

# **Labomar S.p.a.**

**Consolidated Financial Statements**  
**31 December 2021**

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# Accounting Schedules

## Consolidated Equity and Financial Position

### Assets

(Euro)	Notes	31/12/2021	31/12/2020
Intangible assets	1	41,046,733	15,734,599
Rights of use	2	4,993,953	3,130,804
Tangible assets	3	23,173,700	17,121,091
Equity investments	4	951,069	1,881,359
Other non-current financial liabilities and financial derivatives	5	210,433	196,845
Deferred tax assets	18	1,350,010	162,159
<b>Non-current assets</b>		<b>71,725,898</b>	<b>38,226,857</b>
Inventories	6	13,669,582	9,546,220
Trade receivables	7	13,908,986	9,438,872
Other current assets	8	2,116,222	3,547,605
Non-disposable cash in trusts	9	-	858,167
Income tax credits	10	323,219	549,011
Other current financial liabilities and financial derivatives	11	22,253	-
Cash and cash equivalents	12	14,162,598	33,660,632
<b>Current assets</b>		<b>44,202,859</b>	<b>57,600,507</b>
<b>Total assets</b>		<b>115,928,757</b>	<b>95,827,363</b>

# Liabilities

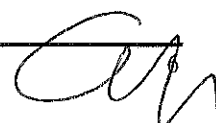
(Euro)	Notes	31/12/2021	31/12/2020
Share capital	13	1,848,404	1,848,404
Reserves	13	43,866,657	36,370,493
<b>Group shareholders' equity</b>		<b>45,715,062</b>	<b>38,218,897</b>
<b>Shareholders' equity, minority interests</b>		<b>(26,892)</b>	<b>19,634</b>
<b>Total shareholders' equity</b>		<b>45,688,170</b>	<b>38,238,532</b>
Non-current due to banks and other lenders	14	20,903,029	24,555,382
Non-current financial liabilities for rights of use	15	3,608,754	2,232,622
Non-current payables for business combinations	20	7,152,956	567,110
Provisions for risks and charges	16	811,062	43,380
Net liabilities for defined employee benefits	17	2,992,746	2,591,486
Deferred tax liabilities	18	3,238,087	134,814
<b>Non-current liabilities</b>		<b>38,706,634</b>	<b>30,124,794</b>
Current due to banks and other lenders	14	9,465,799	8,756,030
Current financial liabilities for rights of use	15	1,017,276	627,936
Other current financial liabilities and financial derivatives	19	243,380	88,673
Current payables for business combinations	20	-	1,133,517
Trade payables	21	15,796,168	12,685,358
Contractual liabilities	22	917,590	464,613
Other current liabilities	23	3,797,537	3,410,915
Income tax payables	10	296,204	296,995
<b>Current liabilities</b>		<b>31,533,954</b>	<b>27,464,038</b>
<b>Total liabilities</b>		<b>70,240,588</b>	<b>57,588,832</b>
<b>Total Shareholders' equity and Liabilities</b>		<b>115,928,757</b>	<b>95,827,363</b>

The notes are found in paragraph 8 "Breakdown of key items in the consolidated equity and financial position".

# Consolidated Income Statement

<i>(Euro)</i>	Notes	2021	2020
Revenues from contracts with clients	24	65,412,049	61,059,449
Other income	30	1,088,013	431,576
Purchase costs of raw, ancillary and con. materials and goods for resale	25	(30,947,242)	(27,986,499)
Changes in inventory		1,017,809	1,411,599
Service costs	26	(11,900,586)	(9,968,423)
Personnel costs	27	(14,266,516)	(13,456,040)
Depreciation and writedowns of assets	28	(7,412,858)	(4,048,764)
Provisions	29	(312,500)	-
Other charges	30	(287,389)	(167,311)
<b>Operating income</b>		<b>2,390,779</b>	<b>7,275,586</b>
Financial income	31	744,607	443,896
Financial charges	32	(521,351)	(684,198)
Net gains (losses) on exchange	33	458,359	(644,106)
Value adjustments on financial assets	34	5,919,193	497,942
<b>Pre-tax result</b>		<b>8,991,586</b>	<b>6,889,120</b>
Taxes	35	(726,778)	(797,115)
<b>Net profit for the year</b>		<b>8,264,809</b>	<b>6,092,005</b>
<b>Group net profit</b>		<b>8,360,335</b>	<b>6,093,883</b>
<b>Minority interest net profit</b>		<b>(95,526)</b>	<b>(1,878)</b>
<b>Profit per share, base ordinary shares</b>	13	<b>0.45</b>	<b>0.40</b>
<b>Profit per share diluted ordinary shares</b>	13	<b>0.45</b>	<b>0.40</b>

The notes are found in paragraph 9 "Breakdown of key items in the consolidated statement of comprehensive income".



# Consolidated Statement of Comprehensive Income

<i>(Euro)</i>	2021	2020
<b>Net profit for the year</b>	<b>8,264,809</b>	<b>6,092,005</b>
<b>Other components of the statement of comprehensive income to be subsequently reclassified to profit (loss) for the year after taxes:</b>		
Change in the Cash Flow Hedge reserve	111,480	(87,928)
Taxes	(26,755)	21,103
Exchange differences from translation of financial statements in non-Euro currencies	1,057,554	(801,614)
<b>Total other components of the statement of comprehensive income to be subsequently reclassified to profit (loss) for the year after taxes</b>	<b>1,142,279</b>	<b>(868,439)</b>
<b>Other components of the statement of comprehensive income that will not be subsequently reclassified to profit (loss) for the year after taxes:</b>		
Actuarial gains (losses)	35,256	(264,063)
Taxes	(8,461)	63,375
<b>Total other components of the statement of comprehensive income that will not be subsequently reclassified to profit (loss) for the year after taxes</b>	<b>26,794</b>	<b>(200,688)</b>
<b>Total other components of the statement of comprehensive income after taxes:</b>	<b>1,169,073</b>	<b>(1,069,127)</b>
<b>Total comprehensive income for the year</b>	<b>9,433,882</b>	<b>5,022,878</b>
<b>Attributable to the Group</b>	<b>9,529,408</b>	<b>5,024,756</b>
<b>Attributable to minority interests</b>	<b>(95,526)</b>	<b>(1,878)</b>

## Consolidated Statement of Cash Flow

	2021	2020
<b>NET PROFIT FOR THE YEAR</b>	<b>8,264,808</b>	<b>6,092,005</b>
<b>Adjustments for non-monetary elements:</b>	<b>2,634,897</b>	<b>5,266,615</b>
Amortisation, depreciation and impairment of tangible and intangible assets and real estate	7,412,858	4,048,764
Provisions	1,067,865	489,700
Income taxes	726,778	797,115
Net interest income and expense	(223,256)	240,303
Other adjustments for non-monetary elements	(6,349,349)	(309,267)
<b>Changes in operating assets and liabilities:</b>	<b>(233,624)</b>	<b>(1,693,503)</b>
Changes in inventory	(1,837,348)	(1,624,322)
Changes in trade receivables	(2,136,208)	1,207,099
Changes in trade payables	1,903,492	154,524
(Use of provisions)	(279,971)	50,797
Other changes in operating assets and liabilities	2,116,410	(1,481,601)
<b>Other amounts collected and paid:</b>	<b>(1,941,349)</b>	<b>(1,251,503)</b>
Interest received (paid)	(180,001)	(134,598)
(Income taxes paid)	(1,761,348)	(1,116,905)
Other amounts collected (paid)	-	-
<b>NET CASH FLOWS GENERATED (ABSORBED) BY OPERATIONS</b>	<b>8,724,732</b>	<b>8,413,615</b>
<b>Investments:</b>		
Investments in tangible assets	(2,751,344)	(6,254,187)
Divestments of tangible assets	154,103	28,060
Investments in intangible assets	(563,493)	(450,121)
Other cash flows from intangible assets	-	32,680
Business acquisition	(16,102,893)	622,466
Investment in financial assets	(26,400)	-
Divestments of financial assets	134,918	289,756
<b>NET CASH FLOWS GENERATED (ABSORBED) BY INVESTMENTS</b>	<b>(19,155,109)</b>	<b>(5,731,346)</b>
<b>Financial management:</b>		
Capital increase for pay	49,000	24,800,632
Shareholder transactions	-	-
Increase (decrease) in bank loans	(6,430,376)	(1,504,429)
Increase (decrease) in short term amounts due to banks	(51,439)	3,759,109
(Increase) decrease in other financial liabilities	(999,421)	(890,707)
Dividends paid	(2,033,245)	(1,900,000)
<b>NET CASH FLOWS GENERATED (ABSORBED) BY FINANCIAL ASSETS</b>	<b>(9,465,481)</b>	<b>24,264,605</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(19,895,858)</b>	<b>26,946,873</b>
Exchange rate effects on cash and cash equivalents	397,825	(168,300)
<b>Cash and cash equivalents at start of period</b>	<b>33,660,631</b>	<b>6,882,057</b>
Increase (decrease) in cash and cash equivalents	(19,498,034)	26,778,573
<b>Cash and cash equivalents at end of period</b>	<b>14,162,598</b>	<b>33,660,632</b>

# Schedule of changes in Consolidated Shareholders' Equity

See note 13 in paragraph "8. Breakdown of key items in the equity and financial position".

Description	Share capital	Share premium reserve	Legal reserve	FTA Reserve	Reserve	Extraordinary reserve for	capital account payments	Other reserves	Reserve for equity-accounted investments	Cash flow hedge reserve	Profits/loss carried forward	Translation reserve	Profit/(Loss) for the period	Shareholders' Equity of the Group	Shareholders' Equity net minority interest	Total Net Shareholders' Equity
<b>Balance at 31 December 2019</b>	1,415,071	489,273	283,015	910,666	(238,716)				494,384	(566)	2,910,144	(24,331)	4,148,953	9,893,509	21,512	9,915,020
Destination of profit (loss) 2019																
Profit (loss) at 31 December 2020																
2020																
Reclassification of other reserves																
Other comprehensive profit (loss):																
Cash flow hedge operations										(66,825)				(66,825)		(66,825)
Translation differences												(801,614)		(801,614)		(801,614)
TFR adjustment														(200,688)		(200,688)
<b>Comprehensive profit (loss)</b>																
Dividends																
Share capital increase - listing	433,333															
Listing expenses																
2021																
Reclassification of other reserves																
Other comprehensive profit (loss):																
Cash flow hedge operations																
Translation differences																
TFR adjustment																
<b>Comprehensive profit (loss)</b>																
Dividends																
Share capital increase																
Establishment of Labomar																
<b>Balance at 31 December 2021</b>	1,848,404	24,856,571	369,681	910,666	(358,506)				997,327	17,334	8,520,700	197,547	8,360,335	45,715,061	(24,891)	45,688,169

## ILLUSTRATIVE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 December 2021

### 1. Corporate information

Labomar S.p.a. (hereafter, also the “parent company”) is an industrial company that researches, develops and manufactures food supplements and medical devices at its main and secondary offices, located in Istrana (prov. Treviso).

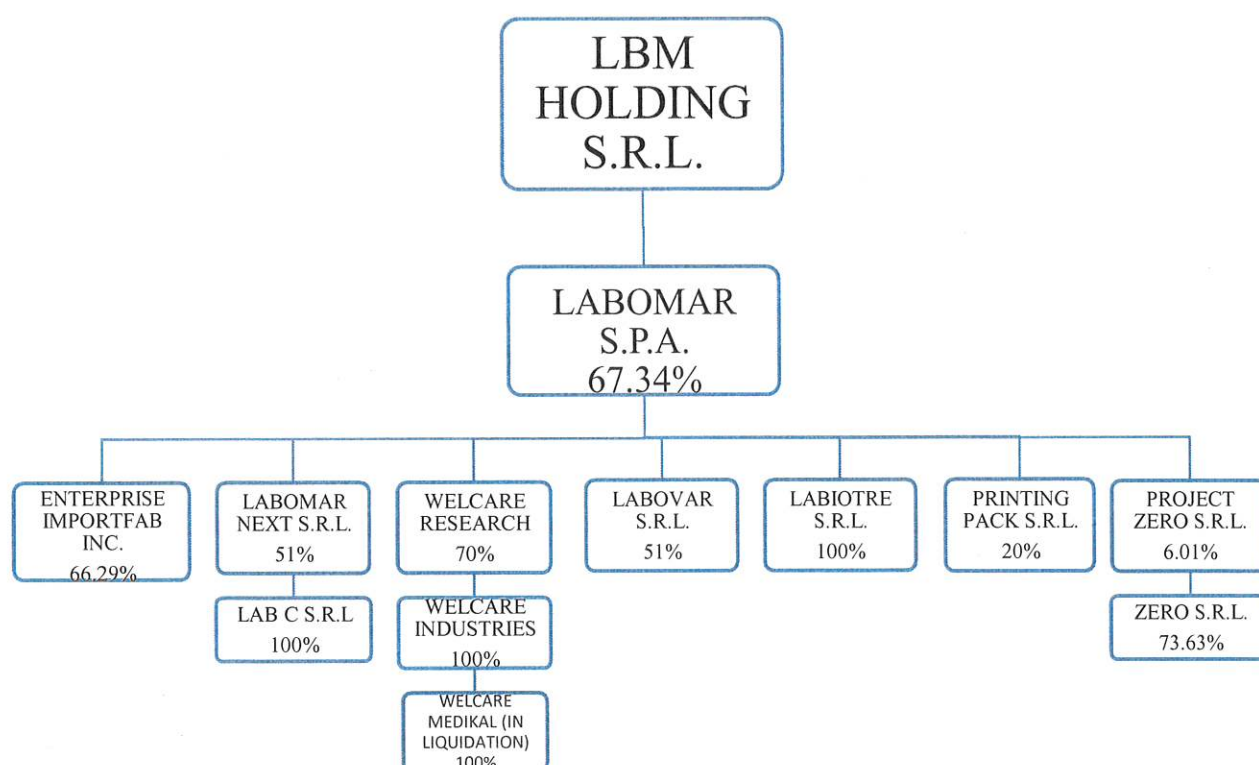
With notice 25436 of 1 October 2020, Borsa Italiana S.p.A. communicated that the ordinary shares issued by Labomar S.p.A. had been admitted for trading on the AIM Italia market, a multilateral trading facility organised and managed by Borsa Italiana S.p.A., effective as of 1 October 2020. On 5 October 2020, trading of ordinary shares officially began.

On 27 November 2018, the Labomar S.p.A. Board of Directors resolved to approve the adoption of the IFRS international accounting standards for the preparation of its corporate financial statements. The consolidated financial statements as at 31 December 2021 for Labomar S.p.A. were approved by the Board of Directors on 30 March 2022.

Labomar S.p.A. has been required to prepare consolidated financial statements since the year ending 31 December 2019, as it holds a controlling equity investment in other companies. Labomar S.p.A. is in turn subject to consolidation by LBM Holding S.r.l.

