	9,879	(24,768)	-
PROJECT ZERO S.R.L.	241,500	289,599		531,099
OTHER INVESTMENTS				
CASSA RURALE	1,263			1,263
UNIV.TREVISO SCARL	2,000			2,000
RIBES-NEXT SCARL	185			185
TOTAL	1,392,258	513,870	(24,768)	1,881,359

(*) The investment in Unilab Immobiliare S.r.l. was sold in the year, resulting in a loss of Euro 20,968 which was recognised to financial charges.

Note 5: Non-current financial assets and derivative financial instruments

The account substantially comprises receivables from associates and guarantee deposits against the signing of property lease and asset hire contracts.

Non-current financial assets at December 31, 2020 are presented below, alongside the values at 2019 year-end for comparative purposes.

	Value at 31.12.2019	Change	Value at 31.12.2020
Receivables from associates (Unilab)	248,520	(248,520)	-
Other guarantee deposits	194,125	2,405	196,530
Other financial assets	315	-	315
TOTAL	442,960	(246,115)	196,845

The receivable from the associate Unilab Immobiliare S.r.l., sold in the year, was collected on June 26, 2020.

Note 6: Inventories

Stock at December 31, 2019 and December 31, 2020 is presented in the following table.

Description	Value at 31.12.2019	Change	Value at 31.12.2020
Raw, ancillary and consumable materials	4,869,672	999,723	5,869,395
Work-in-progress and semi-finished products	1,279,989	(81,904)	1,198,085
Finished products and goods	1,872,584	467,072	2,339,656
WIP R&D/Laboratory inventories	105,124	19,864	124,988
Advances	-	14,096	14,096
TOTAL	8,127,369	1,418,851	9,546,220

“Advances” concerns the advances paid to suppliers, for purchase orders at costs not lower than those used when valuing the related inventories.

WIP R&D/Laboratory inventories represents the costs actually incurred on projects for the development of new products, new formulations and new technical dossiers, for which the activity has not yet been completed at the reporting date and therefore the unconditional right to invoice the customer has not yet arisen. These activities will be completed in the first half of 2021 and will then be subject to regular billing.

It should be noted that inventories have been adjusted against the risks connected with the slow turnover of certain types of raw materials and consumables. The obsolescence provision totalled Euro 250 thousand, with the 2020 accrual amounting to Euro 100 thousand. The provision therefore increased on the previous year, in line with the higher inventories. In view of the nature of the business managed by the Group, in fact, it is necessary to acquire a portion of raw materials and almost all finished product packaging materials on the basis of technical/graphic specifications for the individual items, defined by the Group’s customers. It is therefore possible to have specific items linked to orders which subsequently undergo changes and which increase the value of inventories.

The breakdown of the inventory obsolescence provision among raw materials and finished products is presented below:

Description	Value at 31.12.2019	Utilisations	Increases	Value at 31.12.2020
RM & CM obsolescence provision	150,000	-	100,000	250,000
SFP & FP obsolescence provision	-	-	-	-
TOTAL	150,000	-	100,000	250,000

Note 7: Trade receivables

The following table presents trade receivables and their breakdown by region, net of the doubtful debt provision accrued in the year.

	Value at 31.12.2019	Changes in the year	Value at 31.12.2020	Due within one year
Current trade receivables ITALY	6,913,648	448,464	7,362,112	7,362,112
Current trade receivables EU	2,485,803	(533,011)	1,952,792	1,952,792
Current trade receivables NON-EU	1,596,961	(760,549)	836,411	836,411
Doubtful debt provision	(678,964)	(33,480)	(712,443)	(712,443)
TOTAL	10,317,448	(878,575)	9,438,872	9,438,872

Trade receivables Italy include receivables to be collected for Euro 3,496,161.

The movements in the adjustment provision are presented below:

Doubtful debt provision	
Balance at 31.12.2019	678,964
(Utilisations)	(45,029)
Provisions in the year	79,386
Exchange rate differences	(877)
Balance at 31/12/2020	712,443

The Group monitors risk concentration with reference to counterparties. During the period, there were no significant changes in terms of the credit risk to which the Group is exposed.

The table below shows the exposure to the credit risk on Group trade receivables, using a write-down matrix:

		Days overdue				
Currency: Euro	Current	0-30	31-60	61-90	>91	Balance 31.12.2020
Total gross receivables*	8,988,903	309,172	16,460	10,410	826,371	10,151,316
Doubtful debt provision	(61,722)	(13,185)	(509)	(1,270)	(635,757)	(712,443)
Expected loss rate	0.7%	4.3%	3.1%	12.2%	76.9%	7.0%
Total Trade Receivables	8,927,181	295,987	15,951	9,140	190,614	9,438,872
% of total balance	94.6%	3.1%	0.2%	0.1%	2.0%	100.0%

* accounts receivable, invoices to be issued and credit notes to be issued

The doubtful debt provision reflects the Group's analysis of positions at risk and expected loss. The net value of receivables reflects the amount considered recoverable.

At December 31, 2020, the Group has 2 clients with balances in excess of Euro 500 thousand each, which together represent 17.5% of all trade receivables (at December 31, 2019, the situation was similar as 2 clients had balances in excess of Euro 500 thousand each and represented 18.5% of receivables at that date).

Note 8: Other current assets

Other current assets at December 31, 2020 and for comparative purposes at 2019 year-end are broken down below.

Description	Value at 31.12.2019	Change	Value at 31.12.2020
INAIL receivables	5,938	(5,938)	-
Advances to employees	3,700	(3,284)	416
Supplier advances for services	114,881	136,153	251,034
Deposits to suppliers	5,100	1,800	6,900
Fondoimpresa contrib. Training	15,770	(7,920)	7,850
Voucher innovation manager	-	25,000	25,000
Simest subsid.fin.int.equity Importfab (*)	12,301	(12,301)	-
Receivable from Trenkwalder bankruptcy	112,986	-	112,986
Tax credit	280,247	21,729	301,976
VAT credit	940,508	1,439,757	2,380,265
Other receivables	16,364	(12,929)	3,435
Accrued income	34,700	2,068	36,768
Prepayments	263,954	157,022	420,976
Prepayments future AIM listing costs	173,584	(173,584)	-
TOTAL	1,980,031	1,567,572	3,547,605

(*) reclassified to bank payables as a reduction of the related loan

The receivable due from the Trenkwalder bankruptcy (a company that provided temporary employment services) is represented by wages, contributions and tax withholdings paid on behalf of the bankrupt company on the basis of the joint and several obligation set out in the temporary employment contract, for which the Parent Company has filed a petition with the bankruptcy court in order to allow for the offsetting with payables currently outstanding of Euro 180,000. At the preparation date of these financial statements, the receivable has been settled.

Note 9: Unavailable cash in trust

The requirements of IAS 7, paragraph 48, should be noted.

	Value at 31.12.2019	Change	Value at 31.12.2020
Unavailable cash in trust	4,795,177	(3,937,010)	858,167
TOTAL	4,795,177	(3,937,010)	858,167

This amount may not be used by the Group as it relates to the portion of the purchase price of the Canadian business unit, settled in accordance with contractual provisions by means of a deposit with an escrow agent.

In 2020, this item decreased (Euro 3,937 thousand) mainly due to the settlement of price adjustments with the counterparty, which took place in May and November 2020. Specifically, a counter-value of approx. Euro 624 thousand was repaid to Imporfab, while the remainder, amounting to approx. Euro 3,082 thousand, was released to the seller to settle the payable to the latter. The remainder of the movement is mainly related to changes in the exchange rate used to translate the financial statements of the Canadian company at December 31, 2020 (Euro 253 thousand), interest accrued on the escrow account and, finally, other movements of an immaterial amount. The remaining balance of the escrow account at December 31, 2020 will be subject to release in favour of the seller in the second half of 2021, net of any expected indemnities in favour of the buyer or further litigation between the parties.

Note 10: Tax receivables and tax payables

The breakdown of Tax receivables at December 31, 2020 is presented below. The balance at the end of the previous year was zero.

	Value at 31.12.2019	Change	Value at 31.12.2020
IRES account	-	616,066	616,066
IRAP account	-	(67,055)	(67,055)
TOTAL	-	549,011	549,011

The total amount of income tax receivables is determined by the balance between the current income tax payable for 2020 and the income tax receivables for previous years arising from the tax break option utilised by the Parent Company ("Patent Box") and the consequent definition (ruling) with the tax authorities of February 2021.

The breakdown of Tax payables at December 31, 2020 and the movements compared to 2019 are presented below.

	Value at 31.12.2019	Change	Value at 31.12.2020
IRES account	104,573	(104,573)	-
IRAP account	23,573	(23,573)	-
Other tax payables	-	296,995	296,995
TOTAL	128,146	168,849	296,995

Note 11: Current financial assets and derivative financial instruments

The account at December 31, 2020 amounts to zero. At December 31, 2019, it comprised the fair value of the derivative financial instrument assets.

Note 12: Cash and cash equivalents

The breakdown of cash and cash equivalents in 2019 and 2020 was as follows:

	Value at 31.12.2019	Change	Value at 31.12.2020
Bank and post office deposits	6,880,213	27,498,994	34,379,208
Current account overdrafts	-	(720,548)	(720,548)
Cash on hand and similar	1,844	128	1,972
TOTAL	6,882,057	26,778,575	33,660,632

Cash and cash equivalents significantly increased as a result of the listing on the AIM market in October 2020, described in paragraph 8, which resulted in a cash inflow totalling Euro 23,940,671. Following the transaction, the liquidity raised was placed in a "dedicated" bank account, available at three days' notice, to be employed for the upcoming investments that the Parent Company hopes to make.

SHAREHOLDERS' EQUITY

Note 13: Capital and Reserves

The share capital of the Parent Company at December 31, 2020 was Euro 1,848,404, comprising 18,484,043 ordinary shares without nominal value. The Extraordinary Shareholders' Meeting of August 4, 2020 approved the stock split in the ratio of 10 new shares for each outstanding share. The movement in the number of shares, with a restatement for 2019 retroactively considering the stock split is presented below.

	2019	2019 Restated*	2020
Number of initial shares	1,415,071	14,150,710	14,150,710
Number of shares issued			4,333,333
Number of final shares	1,415,071	14,150,710	18,484,043

*Considering the stock split retroactively

The breakdown and movements in the reserves between December 31, 2019 and December 31, 2020 is presented below.

Account	Value at 31.12.2019	Change	Value at 31.12.2020
Share capital	1,415,071	433,333	1,848,404
Share premium reserve	489,273	24,367,298	24,856,571
Legal reserve	283,015	-	283,015
Extraordinary reserve	-	-	-
FTA Reserve	910,666	-	910,666
Actuarial Reserve	(238,716)	(146,584)	(385,300)
Cash flow hedge reserve	(566)	(66,825)	(67,391)
Reserve from valuation of shareholdings w/ NE method	-	494,384	494,384
Other reserves	-	-	-
Retained earnings/accumulated losses	2,910,144	2,100,465	5,010,609
Translation reserve	(24,331)	(801,614)	(825,945)
Profit (loss) for the year	4,148,953	1,944,930	6,093,883
Group Shareholders' Equity	9,893,509	28,325,388	38,218,897
Minority interest shareholders' equity	21,512	(1,878)	19,634
Total Shareholders' Equity	9,915,020	28,323,511	38,238,532

The changes in shareholders' equity were mainly due to the Parent Company's admission to listing on AIM Italia, the Alternative Investment Market, a multilateral trading system organised and managed by Borsa Italiana S.p.A..

As noted in paragraph 7 above, admission to listing has generated new funding for the Parent Company, represented by the capital increase and the recognition of the share premium reserve. The issue of new shares led to an increase in shareholders' equity of Euro 24,801 thousand, including share premium of Euro 26 million and net of the listing costs of Euro 1,199 thousand (Euro 1,663 thousand net of the tax effect of Euro 464 thousand).

Placement commissions and arrangement fees (both determined as a percentage of the capital raised) were charged entirely to shareholders' equity, while the portion of other costs, primarily professional consultants' fees, was deducted from the capital increase on the basis of the proportion between the number of new shares issued and the total number of pre-existing shares. The residual portion of the listing costs was recognised to "Service costs" in the income statement for Euro 968 thousand. The total cost related to the listing incurred by the parent company was therefore Euro 2,631 thousand.

The net cash inflow from the share capital increase was Euro 24,337 thousand, i.e. the gross value of the issued capital including the reserve (Euro 26 million), net of the settlement costs recognised to equity, gross of the tax effect (Euro 1,663 thousand).

The share premium reserve (quotas) had already been set up following the undertaking of a stake by the FONDO ITALIANO D'INVESTIMENTO SGR SPA investment fund in 2012, which subsequently exited the Parent Company in 2018, transferring its quota to the majority shareholder. For further information, please see chapter "6. Accounting Treatment of the Merger Transaction" in the 2018 Annual Accounts.

The legal reserve is the result of allocations of earnings over the years and did not change in FY 2020.

The FTA (First time adoption) reserve has been recognised against the accounting changes expected during the transition to the new accounting standards.

The actuarial reserve presents the changes deriving from discounting the Post-employment benefits in accordance with IAS 19, net of the related tax effect.

The cash flow hedges reserve presents the changes in value of the financial instruments (derivatives) utilised by the Group in application of IFRS 9.

The reserve arising from the valuation of investments using the equity method refers to the higher values recognised to the balance sheet assets with reference to investments in associates.

The Translation reserve is the result of the consolidation of the overseas company.

Retained earnings/accumulated losses increased from the previous year's retained earnings and decreased as a result of distributions.

The following table breaks down Minority Interest Shareholders' Equity at December 31, 2019 and 2020.

Account	Value at 31.12.2019	Change	Value at 31.12.2020
Minority interest share capital	24,500	-	24,500
Minority interest reserves	-	(2,988)	(2,988)
Minority interest capital and reserves	24,500	(2,988)	21,512
Net profit/(loss)	(2,988)	1,110	(1,878)
Minority interest shareholders' equity	21,512	(1,878)	19,634

As required by IAS 33, information is provided on the data used to calculate the net result and the basic and diluted earnings per share. The basic earnings per share is calculated by dividing the net result for the period by the weighted average number of shares outstanding in the period. There are no dilutive effects on the earnings per share.

The following table presents the values used in the calculation of basic earnings per share attributable to the shareholders of the parent company.

	Value at 31.12.2019	Value at 31.12.2020
Group Net Result	4,148,953	6,093,883
Average number of ordinary shares of the Parent Company outstanding during the year	14,150,710	15,180,765
Basic and diluted earnings per ordinary share	0.29	0.40

In accordance with IAS 33, the average number of shares has been retroactively adjusted, for both periods presented, in order to take into account the stock split (1:10) approved by the Extraordinary Shareholders' Meeting of August 4, 2020.

LIABILITIES

Note 14: Bank payables and payables to other lenders

The account is comprised of:

Bank payables and other lenders	Current	Non-current	Total
Payables at December 31, 2019	13,888,359	17,168,373	31,056,732
Payables at December 31, 2020	8,756,030	24,555,382	33,311,412

Bank payables substantially comprise loans incurred for new investments, for the acquisition of control of the Canadian company ImportFab in 2019 and for the corporate reorganisation of the Parent Company in 2018.

A summary of changes in these liabilities is provided below:

Bank payables and other lenders	Amount
Payables at December 31, 2019	31,056,732
New loans proceeds	7,982,000
Interest matured	214,989
Repayment cash flows	(5,923,868)
Other changes	(18,441)
Payables at December 31, 2020	33,311,412

Regarding the loans disbursed in 2020, chronologically they were agreed with Credem (April), with BNL (May) and with Intesa San Paolo (October) to support the investments made in the period and the increase in net working capital in view of the higher Group turnover. In detail, the loan with Credem was signed for Euro 1,000,000, maturing on March 30, 2025, the loan with BNL for Euro

2,000,000, maturing on November 22, 2021, and the loan with Intesa San Paolo for Euro 5,000,000, maturing on June 15, 2026. All loans are stipulated at variable interest rates.

The bank debt at December 31, 2020 was almost entirely at a variable rate and for Euro 8,756,030 comprised current debt. The fair value of this debt therefore does not differ significantly from the carrying amount.

Other loans at December 31, 2020 contain certain covenants, as outlined below:

- BNL loan signed on 29.01.2018 for Euro 2,000,000, with 60-month duration and maturity on 31.01.2023, with a residual Euro 900,000 at 31.12.2020 and a covenant requiring the ratio between the Net Financial Debt and EBITDA to be lower or equal to 2.25;
- Credit Agricole-Friuladria loan signed on 21.12.2017 by LAB Holding and acquired by the parent company following the merger by incorporation of May 2018, for Euro 6,000,000, with 60-month duration and maturity on 30.06.2023, with a residual Euro 2,858,864 at 31.12.2020 and a covenant requiring the ratio between the Net Financial Debt and EBITDA as per the consolidated financial statements to be lower than or equal to 2.5;
- Banca Intesa Sanpaolo loan signed on 11.10.2019 for Euro 8,000,000, with 66-month duration and maturity on 31.03.2025, and a residual Euro 7,986,374 at 31.12.2020, with financial covenants (to be calculated as per the consolidated financial statements) requiring a ratio between the Net Financial Position and EBITDA of lower than or equal to 3.5 and a ratio between the Net Financial Position and Shareholders' Equity of lower than or equal to 3.5.

At December 31, 2020, all covenants for the above loans have been complied with.

Bank payables and other lenders include, for the current portion, Euro 4,075,712 concerning the "Equity loan Simest", which refers to Simest's investment in the Canadian company. Specifically, on October 23, 2019 an investment contract was signed between Labomar and Simest S.p.A. ("Simest"), a company involved in the development and promotion of Italian enterprises overseas. The contract stipulates the acquisition, through Importfab, of the stated production business unit of Entreprises Importfab Inc., and was funded also by the undertaking by Simest of a minority stake in Importfab (33.33%). The Parent Company committed to pay to Simest remuneration at 4.50% annually of the amount paid by Simest for the acquisition of the minority holding in Importfab. According to the contract, the holding by Simest of the minority stake may only be temporary. Therefore, Labomar has committed to acquire, and Simest to transfer, the minority stake according to a pre-established deadline.

As per international accounting standards, the specific details regarding the holding of the investment in the subsidiary Importfab Inc. by Simest indicate that such should be considered not as a minority interest in the consolidated financial statements of the Labomar Group, but rather as a financial liability.



Note 15: Non-current and current liabilities for right-of-use

	Value at 31.12.2019	Value at 31.12.2020
Non-current liabilities for right-of-use		
Right-of-use: buildings	2,431,185	1,985,251
Right-of-use: plant and machinery	77,959	27,461
Rights-of-use: equipment and machinery	102,506	104,247
Right-of-use: vehicles	143,694	95,115
Right-of-use: EDP	29,389	20,549
Right-of-use: total non-current liabilities	2,784,734	2,232,622
Current liabilities for right-of-use		
Right-of-use: buildings	460,302	424,987
Right-of-use: plant and machinery	240,491	47,098
Right-of-use: equipment and machinery	41,047	46,052
Right-of-use: vehicles	91,472	94,775
Right-of-use: EDP	17,852	15,023
Right-of-use: total current liabilities	851,164	627,936
Total liabilities for right-of-use	3,635,898	2,860,558

Liabilities for right-of-use represent the payables arising following the signing of leasing, rental and hire contracts.

The amount of payables for right-of-use are broken down by maturity as follows:

Maturity of payables for right-of-use	Value at 31.12.2019	Value at 31.12.2020
Within 1 year	851,164	627,936
From 1 to 5 years	1,791,647	1,407,138
Over 5 years	993,087	825,485
Total	3,635,898	2,860,558

The following table summarises the movements in liabilities deriving from cash flows and changes other than in cash:

Payables for right-of-use	Amount
Payables at December 31, 2019	3,635,897
New contracts proceeds	147,735
Interest matured	73,641
Repayment cash flows	(941,124)
Early conclusion	(15,086)
Other movements	(2,678)
Exchange differences	(37,827)

Payables at December 31, 2020	2,860,558
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Note 16: Provisions for risks and charges

The movement in the provisions for risks and charges for the present year is presented below:

	Provisions for legal risks	Post-employment benefit provision directors	Total provisions for risks and charges
Opening balance December 31, 2019	5,000	113,963	118,963
Provisions	38,380	-	38,380
Utilisation in the year	-	(113,963)	(113,963)
Closing balance December 31, 2020	43,380	-	43,380

The Post-employment benefit provision was closed and entirely paid-out to the directors. On the renewal of the Board of Directors in September 2020, the provision was not reposed.

Note 17: Post-employment benefit provision

The following table presents the breakdown of post-employment benefit payables at December 31, 2020, compared with December 31, 2019.

The figures exclusively concern the Parent Company, as Herbae does not have employees.

	Post-employment benefits
Opening balance December 31, 2019	2,065,079
Service cost	350,484
Net interest	11,163
Benefits paid	(94,451)
Actuarial profits/(losses)	259,211
Closing balance December 31, 2020	2,591,486

Liabilities for defined benefit plans (post-employment benefits) have been measured with the support of actuarial experts.

The main assumptions are summarised below for the discounting of the post-employment benefit provision for the years proposed:

Demographic assumptions:

- ISTAT mortality tables reduced to 85.00% by gender were used for demographic assumptions. The afore-mentioned flat-rate reduction was introduced in order to take into account the decrease in mortality over the past few years.
- For the assumptions for disability, the INPS tables reduced to 70.00% were used. The above flat-rate reduction was introduced in order to consider the lowest disability rate in the relevant industry.
- Finally, with regard to early departures due to resignation/dismissal and the quantification of advances on post-employment benefits, the data provided by the Company led to the determination of the following average rates (reference period 2016-2020):

Early departures for resignations and redundancy:

- Executives: 8.16% fixed rate;
- Managers: 8.16% fixed rate;
- White-collar: 7.01% fixed rate;
- Blue-collar: 3.01% fixed rate;

Advances:

- Executives: 5.85% fixed rate;
- Managers: 5.85% fixed rate;
- White-collar: 1.74% fixed rate;
- Blue-collar: 3.00% fixed rate;

Operating-financial assumptions:

- "base" discount rate at 31/12/2020: 0.78%;
 - average future inflation rate: 1.00% fixed rate;
 - salary revaluation.
- Executives: 5.40% fixed rate;
 - Managers: 5.40% fixed rate;
 - White-collar: 2.90% fixed rate;
 - Blue-collar: 1.58% fixed rate.

Note 18: Deferred tax assets and liabilities

The recognition of deferred taxes and the consequent effects are detailed below. It should be noted that, given the conditions, the total value of deferred tax assets has been shown net of deferred tax liabilities.

Account	%	31/12/2019		Change		31/12/2020	
		Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Inventory write-down	24.00	150,000	36,000	100,000	24,000	250,000	60,000
Receivables write-down	24.00	664,534	159,488	-	-	664,534	159,488
Derivative financial instruments	24.00	746	179	87,928	21,103	88,674	21,282
Provisions for risks	24.00	5,000	1,200	-	-	5,000	1,200
Directors' fees	24.00	-	-	6,004	1,441	6,004	1,441
Amortised cost	24.00	(296)	(71)	133	32	(163)	(39)
Right-of-use (rental) Labomar	27.90	69,128	19,287	8,685	2,423	77,813	21,710
Right-of-use (rental) Importfab Inc.	26.50	2,567	680	11,563	3,064	14,130	3,745
Right-of-use (finance leases)	27.90	(1,321,002)	(368,561)	170,157	47,474	(1,150,845)	(321,087)
Actuarial valuation Post-Em. Bens.	24.00	130,487	31,317	245,678	58,963	376,165	90,280
Measurement of investments at equity	24.00	(36,640)	(8,794)	-	-	(36,640)	(8,794)
FV earn out adjustment	26.50	-	-	(287,312)	(76,138)	(287,312)	(76,138)
Exchange losses	24.00	26,183	6,284	521,566	125,176	547,749	131,460
Herbae tax losses	24.00	8,024	1,926	5,794	1,391	13,818	3,316
Importfab Inc. tax losses	26.50	471,398	124,921	(471,398)	(124,921)	-	-
Other accounts	24,00/ 26,50	7,679	(1,843)	(221,421)	(58,677)	(213,742)	(60,520)
Total deferred tax assets/(liabilities)			2,013		25,332		27,345

The most significant temporary changes include deferred taxation on lease/rental contracts in place at the date of first-time adoption of international accounting standards (FTA) and valued on the basis of IFRS 16, and deferred tax assets on increased provisions for the expected write-down of receivables in excess of the amount allowed for tax purposes. Other accounts mainly concern the effect of depreciation deducted for tax purposes of the capital gains allocated by the Canadian subsidiary arising from the acquisition of the business unit in 2019.

Note 19: Other current and non-current financial liabilities and derivative financial instruments

This account includes the value of the provision for derivative hedging instruments, equal to the fair value indicated by the credit institutions.

Note 20: Current and non-current payables for acquisition of business unit

The amount of Euro 1,700,627 (Euro 1,133,517 classified as current liabilities and Euro 567,110 as non-current liabilities) refers to the residual debt related to the purchase of the subsidiary Importfab in 2019.

The movements in the year are reported below:

Current and non-current payables for acquisition of business unit	Amount
Payables at December 31, 2019	5,280,966
Payments	(3,081,678)
Interest from discounting	116,496
Adjustment Fair Value	(293,565)
Other movements and reclassifications	(20,298)
Exchange differences	(301,293)
Payables at December 31, 2020	1,700,627

The payments refer to the release of Escrow account amounts, commented upon in Note 9 Unavailable cash in trust. Interest from discounting reflects the effect of the passage of time on the fair value of the Earn out component; finally, the Fair value adjustment considers the current projections of payments due under the Earn out.

Note 21: Trade payables

Trade payables are mainly due to Italian suppliers.

All payables are due within one year. There are therefore no payables to be discounted. Payables to suppliers are recorded under trade payables whether they refer to suppliers of finished products and raw materials or the provision of services. This account includes payables to suppliers of plant and machinery amounting to approx. Euro 500,000.

	Value at 31.12.2019	Changes in the year	Value at 31.12.2020	Due within one year
Trade payables ITALY	9,732,751	1,639,065	11,371,816	11,371,816
Trade payables EU	1,247,913	(174,853)	1,073,060	1,073,060
Trade payables NON-EU	585,230	(344,748)	240,482	240,482
TOTAL	11,565,894	1,119,464	12,685,358	12,685,358

Note 22: Contractual liabilities

The account includes liabilities deriving from contracts with customers, i.e. the amount that the Group has already received from customers as advance payment for supplies. These advances will be recognised as revenue when control of the assets is transferred to customers during 2021.

	Contractual Liabilities
Amount at December 31, 2019	764,860
New contractual advances	466,144
(Revenue recognition)	(738,314)
Exchange differences	(28,076)
Amount at December 31, 2020	464,613

Note 23: Other current liabilities

Non-current liabilities at December 31, 2020 are presented below, alongside the values at 2019 year-end for comparative purposes.

	Value at 31.12.2019	Change	Value at 31.12.2020
Employee payables	415,717	32,685	448,402
Payables for result bonuses	238,600	(112,396)	126,204
Accrued expenses personnel	1,255,907	292,486	1,548,393
Payables to collaborators	5,000	(5,000)	-
Payables to social security institutions	348,659	37,286	385,945
Payables to complementary funds	43,878	2,775	46,653
IRPEF withholding taxes	262,505	73,039	335,544
Directors' fees	31,459	145,001	176,460
Other accrued expenses	3,884	5,243	9,127
Deferred income cred.imp.trem.	68,259	96,404	164,663
Deferred income contributions veneto reg.	37,973	(7,856)	30,117
Dividend payables	400,000	(400,000)	-
Other	168,168	(28,762)	139,406
TOTAL	3,280,009	130,906	3,410,915

10. Breakdown of the main consolidated comprehensive income statement account.

The key 2020 income statement accounts are commented upon below, compared with 2019.