The Group is represented by the parent company Labomar S.p.a. and its subsidiaries Entreprises Importfab Inc. (a Canadian company), Labomar Next S.r.l., Lab C S.r.l., Welcare Research Srl and Welcare Industries spa, Welcare Medikal ve Saglik Urunleri Sanayi ve Ticaret A.S., with registered office in Istanbul (a Turkish company in liquidation fully controlled by Welcare Industries spa), Labiotre S.r.l. and Labovar S.r.l.

The following diagram presents the structure of the Group to which Labomar S.p.A. belongs at the time of publication of these consolidated financial statements.



**Entreprises Importfab Inc.:** this is a Canadian company established in October 2019, invested in by both Labomar S.p.A. and SIMEST-SACE, which as of 1 November 2019 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 medicines, as well as medical devices for the pharmaceutical, cosmetic and nutraceutical industries.

**Labomar Next Srl (ex Herbae Srl):** established near the end of 2019 in partnership with Zero Srl and currently in the start-up phase, it will develop projects involving the cultivation of medicinal plants and similar using vertical farming techniques, developed by Zero Srl, with counterparties interested in developing new products (food supplements, medical devices and similar) that use active ingredients derived from the plants cultivated in this way.

**Lab C Srl:** established in April 2021 and 100% controlled by Labomar Next. Lab C develops, produces and sells innovative products and services linked to vertical farming techniques.

**Labiotre Srl:** founded in 2011 in partnership with Biodue S.p.a., it extracts active ingredients from plants using proprietary technology and know-how, exclusively for the end customer. Labiotre Srl supplies Labomar with plant-based raw materials and extracts to be used in the production cycle.

**Printing Pack Srl:** established in July 2013 through the merger of various companies with twenty years of experience in the graphic, paper and printing sector and located in Sambuca Val di Pesa (prov. Florence) in the industrial area of Tavarnelle. Labomar acquired a 20% stake at the time of establishment, to have a solid and secure partner for paper supplies to be used for the external packaging of its products, offering high quality standards, professionalism and low supply time.

**Project Zero Srl:** a holding company which holds the controlling interest in Zero Srl (78.75%), 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.

**Welcare Research and Welcare Industries:** in July 2021 Labomar S.p.A. acquired a majority stake in the Welcare Group, as better described in paragraph 7. Business combinations”.

Welcare is based in Orvieto and has been active since 2001 in the development, production and sales of medical devices to prevent and treat infections and to manage skin injuries of various etiology. In Italy, Welcare distributes its products through hospitals and the main wholesale pharmacy suppliers. In Europe and the rest of the world, this occurs through a network of distributors.

The Welcare Group consists of the parent company Welcare Research Srl which carries out scientific research and innovation relative to dietary, cosmetic and dermocosmetic products, as well as pharmaceuticals and similar, and its subsidiary Welcare Industries spa, in which it holds 100% of the equity, which also is focussed on research and innovation in the areas of pharmaceuticals, parapharmaceuticals, cosmetics, medical devices and similar.

The Welfare Group offers a particular high level of quality standards and some proprietary patented technological solutions, which are in perfect synergy with the Labomar business model.

**Labovar Srl:** established in November 2021 in partnership with Adiacent Srl, a subsidiary of Var Group Spa (a company in the Sesa Group, listed on the STAR segment of the Borsa Italiana MTA market, with consolidated turnover of €2.04 billion at 30 April 2021). Labovar will offer nutraceutical products on the Chinese market through e-commerce platforms. Labovar will be a sales agent in the Far East for selected Labomar products, with the obligation to purchase these products from Labomar and sell them exclusively within the aforementioned market, through the online sales platform TMALL.

The partnership represents an opportunity to engage with the Chinese market, one of the largest in the world, with products of excellence and a business model focused on digital sales platforms, such as Tmall (marketplace leader in China for online business-to-consumer sales, owned by the Alibaba Group) and Wechat (Tencent Group), through mini-programs, tailor-made proprietary social e-commerce solutions developed by Adiacent China for leading international customers.

## 1.2 Scope of consolidation

The following table shows the scope of consolidation at 31 December 2021 compared with 31 December 2020:

NAME	2021			2020		
	Stake attributable to the Group	Directly controlled stake	Notes	Stake attributable to the Group	Directly controlled stake	Notes
<b>Parent company</b>						
Labomar S.p.a.	100%			100%		
<b>Subsidiaries consolidated on a line by line basis</b>						
Entreprises IMPORTFAB Inc.	100%	66.28%		100%	66.28%	
Labomar next S.r.l. (ex Herbae S.r.l.)	51.00%	51.00%		51.00%	51.00%	
Lab C S.r.l.	51.00%	0.00%				
Labiore S.r.l.	100%	100%				
Welcare Research S.r.l.	100%	70%				
Welcare Industries S.p.a.	100%	0%				
Welcare Medikal a.s.	100%	0%				
Labovar S.r.l.	51.00%	51.00%				
<b>Associated companies consolidated with the equity method</b>						
Labiore S.r.l.					31.20%	4
Printing Pack S.r.l.		20.00%	4		20.00%	4
Project Zero S.r.l.		6.01%	4		5.56%	4

Recall that during the year, a 100% stake was acquired in Labiote and control of the Welcare Group through the initial acquisition of the direct controlling stake of Welcare Research S.r.l. (63%; 70% at 31 December 2021). The minority interest is shown for accounting purposes as a financial liability, as better outlined in note 15. For this reason, the portion pertaining to the Group is 100%.

The consolidated financial statements were constructed as follows:

- the equity figures reflect the consolidation of the assets and liabilities of Labomar S.p.A. and the subsidiaries included in the scope of consolidation;
- the economic figures reflect the consolidation of the costs and revenues of Labomar S.p.A. and the subsidiaries included in the scope of consolidation;
- the reference date for the consolidated financial statements is 31 December 2021, 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 of the subsidiaries, prepared in accordance with local laws 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. and Welcare Medikal a.s. financial statements, with recognition in the relative Translation Reserve. Below are the exchange rates used in the translation process:

Currency	Exchange rate at 31.12.2021	Average exchange rate financial year 2021	Exchange rate at 31.12.2020	Average exchange rate financial year 2020
Canadian dollar - CAD	1.4393	1.4826	1.5633	1.5300
Turkish lira – TRY	15.2335	10.5124	-	-

## 2. Directors' comments on going concern requirements

While seriously taking into consideration the state of the economy at the time these financial statements were prepared, the directors hold that based on the economic performance achieved up to the present and the solid equity and financial situation, Labomar S.p.A. has the ability to continue its operations in the foreseeable future and, therefore, the financial statements were prepared on a going concern basis.

## 3. Financial statement preparation criteria

### 3.1 Expression of compliance with the IFRS

The consolidated financial statements as at 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted by the European Union and in effect as of the reporting date. The Notes to the financial statements include the additional information required by the Italian Civil Code. IFRS also means the International Accounting Standards (IAS) still in effect, as well as all the interpretation documents issued by the IFRS Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC") and, prior to that, the Standing Interpretations Committee ("SIC").

### 3.2 Content and structure of the consolidated financial statements

The parent company's consolidated financial statements are structured as follows:

- **consolidated equity and financial position schedule** broken down by current assets and liabilities and non-current assets and liabilities, based on whether they will be collected or paid in the context of normal business operating cycles during the year after the end of the financial year;
- **consolidated income statement** which presents costs and revenues using a classification based on the nature of the same, held to be more representative for the sectors in which the Group operates;
- **consolidated statement of comprehensive income schedule** separate from the income statement which highlights items recognised directly in shareholders' equity when the IFRS calls for this;
- **consolidated statement of cash flow** prepared using the indirect method which represents operation, investment and financial cash flows;
- **schedule of changes in consolidated shareholders' equity** and the overall profit (loss) for the year;
- **illustrative notes** containing the information required under current law and the international accounting standards.

These consolidated financial statements are prepared in Euros, the functional currency adopted by the parent company, in compliance with IAS 1.

The parent company set 1 January 2017 as the first time adoption date for the IFRS and determined the effects of this transition from 1 January 2017 to 31 December 2017, preparing the reconciliation called for under IFRS 1 (First Time Adoption of the International Financial Reporting Standards), as illustrated in paragraph 13 of the financial statements as 31 December 2018, to which the reader is referred.

The consolidated financial statements are subject to legal review, pursuant to article 14 of Italian Legislative Decree 39 of 27 January 2010, by the independent auditing 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. (a Canadian company), Labomar Next S.r.l., Lab C S.r.l., Welcare Research Srl and Welcare Industries spa, Welcare Medikal we Saglik Urunleri Sanayi ve Ticaret A.S., with registered office in Istanbul (a Turkish company in liquidation fully controlled by Welcare Industries spa), Labiotre S.r.l. and Labovar S.r.l. as at 31 December 2021.

The Group's equity investments in associated companies are measured using the equity method. Control exists when the Group is exposed to or has the right to variable returns, deriving from its relationship with the investee entity and, at the same time, has the ability to impact these returns by exercising its power over the entity.

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

- power over the investee (or holds valid rights granting it the current ability to direct significant activities of the investee);

- exposure or rights to variable returns deriving from its relationship with the investee;
- the ability to exercise its power over the investee to impact the amount of its returns.

Generally, there is an assumption that a majority of voting rights implies control. Supporting this assumption and when the Group holds less than a majority of voting rights (or similar), the Group considers all the relevant facts and circumstances to establish whether it controls an investee, including:

- contractual agreements with other entities holding voting rights;
- rights deriving from contractual agreements;
- Group voting rights and potential voting rights.

The Group reviews whether or not it controls an investee if facts and circumstances indicate changes have occurred in one or more of the three elements used to define control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or dismissed during the year are included in the consolidated financial statements as of the date on which the Group acquired control or until the date on which the Group ceased to exercise control over the company.

Profit (loss) for the year and each of the other components of the statement of comprehensive income are assigned to the shareholders of the parent company and minority interests, even if this implies that minority interests have a negative balance. When necessary, appropriate adjustments are made to the financial statements of subsidiaries, to guarantee compliance with the Group's accounting policies. All intragroup assets and liabilities, shareholders' equity, revenues, costs and cash flows relative to operations between entities within the group are fully eliminated at the time of consolidation.

Changes in the equity investment stake held in a subsidiary which do not involve a loss of control are recognised in shareholders' equity.

If the Group loses control over a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other shareholders' equity components, while any profit or loss is recognised in the income statement. If applicable, the remaining stake is recognised at fair value.

## 4. Accounting standards and interpretations

### 4.1 Accounting standards and interpretations applicable as of 1 January 2021 or later

As of 1 January 2021, the following amendments apply:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

- Amendment to IFRS 16 Covid-19 Related Rent Concessions after 30 June 2021

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments include temporary loosening of requirements with reference to effects of financial statements at the time the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate substantially free of risk (Risk Free Rate- RFR):

The amendments include the following practical expedients:

- A practical expedient allowing contractual changes or changes in cash flows directly required by the reform to be considered and treated as changes in a variable interest rate, equivalent to a change in a market interest rate;
- For that required under the IBOR reform, changes to be made to documents used to designate hedging relationships can be done so with having to discontinue the hedging relationship;
- Temporary relief is granted to entities with reference to complying with separate identification requirements when an RFR is designated as a hedge for a risk component.

These amendments had no impact on the Group's financial statements.

#### **Amendment to IFRS 16 Covid-19 Related Rent Concessions after 30 June 2021**

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessor to not apply the IFRS 16 requirements on the accounting effects of contractual changes made to reduce rent, granted by lessors as a direct consequence of the Covid-19 pandemic. The amendment introduces a practical expedient based on which a lessor may decide to not evaluate whether the decreases in rent represent contractual changes. A lessor who makes use of this expedient recognises these reductions as if there had not been contractual changes falling under the scope of IFRS 16.

The amendments were to apply through 30 June 2021, but since the impact of the Covid-19 pandemic continues, on 31 March 2021 the IASB extended the period of application for this practical expedient through 30 June 2022.

These amendments apply to financial years beginning on 1 April 2021 or later.

These amendments had no effect on the Group.

#### **4.2. Accounting standards issued but not yet in effect**

Below are standards and interpretations which as of the reporting date of these financial statements had been issued but were not yet in effect. The Group intends to adopt these standards and interpretations, if applicable, when they take effect.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by the right to defer settlement
- That the right to defer settlement must exist at the end of the financial year
- The classification is not affected by the likelihood that the entity will exercise its right to defer settlement
- Only if an implicit derivative of a convertible liability is itself an equity instrument does the maturity of the liability not affect its classification

These amendments will take effect for financial years beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently evaluating the impact that these changes will have on its current situation and whether it will be necessary to renegotiate existing financing contracts.

### **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB published amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. These amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements published in 1989 with reference to the Conceptual Framework for Financial Reporting published in March 2018, with any significant change in the requirements of the standard.

The Board also added an exception to the IFRS 3 measurement principles, to avoid the risk of potential “day after” gains or losses deriving from liabilities and potential liabilities that would fall under the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.

At the same time, the Board decided to clarify that existing guidance in IFRS 3 for potential assets will not be affected by the update in references to the Framework for the Preparation and Presentation of Financial Statements.

These amendments will take effect for financial years beginning on or after 1 January 2022 and are not retroactive.

### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of a property, plant or equipment element any revenue from the sale of products sold during the period during which the asset is brought to the location or during which it obtains the conditions necessary for it to be able to operate in the way it was designed by management. Instead, an entity should recognise revenues deriving from the sale of these products and the costs to produce these products in the income statement.

This amendment will apply to financial years beginning on or after 1 January 2022 and must be applied retrospectively to property, plant and equipment elements made available for use on the initial or subsequent day of the period previous to the period in which the entity applies this amendment for the first time. No material impacts are expected with reference to these amendments.

### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB published amendments to IAS 37 to specify which costs could be considered by an entity when determining whether a contract is onerous.

The amendment calls for the application of a “directly related cost approach”. Costs which refer directly to a contract for the supply of goods or services includes both incremental costs and costs directly attributable to the contractual activity. General and administrative expenses are not directly associated with a contract and are excluded unless they can be explicitly charged back to the counterparty based on the contract.

These amendments will take effect for financial years beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which its obligations have not yet been met as of the beginning of the financial year in which the amendments are applied for the first time.

### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of the 2018-2020 annual improvement process for the IFRS, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when determining whether the conditions of a new or amended financial liability are substantially different with respect to the conditions of the original financial liability. These fees include only those paid or received by the debtor and lender, including fees paid or received by the debtor or lender on the account of others. An entity applies this amendment to financial liabilities that have been amended or exchanged after the date of the first financial year in which the entity applies this amendment for the first time.

The amendment is in effect for financial years beginning on or after 1 January 2022. Early application is allowed. The Group will apply this amendment to financial liabilities that are amended or exchanged after the date of the first financial year in which the entity applies this amendment for the first time. No material impacts are expected for the Group with reference to this amendment.