The prior year income statement, presented for comparative purposes, is not fully comparable with the 2020 income statement as the 2019 consolidated financial statements included the operating figures of the Canadian company from November 1, 2019, the date of acquisition of control.

Note 24: Revenues from contracts with customers

Revenues by business line for 2019 and 2020 are presented below.

Business line	2019	2020
Sales of goods	47,512,790	59,667,349
Sales w/processing	46,970	27,323
Sample sales	38,957	33,256
Various services and rewards	744,837	1,331,520
TOTAL	48,343,554	61,059,449

Revenues by region are presented below.

Region	2019	2020
Italy	33,692,221	37,760,670
European Union	11,886,916	13,001,839
Non-European Union	2,764,417	10,296,940
TOTAL	48,343,554	61,059,449

Significant revenues were not recognised in the year on the basis of performance obligations established in previous years, such as for example price changes.

The analysis of clients served in 2020 indicates a relatively low concentration, as the top client accounted for 7% of total consolidated sales while the top 10 clients accounted for 38.6% of consolidated sales in the year, with the top 25 accounting for 56%.

With regards to any seasonality of sales, the Group business does not present such characteristics: a portion of the finished products are seasonal products (for the cold season, for the summer season, for the change of season), which replace one another without causing peaks or troughs.

The sales distribution in the second half of the year is influenced by the summer holidays in August. However, the gradual increase in the share of foreign sales over the years has significantly reduced this effect.

This disclosure is provided to enable a better understanding of the results. Management has however concluded that the Group's operations do not represent a "highly seasonal business" in accordance with IAS 34.

Note 25: Raw materials, consumables and goods

The breakdown of raw materials, consumables and goods for 2019 and 2020 is presented below.

Acquisition costs	2019	Change	2020
Raw materials	14,789,814	561,272	15,351,086
Finished products	989,041	1,823,930	2,812,972
Consumable materials	507,235	374,367	881,602
Packaging	8,153,803	827,709	8,981,511
Other purchases	168,582	(38,848)	129,734
Accessory charges	46,088	10,426	56,514
Bonuses and gifts from suppliers	(208,006)	(18,913)	(226,919)
Total	24,446,557	3,539,943	27,986,499

Note 26: Service costs

Service costs for 2019 and 2020 are broken down as follows.

Service costs	2019	Change	2020
Consultancy	2,215,638	124,933	2,340,571
Listing costs	-	968,158	968,158
Rent/hire fees	86,191	116,249	202,440
Directors' fees	560,958	(12,120)	548,838
Post-employment benefit directors	47,818	(18,049)	29,769
Product analysis & cert. expenses	755,535	533,560	1,289,095
Electricity, gas-methane, water	714,770	103,153	817,923
Telephone expenses	85,675	60,956	146,631
Maintenance and fees	587,119	418,488	1,005,607
External processing	311,778	170,218	481,996
Transport	485,709	365,528	851,237
Cleaning expenses	232,750	48,007	280,757
Various insurance	161,094	95,233	256,327
Bank services	24,368	(4,919)	19,449
Awards, royalties & agents	34,487	(18,739)	15,748
Temporary agencies expenses	89,390	73,269	162,659

Trade fairs, exhibitions and conventions	360,893	(345,596)	15,297
Waste disposal expenses	148,176	76,968	225,144
Entertainment expenses and gifts	150,557	(25,940)	124,617
Advertising expenses	32,490	8,635	41,125
Fees for collaborators & internships	97,857	(31,430)	66,427
Other expenses	153,422	(74,815)	78,607
Total	7,336,675	2,631,748	9,968,423

The figures indicate a significant increase in consultancy expenses and substantially concerning the AIM listing costs.

The general crises as a result of the COVID-19 pandemic resulted in a series of changes to service costs upon previous years, such as the increase in cleaning expenses (for which the parent company received a tax credit as per Article 120, Legislative Decree No. 34/2020, "Relaunch Decree") and a reduction in trade fair, exhibition and convention costs.

Finally, higher maintenance and transportation/storage costs are reported.

Note 27: Personnel costs

The following table shows the breakdown of personnel costs for 2019 and 2020.

Personnel costs	2019	Change	2020
Wages and salaries	7,371,093	2,946,513	10,317,606
Social security expenses	2,038,795	319,014	2,357,809
Post-employment benefits	435,298	175,105	610,403
Other personnel costs	260,763	(90,541)	170,222
Total	10,105,949	3,350,091	13,456,040

The general crisis caused by the COVID-19 pandemic resulted in higher personnel costs during the year. The increase is due, on the one hand, to the higher rate of employee absenteeism in 2020 which - particularly after the outbreak of the pandemic - required a greater use of temporary labour. On the other hand, higher bonus payments were made to employees.

Personnel costs include also the cost for the use of temporary staff: in particular, production personnel for the range of demands emerging from time-to-time (differing types of work, peaks, shift management, vacation and leave etc.). In 2020, for the Parent Company Labomar alone these costs totalled Euro 1,320 thousand (Euro 798 thousand in 2019).

With regards to the need to replace absent production staff due to COVID-19 (on an annual basis, the absenteeism rate for illnesses and similar of production staff rose approx. 60% over the corresponding three-year average), the Parent Company had an additional requirement of approx. 5,300 hours for temporary staff, with a higher cost of approx. Euro 112 thousand.

Other personnel costs are broken as follows:

Other personnel costs	2019	Change	2020
Expenses reimbursement	112,059	(81,229)	30,830
Training	48,222	(12,806)	35,416
Clothes/garments	49,773	7,751	57,524
Other miscellaneous	50,709	(4,256)	46,453
Total	260,763	(90,541)	170,222

The average and period-end number of personnel by category for the years ending December 31, 2019 and 2020 is reported below:

	2019		2020	
	Average	At year-end	Average	At year-end
Executives/Managers	18.75	19	22	22
White-collar	74	76	76	81
Blue-collar	161	160	160	159
Other employees	10	10	10	11
Total employees	263.75	265	268	273

Note 28: Amortisation, depreciation, and write-downs

The following table breaks down amortisation, depreciation and write-downs for the years 2019 and 2020.

	2019	Change	2020
Amortisation of intangible assets	245,448	414,964	660,411
Depreciation of tangible assets	1,967,869	390,881	2,358,751
Right-of-use depreciation	729,935	106,788	836,723
Write-down of fixed assets	-	113,494	113,494
Receivables write-down	329,899	(250,513)	79,386
Total	3,273,151	775,613	4,048,764

Note 29: Provisions

No risks provisions were accrued in the year.

Note 30: Other income, Other charges

	2019	Change	2020
Prior year income	14,782	33,505	48,287
Prior year charges	(19,193)	(5,160)	(24,353)
Other income	779,139	(395,849)	383,289
Other charges	(175,941)	32,983	(142,959)
Total	598,787	(334,521)	264,265

Other income decreased compared to the previous year due to the recognition of lower grants for research and development expenses as per Law No. 190/2014 and investments in new capital goods as per Legislative Decree No. 91/2014.

“Other charges” mainly include costs for membership fees and miscellaneous taxes and duties.

Note 31: Financial income

The breakdown of financial income for 2019 and 2020 is reported below:

	2019	Change	2020
Interest on bank deposits	10,560	16,510	27,071
Interest income from associates	2,802	1,789	4,591
Gains	23,074	(23,074)	-
Fair value adjustment of earn-out payable	-	293,565	293,565
Other financial income	43,129	75,540	118,669
Total	79,565	364,331	443,896

The “Fair value adjustment of earn-out payable” account reflects the effects of the adjustment of the residual payable for the acquisition of the Canadian company on the basis of the actual 2020 results and the forecast margins for 2021 and 2022.

“Other financial income” substantially comprises interest subsidies (Sabatini).

Note 32: Financial charges

	2019	Change	2020
Bank interest charges	255	413	668
Bank interest charges on loans	209,998	231,344	441,342
Commissions	12,736	2,425	15,161
Financial charges from use of derivative instruments	7,409	8,811	16,220
Other interest	367	104,669	105,036
Interest expenses on right-of-use (leases)	60,388	10,717	71,105
Interest expenses on right-of-use (finance leases)	4,816	(2,281)	2,535
Financial charges on actuarial adjustment post-employ. bens.	23,768	(12,605)	11,163
Losses on sale of equity investments	-	20,968	20,968
Total	319,736	364,461	684,198

The Losses account concerns the disposal of the stake in the associate Unilab Immobiliare S.r.l. The increase in financial charges is mainly due to the interest charges maturing on loan contracts signed in 2020 and in the previous year.

Note 33: Net exchange gains/(losses)

Exchange gains/losses were as follows:

	2019	Change	2020
Exchange gains	3,436	5,110	8,546
Exchange losses	(61,303)	(591,349)	(652,652)
Total	(57,867)	(586,239)	(644,106)

Exchange losses at year-end mainly concern the valuation losses on the loans granted by the parent company to the Canadian company Importfab Inc.

Note 34: Impairments on financial assets

	2019	Change	2020
Revaluation associate Labiotre	48,869	141,387	190,256
Revaluation associate Printingpack	12,982	8,580	21,562
Write-down associate Project Zero	(8,398)	8,398	-
Revaluation associate Project Zero	-	286,124	286,124
Write-down associate Unilab	(15,325)	15,325	-
Total	38,128	459,814	497,942

The above table indicates the changes in the value of investments in associates measured at equity.

Note 35: Income taxes

The above table breaks down income taxes for 2019 and 2020.

	2019	Change	2020
Current taxes	1,647,912	(180,045)	1,467,867
Deferred tax income/(charge)	(231,063)	295,422	64,359
Prior year taxes	-	(735,111)	(735,111)
Total income taxes in the year	1,416,849	(619,734)	797,115
% current taxes on results before taxes	30%		21%
% taxes in the year on result before taxes	25%		12%

The following tables present a reconciliation between the IRES/IRAP financial statement charges and the theoretical charges.

The expected rate utilised for calculation of the tax charge is 24% for IRES and 3.9% for IRAP.

Description	2019	2020
Profit before taxes	5,562,813	6,889,120
IRES theoretical tax charge (*)	1,335,075	1,139,412
Permanent increases	282,395	313,838
Permanent decreases	(1,183,054)	(1,860,806)
Profit before taxes adjusted for permanent differences (A)	4,662,155	3,200,584
IRES tax for the year (**)	1,118,917	768,140
Temporary difference increases	1,062,585	826,592
Temporary difference decreases	-	(26,183)
Total temporary differences (B)	1,062,585	800,409
Total assessable (A + B)	5,724,740	4,000,993
Assessable income overseas companies	-	(2,141,569)
Tax losses carried forward	-	-
ACE deduction and other changes relevant for IRES purposes	(51,910)	-
Total assessable income	5,672,830	4,000,993
Total current taxes before deductions	1,361,479	960,238
Deduction for incentives on investments to improve energy efficiency	(4,965)	(4,965)
Taxes overseas companies	(11,785)	303,459
Total current taxes on assessable income	1,344,729	1,258,733
(*) calculated on the pre-tax profit of the Group's Italian companies		
(**) calculated on the adjusted pre-tax profit of the Parent Company		

Description	2019	2020
Balance of IRAP carrying amounts	16,455,622	16,521,590
Ordinary IRAP rate %	3.90%	3.90%
IRAP theoretical tax charge	641,769	644,342
IRAP permanent increases	1,086,873	1,828,752
IRAP permanent decreases	(710,674)	(937,836)
Balance of IRAP carrying amounts adjusted for permanent differences (A)	16,831,821	17,412,505
IRAP accruing in the year	656,441	679,088
Total deductible temporary differences (B)	-	178,843
Total assessable (A+B)	16,831,821	17,591,348
Other relevant IRAP deductions	(9,057,910)	(9,762,958)
Total assessable income	7,773,911	7,828,390

Total IRAP on assessable income	303,183	305,307
First IRAP advance payment 2020 not paid as per "Relaunch" Decree	-	(96,173)
Total IRAP in the financial statements	303,183	209,134

The Parent Company benefits, for both IRES and IRAP, from the recognition of the Patent Box, the effect of which is included in the reconciliations presented in the "Permanent decreases" item. This benefit has been recognised under "Prior year income taxes".

9. Related party transactions

All related party transactions were carried out in line with market conditions, i.e., the conditions that would be applied between two independent parties.

In order to establish whether related party transactions have been concluded at normal market conditions, the Group has considered both the quantitative conditions, relating to the price and related elements, and the reasons that led to the decision to carry out the transaction and conclude it with a related party rather than with third parties.

Moreover, related party transactions do not include any atypical and/or unusual transactions.

The following table presents the related party transactions:

	FY 2020					FY 2019				
	Receivables	Payables	Costs	Revenues	Receivables for shareholder loans	Receivables	Payables	Costs	Revenues	
PARENT COMPANY										
LBM Holding Srl							362,500			
ASSOCIATES										
Labiotre Srl	9,150	840,413	2,597,580	90,000		9,150	806,389	2,117,504	90,000	
Kleis Srl		321,044	931,851							
Printingpack Srl							312,310	786,743	2,000	
Unilab Immobiliare Srl				1,277	248,520	2,801			2,801	
OTHER RELATED ENTITIES										
Farmacia Bertin Walter Sas	18,446	575	4,988	51,335		12,320	660	7,725	53,213	
Imm.re Alessandra Srl		1,756,699	40,860				1,944,071	44,825		
Universo TV Scarl			500			3,109	1,316	14,482	11,874	
Consorzio Ribes-Next Scarl			1,000		315			16		
BModel Sas		88,167	313,769				7,625	166,398		
Labofit Srl		3,000	36,000				3,000	39,000		

Related party transactions are mainly of a commercial or consultancy nature.

The parent company in 2020 distributed to shareholders Euro 1,500,000 as dividends, of which Euro 1,462,500 to LBM Holding S.r.l.

With regards to transactions with Immobiliare Alessandra Sas, the payables concern the financial liabilities (current and non-current) for right-of-use, relating to property leases.