### **Definition of accounting estimate - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates, changes in accounting standards and correction of errors. Additionally, they clarify how an entity utilises measurement techniques and input to develop accounting estimates.

These amendments take effect for financial years starting on or after 1 January 2023 and apply to changes in accounting standards and changes in accounting estimates which occur as of the beginning of this period or after. Early application is allowed on the condition that this fact is made known.

These amendments are not expected to have a significant impact on the Group's financial statements.

### **Disclosure of accounting standards - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and 'IFRS Practice Statement 2 Making Materiality Judgements, which offer guidelines and examples to assist entities in making materiality judgements with regards to their disclosure of accounting standards. The amendments are intended to help entities to provide the most useful disclosure of accounting standards, replacing the obligation for entities to provide their “significant” accounting standards with the obligation to provide information on their “material” accounting standards. In addition, guidelines are provided on how an entity can apply the concept of materiality when making decisions on their disclosure of accounting standards.

The amendments to IAS 1 apply as of financial years starting on or after 1 January 2023. Early application is allowed. Given that the amendments to PS 2 provide non-obligatory instructions on application of a materiality definition for the disclosure of accounting standards, an effective date for these amendments is not required.

The Group is currently evaluating the impact of these amendments to determine their significance for the Group's disclosure of accounting standards.

## 5. Discretionary measurements and significant estimates.

In the context of preparing financial statements compliant with the IFRS, company management must develop measurements, estimates and hypotheses in application of the accounting standards which influence the amounts of the assets, liabilities, costs and revenues recognised in the financial statements. The estimates and relative hypotheses are based on previous experience and other factors deemed reasonable in the case in question and are adopted to estimate the book value of the assets and liabilities when not easily obtainable from other sources.

These estimates and hypotheses are reviewed regularly. Any changes deriving from a revision of accounting estimates are recognised in the period in which the revision occurs.

The main data subject to estimates are shown below.

### **Deferred tax assets**

Deferred tax assets are recognised in accordance with IAS 12. A discretionary measurement is required from the Directors to determine the amount of deferred tax assets that can be recognised. They must estimate when and how much future fiscal profits are likely to arise, as well as consider strategic planning of future taxes. The book value of deferred tax assets is provided in Note 18.

### **Allocations to provisions for risks and charges**

Directors make estimates to measure risks and charges. In particular, the Directors made use of estimates and assumptions to determine the likelihood an actual liability will arise and, in the case this is deemed probable, to determine the amount provisioned against the risk identified.

### **Employee benefits**

The amount recognised in the financial statements for defined benefit plans is determined with the use of actuarial measurements, which require the preparation of hypotheses about discount rates, expected loan return rates, future wage increases, death rates and future pension increases. Management holds that the rates estimated by actuaries for measurements at the reporting date are reasonable, but it cannot be excluded that future significant changes in these rates could have significant effects on the liabilities recognised in the financial statements. Further details are found in Note 17.

### **Provision for stock obsolescence**

The value of warehouse inventory is adjusted based on risks associated with slow turnover of certain types of raw materials and consumables.

### **Bad debt provision**

The bad debt provision reflects expected credit loss assumptions relative to the entire life of trade receivables recognised in the financial statements and not covered by credit insurance. This estimate makes use of historic information available to the Group and expectations about future economic conditions.

### **Impairment of non-financial assets**

At each reporting date, the Group verifies whether there are indications of a lasting loss of value for all non-financial assets which require an impairment test. If a loss of value is identified, the book value is aligned to the relative recoverable value. The Group recognises goodwill and other intangible assets with an undefined useful life, initially recognised with regards to the business combination with the Canadian company, which must be subjected to an impairment test at least once per year to identify any lasting loss of value.

## 6. Classification and measurement criteria for financial statement items

The accounting standards and measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2021 are shown below.

### **Current/non-current classification**

The assets and liabilities in the Group's consolidated financial statements are classified using the current/non-current criteria. An asset is current when:

- it is expected to be realised, or held for sale or consumption, as part of the normal operating cycle;
- it is mainly held to be traded;
- it is expected it will be realised within twelve months of the reporting date; or
- it consists of cash or cash equivalents unless there are prohibitions on trading or using it to pay a liability which apply for at least twelve months of the reporting date.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be paid as part of the normal operating cycle;
- it is mainly held to be traded;
- it must be paid within twelve months of the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

### **Intangible assets**

Intangible assets acquired separately and held by the Group are recognised in the assets at the purchase cost if the cost can be reliably determined and it is likely the use of the asset will generate future economic benefits. The useful life is classified as either undefined or defined.

Intangible assets with an undefined useful life are not subject to amortisation and the undefined useful life is reviewed each year to determine whether facts and circumstances continue to support

the attribution of an undefined useful life. In compliance with IAS 36, these assets are also subjected to an impairment test to identify any lasting losses in value.

Intangible assets with a defined useful life are recognised at the purchase or production cost and are subsequently recognised net of any cumulative amortisation or impairment, determined using the methods outlined below in the section "Impairment". Amortisation begins when the intangible asset is available for use and is calculated at constant rates based on the estimated useful life, reviewed on an annual basis. When necessary, any changes are applied going forward.

The rates used for amortisation, broken down by category, are provided below:

Intangible assets with defined useful life	Amortisation % rate
Patents and Brands	50.00/25.00
Software	33.33
Know how	25.00
Know how Welcare	10
Customer relations Importfab/Welcare	6.67
Importfab/Welcare brands	10
Other multi-year costs	20.00 - lower of useful life and contract duration

### Business combinations and goodwill

Business combinations are recognised utilising the acquisition method. The cost of an acquisition is determined as the sum of the amount paid, measured at fair value as of the acquisition date and the amount of the minority interest in the acquired entity. For each business combination, the Group determines whether to measure the minority interest in the acquired entity at fair value or proportionally to the portion of the minority interest in the net assets identifiable for the acquired entity. Acquisition costs are recognised during the year and classified under administrative expenses. When the Group acquires a business, it classifies or designates the financial assets acquired and liabilities taken in based on the contractual terms, economic conditions and other relevant conditions existing as of the acquisition date. This includes a check to determine whether an incorporated derivative must be separated from the primary contract. If a business combination occurs in multiple stages, the equity investment previously held is returned to its fair value as of the acquisition date and any resulting gains or losses are recognised in the income statement.

Any potential fees to be paid are recognised by the acquiring entity at fair value on the acquisition date. A change in the fair value of a potential fee classified as an asset or liability, as a financial instrument subject to IFRS 9 Financial Instruments, must be recognised in the income statement.

Goodwill is initially recognised at cost, represented by the surplus between the fee paid and the amount recognised for minority interests with respect to the net identifiable assets acquired and liabilities taken on by the Group. If the fair value of the net assets acquired exceeds the total fee paid, the Group again verifies whether it has properly identified all the assets acquired and liabilities taken on and reviews the procedures used to determine the amounts to be recognised on the acquisition date. If the fair value of net assets acquired is still higher than the fee paid after this new assessment, the difference (profit) is recognised in the income statement. After initial recognition, goodwill is measured at cost net of accumulated impairment. To verify impairment, goodwill acquired through a business combination is allocated at the acquisition date to each Group CGU expected to generate benefits thanks to the synergies offered by the business combination, regardless of whether the other assets or liabilities of the acquired entity are assigned to those units. If goodwill has been allocated to a CGU and the entity disposes of part of the units of the CGU, the goodwill associated with the assets disposed of is included in the book value of the asset when determining the profit or loss associated with the disposal. Goodwill associated with the asset disposed of is determined based on the values of the assets disposed of and the part kept by the CGU.

### **Tangible assets**

Property, plant and equipment are recognised at the cost or production cost, including any accessory charges directly attributable and necessary to render the asset operational for the use for which it was acquired, and shown net of any provisions for depreciation and any accumulated impairment. When significant portions of property, plant and equipment have different useful lives, these components are accounted for separately.

Financial expense directly attributable to the acquisition or construction of property, plant or equipment is capitalised as part of the asset. All other financial expense is recognised in the income statement at the moment is incurred.

Expense incurred for ordinary and/or cyclical maintenance and repair is directly recognised in the income statement when incurred.

Depreciation is calculated at fixed rates starting from the time the asset becomes available for use and based on the estimated useful life of the asset, which is reviewed annually. When required, changes are applied going forward.

The economic/technical rates used are the following:

<b>Property, plant and equipment</b>	<b>Depreciation rate %</b>
Buildings	5.50
General systems	10.00
Specific systems	12.00
Machinery	12.00
Various production and laboratory equipment	40.00

Company vehicles and commercial vehicles	25.00 – 20.00
Internal transport vehicles	20.00
Office furniture and equipment	12.00
Electronic office machines	20.00
Telephony and radio	20.00
Light construction	10.00

The book value of property, plant and equipment is subject to verification of indications of impairment, that is events or changes indicating that the book value cannot be recovered, based on the depreciation plan established. If these indications are found and if the book value exceeds the recoverable value, the asset is written down to reflect its recoverable value.

Impairment is recognised in the income statement. The impairment is reversed in the case the reasons which led to its original recognition cease to exist.

When an asset is sold or there are no future economic benefits expected from its use, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale and carrying values) is recognised in the income statement in the year it is eliminated.

#### **Rights 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 of low unitary value, all financial leasing, rental and leasing contracts are capitalised under the item "Rights of use" as of the start date of the contract at the value of the liability, reduced by an incentive received and increased by any initial costs directly incurred and the estimate of restoration charges. A payable is recognised in the liabilities equal to the current value of the fixed payments throughout the life of the contract, as well as payments for any purchase options that the company is reasonably certain will be exercised, and any penalties for termination of the contract when the duration of the contract takes this into account. The duration of the contract refers to the non-cancellable period as well as any extension options the company is reasonably certain will be used and periods covered by the contract termination option when the company is reasonably certain it will not withdraw. Liabilities are progressively reduced in line with the capital repayment plan included in the contractually established rent.

Rent is broken down into capital and interest, so as to apply a constant interest rate to the residual balance of the debt (capital portion). Financial expense is recognised in the income statement. Rights of use are amortised applying the criteria indicated for property, plant and equipment throughout the duration of the contract, or on the basis of the rates indicated for property, plant and equipment in the case the company is reasonably certain purchase options will be exercised, when applicable. Amortisation and interest are recognised separately.

For leasing or rental contracts which do not include a purchase option and have a duration of less than twelve months, as well as contracts referring to assets with a low unitary value, payments of

the relative expenses are recognised as costs in the income statement at constant rates throughout the duration of the contract.

### **Equity investments in associated companies and joint ventures**

Equity investments in associated companies are recognised using the equity method.

Hence, equity investments in associated companies are initially recognised at the cost of acquisition and, subsequently, adjusted based on changes in the stake of the net assets of the investee pertaining to the company. Profit or loss for the investor company reflects the stake it holds in the annual profit (loss) of the investee and other components of the investee's statement of comprehensive income reflect its relative stake in the other components of the investee's statement of comprehensive income.

The book value of equity investments in associated companies is subsequently increased or decreased to identify the relevant stake the company holds in the profit or loss of the associated company, or other changes in equity, realised after the date of acquisition. Dividends received from an associated company reduce the book value of the equity investment. Adjustments to the book value may also be required after changes to the stake the investor company holds in the associated company, deriving from changes in items in the schedule of other components in the investee's statement of comprehensive income. These changes include changes deriving from redetermining the value of property, plant and equipment and translation differences for items in foreign currencies. The portion of these changes which pertains to the investor company is recognised among the other components of the investee's statement of comprehensive income.

### **Equity investments in other companies**

Equity investments in other companies, or equity investments in companies other than subsidiaries, associated companies or joint ventures, are measured in compliance with IFRS 9, as these are financial assets measured at fair value with changes recognised in the income statement. If recent information needed to determine the fair value is not available, or in cases in which the range of figures for the possible fair value is large, the cost value is selected as the best approximation of fair value.

### **Impairment**

IAS 36 requires that an impairment test be carried out at each annual reporting date on property, plant and equipment, when there are indications that suggest this problem may exist. When determining whether there are indications that an asset with a defined useful life may have suffered impairment, internal and external sources of information are used. Relative to internal sources, these include verifying whether significant changes have occurred during the year in the use of the asset and whether the economic performance of the asset is different from that expected. On the other hand, external sources include verifying whether there have been technological or regulatory changes able to reduce the value of the asset.

Regardless of whether there are internal or external signs of impairment, intangible assets with an undefined useful life are subjected to an impairment test at least annually, to verify the existence of lasting losses in value, as required under IAS 36. In cases verifying the book value of intangible

assets with a defined useful life or the verification of the book value of intangible assets with an undefined useful life, goodwill and equity investments, an estimate of the recoverable value is made.

The impairment is determined by measuring the recoverable value of the CGU (or company consisting of CGUs) with which the goodwill is linked.

The recoverable value is the greater of the fair value of an asset or CGU net of the cost of sale and its value in use and is determined per individual asset, except when these assets do not generate cash flows which are sufficiently independent from those generated by other assets or groups of assets. In this case, a recoverable value is estimated for the CGU to which the asset belongs. If the book value of an asset or CGU is greater than its recoverable value, the asset, having suffered impairment, is consequently written down to adjust it to its recoverable value. When determining the value in use, estimated future cash flows are discounted to the current value, using a discount rate that reflects market measurements relative to the time value of money and the specific risks of the asset.

For the purposes of estimating the value in use, future cash flows are obtained from company plans, which constitute the best estimate which can be made in relation to the economic conditions forecast for the period of the plan. The long-term growth rate to be used for estimating the terminal value of the asset or CGU is generally lower than the average long-term growth rate for the sector, country or market of reference and, if appropriate, may also be zero or even negative. Future cash flows are estimated making reference to current conditions: estimates therefore do not consider benefits deriving from future restructurings in which the Group is not yet involved, nor future investments to improve or optimise the asset or CGU. Impairment suffered by operating assets are recognised in the income statement under cost categories consistent with the function of the assets which have suffered impairment.

Additionally, at every annual reporting date the existence of indications that impairment previously recognised has ceased to exist (or has decreased). If this is found, the recoverable value is estimated. The value of an asset previously written down, with the exception of goodwill, can be restored only if there have been changes in the estimates used to determine the recoverable value of the asset after the last recognition of impairment. In this case, after the writeback the book value must not exceed the value that would have been determined (after the writedown or amortisation/depreciation) if no other impairment had been recognised for the asset in previous years. All writebacks are recognised as revenue in the income statement, unless the asset is recognised at a revalued amount, in which case the writeback is treated as an increase in the revaluation. After a writeback has been recognised, the amortisation/depreciation rate for the asset is adjusted in future periods, to systematically divide the adjusted book value of the asset, net of any residual values, throughout the remaining useful life.

### **Financial assets**

Financial assets are classified in the following categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit and loss.

Classification depends on the business model the entity uses to manage the financial assets and the characteristics of the relative contractual cash flows associated with the financial asset. The Group

determines classification at initial recognition and verifies the same at each reporting date. Financial assets are initially recognised at cost or fair value, equal to the amount paid as an advance or financing or the fee established against a given service, plus any accessory costs for the acquisition.

Financial assets at fair value through profit and loss are classified under current assets and measured at fair value; profits and losses deriving from these measurements are recognised in the income statement.

Financing and receivables are measured at amortised cost based on the original effective return rate for the financial asset.

### **Inventories**

Inventories of raw materials, subsidiary materials and consumables and products in progress/semi-finished products are measured at the lesser of the purchase (or production) cost, including accessory costs, and the presumable net realisable value based on market trends. The cost of inventories includes purchase costs and other costs incurred to bring inventories to the location and at current conditions, excluding financial charges.

The method used to determine the cost of inventories is represented by FIFO (first in first out), which assumes that the assets first acquired are those sold first, consequently it is assumed that the assets in the warehouse at the end of the year have the value of those most recently acquired and/or produced.

The presumable net realisable value is the normal estimated sales price minus estimated costs for completion and those required to achieve the sale. Obsolete stock and/or that with slow turnover are written down in relation to their presumed possibility of use or future realisation. The writedown is then eliminated in subsequent years if the reasons behind it cease to exist.

### **Trade receivables and other current assets**

Receivables classified under current assets are initially recognised at fair value, meaning the nominal value, and are subsequently reduced for any impairment. Trade receivables that have normal commercial deadlines are not discounted given that the discounting of the cash flows would be irrelevant. They are recognised at cost (nominal value) net of any impairment recognised in a specific provision. The estimate of sums deemed non-collectable is based on the current value of expected cash flows.

Receivables with due dates that exceed one year, non-interest bearing or bearing interest at lower than market rates, are discounted using market rates. Trade receivables are discounted in the case of payment terms which are greater than average extension deadlines granted.

### **Derecognition of financial assets**

A financial asset is derecognised from the financial statements when:

- rights to receive cash flows generated from the asset expire;
- the Group maintains the right to receive cash flows from the asset but has a contractual obligation to pay them in full and without delay to a third party;

- the Group has transferred the right to receive cash flows from the asset and (i) has substantially transferred all the risks and benefits deriving from ownership of the financial asset or (ii) has not transferred nor substantially retained all the risks and benefits of the assets but has transferred control over the same.

In cases in which the Group has transferred the right to receive cash flows from an asset and has not transferred nor substantially transferred all the risks and benefits and has not lost control over the same, the asset is recognised in the Group's financial statements proportional to its residual involvement with the asset. Residual involvement in the form of a guarantee over the transferred asset is measured at the lesser of the initial book value of the asset and the maximum amount of the fee the Group could be held to pay.

### **Impairment of financial assets**

Financial assets are recognised net of bad debt provisions, calculated to reflect expected credit loss estimates for the entire life of receivables recognised in the financial statements and not covered by credit insurance. This estimate makes use of historic information available to the Group and expectations about future economic conditions. At each annual reporting date, the Group considers evidence of impairment which may include indications that a debtor or group of debtors are suffering financial difficulties, inability to meet their obligations, inability or delays in the payment of interest or significant payments, likelihood to be subjected to settlement or other financial restructuring procedures, as well as observable data that indicates a measurable decrease in future estimated cash flows, including changes in the overall situation or economic conditions that are associated with financial crises.

### **Cash and cash equivalents**

Cash and cash equivalents include the cash value, or values which hold the requirements of cash on demand or very short term, without any expenses for collection, with a maturity of three months or less, readily convertible to a given amount of cash and subject to a non-significant risk of changes in value. Cash and cash equivalents include current account overdrafts repayable on demand, to the extent they are an integral part of treasury management.

### **Financial liabilities**

All financial liabilities other than derivatives are initially recognised in the amount equal to the payment collected or due, net of transaction costs (fees or charges to obtain financing).

Measurement of financial liabilities is done using the amortised cost criteria, with the effective interest rate method. A financial liability is eliminated from the financial statements when the obligation underlying the liability has been extinguished, cancelled or fulfilled. In cases in which an existing financial liability is replaced by another from the same provider, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or change is treated as accounting derecognition of the original liability with the recognition of a new liability, with any differences between the book values recognised under the income statement.

### **Financial liabilities for rights of use**

Financial liabilities for rights of use corresponding to leasing liabilities and are calculated as the current value of payments due for the lease and not yet paid as of that date. Based on IFRS 16, payments due for leasing must be discounted using the implicit interest rate of the lease if this can be easily determined. If it cannot, the lessor must use their incremental borrowing rate.

On the effective date, payments due for the lease included when measuring the liability encompass the following payments for rights of use relative to the underlying asset, throughout the duration of the lease, not paid as of the effective date:

- fixed payments, net of any lease incentives to be received;
- variable payments due for the lease which depend on an index or rate, initially measured using an index or rate as of the effective date;
- amounts the lessor expects it will need to pay to guarantee the residual value;
- the price to exercise the purchase option, if the lessor is reasonably certain they will exercise this option;
- penalties to be paid to terminate the lease, if the duration of the lease takes into account the exercising by the lessor of the option to terminate the lease.

### **Derivative financial instruments**

Financial derivatives are used solely for the purpose of hedging to reduce exchange and interest rate risk consistent with that established in company policies. In compliance with IFRS 9, financial derivatives can be recognised using the method established for hedge accounting only if, at the beginning of the hedge relationship, the following conditions are met:

- there is a formal designation as a hedging instrument;
- documentation is available to demonstrate the hedging relationship and high efficacy of the same;
- efficacy can be measured reliably;
- the hedge is highly effective during the various accounting periods for which it is designated. All derivative instruments are measured at their current value, as established in IFRS 9.

Financial derivatives are initially recognised at fair value.

When hedging derivatives cover fair value measurement risk for the hedged instruments (fair value hedge), these are recognised at fair value with effects recognised in the income statement; similarly, the hedged instruments are adjusted to reflect changes in fair value associated with the risk hedged. When hedging derivatives cover the risk of changes in cash flows from hedged instruments (cash flow hedge), changes in fair value are recognised as a component of the statement of comprehensive income.

If derivatives do not meet the conditions for classification as accounting hedge operations, changes in fair value are recognised directly in the income statement.

### **Provisions for risks and charges**

Provisions for risks and charges refer to costs and charges of a determinate nature, certain or probable, which as of the date the financial statements are prepared are indeterminate with reference to their amount or the date on which they will arise. Provisioning is done in the presence of a current

obligation (legal or implicit) which derives from a past event, when an outlay of resources to satisfy the obligation is probable and a reliable estimate can be made of the amount of the obligation.

This obligation is recognised at its current value, determined by discounting future expected cash flows by a rate that also takes into account the cost of money and the risk of the liability; for risks relative to which a liability is held to be only possible, a description is provided in the disclosure section, but no provisioning is done.

### **Net liabilities for defined employee benefits**

Benefits provided to employees at the time of or after the termination of the employment relationship are broken down based on their economic nature into defined contribution and defined benefit plans. In defined contribution plans, the company's legal or implicit obligation is limited to the amount of contributions to be paid. In defined benefit plans, the company's obligation consists of granting and ensuring the benefits agreed upon for employees: consequently, the actuarial and investment risks are borne by the company.

Through 31 December 2006, the TFR (employee severance indemnity) was classified as a defined benefit plan and was measured using the unitary projection method for the payable, carried out by independent actuaries. This calculation consists in estimating the amount of the benefit an employee will receive on the presumed employment termination date, using demographic hypotheses (e.g. mortality rates and personnel turnover rates) and financial hypotheses (e.g. discount rate and future wage increases). The amount determined was then discounted and made proportional based on seniority accrued with respect to total seniority.

Following the reform introduced with Italian Law 296 of 27 December 2006, the TFR, for the portion accruing after 1 January 2007, is substantially classifiable as a defined contribution plan. In particular, the reform granted workers the possibility to choose where to send their accruing TFR: for companies with more than 50 employees, new TFR amounts can be directed by the worker to preselected pension structures or to the Treasury Fund maintained by INPS.

Relative to the presentation in the income statement of the various cost components for TFR, it was decided to use the accounting methods allowed under IAS 19 which require separate recognition in the income statement of cost components linked to working performance (classified as part of the cost of labour) and net financial expense (classified in the financial section), with recognition of actuarial gains and losses deriving from the measurement of the liability each year among the components of the statement of comprehensive income. The gain or loss deriving from the actuarial calculation of defined benefit plans (TFR) is entirely recognised in the statement of comprehensive income.

### **Contractual liabilities**

In compliance with the provisions of IFRS 15, if the customer pays a fee or the entity has a right to an amount of the fee that is unconditional (i.e., a receivable), prior to transferring the good or service to the customer, the Group presents the contract as a liability deriving from the contract at the moment in which the payment is made or (if earlier) the moment in which the payment is due. The liability deriving from the contract is the Group's obligation to transfer to the customer goods or

services for which the Group has received a fee from the customer (or for which the amount of the fee is due).

In compliance with the above, upon receiving an advance payment from the customer, the Group recognises as a liability deriving from the contract the amount of the advance payment for the obligation to transfer or be ready to transfer goods or services in the future. The Group eliminates for accounting purposes the liability deriving from the contract (recognising the revenues) when it transfers the goods or services and, therefore, fulfils its obligation.

### **Trade payables and other liabilities**

Trade payables with payment due dates falling within normal commercial terms are initially recognised at cost (identified as the nominal value). No discounting is done for payables due within twelve months because the effect is held to be irrelevant.

Other liabilities included among current and non-current liabilities are substantially recognised at cost, corresponding to the fair value of the liability, net of transaction costs attributable to the issuing of the liability. After initial recognition, financial liabilities are measured using the amortised cost criteria, using the original effective interest rate method.

### **Derecognition**

A financial liability is eliminated when the obligation underlying the liability has been extinguished, cancelled or honoured. When an existing financial liability is replaced by another from the same provider, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or change is treated as accounting derecognition of the original liability, accompanied by recognition of a new liability, with any differences between the book values recognised under the income statement.

### **Recognition of revenues**

The Group produces and sells food supplements; revenues from customers are recognised in the income statement at the time control over the goods or services is transferred to the customer. Revenues are recognised at a value that reflects the amount the Group expects to have the right to in exchange for the goods or services transferred. The Group generally operates as the “principal”, as it has control over the goods or services prior to their transfer to the customer.

The Group’s business model mainly consists in the transfer of goods, with revenues recognised at a given moment, specifically when the goods are transferred to the customer, generally meaning the shipment or delivery of the same. Normally, payment terms call for extensions of no more than one hundred twenty days. The Group makes use of the practical expedient that allows non-separation of the financing component of fees for contracts in which the expected time interval between the time the promised good or service is transferred to the customer and the time the customer makes the relative payment does not exceed one year.

The Group constantly evaluates whether there are other implicit promises in its contracts in addition to the transfer of goods and, if these promises are distinct, allocates the envisaged fee to the various contractual promises. When determining the price of an operation, the Group considers the effect of

any variable payments, the existence of significant financial components, of non-monetary payments or fees to be paid to its customers.

In general, contracts stipulated by the Group with its customers do not call for special obligations in terms of returns or reimbursements, nor any specific additional guarantees with respect to the conformity of the product with the agreed upon specifications.

Generally the Group does not incur significant incremental costs to acquire contracts with customers. The Group makes use of the ability to consider these costs as expenses at the time in which they are incurred, as they have an amortisation period of less than twelve months.

As of the date this document was prepared the Group had no contract with an original expected duration of more than twelve months for which residual contractual promises were yet to be satisfied (or were only partially satisfied).

Finally, note that given the Group's business model there are no judgements or estimates with a significant impact on determining the amount and schedule for recognition of revenues.

### **Financial expense and income**

Financial income and expense are recognised on an accrual basis which considers the effective income/expense or the relative asset/liability. The Group does not capitalise financial expense.

### **Current taxes**

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are recognised in the income statement, with the exception of those for items directly charged or credited to shareholders' equity, for which the tax effect is recognised directly in shareholders' equity.

Current taxes for the year are measured at the amount expected to be recovered from or paid to the tax authorities. Tax rates and regulations used to calculate this amount are those in effect at the reporting date.

### **Prepaid and deferred taxes**

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

Recognition of deferred tax assets occurs when recovery is held probable, based on estimated future availability of future taxable amounts sufficient with regards to those to be recovered. The amount of deferred tax assets is reviewed at the end of each period and reduced to the extent it is no longer deemed probable that sufficient taxable profits will be generated in the future to make use of all or part of the deferred tax assets. Deferred tax assets not recognised are also reviewed at each annual reporting date and are recognised to the extent it is deemed probable that taxable profits will be sufficient to allow recovery of the said deferred tax assets.

Both deferred tax assets and liabilities are defined based on the tax rates expected to be applied in the year in which the assets are realised or liabilities are extinguished, considering the rates in effect or substantially in effect as of the reporting date.

Deferred taxes relative to elements recognised outside of the income statement are also recognised outside of the income statement, either in shareholders' equity or the statement of comprehensive income, consistent with the element to which they refer.

The Group offsets deferred tax assets and deferred tax liabilities if and only if there is a legal right allowing the offsetting of current tax assets and current tax liabilities.

### **Translation of items in other currencies: transactions and balances**

Transactions in foreign currencies are initially recognised in the functional currency, applying the spot exchange rate on the date of the transaction.

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

Realised exchange differences or those deriving from translation of monetary items are recognised in the income statement, with the exception of monetary elements which are part of a hedge for a net investment in a foreign company.

Non-monetary items measured at historic cost in a foreign currency are translated using the exchange rates in effect as of the initial recognition of the transaction.

### **Contributions**

Contributions from public entities are recognised at fair value when there is reasonable certainty all the conditions established to obtain the same will be respected and that the contributions will be received.

Contributions received against the development of specific goods or assets, for which the value is recognised under fixed assets, are recognised as a direct decrease to the fixed assets themselves and charged to the income statement based on the residual amortisation period for the assets in question. Operating grants are recognised in full in the income statement at the moment the conditions for recognition are met.

### **Profit per share**

Profit per share is calculated by dividing profit for the year attributable to ordinary parent company shareholders by the average weighted number of ordinary shares in circulation during the year.

Diluted profit per share is calculated by dividing profit for the year attributable to ordinary parent company shareholders by the average weighted number of ordinary shares in circulation during the year and those potentially deriving from conversion of financial instruments, including privileged convertible shares, options, warrants or shares to be issued upon verification of contractually defined conditions. As of the date this document was prepared, there were no potential ordinary shares as the parent company has not issued convertible instruments nor are there contractual agreements that could cause the issuing of new shares.