The Parent Company in 2019 granted a surety for Euro 1,520,000 in favour of Banca di Cividale for the property leasing contract signed by the investee Unilab Immobiliare S.r.l. to acquire from the bankruptcy auction and to renovate the identified commercial property. The guarantee provided is equal to the pro-rata value of the leasing contract signed by Unilab Immobiliare S.r.l. with Banca di Cividale (38% of Euro 4,000,000). In 2020, following the disposal of the investment in Unilab Immobiliare S.r.l., the guarantee was revoked (the letter of release and related settlement is dated 09.12.2020).

Further to the above, there are no guarantees given or received.

10. Remuneration of Directors, Statutory Auditors and Independent Audit Firm of the Parent Company

The remuneration of directors and statutory auditors are composed as follows:

	2020
Directors' fees*	548,838
Statutory auditor fees	23,962
Total directors' and statutory auditors' fees	572,800

*inclusive of social security and welfare contributions.

The remuneration of the independent audit firm amounts to Euro 231,994 and is broken down as follows:

	2020
Statutory audit of the annual accounts and audit of the half-year consolidated financial statements	62,260
Professional services for the listing	163,794
Other services	5,940
Total independent audit firm fees	231,994

11. Off-balance sheet transactions

The Parent Company has undertaken with its clients, suppliers, workers and sector associations and other commercial and financial partners a number of contractual agreements which establish various types of reciprocal commitments of differing durations, whose effects are recognised to the balance sheet to the extent of their compliance with the accounting standards applied, particularly with regards with the accruals principle, while future effects are obviously not recorded to the balance sheet where complying with that established by the accounting standards.

The above-stated agreements may entirely be classified as part of "normal industrial, commercial and financial transactions".

12. Risk management and hierarchy of financial instruments at Fair Value

The Group has approved the "Policy for the management of interest rate risk", which sets out to define and communicate the general principles and guidelines of the Parent Company's Board of Directors for the analysis of interest rate risk exposure, management and control.

In adopting this policy, the Group diversified the technical forms of bank loans with a view to limiting the risk to which it is exposed, identifying those most suitable to cover the requirements of its industrial activities and whose interest rate levels can minimise any unfavourable changes in the cost of financing.

The existing capital structure, its development over the past year and management's ability to generate liquidity at an operational level confirm the non-existence of liquidity risk.

Indeed, the Group seeks to constantly maintain a balance and flexibility between sources of funding and uses. Liquidity needs are monitored on an ongoing basis so as to ensure the effective sourcing of funding and the appropriate investment of cash and cash equivalents.

The breakdown of the fair value of the financial instruments is reported below:

Transaction	Value at 31.12.2020	Level 1	Level 2	Level 3
Loan derivative - CAP	Zero			zero
Loan derivative - IRS CAPPED	(5,860)			(5,860)
Loan derivative - IRS PROTECTED	(10,923)			(10,923)
Loan derivative - IRS	(44,354)			(44,354)
Loan derivative - IRS	(27,536)			(27,536)

NOTES:

Level 1: listed prices on active markets for identical assets or liabilities;

Level 2: technical valuations (based on observable market data);

Level 3: technical valuations (not based on observable market data).

At December 31, 2020, there were (i) a derivative CAP signed in 2016 for a notional value of Euro 500,000 of 5-year duration to hedge interest rate risk, with a fixed rate of 0.00 against a variable rate of (Euribor 3 months); (ii) an IRS CAPPED derivative signed in 2018 for a notional value of Euro 2,520,000 of 5-year duration to hedge interest rate risk, with a fixed rate of 0.00 against a variable rate of (Euribor 6 months); (iii) an IRS PROTECTED derivative stipulated in 2019 for a notional value of Euro 4,753,251 of 5-year duration to hedge interest rate risk, with a fixed rate of 0.0 against a variable rate of (Euribor 6 months); (iv) an IRS derivative signed in 2020 for a notional value of Euro 8,000,000 of 5-year duration to hedge interest rate risk, with a fixed rate of -0.3 against a variable rate of (Euribor 3 months); (v) an IRS derivative signed in 2020 for a notional value of Euro 5,000,000 of 6-year duration to hedge interest rate risk, with a fixed rate of -0.3 against a variable rate of (Euribor 6 months).

Credit risk

The Group, in undertaking operations, is exposed to the risk that receivables may, as a result of the financial conditions of the payee, not be settled on maturity and therefore the risk concerns the increase in the age of receivables, the risk of insolvency and the increase in receivables subject to bankruptcy proceedings, with a consequent loss in value that may result in their total or partial derecognition from the financial statements. The Group adopts internal procedures for the management of receivables so as to establish rules for assessing the reliability of customers,

monitoring expected recovery flows, issuing payment reminders, granting, where deemed necessary or appropriate, more favourable credit terms to customers and managing legal disputes over receivables. Almost all of the receivables at year-end were not overdue.

Currency risk

For most of the period, the Group did not carry out significant transactions in currencies other than the Euro. However, in view of the presence of the Canadian company, management is assessing possible hedges against exchange rate risk.

Liquidity risk

Considering the nature of the business and historic operating cash flows, the Group does not present particular risks related to the sourcing of funding. The Group prudently manages liquidity risk and therefore systematically carries out analyses to monitor cash flows, funding requirements and any surplus liquidity.

It has therefore adopted a series of policies and processes aimed at optimising the management of financial resources, reducing liquidity risk by maintaining an adequate level of available liquidity, obtaining adequate credit lines and monitoring prospective liquidity conditions with the support of internal business planning processes.

For this purpose, the Group produces a monthly update of the net financial position and a short-term financial forecast, in order to highlight potential critical issues to be addressed.

For a more detailed definition of present financial commitments, reference should be made to the table below presenting the undiscounted cash flows under bank loan agreements and financial liabilities for rights-of-use.

It should be noted that the above table presents **undiscounted maturities** as contractually agreed, also for loans that stipulate operating-financial covenants, as the latter have been complied with as at December 31, 2020.

Bank Loans	Original amount	Within one year	From one to five years	Over 5 years
UBI Banca 2017	1,500,000	302,565	277,452	-
BNL 2016	1,000,000	150,382	-	-
BNL 2018	2,000,000	401,771	500,886	-
BNL 2020	2,000,000	1,335,864	-	-
Credit Agricole 2018	6,000,000	1,080,000	1,800,000	-
Credit Agricole 2019	2,050,000	416,125	1,040,313	-
Banco BPM 2019	3,000,000	775,365	1,485,936	-
Credem 2017	1,600,000	323,128	242,346	-
Credem 2019	2,000,000	407,190	1,119,773	-
Credem 2020	1,000,000	225,244	732,043	-
Unicredit 2019	5,000,000	1,014,042	2,788,616	-
IntesaSanpaolo 2019	8,000,000	1,593,997	6,674,562	-
IntesaSanpaolo 2020	5,000,000	921,187	3,661,733	455,120
TOTAL Bank Loans	40,150,000	8,946,861	20,323,659	455,120

Financial liabilities	Within one year	From one to five years	Over 5 years
Bank loans	8,946,861	20,323,659	455,120
Right-of-use liabilities	690,889	1,531,076	868,053
TOTAL maturities for financial liabilities	9,637,750	21,854,735	1,323,173

Interest rate sensitivity analysis

The following table presents the sensitivity of the Group's pre-tax profit to possible changes in interest rates, holding all other variables constant. Taking into account year-end bank and other lender debt (amounting to Euro 29,236 thousand), the impact on the pre-tax profit is as follows:

	Increase / Decreases in points	Effect on profit gross of income taxes (Euro thousands)
Euribor	+1%	(260)
Euribor	-1%	246

Sensitivity analysis on the exchange rate

The Parent Company in 2019 provided two loans to its subsidiary Entreprises Importfab Inc. totalling CAD 13,040,000, which are eliminated in the consolidated financial statements.

The following table presents the sensitivity of the consolidated financial statements' pre-tax profit to possible changes in exchange rates, with all other variables constant. Considering the value of the residual capital at the end of the year (CAD 12,077,500, equivalent to Euro 7,726 thousand), the impact on pre-tax profit is as follows:

	Increase / Decreases in points	Effect on profit gross of income taxes (Euro thousands)
Exchange rate Euro/CAD	+5%	386
Exchange rate Euro/CAD	-5%	(386)

12. Operating Segments

For the purposes of IFRS 8 "Operating Segments", Group activity is identifiable in a single operating segment.

13. Market and competition law - Law No. 124, Article 1 of August 4, 2017, paragraph 125

In accordance with the disclosure obligation as per paragraph 125 of Article 1 of Law 124/2017, the grants and subventions received from the public sector, considered using the cash criterion, are presented below:

Issuer	Amount collected	Collection date	Purpose
Ministry of Economy and Finance	280,247	16/04/2020	F24 FORM. R&D EXPENSES 2019
Simest – Cassa Depositi e Prestiti	50,297	12/06/2020	Crediting of interest contribution
TOTAL	330,544		

14. Subsequent events after year-end

The strong Group operating performance of the last three years continued in the initial months of 2021.

Operations were again shaped - as has the entire domestic and international economy - by the COVID-19 outbreak.

The Group is particularly pursuing its production activity in compliance with the applicable rules to prevent the spread of the COVID-19.

The significant events include the signing at the end of February 2021 of an agreement with the Tax Agency to access the Patent Box tax break (tax relief scheme which excludes from assessable income amounts deriving from the use of “intellectual property”, such as trademarks, industrial patents and processes, formulas and information stemming from experience acquired in the industrial, commercial or scientific field that can be legally-protected). This reduction is 40% for 2016, 50% for the 2017-2020 four-year period and refers to corporate income taxes (IRES and IRAP).

The agreement covers the 2016-2020 five-year period with a total tax benefit for the Group of approx. Euro 0.9 million. The signing of the agreement resulted in its effects materialising in the 2020 financial statements; this benefit is expected to continue until 2025.

The supplementary application to access the Patent Box benefit for the 2016-2020 tax period, which follows an application submitted in December 2019, was presented during July 2020 to the competent Tax Agency.

With regards to the Canadian subsidiary, the Quebec region in which ImportFab is based was among the hardest hit in Canada, with 297,600 positive cases and 10,500 deaths since the beginning of pandemic (figures updated to mid-March 2021).

The measures introduced by the Canadian government were more restrictive than in Italy: in fact, ImportFab was only allowed to continue the production of pharmaceuticals and similar products (medicines), while the production of cosmetics was not permitted (such was temporarily suspended between March 24, 2020 and May 4, 2020).

The company in this period was subject to periodic monitoring by the public authorities for the purposes of control, without any matters raised in this regard.

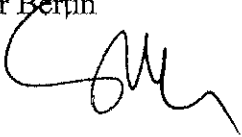
In the initial months of 2021, with the gradual increase in infections, the restrictions on the movement of persons and activities were reimposed, although without any additional stops to cosmetics production for ImportFab.

15. Transactions relating to atypical or unusual operations

The Group did not carry out atypical and/or unusual transactions, i.e. those transactions which owing to their significance, the nature of the counterparties, the subject-matter of the transaction, the transfer price calculation method and the timing of the event, may give rise to doubts concerning the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of corporate assets and the protection of shareholders' interests.

Istrana, March 29, 2021

The Chairman of the Board of Directors
Walter Bertin



LABOMAR S.P.A.

Share Capital € 1,415,071 fully paid in
Registered office: Via Nazario Sauro, 35/I, Istrana, 31036
Tax ID and Treviso Business Registry no. 03412720264
VAT no. 03412720264 - REA: TV269752

REPORT ON OPERATIONS accompanying the Consolidated Financial Statements as at 31/12/2020

Dear Shareholders,

the Board of Directors submits to your attention the annual financial statements and consolidated financial statements as at 31/12/2020 for Labomar S.p.A., in accordance with the schedule and methods established under the current regulations.

The consolidated financial statements we submit for your examination and approval show Group profits totalling € 6,093,883, net of € 797,115 in taxes for the year.

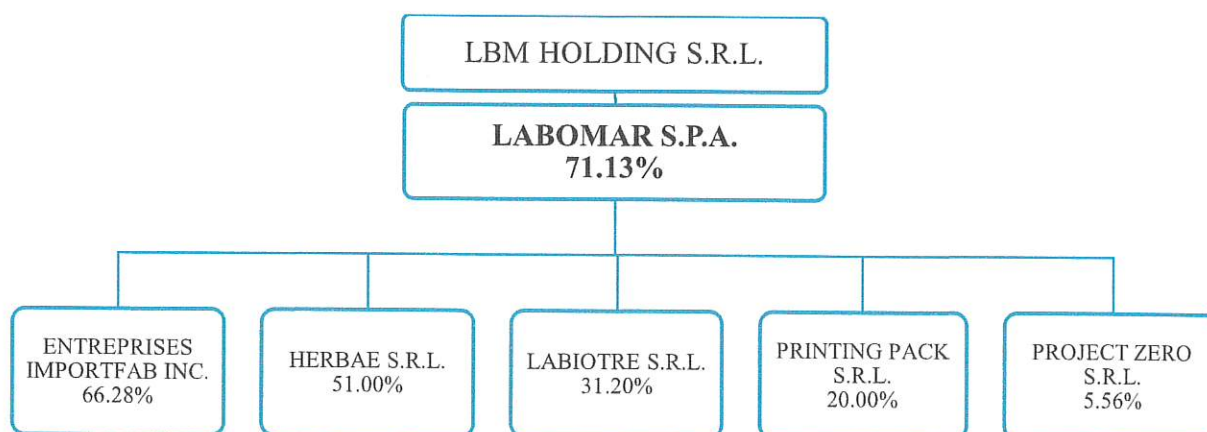
The individual financial statements we submit for your examination and approval show profits totalling € 4,506,264, net of € 241,286 in taxes for the year.

This report on operations accompanies both the Consolidated Financial Statements and the separate Financial Statements as at 31 December 2020. In fact, the Company decided to make use of the option allowed under article 40 of Italian Legislative Decree 127/1991, as amended by Italian Legislative Decree 32 of 2 February 2007, which allows companies preparing consolidated financial statements to present the consolidated report on operations and the separate report on operations as a single document.