## 7. Business combinations

During 2021, the Group completed two business combinations: the acquisition of a majority stake in the Welcare Group and the acquisition of all the shares of Labiotre, a company in which Labomar already held a 31.2% equity investment as at 31 December 2020.

These operations are part of the Group's growth strategy for external lines and were carried out using liquidity derived from the listing process which occurred in October 2020.

### Acquisition of the Welcare Group

On 29 June 2021 the parent company's Board of Directors resolved to acquire the Welcare Group.

The Welcare Group is based in Orvieto and has been active since 2001 in the development, production and sales of medical devices to prevent and treat infections and to manage skin injuries of various etiology. In Italy, the Welcare Group distributes its products through hospitals and the main wholesale pharmacy suppliers. In Europe and the rest of the world, this occurs through a network of distributors.

The Welcare Group consists of the parent company Welcare Research S.r.l. which carries out scientific research and innovation relative to dietary, cosmetic and dermocosmetic products, as well as pharmaceuticals and similar, and its subsidiary Welcare Industries s.p.a., in which it holds 100% of the equity, which also is focussed on research and innovation in the areas of pharmaceuticals, parapharmaceuticals, cosmetics, medical devices and similar.

The Welfare Group offers a particular high level of quality standards and some proprietary patented technological solutions, which are in perfect synergy with the Labomar business model.

Based on the contract for sale of the units signed on 14 July 2021 by the parent company and the shareholders of Welcare Research S.r.l., Fulvia Lazzarotto and Think FWD S.r.l., Labomar acquired a majority stake in Welcare Research S.r.l.

More specifically, a 63% stake in the share capital was acquired on closing of the transaction by the shareholder Fulvia Lazzarotto, against payment of € 8,171,000.

Subsequently, on 27 December 2021, the purchase option for an additional 7% of share capital was exercised, obtained from the shareholder Think FWD S.r.l. The price paid was € 1,338,500.

At 31 December 2021, the stake held in the share capital of the Welcare Group by the parent company amounts to 70%.

In the context of the acquisition, Labomar granted a put option, which allows the minority interests to sell the residual stakes equal to 30%. This can be exercised within two windows contractually established within two months of the approval of the financial statements of the subsidiary Welcare Research S.r.l. for the years ending 31 December 2024 and 31 December 2025. The calculation of the put option exercise price provides for the application of a multiple to the value of the average EBITDA of the last two financial years preceding the date of exercise of the option, net of the value of the Net Financial Position. The resulting exercise price of the option may not in any event be

lower than a contractual floor of € 4,015,500 or higher than the floor increased by 70% and 90% respectively (depending on the option period exercised).

Labomar also holds a call option, which can only be exercised in the second time frame indicated above, under the same conditions as the put option and relating to the same period.

For accounting purposes, in compliance with IFRS 3 the acquisition date was designated as 30 June 2021, including the events between the designated date and the effective acquisition date, as determined to be significant.

Below is the fair value of the identifiable assets and liabilities as of the acquisition date:

(Euro)	30/06/2021 post PPA
Intangible assets	11,107,485
Rights of use	511,023
Tangible assets	2,220,035
Equity investments	7,324
Other non-current financial liabilities and financial derivatives	47,569
Deferred tax assets	291,252
<b>Non-current assets</b>	<b>14,184,688</b>
Inventories	498,769
Trade receivables	624,211
Other current assets	375,117
Other current financial liabilities and financial derivatives	140,000
Cash and cash equivalents	3,636,467
<b>Current assets</b>	<b>5,274,564</b>
<b>Total assets</b>	<b>19,459,252</b>
Non-current due to banks and other lenders	(614,552)
Non-current financial liabilities for rights of use	(176,651)
Provisions for risks and charges	(451,875)
Net liabilities for defined employee benefits	(205,373)
Deferred tax liabilities	(3,075,426)
<b>Non-current liabilities</b>	<b>(4,523,877)</b>
Current due to banks and other lenders	(170,169)
Current financial liabilities for rights of use	(145,023)
Trade payables	(895,136)
Contractual liabilities	(379,735)
Other current liabilities	(165,142)
Income tax payables	(501,617)
<b>Current liabilities</b>	<b>(2,256,822)</b>
<b>Total liabilities</b>	<b>(6,780,699)</b>
<b>Total net assets acquired</b>	<b>12,678,553</b>

Net assets recognised are based on the measurement of their value.

The fair value of trade receivables is € 624 thousand. The gross amount of trade receivables is € 658 thousand and the entire contractual amount is expected to be collected.

Current financial liabilities include existing loans and financial payables for rights of use.

The Group measured leasing liabilities acquired using the current value of the remaining lease payments as of the acquisition date. Right of use assets are measured at an amount equal to the leasing liabilities.

Identification of the fair value of net assets acquired (purchase price allocation) occurred on 28 February 2022 with the assistance of an estimate appraisal prepared by an independent expert.

At the time of the business combination, the following intangible assets with a defined useful life and not recognised in the balance sheet were identified:

- non-patented technology or know-how, meaning the knowledge and abilities held by the company acquired, for € 3,913 thousand, before the relative tax effect (€ 1,092 thousand);
- brands owned by the Welcare Group, for a total of € 1,238 thousand, before the relative tax effect (€ 345 thousand);
- customer relationships, for a total of € 5,869 thousand, before the relative tax effect (€ 1,637 thousand).

The Directors plan to amortise know how and brands at constant rates over ten years and customer relationships at constant rates over fifteen years.

To estimate the value attributable to brands and know how, a profit-based criteria was used which discounts royalties to be paid to a licensor of the brand or specific technology (known as the relief from royalty method). This method is based on the assumption that the value of the asset is a function of the figurative savings that the holder can achieve due to its ownership of the same, meaning it does not need to pay a third party rent to utilise the asset in question. Consistent with the evaluation approach described, a royalty rate was identified to be used to measure the brands and know how, determined by taking into account information obtained by company management, as well as analysing the results of a group of licensing contracts for similar brands and know how. The royalty rate was applied to prospective revenue identified in the business plan and projections of the same, considering a suitable maintenance cost.

The amounts obtained were then discounted with a suitable discount rate, also taking into account the tax benefit theoretically attributable to amortisation of the asset (Tax Amortisation Benefit or TAB). The time horizon considered for discounting of royalty flows was set at ten years for both brands and know how.

The fair estimate of customer relationships was acquired by adopting a profit measurement criterion based on discounting excess earnings attributable to the specific intangible asset being analysed (known as the multi-period excess earnings method - MEEM). This method is based on the assumption that the value of an asset is equal to the current value of incremental income flows

attributable to the sole asset being evaluated net of the tax effect, or net of remuneration for all other assets necessary to make use of the intangible asset being evaluated. The other assets considered (contributory assets) included brands, know how, net working capital, other investments in fixed assets and the assembled workforce (AWF).

In consideration of the fifteen year useful life established for customer relationships, excess earnings derived from the business plan were discounted, combined with projections obtained starting from the last year of the plan and hypothesising a constant growth rate of 5% per year.

Goodwill was determined residually as the difference between the total amount paid for the business combination and the fair value of the assets and liabilities acquired, held to be recoverable by the Directors based on estimates of expected cash flows coming from the investment.

Goodwill (€ 3,931 thousand) was therefore determined as illustrated below:

Fee paid on 14 July 2021 to acquire 63%	8,171,000
Value of the 7% option, exercised on 27 December 2021	1,338,500
Debt for options on the residual 30% to be exercised in 2025 or 2026	7,099,760
<b>Total fee</b>	<b>16,609,260</b>
Fair value of identifiable net assets	12,678,554
<b>Residual goodwill</b>	<b>3,930,706</b>

The agreed upon fee consists of the portion already paid to acquire 70% of the company, equal to € 9,509,500 (including the option exercised during the year) and the residual 30% purchase option which can be exercised in two windows contractually established as the two months following the approval of the financial statements of the subsidiary Welcare Research S.r.l. for the years ending on 31 December 2024 and 31 December 2025. More specifically, the scenario considered to be more reliable is the one in which the sellers exercise the option in the second period. The fair value of the option as of the date of acquisition, determined based on the Welcare Group's economic and financial plan, amounts to € 7,099,760. The amount of the debt for this option at 31 December 2021 is € 7,152,956, including an adjustment recorded as a cost for the period of € 53,196. The recognition of the debt for the option representing the residual 30% therefore meant that no recognition of minority interests resulted from the business combination.

Net cash and cash equivalents used by the Group for the acquisition described are as follows:

<b>(Euro)</b>	
Net cash and cash equivalents acquired	(3,636,467)
Price already paid as at 31 December 2021	9,509,500
<b>Net cash and cash equivalents utilised</b>	<b>5,873,033</b>

The net outflow of cash and cash equivalents is equal to € 5,873 thousand, equal to the fee paid in cash (€ 9,509 thousand, paid on 14 July and 27 December), minus € 3,636 thousand in cash and cash equivalents acquired following the business combination.

Net expenses for the acquisition amount to € 291 thousand and are classified under “General and administrative expense” and “Personnel costs”. Outgoing cash flows relative to these expenses are included in cash flows deriving from operations.

Since the acquisition date, Welcare has contributed € 3,603 thousand in revenues and € 197 thousand in net profit. If the business combination had occurred on 1 January 2021, Group revenues would have increased by € 4,103 thousand.

The price allocation carried out for this business combination is definitive.

#### Acquisition of a 100% interest in Labiotre

On 30 July 2021, the Board of Directors of the parent company resolved to exercise the option right on Labiotre stakes held by Difass International (10%) and Previfarma (7.6%) and signed a non-binding Letter of Intent, subject to due diligence for confirmation, for the acquisition of the 51.2% of the share capital of Labiotre S.r.l. held by Biodue S.p.a.

On 15 September 2021, Labomar acquired 17.6% of the capital of Labiotre, taking its overall stake in this company specialised in the production of plant extracts from 31.2% to 48.8%. The fees paid to exercise the two options were € 478,111 and € 700,000, respectively.

Subsequently, with a deed dated 23 November 2021, the purchase of the residual portions was completed, thus acquiring a 100% interest in Labiotre.

The price paid to Biodue Spa was € 8.4 million and is not subject to adjustments. The price takes into account the possible future acquisition of the Labiotre production plants, covering approximately 2,000 m<sup>2</sup>, by exercising the purchase option under Labiotre’s rent-to-buy contract, which can be used until January 2023. Payment was carried out using Labomar SpA’s own resources, without making use of the banking system.

In accordance with IFRS 3, on the date control was acquired the value of the previously held associate investment was remeasured at fair value, which had previously been recognised and measured using the equity method. This accounting treatment resulted in a gain of € 5,547 thousand recognised in the income statement under “Value adjustments on financial assets”.

Considering that the operation was concluded at the the end of the year, as well as the parent company’s efforts to recognise the Welcare acquisition, identification of the fair value of the net assets acquired (purchase price allocation) is still in progress as of the date this document was published. Below are the provisional values assigned to the identifiable assets and liabilities as of the acquisition date:

(Euro)	30/11/2021
Intangible assets	44,708
Rights of use	1,723,999
Tangible assets	3,921,110
Other non-current financial liabilities and financial derivatives	8,863
Deferred tax assets	129,088
<b>Non-current assets</b>	<b>5,827,769</b>
Inventories	2,106,533
Trade receivables	2,682,393
Other current assets	(53,532)
Income tax credits	94,649
Other current financial liabilities and financial derivatives	(5,405)
Cash and cash equivalents	(269,025)
<b>Current assets</b>	<b>4,858,854</b>
<b>Total assets</b>	<b>10,686,623</b>
Non-current due to banks and other lenders	(1,873,807)
Non-current financial liabilities for rights of use	(1,370,108)
Net liabilities for defined employee benefits	(106,672)
<b>Non-current liabilities</b>	<b>(3,350,587)</b>
Current due to banks and other lenders	(795,071)
Current financial liabilities for rights of use	(254,224)
Trade payables	(1,194,619)
Other current liabilities	(139,424)
Income tax payables	(91,423)
<b>Current liabilities</b>	<b>(2,778,001)</b>
<b>Total liabilities</b>	<b>(6,128,588)</b>
<b>Total provisional fair value of identifiable net assets</b>	<b>4,558,035</b>

The fair value of trade receivables is € 2,683 thousand. The gross amount of trade receivables is € 2,693 thousand and the entire contractual amount is expected to be collected.

Current financial liabilities include existing loans and financial payables for rights of use.

As measurement is still under way as of the time this document was prepared, the Group made use of the ability to recognise the business combination in a provisional manner, assigning to goodwill the entire difference between the fee paid and the provisional fair value of net assets acquired, as broken down below:

Cash fee paid in November 2021 for 51.2% of the Labiotre units	8,400,000
Cash acquisition of 17.6% of equity in September 2021	1,193,864
Accounting derecognition of the associate investment previously held and measured using the equity method	1,280,801
Adjustment of the investment previously held to its fair value on the acquisition date	5,547,338
<b>Total fee</b>	<b>16,422,003</b>
Provisional fair value of identifiable net assets	4,558,035
<b>Provisional goodwill</b>	<b>11,863,968</b>

The fee paid (€ 16.4 million) includes amounts paid in cash during the second half and equal to € 9,594 thousand as well as the value of the associate investment previously held and restated at its fair value on the acquisition date (€ 6,828 thousand). Net cash flows from the operation, equal to € 9,560 thousand, are equal to the payments made (€ 9,594 thousand) net of Labiotre cash and cash equivalents on the acquisition date (€ 34 thousand).

Net expenses for the acquisition amount to € 193 thousand and are classified under “General and administrative expense” and “Personnel costs”. Outgoing cash flows relative to these expenses are included in cash flows deriving from operations.

Since the acquisition date, Labiotre has contributed € 396 thousand in revenues (net of sales to the parent company) and net profit of € 55 thousand. If the business combination had occurred on 1 January 2021, net Group revenues would have increased by € 4,703 thousand.

## 8. Breakdown of key items in the consolidated equity and financial position

## ASSETS

## Note No. 1: Intangible assets

The item Intangible fixed assets show the following changes:

	Goodwill	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangible assets in progress and advance payments	Other intangible assets	Total intangible assets
Opening balance						
Cost as at 31 December 2020	6,945,564	1,841,724	3,648,045	170,389	6,114,668	18,720,390
Depreciation (Amortisation and depreciation reserve)	-	(1,532,555)	(68,331)	-	(1,384,906)	(2,985,792)
Book value as at 31/12/2020	6,945,564	309,170	3,579,714	170,389	4,729,762	15,734,598
Changes during the year						
Increases for acquisitions	-	199,291	8,168	351,538	-	558,996
Increases due to changes in scope	15,794,673	211,956	1,293,895	-	9,802,623	27,103,147
Reclassification (of the book value)	-	-	4,497	(46,391)	-	(41,894)
Decreases for sales and disposals (of the book value)	-	-	-	(1,500)	-	(1,500)
Decreases for write-downs	(2,238,265)	-	-	-	-	(2,238,265)
Depreciation in the year	-	(228,329)	(133,834)	-	(777,506)	(1,139,669)
Increases in Accumulated amortisation due to changes in scope	-	(107,473)	(28,457)	-	(20,352)	(156,282)
Exchange differences	531,045	-	306,724	-	389,829	1,227,597
Adjustments of amortisation and depreciation reserve	-	-	-	-	-	-
Total changes	14,087,455	75,445	1,450,993	303,647	9,394,594	25,312,133
Year-end value						
Cost as at 31 December 2021	23,338,620	2,252,971	5,273,684	474,036	16,340,270	47,679,580
Depreciation (Amortisation and depreciation reserve)	(2,305,601)	(1,868,377)	(242,956)	-	(2,215,914)	(6,632,848)
Book value as at 31/12/2021	21,033,019	384,594	5,030,728	474,036	14,124,356	41,046,731

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

It should be noted that in the financial statements as at 31 December 2021, intangible assets deriving from the acquisition of Welcare and Labiotre, described in more detail in section 7, have been recognised as Intangible fixed assets. "Business Combinations", to which reference is made.

In particular, with regard to the Welcare acquisition, trademarks and patents were identified for an amount of Euro 1,238 thousand, with a useful life defined in 10 years and a residual value as of 31 December 2021 of Euro 1,175 thousand; customer relationship for an original amount of Euro 5,869 thousand, with an estimated useful life of 15 years and a residual value at 31 December 2021 of € 5,673 thousand; know-how for an original amount of € 3,913 thousand, with a useful life of 10 years

and a residual value at 31 December 2021 of € 3,717 thousand. The residual goodwill amounts to € 3,931 thousand.

The Labiotre combination, on the other hand, resulted in the provisional recognition of goodwill of € 11,864 thousand; the Group reserves the right to complete the final fair value measurement of the net assets acquired within twelve months from the date of acquisition.

Finally, with regard to Importfab, the intangible fixed assets identified separately from goodwill are represented by the value attributed to customer relationships (originally about € 5.4 million, assets with a defined useful life of 15 years, € 4.7 million as of 31 December 2021), licences (originally about € 3.3 million, assets with an indefinite useful life, € 3.3 million as of 31 December 2021) and the trademark (about € 0.6 million, whose useful life was identified as 10 years, with a residual value of approximately € 0.5 million at 31 December 2021).

Goodwill and licences recorded when allocating the price paid for the acquisition, being intangible assets with an indefinite useful life, are tested for impairment at least annually irrespective of the presence of indications of impairment as required by IAS 36.

With reference to Importfab, it is recalled that the acquisition dates back to late 2019, shortly before the outbreak of the Covid-19 pandemic. Although maintaining positive margins, in 2021 Importfab Inc. achieved lower results than those forecast in the economic-financial plans on which the acquisition was based. Therefore, for the purposes of these consolidated financial statements, the impairment test was carried out, with reference to the Canadian Cash Generating Unit ("CGU") at 31 December 2021, on the basis of updated projections for the period 2022-2024, approved by the Board of Directors meeting of the subsidiary Importfab Inc. held on 14 March 2022, assuming a terminal value including a long-term sustainable growth rate of 2%. The projections take into account the current macroeconomic scenario and assume a compound average annual growth rate ("CAGR") of revenues in the period 2021-2024 of approximately 10%. The recoverable amount was therefore determined on the basis of the value in use, applying a discount rate ("WACC") of 11.69% (it was 9.97% at 31 December 2020). The test showed an impairment loss of approximately Euro 2.2 million for the Canadian CGU, which was recognised as a goodwill write-down. An increase of 0.5% in the discount rate would increase the impairment loss by € 0.8 million; a reduction of the long-term sustainable growth rate by 0.5% would increase the impairment loss by € 0.7 million.

As regards the Welcare CGU, the impairment test was performed on the basis of the most recent available 2022-2025 plan, assuming a terminal value including a long-term sustainable growth rate of 1%. The plan assumes average annual revenue growth for 2021-2025 of 15%. The recoverable amount, determined as value in use, is calculated considering a WACC of 8.78%. The test did not reveal any impairment losses; the discount rate that would equal the recoverable amount to the carrying amount is 11.85%.

Finally, the impairment test of the Labiotre CGU considers the 2022-2025 business plan, assuming a terminal value including a long-term sustainable growth rate of 1%. The plan assumes average

annual revenue growth for 2021-2025 of 12%. The recoverable amount, determined as value in use, is calculated considering a WACC of 8.78%. The test did not reveal any impairment losses; the discount rate that would equal the recoverable amount to the carrying amount is 9.17%. Given the low headroom, the directors reserve the right to monitor the performance of the CGU during 2022.

## Note No. 2: Rights of use

	Right of use: buildings	Right of use: Plants and machinery	Right of use: equipment	Right of use: motor vehicles	Rights of use: electronic machines	Right of use: total
Opening balance						
Cost as at 31 December 2020	3,687,486	999,558	281,513	394,536	83,437	5,446,529
Depreciation (Amortisation and depreciation reserve)	(1,360,098)	(591,431)	(130,739)	(189,046)	(44,411)	(2,315,723)
Book value as at 31/12/2020	2,327,388	408,127	150,774	205,490	39,026	3,130,805
Changes during the year						
Increases for new contracts	198,632	475,849	13,190	109,024	32,580	829,275
Increases due to changes in scope	1,905,607	230,000	-	99,415	-	2,235,022
Reclassification for lease redemption (historical cost)	(23,686)	(710,290)	(11,662)	-	-	(745,638)
Reclassification for lease redemption (accumulated depreciation)	16,746	417,529	8,244	-	-	442,519
Remeasurements	-	-	-	(657)	-	(657)
Disposal (cost)	(15,998)	(70,596)	(13,777)	(113,963)	(45,081)	(259,415)
Disposals (amortisation and depreciation reserve)	9,776	70,596	-	93,490	45,081	218,943
Depreciation for the period	(510,127)	(190,699)	(43,807)	(124,491)	(21,908)	(891,031)
Exchange differences	34,131	-	-	-	-	34,131
Total changes	1,615,081	222,389	(47,812)	62,817	10,672	1,863,148
Year-end value						
Cost as at 31 December 2021	5,752,041	924,521	269,264	488,355	70,936	7,505,117
Depreciation (Amortisation and depreciation reserve)	(1,809,572)	(294,005)	(166,302)	(220,047)	(21,238)	(2,511,164)
Book value as at 31/12/2021	3,942,469	630,516	102,962	268,307	49,698	4,993,954

Assets existing at 31 December 2021 qualified as "rights of use" refer, as indicated in the table, to capital property, plant and machinery, equipment, cars and electronic office equipment acquired through lease and financial lease agreements.

Increases due to changes in the scope of consolidation include in particular the right of use of the subsidiary Labiotre and is related to a rent-to-buy real estate contract (€ 1.7 million), as well as plant and machinery of Welcare for € 230 thousand.

It should be noted that the lease, 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 were no contracts with guarantees for the residual value or commitments for contracts not yet started.

The Group uses real estate rental contracts in order to obtain the availability of the premises where it carries out its business activities; these contracts provide for options for extension and termination

in accordance with normal commercial practice. At the consolidated balance sheet date, none of the assets consisting of the right of use meets the definition of investment property.

The Group does not have any sub-lease agreements in place. There were no sale or leaseback transactions during the year.

There are costs for the period related to leases, rental and hire contracts with a duration of less than twelve months or with an insignificant unit value for which the Group has exercised the option not to capitalise the right of use for €136,022 (see Note 26 Services received).

### Note No. 3: Tangible assets

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets under construction and advance payments	Total tangible fixed assets
Opening balance						
Cost as at 31 December 2020	5,694,152	18,003,520	1,627,359	2,832,039	4,057,788	32,214,858
Depreciation (Amortisation and depreciation reserve)	(2,176,153)	(9,944,448)	(1,402,888)	(1,570,277)	-	(15,093,767)
Book value as at 31/12/2020	3,517,999	8,059,072	224,471	1,261,762	4,057,788	17,121,090
Changes during the year						
Increases for acquisitions	4,500	933,970	89,792	197,970	1,530,464	2,756,696
Increases due to changes in scope	2,621,251	5,981,510	643,222	341,024	-	9,587,006
Reclassification of the book value	-	2,148,858	-	(4,497)	(2,298,858)	(154,497)
Decreases due to disposals/adjustments	-	-	(18,170)	(15,764)	-	(33,934)
Decreases for write-downs	-	(173,767)	-	-	-	(173,767)
Reclassification due to redemption of leased assets (of book value)	-	292,761	3,419	6,940	-	303,120
Depreciation in the year	(297,916)	(2,046,865)	(158,702)	(379,787)	-	(2,883,270)
Increases in Accumulated amortisation due to changes in scope	(839,566)	(2,000,845)	(362,986)	(242,465)	-	(3,445,863)
Exchange differences	-	64,136	-	1,298	-	65,434
Adjustments of amortisation and depreciation reserve	-	-	18,170	12,971	-	31,141
Total changes	1,488,269	5,199,759	214,745	(82,309)	768,394	6,052,746
Year-end value						
Cost as at 31 December 2020	8,319,903	27,429,489	2,349,276	3,366,971	3,289,394	44,755,033
Depreciation (Amortisation and depreciation reserve)	(3,313,636)	(14,170,659)	(1,910,060)	(2,186,976)	-	(21,581,330)
Book value as at 31/12/2020	5,006,268	13,258,831	439,216	1,179,995	3,289,394	23,173,703

Changes for increases occur in all categories of assets, as a proof of the constant investments made by the Group. It should be noted that the item "Tangible fixed assets under construction and advances" includes approximately € 2.4 million related to the construction project of two new buildings, for production, logistics and new offices.

Decreases due to disposals are decreases in historical cost.

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

## Note No. 4: Equity investments

The following is a list of equity investments, held directly or through trust companies or intermediaries, in associates and other companies as of 31 December 2021.

Name	Registered offices	Share capital	Net income for the period	Shareholders' Equity	% share of ownership	Amount of equity investment
<b>PRINTING PACK S.R.L.*</b>	Tavarnelle Val di Pesa (FI), Via Borromini, 35	10,000	134,831	1,249,433	20.00	298,521
<b>PROJECT ZERO S.R.L.**</b>	Pordenone (PN), Via Pietro Bassani, 1	112,500	(4,595)	1,077,676	6.01	641,776

\* With regard to the above data, it should be noted that the last approved financial statements refer to 31.12.2020 and that the data at 31.12.2021 are updated on the basis of the draft financial statements approved by the administrative bodies of the respective companies.

\*\* With regard to the above data, it should be noted that Project Zero closes its financial year on 30 June. The last approved financial statements refer to 30.06.2021. The figures as at 31.12.2021 are shown on the basis of the accounts prepared by the company's administrative body.

During 2021, the associated company Printing Pack S.r.l. achieved a turnover of approximately € 3,705,924 with a positive result of € 134,831. Shareholders' equity amounts to € 1,249,433.

It should be noted that the application of the equity method resulted in the following adjustments in the 2021 financial year:

- with reference to Labiotre S.r.l., it should be noted that the acquisition of the majority shareholding following the above-mentioned transaction (see section 7. "Business combinations") resulted in the change of control from an associate holding to a company included in the scope of consolidation. The value of the equity investment prior to the acquisition included an increase in the financial year, equal to € 173,259, as a result of the application of the equity method and therefore deriving from profits of the investee emerging in the period net of unrealised margins deriving from intra-group commercial transactions;
- Euro 67,250 with reference to Printing Pack S.r.l. This adjustment is represented by profits emerging from the company net of unrealised margins from intra-group commercial transactions. The decrease of € 8 thousand corresponds to the portion of dividends distributed in 2021;
- The shareholding in Project Zero was revalued for Euro 124,648 mainly in relation to the increase in the value of the assets of the subsidiary Zero S.r.l. following profits emerging in the latter, therefore reflected in Project Zero, as well as the extraordinary transactions that took place during the year following the entry of minority investors with the recognition of a share premium. During the year, the value of the shareholding also decreased by € 13,971 due to the distribution of the subsidiary's ordinary reserves;
- With regard to Project Zero S.r.l., in which Labomar holds a 6.01% stake, it should be noted that it is considered an associated company, since Labomar exercises significant influence over it.

Like the other partners, it has one member on the Board of Directors, but it has greater influence by virtue of commercial interests combined with the management of Project Zero and 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 repayment of loans or advances that may have been received. There are no particular commitments/agreements with the above companies other than those arising from ordinary commercial transactions.

	Value as at 31.12.2020	Increases	Changes in scope	Decreases	Value as at 31.12.2021
<b>ASSOCIATED COMPANIES</b>					
LABIOTRE S.R.L.	1,107,542	173,259	(1,280,801)		-
PRINTING PACK S.R.L.	239,271	67,250		(8,000)	298,521
PROJECT ZERO S.R.L.	531,099	124,648		(13,971)	641,776
<b>OTHER EQUITY INVESTMENTS</b>					
BANCA CREDITO COOPERATIVO	1,263				1,263
UNIV.TREVISO SCARL	2,000	-			2,000
RIBES-NEXT SCARL	185				185
ASSOFIDI			224		224
BANCA CREDIUMBRIA			2,100		2,100
BANCA SVILUPPO TUSCIA			5,000		5,000
<b>TOTAL</b>	<b>1,881,359</b>	<b>343,186</b>	<b>(1,273,477)</b>	<b>(21,971)</b>	<b>951,068</b>

#### Note No. 5: Other non-current financial liabilities and financial derivatives

This item consists mainly of caution money against the signing of lease contracts for real estate and hire of registered movable property.

Details of non-current financial assets at 31 December 2021 and, for comparative purposes, also the situation at the close of the 2020 financial year are shown below.

	Value as at 31.12.2020	Change in scope	Change	Value as at 31.12.2021
Miscellaneous caution money	196,530	20,239	(6,650)	210,119
Derivative financial assets	0	-	-	0
Other financial assets	315	-	-	315
<b>TOTAL</b>	<b>196,845</b>	<b>20,239</b>	<b>(6,650)</b>	<b>210,433</b>

#### Note No. 6: Inventories

Details of inventories for comparative purposes at 31 December 2020 and 31 December 2021 are shown below.

Description	Value as at 31.12.2020	Change	Value as at 31.12.2021
Raw materials, subsidiary materials and consumables	5,869,395	3,629,825	9,499,220
Products in progress and semi-products	1,198,085	(534,917)	663,169
Finished products and goods	2,339,656	912,951	3,252,606
WIP R&D/Laboratory inventories	124,988	5,567	130,554
Advances	14,096	109,936	124,032
<b>TOTAL</b>	<b>9,546,219</b>	<b>4,123,362</b>	<b>13,669,581</b>

The item "advances" relates to advances paid to suppliers, for purchase orders made at costs not lower than those used in the valuation of the related inventories.