The Labomar S.p.A. Group (hereafter, also "Group"), has adopted the International Financial Reporting Standards (hereafter, also "IFRS") to prepare its annual corporate accounts and hence the consolidated financial statements as at 31 December 2020 were prepared in compliance with the IFRS issued by the International Accounting Standards Board (IASB), adopted by the European Union. Consequently, the Group is subject to that established under Italian Legislative Decree 38/2005, which governs the adoption of international accounting standards by Italian companies.

The Group is represented by the parent company Labomar S.p.a. and its subsidiaries Entreprises IMPORTFAB Inc. (a Canadian company) and Herbae S.r.l.

The following schedule outlines the current group structure which Labomar S.p.A. is part of.



The Consolidated Financial Statements provide exhaustive details and allow for careful analysis of the results for the year.

This document provides details on the nature of the Group's activities, its relations with subsidiaries, associated companies and subsidiaries of the latter, as well as its relations with related parties, in addition to information provided in the Notes. An analysis of the Group's situation, trend and operating results is provided in the following sections, specifically focussed on the market scenario and the products and services offered, on investments and the main indicators of economic performance and developments in its equity and financial situation. The same information is also provided for the parent company.

Amounts are expressed in euros.

SCOPE OF CONSOLIDATION

The following table shows the scope of consolidation at 31 December 2020 compared with 31 December 2019:

NAME	2020		2019	
	Stake attributable to the Group	Directly controlled stake	Stake attributable to the Group	Directly controlled stake
Parent company				
Labomar S.p.A.	100%		100%	
Subsidiaries consolidated on a line by line basis				
Entreprises IMPORTFAB Inc.	100%	66.28%	100%	66.28%
Herbae S.r.l.	51.00%	51.00%	51.00%	51.00%
Associated companies consolidated with the equity method				
Labiotre S.r.l.		31.20%		31.20%
Printing Pack S.r.l.		20.00%		20.00%
Project Zero S.r.l.		5.56%		5.00%

During the previous year, control was acquired with regards to the business unit of a Canadian company, through the establishment of Entreprises IMPORTFAB Inc. The directly controlled stake (66.28%) refers to the fraction of share capital legally held. The residual minority interest was subscribed by Simest in the context of an equity loan, represented as a financial liability for accounting purposes. For this reason, the Group's stake is equal to 100%.

The consolidated financial statements were constructed as follows:

- equity figures reflect the consolidation of the assets and liabilities of Labomar and of the companies Entreprises IMPORTFAB Inc. and Herbae S.r.l. as of the date of acquisition;
- economic figures reflect the consolidation of the costs and revenues of Labomar and of the companies Entreprises IMPORTFAB Inc. and Herbae S.r.l. as of the date of acquisition;
- the reference date for the consolidated financial statements is 31 December 2020, the reporting date for all companies in the Group;
- aggregation of equity and economic items for subsidiaries included in the scope of consolidation was done on a line by line basis;
- equity investments in associated companies were measured and recognised using the equity method;
- equity and economic relations between companies included in the scope of consolidation were entirely eliminated. Profits and losses arising from transactions between consolidated companies which cannot be considered as having been realised through transactions with third parties were eliminated;
- the annual financial statements for Entreprises IMPORTFAB Inc., prepared in accordance with Canadian law and accounting standards, were adjusted to the dictates of the international accounting standards (IAS/IFRS) on which the parent company's separate financial statements are based;
- the annual financial statements for Herbae S.r.l., prepared in accordance with Italian law and accounting standards, were adjusted to the dictates of the international accounting standards (IAS/IFRS) on which the parent company's separate financial statements are based;

- currency translation was done for financial statements expressed in currencies other than the Euro, specifically for the Entreprises IMPORTFAB Inc. 2020 financial statements, with recognition in the relative Translation Reserve. Below are the exchange rates used in the translation process:

Currency	Exchange rate at 31.12.2020	Average exchange rate financial year 2020	Exchange rate at 31.12.2019	Average exchange rate financial year 2019
Canadian dollar - CAD	1.5633	1.5300	1.4598	1.4635

DESCRIPTION OF GROUP AND PARENT COMPANY ACTIVITIES

The Labomar Group is a contract development and manufacturing organisation (CDMO), which researches, develops and produces food supplements, medical devices, food for special medical purposes and functional cosmetics for third parties, as well as providing R&D consulting services. This means it is not just a supplier, but a privileged partner of major domestic and international pharmaceutical companies. Its portfolio of offerings is wide and covers numerous therapeutical sectors, through various pharmaceutical methods (pills, capsules, powders, liquids and gels).

The Group has 5 plants, 4 in Italy and 1 in Canada (in the province of Quebec), which are dedicated to R&D, industrial production and logistics management. The physical separation of the individual plants, even if they are concentrated in a single industrial zone within Italy (central Veneto), constitutes an important disaster recovery measure.

Since it has always given the utmost attention to complying with the highest quality and safety parameters required by sector regulations, the Group, through Labomar, has received the following certifications: ISO 9001, ISO 13485:2016 (for production of Medical Devices) and GMP (Code of Federal Regulations, Title 21, Volume 2, part 111). It is also certified to use the word “organic” on its products (Regulation EC 834/2007). Additionally, through IMPORTFAB it has FDA, Health Canada and CGMP certification.

THE ECONOMIC SITUATION AND REFERENCE SECTOR

In 2020 the global economy was heavily impacted by the effects of the spread of Covid-19, seeing the worst recession since WWII. After a first half that saw significant GDP loss in the major world economies, global economic activity saw better than expected recovery during the summer, but in the fourth quarter slowed again due to the new wave of the pandemic, especially in the advanced countries. The return of the pandemic between October and December, particularly intense in the European Union and the United States, with the consequent strengthening of containment measures in many countries, translated to a new slowdown in the global economy in the last quarter of 2020. On the other hand, longer-term prospects improved thanks to the start of vaccination campaigns in many countries. Only the Chinese economy exceeded the figures posted in years prior to the health emergency, with growth that strengthened and expansion seen in all sectors thanks to the near complete elimination of contagion since spring of 2020.

As a whole, based on IMF estimates (*ref. Report on recent economic developments, UPG Parliamentary Budget Office, Feb. 2020*), the decline in the global economy during 2020 amounted to 3.5%, almost a percentage point less than the reduction estimated at the end of October 2020 (-4.4%). More specifically, the GDP in the United States fell by 3.4%, in the Eurozone it fell by 7.2%, in emerging economies it fell by 2.4% and in China grew by 2.3%.

Looking just at the Eurozone, in 2020 GDP fell by 0.7 percent during the fourth quarter and 2020 ended with an overall decline in the figure of 7.2 percent. In contrast to the United States, the labour market saw the repercussions attenuated by the various measures implemented to protect jobs. From February 2020 to July 2020 the unemployment rate grew by only one and a half points (reaching 8.7 percent), and then began to fall again, reaching 8.3 percent in November 2020.

In Italy, after the heavy recession suffered during the first half of the last year (around 5.3% in the first quarter and around 10% in the second) during the first wave of Covid-19, the Italian economy recovered rapidly during the third quarter only to shrink again in the fourth. As a whole, in 2020 GDP fell by 8.8%, the worst result since WWII. Despite the recovery during the summer, households remain cautious and opinions on investment conditions have not improved. The impact of the health emergency on services was decidedly more significant than it was on industrial businesses. The labour market held, in part thanks to the significant expansion of unemployment funds (CIG) and the temporary blockage of layoffs,

while consumer inflation was negative. Synthetic indicators of the economic cycle and the most recent information all suggest a weak phase for the beginning of 2021.

With regard to the reference market of the subsidiary IMPORTFAB Inc., the Canadian economy was in an expansion phase up to the beginning of the economic crisis caused by the pandemic, with GDP growth for several years: +1.5% in 2016, +3% in 2017, +1.8% in 2018 and +1.6% in 2019. In 2020, following the effects of the pandemic, GDP fell by 5.1% and is expected to return to a positive figure in 2021 (+4.0%). Due to the debt to income ratio of Canadian citizens, during the pandemic the Canadian government launched an aid policy for the population, so as to reduce the risk of insolvency and bankruptcies in the private sector (*ref. Economic Observatory - Foreign market info - Italian Government, Jan. 2021*).

With regard to the reference market of the parent company, based on data and analysis prepared by the trade association Federsalus at 31.12.2020, in Italy during 2020 the market for food supplements exceeded € 3.7 billion, with a total of 278 million packages sold. This change translates to +3% with respect to 2019, while in terms of units sold the change was +1.6% (these results also consider the contributions of online pharmacy and OTC pharmacy sales). In this view which also includes e-commerce for pharmacies and OTC pharmacies, the role of local pharmacies as the main distribution channel continues, representing 79% of overall value, followed by OTC pharmacies and mass retailers, both representing 8%, followed by the e-commerce channel with 5% (however, considering only local sales points, Italian pharmacies saw a decline on 1.9%). In this context, food supplements registered a +1.5% trend, distinguishing themselves in the segment of freely available products which as a whole was fairly stable (-0.4%). In terms of volume trends, sales in pharmacies remained stable (-0.1%), while OTC pharmacies saw a 3.1% decrease in sales. For mass retail, which as a whole represents around 22% of sales volumes, the change was +3.6% in hypermarkets and supermarkets without a "pharmacy corner", and -3% in sales points with a "pharmacy corner". E-commerce for pharmacies and OTC pharmacies saw significant growth (+59.6% over the last year), even if this still represents a limited portion of overall units sold (4% of the total). With reference to prices in offline channels, a 1.6% increase was seen in pharmacies, 3% in OTC pharmacies and 6.2% in hypermarkets and supermarkets with a pharmacy corner, while sales points in mass retailers without a pharmacy corner saw a 1.1% decrease in prices. Products launched over the last twelve months on the domestic market accounted for a total value of around € 127 million on offline channels (equal to 3.5% of the total).

SIGNIFICANT EVENTS IN 2020

With the exception of events linked to the spread of Covid-19, which will be commented on in the subsequent section, we note the following operations regarding the parent company:

- February 2020: Board of Directors approval of the update to the Law 231 model, to implement all the regulatory changes established under current laws relative to the reference law;
- June 2020: sale of the 38.0% equity investment in Unibab Immobiliare Srl after the Group lost interest in the business project initially shared with the shareholder Unifarco Spa. The project had called for the acquisition and subsequent remodelling, through a leasing operation, of a large recently constructed property located in the municipality of Villorba, in the township of Lancenigo.
- July 2020:
 - o acquisition of land and an industrial property located in Via Filzi ad Istrana (prov. Treviso), on which the new production plant for Functional Cosmetics will be built, initially planned for the property acquired from Unilab Immobiliare Srl, in which the company held a 38% stake;
 - o presentation of a supplementary request to the relevant Revenue Agency office to access the Patent Box benefit for the 2019 tax period, following the request presented in December 2019;
- August 2020:
 - o Shareholders' Meeting approval of the project to trade the Company's shares on the AIM Italia multilateral trading facility, organised and managed by Borsa Italiana S.p.A., with the relative company actions preparatory to listing;
 - o adoption of new By-Laws, subordinate to the Company's shares being admitted for trading on AIM Italia, effective as of the date trading starts;
 - o Shareholders' Meeting resolution on the proposal to add to the company purpose, amending the By-Laws to allow Labomar to be qualified as a Benefit company, a new legal status introduced in Italy in 2016, which

formalises the company's decision to follow a model of responsible, sustainable and transparent development, adding ESG Responsibility objectives to traditional economic/profit goals;

- September 2020: appointment of a new Board of Directors, with the number of members increasing from 3 to 6, appointing an independent director, and appointment of a new Board of Statutory Auditors;
- October 2020: trading begins on the Aim Italia market, the alternative capital market managed by Borsa Italiana S.p.A;
- November 2020; Board of Directors approval of the update to the 231 Organisational Model, to take into account the regulatory constraints which apply to the company following its admission for trading on AIM.

Finally, please note that during July 2020 the company Zero S.r.l. (at 31 December a subsidiary of Project Zero S.r.l., in which the parent company holds a 5.56% equity investment), saw a foreign investor joint the shareholding structure through a capital increase to which it contributed € 4,250,000, representing a 12.5% stake in Zero S.r.l. The operation had the strategic purpose of developing initial vertical farming systems near the packaging and collection centres owned by the new shareholders, who represent a Russian multinational which is a market leader in the distribution of ready to eat salads. This initial operation was followed by another in December 2020, through which Project Zero Srl sold to the same counterparties part of its stake in Zero, equal to 8.75% of share capital (a nominal € € 11,250.05), for the price of € 2,487,500, generating a share premium of € 2,475,249.95. Therefore, the Russian investors invested a total of € 6,737,500 in Zero S.r.l. during 2020, arriving at a stake representing 21.25%.

ANALYSIS OF THE SITUATION AND OPERATING TRENDS

During 2020 Group operations were heavily affected by the spread of Covid-19, as was the entire world economy.

More specifically, the parent company Labomar S.p.A. was one of the companies allowed to continue with its activities based on its ATECO (business sector code), even during the lockdown period from March to May 2020. During the year, company management adopted measures to protect personnel safety and prevent contagion in both production areas and offices. In particular, in the production area a third shift was implemented to reduce the number of workers on the lines, while for office workers remote working was implemented where possible.

Additionally, from the beginning of 2020 company management established an internal task force focussed on protecting against Covid-19 impacts, especially in terms of maintaining supply chain continuity and monitoring financial management. In particular, for production no special difficulties in supplies of raw materials and similar were experienced, and in financial terms the situation remained in balance and the moratoriums and special financial support tools established under the regulations as a consequence of Covid-19 were not made use of.

With regard to the Canadian subsidiary, the province of Quebec, where IMPORTFAB is located, was one of the heaviest hit in Canada, with 297,600 cases and 10,500 deaths since the beginning of the pandemic (figures up to date as of mid-March 2021). The measures implemented by the Canadian government were more restrictive than those imposed by the Italian government. In fact, IMPORTFAB was able to continue working solely for the production of pharmaceuticals and products deemed medically similar. During the first wave, production of functional cosmetics was not allowed under government provisions (temporary suspension from 24 March 2020 to 4 May 2020). During this period, the company was subject to periodic monitoring by public authorities, with no negative findings. In the initial months of 2021, with the progressive increase of contagion, restrictions on personal movement and business returned but without any further stoppage in IMPORTFAB's production of cosmetics.

In terms of trends seen in 2020, despite the difficult context the Group confirmed the growth seen in recent years, with a 26.3% increase in revenues (27.2% with exchange rates held constant), compared to consolidated turnover in 2019 (the figure for 2020 is the first that includes a full year of revenues and margins for the Canadian IMPORTFAB, acquired in October 2019). In any case, turnover in 2020 for the parent company Labomar SpA grew by 10.2% with respect to 2019. The result is a vindication of the company strategy of focussing its commercial development on strengthening relationships with existing clients and establishing new relations with major pharmaceutical companies, despite the negative economic situation, making use of its experience and know-how acquired through investments in research and development over the years.

The activities of the Labomar R&D department continued to perfect original formulations developed on the basis of client requests and to offer consulting services for scientific marketing. This was supported by new patent development. At the end of April 2020 a new patent was filed and during the year another patent was developed, which is expected to be filed in mid-spring 2021.

Additionally, implementation of lean principles continued in both the production area and in the general structure. The Chief Transformation Office (CTO) office was strengthened during both the first and second half, with the introduction of two management engineers (one in May, and one in September 2020).

Finally, the profitable relationship with investees downstream on the value chain did not see any significant repercussions from Covid-19 phenomenon, specifically Labiotre Srl which produces vegetable extracts and Printingpack Srl which supplies products used to package finished products.

With regard to the subsidiary IMPORTFAB Inc., in addition to production, during the year initial projects were carried out as part of a multi-year plan to update machinery and processes, to help align IMPORTFAB with the standards of the parent company. In particular, investments during the year involve increasing production capacity for more strategic manufacturing by IMPORTFAB, with the purchase of two machines. They also helped to improve automation and adjust standards to ensure better workplace safety: to accelerate progress towards automation two machines to close packaging were made ready, while in terms of safety, the weighing room and one of the production rooms were remodelled. There were also various updates carried out in the packaging and production areas in general, but above all to update the purified water system needed for pharmaceutical production.

As of the date this document was prepared, no Group companies are suffering any special difficulties with regards to production activities or logistics management for materials, whether outgoing or incoming.

Nonetheless, the effects of Covid-19 in coming months cannot be clearly predicted at present and company management will continue to carefully and continuously monitor developments in the situation throughout the year.

GROUP ECONOMIC, FINANCIAL AND EQUITY PERFORMANCE

Below are the reclassified schedules of the Income Statement and Equity and Financial Situation for the year in question, compared with the results of the previous year.

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
RECLASSIFIED INCOME STATEMENT	31 December 2020		31 December 2019	
		%		%
Revenues from contracts with clients	61,059,449	99.30	48,343,554	98.38
Other income	431,576	0.70	793,921	1.62
Total Revenues and Proceeds	61,491,025	100.00	49,137,475	100.00
Purchases of products, goods and materials	27,986,499	45.51	24,446,557	49.75
Changes in inventory	(1,411,599)	-2.30	(2,042,715)	-4.16
Consumption	26,574,900	43.22	22,403,842	45.59
Primary contribution margin	34,916,125	56.78	26,733,633	54.41
Service costs	9,968,423	16.21	7,336,675	14.93
Personnel costs	13,456,040	21.88	10,105,949	20.57
Other operating costs	167,311	0.27	195,134	0.40
EBITDA	11,324,351	18.42	9,095,875	18.51
Amortisation and impairment	4,048,764	6.58	3,273,151	6.66
Other provisions	0	0.00	0	0.00
EBIT	7,275,587	11.83	5,822,724	11.85
Financial income	443,896	0.72	79,565	0.16
Financial charges	(1,328,304)	-2.16	(377,603)	-0.77
Value adjustments on financial assets	497,942	0.81	38,128	0.08
Earnings before taxes	6,889,120	11.20	5,562,814	11.32
(Taxes)	(797,115)	-1.30	(1,416,849)	-2.88
Net profit for the year	6,092,005	9.91	4,145,965	8.44
Group net profit	6,093,883	9.91	4,148,953	8.44
Minority interest net result	(1,878)	0.00	(2,988)	-0.01

During 2020 the Group recorded total revenues exceeding € 61 million, against € 48 million in 2019, an increase of over 26% with respect to the previous year.

In addition, the values above include "Other income" for the most deriving from revenues from compensation and operating grants.

The primary contribution margin increased in both percentage terms and absolute numbers.

EBITDA comes to over € 11 million, around 20% of total revenues and up with respect to the previous year, despite listing costs of € 968 thousand incurred during the year, classified within costs for services.

After amortisation, depreciation and provisioning of over € 4 million, EBIT comes to around € 7 million.

Income taxes, totalling € 0.8 million, were lower with respect to the previous year, thanks to the significant investments made which benefit from tax incentives, as well as the benefit of the Patent Box which offered € 0.9 million in benefits, mainly regarding previous years. More information is provided in the Notes.

The Group's net profit was higher than the previous year, totalling more than € 6 million, above all thanks to the new acquisition of the Canadian subsidiary IMPORTFAB.

It seems appropriate to note that the results achieved in 2020 were significantly affected by the Covid-19 emergency which affected all Group companies, as well as by the extraordinary listing operation which involved the parent company Labomar S.p.A. In particular, with reference to the Italian parent company,

- a total of € 265 thousand was incurred for costs linked to the pandemic (€ 75 thousand to purchase devices to prevent contagion, partially used internally and partially donated to public entities working to fight the pandemic, € 190 thousand incurred for higher personnel costs, of which € 78 thousand for an extraordinary bonus paid to personnel on site during the March and April 2020 lockdown, € 112 thousand for greater costs incurred during the year for higher absences linked to contagion);
- listing on the AIM led to non-recurring costs of € 968 thousand for ad hoc professional consulting;
- lower taxes deriving from the Patent Box benefit, as better described in the Notes, for a total of € 721 thousand.

Given the type of costs mentioned above, we present below the main gross and net operating margins, before and after taxes, in particular net of non-recurring components linked to the listing on the Borsa Italiana AIM market and the obtaining of the Patent Box benefit for previous years, in order to better represent the Group's income capacity over time in a comparable manner. Using the same logic, comparison figures for financial year 2019 are shown net of expenses incurred for the asset deal transaction carried out at the end of the year, which led to the acquisition of IMPORTFAB Inc.:

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
RECLASSIFIED INCOME STATEMENT	31 December 2020	%	31 December 2019	%
Adjusted EBITDA	12,292,509	20.0	9,670,098	19.7
Adjusted EBIT	8,243,745	13.4	6,396,947	13.0
Adjusted earnings before taxes	7,857,278	12.8	6,137,037	12.5
Adjusted net profit for the year	6,069,107	9.9	4,568,019	9.3

Below is the reconciliation of the adjusted indicators:

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
	31 December 2020	%	31 December 2019	%
EBITDA	11,324,351	18.4	9,095,875	18.5
Listing expenses	968,158	1.6	0	0.0
IMPORTFAB acquisition costs	0	0.0	574,223	1.2
Adjusted EBITDA	12,292,509	20.0	9,670,098	19.7

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
	31 December 2020	%	31 December 2019	%
EBIT	7,275,587	11.8	5,822,724	11.8
Listing expenses	968,158	1.6	0	0.0
IMPORTFAB acquisition costs	0	0.0	574,223	1.2
Adjusted EBIT	8,243,745	13.4	6,396,947	13.0

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
	31 December 2020	%	31 December 2019	%
Earnings before taxes	6,889,120	11.2	5,562,814	11.3
Listing expenses	968,158	1.6	0	0.0
IMPORTFAB acquisition costs	0	0.0	574,223	1.2
Adjusted earnings before taxes	7,857,278	12.8	6,137,037	12.5

LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS				
	31 December 2020	%	31 December 2019	%
Net profit for the year	6,092,005	9.9	4,145,965	8.4
Listing expenses	968,158	1.6	0	0.0
IMPORTFAB acquisition costs	0	0.0	574,223	1.2
(Tax effect of costs detailed above)	(270,116)	(0.4)	(152,169)	(0.3)
Patent box benefit for previous years	(720,940)	(1.2)	0	0.0
Adjusted net profit for the year	6,069,107	9.9	4,568,019	9.3

RECLASSIFIED FINANCIAL POSITION	LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS			
	31 December 2020	Increase % over CIN	31 December 2019	Increase % over CIN
Intangible assets	15,734,599	38	17,186,199	45
Rights of use	3,130,804	8	4,029,852	10
Tangible assets	17,121,091	41	12,656,948	33
Equity investments and financial assets	2,078,204	5	1,835,218	5
Other non-current assets and liabilities*	(2,607,522)	-6	(2,182,029)	-6
Net Non-Current Assets	35,457,176	85	33,526,188	87
Inventories	9,546,220	23	8,127,369	21
Trade receivables	9,438,872	23	10,317,448	27
Trade payables	(12,685,358)	-30	(11,565,894)	-30
Other current assets and liabilities	(75,907)	0	(1,792,984)	-5
Net Working Capital	6,223,827	15	5,085,939	13
Net Invested Capital	41,681,003	100	38,612,127	100
Shareholders' equity	(38,238,532)	-92	(9,915,020)	-26
Cash and cash equivalents	33,660,632	81	6,882,057	18
Liabilities for derivative financial instruments	(88,673)	0	(745)	0
Due to banks	(33,311,412)	-80	(31,056,732)	-80
Bank loans	260,547	1	(24,175,420)	-63
Right-of-use liabilities	(2,860,558)	-7	(3,635,898)	-9
Payables to shareholders for dividends	0	0	(400,000)	-1

Non-disposable cash in trusts	858,167	2	4,795,177	12
Payables for business unit acquisition	(1,700,627)	-4	(5,280,966)	-14
Comprehensive Net Financial Position	(3,442,471)	-8	(28,697,107)	-74
Funding sources	(41,681,003)	-100	(38,612,127)	-100

* Deferred tax assets, liabilities for employee benefits, provisions for risks and charges, deferred tax liabilities.

The schedule for the Equity/Financial Situation identifies certain important macro-indicators.

“Net Working Capital” indicates the difference between commercial assets and liabilities linked to the Group’s business cycle. The indicator represents the sum of warehouse inventories and trade receivables, net of payables of the same nature. The indicator identifies the financial requirements generated by the business cycle.

The trend for “Net Non-Current Assets”, essentially consisting of tangible assets, intangible assets and financial assets (net of relative amortisation and depreciation) shows progress in investments in absolute and percentage terms during the period in question.

Against commitments outlined, sources are represented by own and third party funds which changed as a function of investments made and, above all, as a consequence of the operation to begin listing on the AIM Italia market. As already noted, admission to trading led to the receipt of new funds for the Company represented by an increase in share capital and the recognition of the share premium reserve for a total of € 24,801 thousand, including the share premium of € 26 million and net of listing costs totalling € 1,199 thousand (€ 1,663 thousand after tax effects of € 464 thousand). Therefore, the equity structure can be considered stable and solid.

The “Comprehensive Net Financial Position” represents bank exposure and financial debt linked to leasing and rental contracts, net of cash and cash equivalents. The indicator shows the trend of investments made and extraordinary transactions carried out.

Below is the consolidated statement of cash flow prepared using the indirect method.

	31 December 2020	31 December 2019
NET PROFIT FOR THE YEAR	6,092,005	4,145,965
Adjustments for non-monetary elements:	5,266,615	5,507,811
Amortisation, depreciation and impairment of tangible and intangible assets and real estate	4,048,764	3,273,151
Provisioning	489,700	328,510
Income taxes	797,115	1,416,849
Net interest income and expense	240,303	240,171
Other adjustments for non-monetary elements	(309,267)	249,131
Changes in operating assets and liabilities:	(1,693,503)	185,890
Changes in inventory	(1,624,322)	(1,954,789)
Changes in trade receivables	1,207,099	(1,097,829)
Changes in trade payables	154,524	4,145,208
(Use of provisions)	50,797	(96,210)
Other changes in operating assets and liabilities	(1,481,601)	(810,490)
Other amounts collected and paid:	(1,251,503)	(1,767,630)
Interest received (paid)	(134,598)	(197,527)
(Income taxes paid)	(1,116,905)	(1,570,103)

Other amounts collected (paid)		0
NET CASH FLOWS GENERATED (ABSORBED) BY OPERATIONS	8,413,615	8,072,036
Investments:		
Investments in tangible assets	(6,254,187)	(3,489,893)
Divestments of tangible assets	28,060	100,462
Investments in intangible assets	(450,121)	(299,937)
Other cash flows from intangible assets	32,680	0
Business acquisition	622,466	(19,924,425)
Investment in financial assets		(565,455)
Divestments of financial assets	289,756	20,000
NET CASH FLOWS GENERATED (ABSORBED) BY INVESTMENTS	(5,731,346)	(24,159,247)
Financial management:		
Capital increase for pay	24,800,632	24,500
Shareholder transactions		
Increase (decrease) in bank loans	(1,504,429)	5,673,620
Increase (decrease) in short term amounts due to banks	3,759,109	10,626,804
(Increase) decrease in other financial liabilities	(890,707)	3,322,071
Dividends received (paid)	(1,900,000)	(1,100,000)
NET CASH FLOWS GENERATED (ABSORBED) BY FINANCIAL ASSETS	24,264,605	18,546,995
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,946,873	2,459,784
Exchange rate effects on cash and cash equivalents	(168,300)	4,526
Cash and cash equivalents at start of period	6,882,058	4,417,748
Increase (decrease) in cash and cash equivalents	26,778,573	2,464,310
Cash and cash equivalents at end of period	33,660,631	6,882,057

In terms of cash flows, during the period in question the Group generated over € 8 million through operations.