The item WIP R&D/Laboratory inventories represents costs actually incurred on projects for the development of new products, new formulations and new technical files, for which at the balance sheet date the service had not yet been completed and therefore the unconditional right to invoice the customer had not yet arisen. These services will be completed in the first half of 2022 and will then be billed.

It should be noted that inventories have been adjusted for risks associated with the slow turnover of certain types of raw materials and consumables. The depreciation reserve amounts to € 400 thousand and the portion to be charged to the 2021 financial year amounts to € 150 thousand. The fund has therefore increased compared to the previous year, also following the increasing trend of inventories. Due to the typical characteristics of the business run by the Group, in fact, it is necessary to acquire a portion of the raw materials and almost all of the materials intended for the packaging of the finished products based on technical/graphic specifications of the individual articles, defined by the Group's customers. It may happen, therefore, that there are specific items linked to orders which have subsequently changed and which increase the inventories.

The adjustment provision also includes the adjustment of the value of finished products in stock at the end of the period to their net realisable value, if lower than cost.

The following table provides a breakdown of the inventory allowance of raw materials and finished goods:

Description	Value as at 31.12.2020	Utilisations	Increases	Value as at 31.12.2021
RM and CM depreciation fund	250,000	(68,850)	218,850	400,000
SL and PF depreciation fund	-	-	215,934	215,934

<b>TOTAL</b>	<b>250,000</b>	<b>(68,850)</b>	<b>434,784</b>	<b>615,934</b>
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## Note No. 7: Trade receivables

The table below shows trade receivables and their breakdown by geographic area, net of the write-down of receivables allocated during the year.

	Value as at 31.12.2020	Change during the year	Value as at 31.12.2021	Amount due within the financial year
Customer receivables recorded among current assets ITALY	7,362,112	2,363,498	9,725,610	9,725,610
Customer receivables recorded among current assets EU	1,952,792	1,398,152	3,350,944	3,350,944
Customer receivables recorded among current assets NON-EU	836,411	668,039	1,504,450	1,504,450
Bad debt provision	(712,443)	40,425	(672,018)	(672,018)
<b>TOTAL</b>	<b>9,438,872</b>	<b>4,470,114</b>	<b>13,908,986</b>	<b>13,908,986</b>

Trade receivables in Italy include receivables subject to collection for € 5,255,659.

The movement of the adjusted fund is shown below:

Bad debt provision	
Balance at 31/12/2020	712,443
change in scope	27,444
(Utilisations)	(178,090)
Provisions allocated during the year	110,221
<b>Balance at 31/12/2021</b>	<b>672,018</b>

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

Below is information on credit risk exposure on the Group's trade receivables, using an impairment matrix:

		Overdue band (in days)				
Currency: €	Current	0-30	31-60	61-90	>91	Balance as at 31.12.2020
Total gross receivables *	8,988,903	309,172	16,460	10,410	826,371	10,151,316
Bad 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%
<b>Total Trade Receivables</b>	<b>8,927,181</b>	<b>295,987</b>	<b>15,951</b>	<b>9,140</b>	<b>190,614</b>	<b>9,438,872</b>
Impact on total balance (%)	94.6%	3.1%	0.2%	0.1%	2.0%	100.0%

Currency: €	Current	Overdue band (in days)				Balance 31.12.2021
		0-30	31-60	61-90	>91	
Total gross receivables *	12,396,081	1,436,930	4,120	89,111	654,762	14,581,004
Bad debt provision	(48,412)	(17,733)	(109)	(11,019)	(594,745)	(672,018)
Expected loss rate	0.4%	1.2%	2.7%	12.4%	90.8%	4.6%
<b>Total Trade Receivables</b>	<b>12,347,669</b>	<b>1,419,197</b>	<b>4,010</b>	<b>78,093</b>	<b>60,018</b>	<b>13,908,986</b>
Impact on total balance (%)	88.8%	10.2%	0.0%	0.6%	0.4%	100.0%

\* receivables, invoices to be issued and credit notes to be issued

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

At 31 December 2021, the Group had 7 customers with balances in excess of € 500,000 each, which together accounted for 37.9% of all trade receivables (at 31 December 2020, there were 2 customers with balances in excess of € 500 thousand each and they accounted for 17.5% of receivables at the same date).

## Note No. 8: Other current assets

Details of other current assets at 31 December 2021 and, for comparative purposes, also the situation at the close of the 2020 financial year are shown below.

Description	Value as at 31.12.2020	Change	Value as at 31.12.2021
INAIL credits	-	2,513	2,513
Advances to employees	416	(101)	315
Advances to service providers	251,034	(235,034)	16,000
Deposits to suppliers	6,900	132,509	139,409
Fondoimpresa contribution fund Training	7,850	(7,850)	-
Innovation manager voucher	25,000	(25,000)	-
Credit from Trenkwalder bankruptcy	112,986	(112,986)	-
Due from tax authorities for tax credit	301,976	241,248	543,224
Due from tax authorities on VAT account	2,380,265	(1,467,318)	912,946
Other receivables	3,435	118,375	121,810
Accrued income	36,768	(27,933)	8,835
Prepaid expenses	420,976	(49,805)	371,171
<b>TOTAL</b>	<b>3,547,603</b>	<b>(1,431,383)</b>	<b>2,116,223</b>

## Note No. 9: Non-disposable cash in trusts

Note the requirements of IAS 7, paragraph 48.

	Value as at 31.12.2020	Change	Value as at 31.12.2021
Non-disposable cash in trusts	858,167	(858,167)	-
<b>TOTAL</b>	<b>858,167</b>	<b>(858,167)</b>	<b>-</b>

Specifically, these were cash balances that could not be used by the Group as they related to the portion of the acquisition price of the Canadian business, which was settled in accordance with contractual provisions by deposit with an escrow agent. The remaining balance of the escrow account existing at 31 December 2020 was released in favour of the seller in the second half of 2021, net of the expected indemnities in favour of the buyer and further litigation open between the parties, as defined in the settlement agreement dated 23 July 2021.

#### Note No. 10: Income tax receivables and income tax payables

Income tax receivables as of 31 December 2021 are detailed below. At the end of the previous year the balance of this item was zero.

	Value as at 31.12.2020	Change	Value as at 31.12.2021
Due from tax authorities on IRES account	(4,097)	(110,893)	(114,990)
Due from tax authorities on IRES account Patent Box	620,163	(249,171)	370,992
Due from tax authorities on IRAP account	(167,832)	167,587	(245)
Due from tax authorities on IRAP account Patent Box	100,777	(47,533)	53,244
Other miscellaneous income tax receivables		14,218	14,218
<b>TOTAL</b>	<b>549,011</b>	<b>(596,784)</b>	<b>323,219</b>

The total amount receivable is mainly attributable to the Parent Company. The receivable is determined by the balance between the liability for 2021 current income taxes and the receivable for income taxes of previous years arising from the Parent's option for the preferential taxation of income (the so-called Patent Box) recognised by submitting during the financial year supplementary declarations relating to the 2018 tax year. This credit amounts to 370,992 Euros for IRES and 53,244 Euros for IRAP and will be used for offsetting during the following year.

It should be noted that in the 2015 financial year and in the 2016 and 2017 financial years, the Parent Company received the energy efficiency incentive pursuant to Law 296/2006 for € 41,537, € 4,044 and € 4,072, respectively. In view of the tax deductibility of this value, it was decided not to recognise it in the financial statements and only to adjust the accrued IRES for the portion due in the year.

Income tax payables at 31 December 2021 and the change compared to 2020 are detailed below.



Description	Value as at 31.12.2020	Change	Value as at 31.12.2021
Due from tax authorities on IRES account	-	73,190	73,190
Due from tax authorities on IRAP account	-	24,285	24,285
Miscellaneous income tax payables	296,995	(98,266)	198,729
<b>TOTAL</b>	<b>296,995</b>	<b>(792)</b>	<b>296,204</b>

The item Miscellaneous income tax payables refer to taxes owed by the Canadian subsidiary Importfab

#### Note No. 11: Other current financial liabilities and financial derivatives

This item as of 31 December 2021 shows a balance of € 22,253 (balance of 0 as of 31 December 2020) and consists of the fair value of active derivative financial instruments.

#### Note No. 12: Cash and cash equivalents

The breakdown of cash and cash equivalents in 2020 and 2021 is shown below:

	Value as at 31.12.2020	Change	Value as at 31.12.2021
Bank and postal deposits	34,379,208	(19,343,050)	15,036,158
Current account overdrafts	(720,548)	(169,395)	(889,943)
Cash and cash equivalents	1,972	14,412	16,384
<b>TOTAL</b>	<b>33,660,632</b>	<b>(19,498,033)</b>	<b>14,162,599</b>

Cash and cash equivalents decreased mainly as a result of the acquisitions made during the year, which are described in chapter “7. Business combinations”. For further information on changes in cash and cash equivalents, please refer to the cash flow statement.

## SHAREHOLDERS' EQUITY

#### Note No. 13: Share Capital and Reserves

The parent company's share capital as at 31 December 2021 amounted to Euro 1,848,404 divided into 18,484,043 ordinary shares with no nominal value.

Below is a table showing the change in the number of shares:

	2020	2021
Initial number of shares	14,150,710	18,484,043
New shares issued	4,333,333	0
Final number of shares	18,484,043	18,484,043

The table below shows the breakdown and change in reserves from 31 December 2020 to 31 December 2021.

Item	31.12.2020	Change	31.12.2021
Share capital	1,848,404	-	1,848,404
Share premium reserve	24,856,570	-	24,856,570
Legal reserve	283,015	86,666	369,681
FTA Reserve	910,666	-	910,666
Actuarial Reserve	(385,300)	26,794	(358,506)
Reserve for hedging operations for expected financial flows	(67,391)	84,725	17,334
Reserve from valuation of investments using the equity method	494,384	497,943	992,327
Other reserves		-	
Profit/(Loss) carried over	5,010,609	3,510,091	8,520,700
Translation reserve	(825,945)	1,023,492	197,547
Profit/(Loss) for the period	6,093,883	2,266,453	8,360,335
Shareholders' Equity of the Group	38,218,895	7,496,164	45,715,059
Shareholders' Equity net minority interest	19,634	(46,525)	(26,891)
Total Net Shareholders' Equity	38,238,531	7,449,639	45,688,170

The increase in the legal reserve, attributable to the Parent Company, is due to reaching 20% of the share capital.

The FTA (first time adoption) reserve was recorded against the accounting changes required during the transition to the new international accounting standards adopted by the Parent Company.

The actuarial reserve recognises the changes arising from the discounting of the employee severance indemnities debt of the Parent Company and the subsidiaries Welcare and Labiotre, in accordance with IAS 19, net of the related tax effect.

Reserve for hedging operations for expected financial flows recognises changes in the value of financial instruments (derivatives) used by the Parent Company and the subsidiary Labiotre in application of IFRS 9, net of the related tax effect.

The reserve arising from the valuation of investments using the equity method is unavailable and refers precisely to the higher values recorded in the assets of the Parent Company's investments in associated entities.

The item profit/(loss) carried over increased by the retained earnings of the previous year and decreased due to its distribution.

The table below provides details of the Minority Interest in Equity as at 31 December 2020 and 31 December 2021.

	31.12.2020	Change	31.12.2021
Capital of Third Parties	24,500	49,000	73,500
Reserves of Third Parties	(2,988)	(1,878)	(4,866)
Capital and reserves of Third Parties	21,512	(4,866)	68,634
Profit/(Loss) for the period	(1,878)	(93,648)	(95,526)
Shareholders' Equity total minority interest	19,634	(46,526)	(26,892)

As required by IAS 33, information is provided on the data used to calculate net income and earnings per share and diluted earnings per share. Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of shares outstanding during the period. There are no dilutive effects on earnings per share.

The values used in the calculation of the basic earnings per share attributable to the shareholders of the parent company are shown below.

	Value as at 31.12.2020	Value as at 31.12.2021
Net profit for the year	6,093,883	8,360,335
Average number of ordinary shares outstanding during the year	15,180,765	18,484,043
Basic and diluted earnings per ordinary share	0.40	0.45

## LIABILITIES

### Note No. 14: Due to banks and due to other lenders

This item is detailed as follows:

Due to banks and other lenders	Current	Non-current	Total
Payables as at 31 December 2020	8,756,030	24,555,382	33,311,412
Payables as at 31 December 2021	9,465,799	20,903,029	30,368,827

The table below summarises the changes in these liabilities:

Due to banks and other lenders	Amount
Payables as at 31 December 2020	33,311,412
Taking out new loans	2,634,920
Change in scope	3,453,599
Accrued interest	147,292
Repayment cash flows	(9,183,118)
Other changes	4,722
Payables as at 31 December 2021	30,368,827

With regard to the loans taken out during 2021, chronologically they were signed with Credit Agricole (February) and with BNL (November) to support the investments made during the period and the expansion of working capital following an increase in the company's turnover. In detail, the loan signed with Credit Agricole is for Euro 540,000 with maturity 11.02.2026 regulated at a fixed rate (0.450%); the loan with BNL is for Euro 2,000,000.00 and is regulated at a variable rate with maturity 30.05.2023.

The bank debt existing at 31 December 2021 is almost entirely at variable rate and € 9,334,164 refers to debt falling due within 12 months. For this reason, it is believed that the fair value of this debt is not significantly different from its carrying amount.

It should be noted that as of 31 December 2021, the following loans contain certain conditions (covenants), as illustrated below:

- Credit Agricole-Friuladria loan signed on 21 December 2017 by LAB Holding and acquired by the company following the merger by incorporation in May 2018, for an amount of € 6,000,000, with a term of 60 months and maturity on 30 June 2023, nominal residual of € 1,800,000 at 31 December 2021, with the financial constraint that the ratio of Net Financial Debt to Ebitda in the consolidated financial statements is less than or equal to 2.5;
- BNL loan signed on 29 January 2018 for an amount of € 2,000,000, with a duration of 60 months and maturity on 31 January 2023, nominal residual of € 500,000 at 31 December 2021, with the financial constraint that the ratio of Net Financial Debt to Ebitda in the consolidated financial statements is less than or equal to 2.25;
- Loan from Banca Intesa Sanpaolo signed on 11 October 2019 for an amount of € 8,000,000, with a duration of 66 months and maturity on 31 March 2025, and a residual nominal amount of € 6,500,000 at 31 December 2021, with the financial constraints that the ratio of net

financial position to EBITDA in the consolidated financial statements is less than or equal to 3.5 and the ratio of net financial position to shareholders' equity in the consolidated financial statements is less than or equal to 3.5.

- Unicredit loan signed on 29 September 2019 for an amount of € 5,000,000, for a term of 60 months and with maturity date of 30 September 2024, residual amount of € 2,767,004 as of 31 December 2021, with the financial constraints that the ratio of Net Financial Position to Ebitda in the consolidated financial statements is less than 2.5.

As of 31 December 2021, the covenants for the aforementioned loans have been met.