Investment activities required a sizeable net amount of over € 5 million.

The increase in net cash flows generated by lending activities is a direct consequence of the above.

As an effect of the above, cash and cash equivalents increased by around € 27 million.

We propose the following indicators to supplement the descriptive analysis provided above:

MAIN FINANCIAL STATEMENT INDICATORS		
Economic	31 December 2020	31 December 2019
ROI (EBIT/Net invested capital) %	17.46 %	15.08 %
Return on turnover (revenues from contracts with clients/total assets)	0.64	0.71

ROS (EBIT/revenues from contracts with clients) %	11.92 %	12.04 %
ROE (profit for the year/shareholders' equity) %	15.93 %	41.81 %
Turnover per employee in € (revenues from contracts with clients/average employees)	227,834	183,293
Personnel costs per employee in € (personnel costs/average employees)	50,209	38,316
Average warehouse stock in €	8,836,795	6,278,838
Warehouse rotation (revenues and proceeds/average stock)	6.96	7.83
Equity	31 December 2020	31 December 2019
CAPITALISATION (shareholders' equity/total assets) %	39.60 %	14.59 %
COVERED BY EQUITY (shareholders' equity/non-current assets)	1.00	0.28
LEVERAGE (shareholders' equity/total liabilities)	0.66	0.17
DEBT QUOTIENT (total liabilities/shareholders' equity)	1.51	5.85
LIQUIDITY (current assets/current liabilities)	2.10	0.93
QUICK RATIO (current assets after inventories/current liabilities)	1.75	0.69

ROI Return on investment (EBIT/net invested capital) %

A measure of core business, indicating the efficiency of capital management. A positive result is indicated by a positive figure.

Turnover rotation (revenues from contracts with clients/total assets)

Identifies the number of times capital invested in core business is able to rotate through company turnover. This indicator is consistent in both periods and mirrors the proportion between sales and total assets.

ROS Return on sale (EBIT/revenues from contracts with clients) %

Describes profitability of sales, considering core costs and revenues, expressing the ability of revenues to cover costs generated by core business.

ROE Return on equity (profit for the year/shareholders' equity) %

Indicates the return on capital invested by shareholders. It describes changes in profitability, which can be positive or negative based on the values seen in the index itself. The decrease in the number, despite an increase in profit for the year, can essentially be attributed to the significant increase seen in shareholders' equity due to the listing operation.

Turnover and cost per employee

These figures respectively indicate operating turnover and cost per employee, and turnover and the total number of employees (average for the year).

Capitalisation (shareholders' equity/total assets) %

Indicates the Group's level of capitalisation, the higher the degree of capitalisation, the greater the financial autonomy.

Covered by equity (shareholders' equity/non-current assets)

Expresses the ability of the entity's own funds to finance its investments, or the coverage capacity of non-current assets.

Leverage (shareholders' equity/total liabilities)

Measures the proportion between own capital and third-party capital used to finance loans.

Debt quotient (total liabilities/shareholders' equity)

This refers to the ratio between total liabilities (current and non-current) and shareholders' equity: a value close to one indicates a good balance and appropriate distribution of risk.

Liquidity (current assets/current liabilities)

This index indicates the ratio of short-term assets, including inventory, to short-term liabilities; it expresses management's ability to satisfy the company's short-term commitments.

Quick ratio (current assets after inventories/current liabilities)

This index indicates the ratio of short-term assets, net of inventory, to short-term liabilities; it expresses management's ability to satisfy the company's short-term commitments.

PARENT COMPANY ECONOMIC, FINANCIAL AND EQUITY PERFORMANCE

Below are the reclassified schedules of the Income Statement and Equity and Financial Situation for the year in question for the parent company, compared with the results of the previous year.

RECLASSIFIED INCOME STATEMENT	LABOMAR S.P.A. - SEPARATE FINANCIAL STATEMENTS			
	31 December 2020	%	31 December 2019	%
Revenues from contracts with clients	51,773,448	99.18	46,976,116	98.35
Other income	429,576	0.82	788,286	1.65
Total Revenues and Proceeds	52,203,024	100.00	47,764,402	100.00
Purchases of products, goods and materials	25,657,555	49.15	24,023,938	50.30
Changes in inventory	(1,825,836)	-3.50	(2,072,037)	-4.34
Consumption	23,831,719	45.65	21,951,901	45.96
Primary contribution margin	28,371,305	54.35	25,812,501	54.04
Service costs	8,532,413	16.34	6,433,703	13.47
Personnel costs	11,224,699	21.50	9,731,383	20.37
Other operating costs	164,268	0.31	194,973	0.41
EBITDA	8,449,925	16.19	9,452,442	19.79
Amortisation and impairment	3,293,224	6.31	3,147,612	6.59
Other provisions	0	0.00	0	0.00
EBIT	5,156,701	9.88	6,304,830	13.20
Financial income	246,375	0.47	91,516	0.19
Financial charges	(1,153,469)	-2.21	(319,487)	-0.67
Value adjustments on financial assets	497,943	0.95	38,128	0.08
Earnings before taxes	4,747,550	9.09	6,114,986	12.80
(Taxes)	(241,286)	-0.46	(1,544,058)	-3.23
Net profit for the year	4,506,264	8.63	4,570,928	9.57

RECLASSIFIED FINANCIAL POSITION	LABOMAR S.P.A. - SEPARATE FINANCIAL STATEMENTS			
	31 December 2020	Increase in sources, %	31 December 2019	Increase in sources, %
Intangible assets	560,750	1.4	515,689	1.4
Rights of use	2,688,065	6.8	3,420,256	9.6
Tangible assets	16,131,615	40.6	11,721,930	32.8
Equity investments and financial assets	16,307,887	41.0	18,193,912	50.9
Other non-current assets and liabilities*	(2,441,388)	-6.1	(2,309,555)	-6.5
Net Non-Current Assets	33,246,929	83.6	31,542,232	88.2
Inventories	8,272,681	20.8	6,432,749	18.0
Trade receivables	8,854,265	22.3	9,446,203	26.4
Trade payables	(12,359,223)	-31.1	(10,984,016)	-30.7
Other current assets and liabilities	1,752,116	4.4	(679,491)	-1.9
Net Working Capital	6,519,839	16.4	4,215,445	11.8
Net Invested Capital	39,766,768	100.0	35,757,677	100.0
Shareholders' equity	(37,879,198)	-95.3	(10,339,815)	-28.9
Cash and cash equivalents	29,840,492	75.0	4,987,637	13.9
Liabilities for derivative financial instruments	(88,673)	-0.2	(745)	-0.0
Due to banks	(29,235,701)	-73.5	(26,981,021)	-75.5
Bank loans	516,118	1.3	(21,994,129)	-61.5
Right-of-use liabilities	(2,403,688)	-6.0	(3,023,734)	-8.5
Payables to shareholders for dividends	0	0.0	(400,000)	-1.1
Comprehensive Net Financial Position	(1,887,570)	-4.7	(25,417,863)	-71.1
Total liabilities	(39,766,768)	-100.0	(35,757,678)	-100.0

* Deferred tax assets, liabilities for employee benefits, provisions for risks and charges, deferred tax liabilities.

Below is the statement of cash flow prepared using the indirect method.

NET PROFIT FOR THE YEAR	31 December 2020	31 December 2019
	4,506,264	4,570,928
<i>Adjustments for non-monetary elements:</i>	4,232,281	5,518,415
Amortisation, depreciation and impairment of tangible and intangible assets and real estate	3,393,224	3,147,612
Provisioning	450,484	328,510
Income taxes	241,286	1,544,058
Net interest income and expense	309,515	200,856

Other adjustments for non-monetary elements	(62,230)	297,379
Changes in operating assets and liabilities:	(1,166,577)	(1,144,930)
Changes in inventory	(1,939,932)	(2,002,443)
Changes in trade receivables	544,274	(1,156,956)
Changes in trade payables	874,279	3,192,625
(Use of provisions)	50,797	(96,210)
Other changes in operating assets and liabilities	(695,995)	(1,081,946)
Other amounts collected and paid:	(1,400,338)	(1,748,187)
Interest received (paid)	(283,433)	(178,084)
(Income taxes paid)	(1,116,905)	(1,570,103)
Other amounts collected (paid)	-	-
NET CASH FLOWS GENERATED (ABSORBED) BY OPERATIONS	6,171,630	7,196,226
Investments:		
Investments in tangible assets	(5,945,514)	(3,489,676)
Other cash flows from tangible assets	28,060	100,462
Investments in intangible assets	(450,121)	(299,937)
Other cash flows from intangible assets	32,680	-
Investment in financial assets	(180,000)	(17,426,118)
Other cash flows from financial assets	793,024	20,000
NET CASH FLOWS GENERATED (ABSORBED) BY INVESTMENTS	(5,721,871)	(21,095,270)
Financial management:		
Capital increase for pay	24,800,632	-
Shareholder transactions	0	0
Increase (decrease) in bank loans	(1,504,429)	5,673,620
Increase (decrease) in short term amounts due to banks	3,759,109	10,626,804
(Increase) decrease in other financial liabilities	(752,217)	(731,347)
Dividends received (paid)	(1,900,000)	(1,100,000)

NET CASH FLOWS GENERATED (ABSORBED) BY FINANCIAL ASSETS	24,403,095	14,469,077
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,852,854	570,033
Exchange rate effects on cash and cash equivalents	-	(143)
Cash and cash equivalents at start of period	4,987,637	4,417,748
Increase (decrease) in cash and cash equivalents	24,852,855	569,890
Cash and cash equivalents at end of period	29,840,492	4,987,637

Below are the main indicators for the annual financial statements.

MAIN FINANCIAL STATEMENT INDICATORS		
Economic	31 December 2020	31 December 2019
ROI (EBIT/Net invested capital) %	13.00 %	17.63 %
Return on turnover (revenues from contracts with clients/total assets)	0.59	0.82
ROS (EBIT/revenues from contracts with clients) %	9.96 %	13.42 %
ROE (profit for the year/shareholders' equity) %	11.90 %	44.21 %
Turnover per employee in € (revenues from contracts with clients/average employees)	239,692	234,881
Personnel costs per employee in € (personnel costs/average employees)	51,966	48,657
Average warehouse stock in €	7,352,715	5,431,527
Warehouse rotation (value of production/average stock)	7.10	8.79
Equity	31 December 2020	31 December 2019
CAPITALISATION (shareholders' equity/total assets) %	43.05 %	18.09 %
COVERED BY EQUITY (shareholders' equity/non-current assets)	1.06	0.31
LEVERAGE (shareholders' equity/total liabilities)	0.76	0.22
DEBT QUOTIENT (total liabilities/shareholders' equity)	1.32	4.53

LIQUIDITY (current assets/current liabilities)	2.07	0.80
QUICK RATIO (current assets after inventories/current liabilities)	1.75	0.58

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OTHER REQUIRED INFORMATION

Main risks and uncertainties to which the Group is exposed

The Group has an internal control system consisting of rules, procedures and organisational structures intended to ensure correct and proper management, including a process which is able to identify, manage and monitor the main risks which could threaten the achievement of the company's goals.

This paragraph outlines the risks and uncertainties linked to the general economic situation and reference market which could significantly influence the Group's performance.

Financial risks

The financial instruments used by the Group mainly include cash and cash equivalents and short and medium/long-term financial assets and liabilities.

In line with that resolved by the parent company's Board of Directors at its meeting on 23.11.2016, regarding the adoption of a "Interest rate risk management policy" (which defines and indicates the general principles and guidelines for the parent company's Board of Directors in analysing, managing and controlling interest rate risk), the Group has acted to diversify the technical types of bank lending used, with the aim of limiting the risks it is exposed to, identifying those most appropriate to meet the financial requirements determined by its industrial activities and the interest rate levels which can minimise any possible unfavourable changes in the cost of financing.

The existing equity structure, its changes during the year just ended and management's ability to generate liquidity at the operating level all confirm a low level of liquidity risk. At 31 December 2020, the Group complied with all the financial covenants established in its lending contracts: hence there are no risks linked to non-compliance with these covenants leading to application of the acceleration clause.

The Group continues to maintain balance and flexibility with regards to its financing sources and loans. Liquidity needs are constantly monitored with an eye to guaranteeing financial resources are efficiently obtained, with any available liquidity appropriately invested.

Exchange rate risks

During the year, the Group did not carry out any significant transactions in currencies other than the Euro or the Canadian dollar. The exchange rate risk applying to the parent company refers to the acquisition of the controlling interest in the Canadian company. Management is currently evaluating whether to implement exchange rate coverage during 2021, also in the light of a more favourable Euro/Canadian dollar exchange rate. The subsidiary IMPORTFAB is not subject to any exchange risk in that to sterilise risks linked to transactions in US dollars the company makes use of "natural hedging".

External risks

The Group is exposed to the normal risks connected with the general conditions of the economy and the sector.

Despite a positive growth trend in its reference market, both internally and on external markets, the Group is subject to pressure from numerous competitors who all have the objective of increasing their market shares through aggressive price policies.

To that end, the Group has implemented a policy to develop its sales which is focussed on wide diversification of markets and clients, so as to not concentrate turnover in individual counterparties/markets which could be risky in the case of default or a decrease in demand.

In addition to this, the Group also pursues its growth strategy through intensive research and development, with the aim of providing the Group with patents, original formulations and specific production know-how that help to protect it from competition from other actors in its reference sector.

The Group's business is not exposed to seasonal market fluctuations.

The Group constantly monitors risk with regards to changes in the relevant regulatory framework. The goods it produces are subject to numerous safety and quality norms and regulations, both national and international. To deal with these risks,

the Group has always invested resources to research and develop innovative products, which anticipate possible restrictions contained in current regulations. It also has a Regulatory Affairs department.

The Group is exposed to the risk of unauthorised access/use of its company data and information. However, it has developed operating policies and technical security measures intended to guarantee adequate protection for its corporate data and information, partnering with highly qualified cybersecurity suppliers.

Country risk

The Group does not operate in geographic areas which could give rise to macroeconomic, financial, regulatory, market, geopolitical or social risks.

Internal risks

The Group operates through a management structure divided into operational areas: sales, research and development, regulatory, technical/production, logistics, control and quality assurance, purchasing, administrative/financial, management control, personnel management and secretariat.

The internal structure is managed using an IT system accessible to each area as a function of their responsibilities and the access granted by the system administrator. Management and control over each individual area is based on a series of periodic reports, which may be daily, weekly and/or monthly (based on the function). This allows for constant monitoring of activities and events.

It is held that the company's control and management system is able to provide management and administration with all the information and parameters required to allow for proper and careful analysis of events and occurrences, allowing them to make suitable strategic decisions.

In November 2013 the parent company adopted its organisation, management and control model pursuant to Italian Law 231/01 and also appointed the Supervisory Body. During 2019 and 2020 the parent company updated this model to reflect regulatory changes which had occurred in the meantime as well as due to its listing on the AIM market. The new model and the update were adopted by the parent company after specific resolutions made by the Board of Directors on 13 February 2020 and 24 October 2020. At its meeting in February 2020, the Board renewed the appointment of the Supervisory Body through the end of financial year 2022.

The Supervisory Body established pursuant to Italian Legislative Decree 231/01 takes action in the context of its supervisory responsibilities with regards to the corporate crimes included in Italian Legislative Decree 231/01, personally verifying compliance with control safeguards. Additionally, the Supervisory Body monitors the application and respect of the Code of Ethics adopted by the parent company.

Risks connected to credit management and clients

The Group has adopted a credit management policy intended to evaluate the reliability of clients in terms of creditworthiness, monitor expected collection flows, issue payment reminders and, when deemed necessary or expedient, grant special credit conditions and handle legal disputes regarding receivables.

In 2020, amounts allocated to the bad debt provision (€ 48 thousand) were determined based on analysis of monitored positions and statistical analysis of losses on receivables and/or impaired positions recorded over the last five years.

Based on analysis of client credit positions at 31.12.2020, also in the light of information obtained during the initial months of 2021, the administrative body held the provision to be reasonably suitable (at € 713 thousand) with respect to perceived credit risk.

D) RESEARCH AND DEVELOPMENT

The Group continuously carries out Research and Development, which allows it to develop new patents and original formulations, which can be proposed to the market. It also continuously creates new products which are innovative and original in terms of active ingredients, production processes and methods used to deliver the active ingredients.

Aware of the strategic importance of these activities, as in previous years, the Group continued to invest in Research and Development in 2020 to further strengthen the resources dedicated and make new areas and equipment available. Also in continuation with that done the previous year, with the consent of the Board of Statutory Auditors, in 2020 the Group capitalised and suspended for future capitalisation internal and external expenses incurred to develop new patents, for which the work schedule and filing of the patent are expected to be completed by the end of the first half of 2021. These expenses refer to internal personnel and external consulting expenses, used in development projects that will lead to the filing of new patents in 2021. Patents filed in previous years also led to the creation of new products again in 2020, with significant sales revenues in both 2020 and in coming years. These activities represent a distinctive feature for the Group in terms of the internal and foreign markets, helping to explain its positive growth rates over the last five years. During 2020, the company moved forward with innovative pre-competitive activities, focussing its efforts on the following projects in particular:

- Activity 1; Research and Development for new food supplements, medical devices and food for special medical purposes.
- Activity 2; Technological Innovation activities for new food supplements, health solutions and personal hygiene.
- Activity 3; Digital 4.0 Technological Innovation to digitalise maintenance activities, update machinery and improve manufacturing processes.
- Activity 4; "Green" Technological Innovation activities for new environmentally sustainable packaging.

To develop the above projects, the company incurred recognisable costs of € 1,417,761.71, relative to which it intends to access the benefits established in the tax code for research, development, technological innovation, design and aesthetic creation pursuant to article 1, paragraphs 198-209 of Italian Law 160 of 27 December 2019.

2) RELATIONS WITH SUBSIDIARIES, ASSOCIATED COMPANIES, PARENT COMPANIES AND SUBSIDIARIES OF PARENT COMPANIES

Relations with subsidiaries and associates are carried out with the aim of mutually beneficial cooperation, with the goal of developing all useful synergies.

In particular:

- Labiotre and Printingpack: these are minority investments acquired in 2012 in companies located in the supply chain in which the parent company operates, offering synergies in both the production of active ingredients - through Labiotre S.r.l., whose core business is the production of tinctures - and in the production of specific packaging materials - through cooperation with Printingpack S.r.l.

- Entreprises IMPORTFAB Inc., a Canadian company established in October 2019, in which Labomar holds a majority stake and the public financial company SIMEST-SACE holds a minority stake, which as of 1 November 2019 acquired the operating assets of Entreprises IMPORTFAB Inc, located in Pointe Claire-Quebec. The transaction was based on prospects for developing core business in the North American market over the medium/long-term, in part thanks to the know-how, patents and original formulations owned by the parent company, which could be transferred to the Canadian subsidiary;

- Herbae: established in December 2019 in partnership with Zero Srl, its objective is to develop cultivation of medicinal plants using aeroponic vertical farming, an area of interest for the food supplement and medical devices markets, in partnership with counterparties interested in specific plants and/or naturally-derived active ingredients to be inserted in new products.

- Project Zero: a holding company which holds the controlling interest in Zero Srl, a company which develops aeroponic vertical farming technology, ideal for using artificial intelligence to develop optimised cultivation of high cost/value plants or those which are difficult to produce due to a lack of natural and environmental conditions.

Finally, note the sale during the year of the equity investment in Unilab Immobiliare Srl (38%) as it was deemed to no longer be strategic. The equity investment was sold to the majority shareholder Unifarco Spa.

In relation to the above equity investments, note the following related party transactions.

All related party transactions were carried out at arms length, using the conditions that would be applied between two independent parties.

In order to establish whether related party transactions are carried out using normal market conditions, the parent company considered quantitative conditions, relative to prices and associated elements, as well as the motivations which led it to decide to carry out the transaction and carry it out with a related party rather than a third party.

There are no atypical and/or unusual relations with related parties of the parent company.

	for the year 2020				
	Shareholder loan receivables/financial receivables	Receivables	Payables	Costs	Revenues
PARENT COMPANY					
LBM Holding Srl					0
SUBSIDIARIES					
IMPORTFAB Inc.	7,725,644				124,689
Herbae Srl	180,229		25,500		1,659
ASSOCIATED COMPANIES					
Labiotre Srl		9,150	840,413	2,597,580	90,000
Printingpack Srl			321,044	931,851	
Project Zero Srl					
Unilab Immobiliare Srl					1,277
OTHER RELATED PARTIES					
Farmacia Bertin Walter Sas		18,446	575	4,988	51,335
Imm.re Alessandra Srl			1,756,699	40,860	
Universeo TV Scarl				500	
Consorzio Ribes-Next Scarl				1,000	
BModel Sas			88,167	313,769	
Labofit Srl			3,000	36,000	

*payable for share capital subscription.

	for the year 2019				
	Shareholder loan receivables/financial receivables	Receivables	Payables	Costs	Revenues
PARENT COMPANY					
LBM Holding Srl			362,500		
SUBSIDIARIES					
IMPORTFAB Inc.	8,865,394	505,337			505,337
Herbae Srl			25,500		
ASSOCIATED COMPANIES					
Labiotre Srl		9,150	806,389	2,117,504	90,000
Printingpack Srl			312,310	786,743	2,000
Project Zero Srl					
Unilab Immobiliare Srl	248,520	2,801			2,801
OTHER RELATED PARTIES					
Farmacia Bertin Walter Sas		12,320	660	7,725	53,213
Imm.re Alessandra Srl			1,944,071	44,825	

Universo TV Scarl		3,109	1,316	14,482	11,874
Consorzio Ribes-Next Scarl	315			16	
BModel Sas			7,625	166,398	
Labofit Srl			3,000	39,000	

Related party transactions mainly involve sales and consulting relations, with the exception of loan receivables relative to the subsidiary IMPORTFAB Inc.

During 2019, the Company issued a surety in the amount of € 1,520,000 in favour of Banca di Cividale for a real estate lease signed by the investee Unilab Immobiliare to purchase a specific commercial real estate property through an auction and then remodel it. The guarantee given is equal to the per-unit value of the lease signed by Unilab with Banca di Cividale (38% of € 4,000,000). During 2020, after the company left the shareholding structure of Unilab Srl, the guarantee was revoked (the letter of release and relative closing is dated 09.12.2020).

Other than this, no guarantees were given or received.

3) INFORMATION ABOUT OWN SHARES AND/OR SHARES OF ABSOLUTE PARENTS HELD BY THE PARENT COMPANY

The parent company does not hold any own shares or shares of absolute parents.

4) INFORMATION ABOUT OWN SHARES AND/OR SHARES OF ABSOLUTE PARENTS ACQUIRED OR SOLD BY THE PARENT COMPANY DURING THE YEAR AND REASONS FOR ACQUISITION OR SALE

During the year the parent company did not acquire any own shares and/or shares of absolute parents.

5) SIGNIFICANT EVENTS AFTER YEAR END

During the initial months of 2021, following 31.12.2020, the Group continued with its business, despite the obvious effects generated by the spread of Covid-19, which also impacted the entire domestic and international economy.

More specifically, the parent company and its Canadian subsidiary are managing their production activities in compliance with the provisions of local regulations intended to prevent the spread of the pandemic.

With regard to the parent company note the following significant events:

- January 2021: the company signed a significant new sales agreement with Bayer, one of the most important multinational pharmaceutical companies globally, with which it has worked for over six years. More specifically, the company established an exclusive partnership with Bayer for 4 references that are part of the recent extension of the Aspi Gola® di Bayer range, which now features new ingredients in the "Aspi Gola® Natura" brand. Labomar will develop and produce these references in various flavours and pharmaceutical formulations, while Bayer will be responsible for distribution. The signing of the agreement occurred at the same time the Aspi Gola® references were launched, during the season in which products in the "Cough & Cold" segment see the most sales;
- February 2021: the company signed an agreement with the Revenue Agency to access the tax benefits associated with the Patent Box. The agreement signed refers to the 2016-2020 period and offers a total tax benefit for the Group of around € 0.9 million: the effects of this benefit were seen in the 2020 financial statements, and are expected to continue throughout 2021-2025, based on the agreement signed;
- March 2021: the Company prepared its first annual Impact Report, in line with that required in the regulations for companies which have Benefit company status;
- March 2021: the Company prepared the documentation necessary to obtain a bonus for consulting costs incurred for stock market listing in the form of a tax credit for 50% of the consulting costs incurred. The tax credit will be equal to the maximum amount allowable under current regulations - € 500,000.

6) OUTLOOK

Despite the difficulties mentioned above, the reference sector, as well as the food and pharmaceutical sectors, maintained the growth trend seen in previous years. In consideration of this, the directors hold that the Group will continue on its current growth path, both in the domestic market and in foreign markets.

7) SECONDARY OFFICES

The Group operates through the parent company in 4 locations, all within the municipality of Istrana (prov. Treviso): Istrana - Via N.Sauro 35 (registered office), Istrana - Via Brigata Marche 1, Istrana - Via F.Filzi 33, Istrana - Via F.Filzi 55 A.

In addition to these locations, the Group operates in Canada through its subsidiary IMPORTFAB at its location in Pointe-Claire, Quebec, 50 Hymus Blvd.

INFORMATION REQUIRED BY SPECIAL LAWS

PRIVACY

In compliance with that established under Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016 and under Italian Legislative Decree 196/2003, as amended by Italian Legislative Decree 101 of 10 August 2018, known as the Privacy Code, management adopts all technical and organisational criteria needed to protect common, sensitive and legal personal information processed with IT tools, as well as a training plan for those responsible for the processing.

DISCLOSURE PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

In compliance with the requirement to properly manage the Group, management considers the administrative and economic risks which apply to it, as contained in Italian Legislative Decree 231 of 8 June 2001 - Official Gazette of the Italian Republic, general series, 19 June 2001, ed. no. 140, which establishes the general principles and criteria for assigning corporate liability to legal entities.

At its meeting on 15.11.2013, the parent company's Board of Directors adopted an organisational, management and control model pursuant to Italian Legislative Decree 231/01 and appointed a Supervisory Body. During 2019 and 2020 the parent company updated this model to reflect regulatory changes which had occurred in the meantime as well as due to its listing on the AIM market. The new model and the update were adopted by the parent company after specific resolutions made by the Board of Directors on 13 February 2020 and 24 October 2020. At its meeting in February 2020, the Board renewed the appointment of the Supervisory Body through the end of financial year 2022.

The Supervisory Body established pursuant to Italian Legislative Decree 231/01 takes action in the context of its supervisory responsibilities with regards to the corporate crimes included in Italian Legislative Decree 231/01, personally verifying compliance with control safeguards. Additionally, the Supervisory Body monitors the application and respect of the Code of Ethics adopted by the parent company.

During the year, the Supervisory Body carried out an audit plan intended to verify proper adoption of the model by the organisational structure and reported the results of the audits to the Board, with the frequency established by the regulations.

PERSONNEL INFORMATION

Management notes that the Group has always adopted prevention and protection measures and has complied with legal provisions relative to safety and prevention in the workplace.

There were 5 injuries in 2020, of which 3 while commuting (4 at the parent company and 1 at the Canadian subsidiary), leading to a total of 142 days of absence.

The labour contract for the parent company is the Food - Industry contract.

ENVIRONMENTAL INFORMATION

Management notes that the Group complies with the law for the sector relative to environmental protection, Italian Legislative Decree 152/2006 "Environmental regulations", as amended and updated, as well as with the correlated implementation tools.

CONCLUSIONS

Dear Shareholders, the administrative body holds that the activities carried out and results achieved both economically and commercially are such as to demonstrate the offices entrusted to us have been carried out seriously, precisely and appropriately.

Istrana, 29 March 2021

The Chairman of the Board of Directors
WALTER BERTIN