Due to banks and other lenders include, in the non-current portion, € 4,075,712 relating to the "Simest equity loan", which refers to Simest's investment in the Canadian company. Specifically, on 23 October 2019, an investment contract was signed between Labomar and Simest S.p.A. ('Simest'), a company that looks after the development and promotion of Italian companies abroad. The agreement provides that the acquisition, through Importfab, of the aforementioned production branch of Entreprises Importfab Inc. be also financed through the subscription, by Simest of a minority shareholding in Importfab equal to 33.33% of its share capital. The Parent Company undertook to pay Simest a remuneration equal to 4.50% per annum of the amount paid by Simest for the acquisition of the minority interest in the share capital of Importfab. According to the contractual provisions, Simest's holding of the minority shareholding can only be temporary. The equity loan therefore provides for put and call options on Simest's interest in Importfab Inc. exercisable as from 31 October 2023, as well as a commitment to purchase by 31 October 2027, for the price of EUR 4,075,712 or the Listing Value, if higher, or for the Sale Price to Third Parties, if higher.

According to the provisions of international accounting standards, the elements that distinguish Simest's equity investment in the share capital of the subsidiary Importfab Inc. lead to considering this intervention not as a third-party interest in the consolidated financial statements of the Labomar Group, but rather as a financial liability.

#### Note No. 15: Non-current and current financial liabilities for rights of use

	Value as at 31.12.2020	Value as at 31.12.2021
<b>Non-current liabilities for rights of use</b>		
Right of use: buildings	1,985,251	3,179,541
Right of use: Plants and machinery	27,461	194,006
Rights of use: equipment and machinery	104,247	64,735
Right of use: motor vehicles	95,115	135,831
Rights of use: electronic office machines	20,549	34,641
<b>Rights of use: total non-current liabilities</b>	<b>2,232,622</b>	<b>3,608,755</b>

<b>Current liabilities for rights of use</b>		
Right of use: buildings	424,987	754,648
Right of use: Plants and machinery	47,098	89,172
Rights of use: equipment and machinery	46,052	40,751
Right of use: motor vehicles	94,775	120,397
Rights of use: electronic office machines	15,023	12,308
<b>Rights of use: total current liabilities</b>	<b>627,936</b>	<b>1,017,276</b>
<b>Total liabilities for rights of use</b>	<b>2,860,558</b>	<b>4,626,031</b>

Liabilities for rights of use represent payables arising from leases, rental and hire contracts. The amount of right-of-use debts is detailed by maturity as follows:

Due dates of right-of-use debts	Value as at 31.12.2021	Value as at 31.12.2020
Within 1 year	1,017,276	627,936
From 1 to 5 years	2,949,865	1,407,138
More than 5 years	658,889	825,485
<b>Total</b>	<b>4,626,030</b>	<b>2,860,558</b>

The table below summarises the changes in liabilities arising from cash flows and changes other than cash:

Right-of-use debts	Amount
Payables as at 31 December 2020	2,860,558
Change in scope	1,946,006
Taking out new contracts	829,275
Accrued interest	73,725
Repayment cash flows	(1,040,943)
Early withdrawals	(41,128)
Other changes	(36,994)
Exchange differences	35,529
<b>Payables as at 31 December 2021</b>	<b>4,626,030</b>

## Note No. 16: Provisions for risks and charges

The change in provisions for risks and charges for the current year is shown below.

	Provisions for legal risks	Provision for directors' severance pay	Total provisions for risks and charges
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Opening balance of the year as at 31 December 2020	43,380	-	43,380
Change in scope	351,875	100,000	451,875
Provisions allocated during the year	315,807	-	315,807
Utilisation during the year	-		
Closing balance of the year as at 31 December 2021	711,062	100,000	811,062

With regard to provisions for legal risks, it should be noted that the administrative body has deemed it appropriate to set aside the sum of € 312,500 during the 2021 financial year to cover probable future risks.

## Note No. 17: Net liabilities for defined employee benefits

The table below shows the details of the employee severance indemnity at 31 December 2021 compared to the figure at 31 December 2020.

The data refer exclusively to the Parent Company and the Italian subsidiaries with employees.

Employee severance indemnities	Amount
Opening balance of the year as at 31 December 2020	2,591,486
Changes in scope	312,140
Services received	371,392
Net interest	23,978
Benefits paid	(265,801)
Actuarial gains (losses)	(40,449)
Closing balance of the year as at 31 December 2021	2,992,746

The valuation of liabilities for defined benefit plans was carried out with the support of expert actuaries.

The main assumptions made for the purpose of discounting the employee severance indemnities for the years shown in the table above are summarised below:

### Demographic assumptions

- For the demographic assumptions, ISTAT 20 mortality tables reduced to 85.00% by gender were used. This one-off reduction was introduced in order to take into account the decrease in mortality in recent years.
- With regard to the disability assumptions, the Social Security tables reduced to 70.00% were used. This one-off reduction was introduced in order to consider the lowest disability rate in the relevant sector.

## Economic and financial assumptions

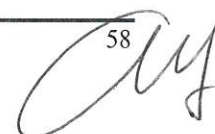
- "base" discount rate at 31/12/2021:1.40%;
- average future inflation rate: 1.00% per annum constant;
- salary revaluation

## Note No. 18: Prepaid and deferred taxes

Details of prepaid taxes and consequent effects are shown. It should be noted that, since the conditions are met, the total value of prepaid taxes has been shown net of the deferred tax provision.

Item	%	31/12/2020		Change		31/12/2021	
		Amount of timing differences	Tax effect	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Inventory write-down and intercompany profits	24	250,000	60,000	423,726	101,694	673,726	161,694
Write-down of depreciable assets	24			173,769	41,705	173,769	41,705
Write-down of receivables	24	664,534	159,488	(124,352)	(29,844)	540,182	129,644
Derivative financial instruments	24	88,674	21,282	(108,801)	(26,112)	(17,406)	(4,177)
Provisions for miscellaneous risks	24	5,000	1,200	312,500	75,000	317,500	76,200
Directors' fee	24	6,004	1,441	(6,004)	(1,441)	0	0
Amortised cost	24	(163)	(39)	163	39	0	0
Right of use (rental fees)	27.9	77,813	21,710	4,245	1,184	82,058	22,894
Rights of use (rental fees) Importfab Inc.	26.5	14,130	3,745	7,409	1,963	21,539	5,708
Rights of use (financial leases)	27.9	(1,150,845)	(321,087)	477,498	133,223	(673,347)	(187,864)
Actuarial valuation of employee severance indemnities	24	376,165	90,280	(49,188)	(11,806)	326,977	78,474
Valuation of investments using the equity method	24	(36,640)	(8,794)	(45,065)	(10,815)	(81,705)	(19,609)
FV earn-out adjustment	26.5	(287,312)	(76,138)	287,312	76,138	-	-
Foreign exchange losses	24	547,749	131,460	(547,748)	(131,460)	1	0
Labomar next tax losses	24	13,818	3,316	(2,950)	(708)	10,868	2,608
Amortisation and impairment Importfab	26.5	-	-	1,811,300	479,994	1,811,300	479,994
Other items	24	(213,742)	(60,520)	667,743	169,480	454,001	108,961
Revaluation of Labiotre shareholding	1.2	-	-	(5,547,338)	(66,568)	(5,547,338)	(66,568)
Welcare PPA intangibles	27.9			(9,741,012)	(2,717,743)	(9,741,012)	(2,717,743)
<b>Total prepaid/(deferred) taxes</b>			<b>27,345</b>		<b>(1,916,076)</b>		<b>(1,888,079)</b>

The most significant temporary changes include deferred taxes on lease/rental agreements in place at the date of first-time adoption of IFRS and measured in accordance with IFRS 16, and prepaid



taxes on higher provisions for presumed impairment losses on receivables in excess of the amount allowed for tax purposes.

Other items mainly relate to the effect of the amortisation deducted for tax purposes of the capital gains allocated by the Canadian subsidiary arising on the acquisition of the business in 2019.

The item Welcare PPA intangibles includes deferred taxes on the recognition of intangibles following the allocation of the Welcare acquisition price. For further details see section "7. Business combinations". The item also includes € 126,427 corresponding to deferred taxes absorbed during the year following the corresponding depreciation for the year.

#### Note No. 19: Other current and non-current financial liabilities and financial derivatives

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

#### Note No. 20: Current and non-current payables for business combinations

The amount of € 7,153 thousand at 31 December 2021 refers to the fair value of options on the remaining 30% of Welcare. In particular, as part of the acquisition transaction Labomar granted a put option, which allows the minority shareholders to sell the remaining stake, equal to 30%, which can be exercised in two contractually foreseen time frames within two months from the approval of the financial statements of the subsidiary Welcare Research S.r.l. that will close on 31 December 2024 or on 31 December 2025. The calculation of the put option exercise price provides for the application of a multiple to the value of the average EBITDA of the last two financial years preceding the date of exercise of the option, net of the value of the Net Financial Position. The resulting exercise price of the option may not in any event be lower than a contractual floor of € 4,015,500 or higher than the floor increased by 70% and 90% respectively (depending on the option period exercised). Labomar also holds a call option, which can only be exercised in the second time frame indicated above, under the same conditions as the put option and relating to the same period. The amount of € 1,700,627 recognised in the financial statements for the year ended 31 December 2020 (€ 1,133,517 classified as current liabilities and € 567,110 as non-current liabilities) related to the residual debt associated with the acquisition of Importfab in 2019.

The movement occurring during the year is shown below:

Current payables for business unit acquisition	Amount
Payables as at 31 December 2020	1,700,627
Business combinations during the year	7,099,760
Exchange differences	92,568
Payments	(1,255,479)
Fair value adjustment	(484,520)

Payables as at 31 December 2021	7,152,956
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Payments of € 1,255,479 (CAD 1,861,373) refer to the residual debt at the time of the transaction related to the acquisition of the subsidiary Importfab that took place during the 2019 financial year; the amount represents the debt that was extinguished through the release of the amounts of the Escrow account, commented in Note No. 7 Cash in trust not available, as well as the payment of the residual earn out, paid for € 470 thousand, equal to the amount agreed in the settlement agreement between the parties on 23 July 2021. The settlement agreement resulted in a reduction of the debt of € 537 thousand, recorded on the income statement and included in the table in the line "Fair value adjustment".

The amount shown in the line "Business combinations during the year" refers to the fair value at the date of acquisition of Welcare of the purchase option, just commented and further described in section "7. Business combinations".

The fair value adjustment of the liability is included on the income statement among financial income and charges and is composed of income for € 537 thousand related to the adjustment of the residual debt in connection with the purchase of Importfab and charges for € 53 thousand related to the adjustment of the debt for the purchase option of the residual share of Welcare.

## Note No. 21: Trade payables

Trade payables are mainly due to domestic suppliers.

All payables fall due within the next financial year, so there are no payables to be discounted. It should be noted that payables to suppliers are indiscriminately included in the item trade payables with reference to both suppliers of finished products and raw materials and suppliers of services.

	Value as at 31.12.2020	Change during the year	Value as at 31.12.2021	Amount due within the financial year
Payables to suppliers ITALY	11,371,816	1,857,619	13,229,435	13,229,435
Payables to suppliers EU	1,073,060	397,893	1,470,953	1,470,953
Payables to suppliers NON-EU	240,482	855,300	1,095,782	1,095,782
<b>TOTAL</b>	<b>12,685,358</b>	<b>3,110,811</b>	<b>15,796,170</b>	<b>15,796,170</b>

## Note No. 22: Contractual liabilities

This item includes liabilities arising from contracts with customers, i.e., the amount the Group has already received from customers as an advance on supplies. These advances will be recognised as revenue when control of the goods is transferred to customers during 2021.

	Contractual liabilities
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Amount as at 31 December 2020	464,613
Changes in scope	379,735
New contractual advances	526,300
(Revenue recognition)	(466,995)
Exchange differences	13,936
Amount as at 31 December 2021	917,590

## Note No. 23: Other current liabilities

Details of non-current liabilities at 31 December 2021 and, for comparative purposes, also the situation at the close of the 2020 financial year are shown below.

	Value as at 31.12.2020	Change	Value as at 31.12.2021
Payable to employees	448,402	193,886	642,288
Payables for performance bonuses	126,204	(126,204)	-
Accrued expenses personnel	1,548,393	25,110	1,573,504
Payables to employees	-	-	-
Payables to social security and welfare institutes	385,945	106,021	491,966
Payables to supplementary funds	46,653	18,894	65,547
Due to tax authorities/IRPEF withholdings	335,544	46,933	382,477
Directors' fees	176,460	(119,624)	56,836
Other accrued expenses and deferred income	9,127	70,857	79,984
Deferred income quarterly tax credit	164,663	36,038	200,701
Deferred income contributions Veneto Reg.	30,117	(7,857)	22,260
Payable for dividends	-	-	-
Miscellaneous	139,407	142,567	281,974
<b>TOTAL</b>	<b>3,410,916</b>	<b>82,056</b>	<b>3,797,537</b>

## 9. Breakdown of the main items in the consolidated statement of comprehensive income

The main items of the 2021 income statement, compared with those recognised in 2020, are commented on below.

It should be noted that the income statement for the previous year, shown for comparative purposes, is not fully comparable with the 2021 income statement as the 2021 consolidated financial statements include Welcare's income statement data from 1 July 2021 and Labiotre's income statement data from 1 November, the accounting dates of the acquisition of control.

## Note No. 24: Revenues from contracts with clients

The breakdown of revenues by category for the years ended 31 December 2020 and 31 December 2021 is shown below.

Category of Asset	2020	2021
Sales of goods	59,667,349	63,366,294
Sales for processing	27,323	2,690
Sale of samples	33,256	33,422
Various services and recourses	1,331,520	2,009,643
<b>TOTAL</b>	<b>61,059,449</b>	<b>65,412,049</b>

The breakdown of revenues by geographic area is shown below.

Geographical area	2020	2021
Italy	37,760,670	39,979,176
European Union	13,001,839	13,759,060
Non-European Union	10,296,940	11,673,813
<b>TOTAL</b>	<b>61,059,449</b>	<b>65,412,049</b>

It should be noted that, during the year, no significant revenue was recognised due to performance obligations fulfilled in previous years, such as price changes.

An analysis of the customers served in 2021 shows a relatively low concentration as the first customer achieved a share of 5.5% of total consolidated sales, while the top 10 customers accounted for 33.9% of consolidated sales in the year and the top 25 for 56.8%.

With regard to a possible effect of the seasonality of sales, it should be noted that the Group's business does not show characteristics of this kind: some of the finished products manufactured are seasonal products (products for the cold season, products for the summer season, products for the change of season), which replace each other without generating peaks in a positive or negative sense. The distribution of sales is influenced in the second half of the year by the presence of the summer holidays in August. However, the gradual increase in the share of foreign sales over the years has significantly reduced this effect.

## Note No. 25: Purchase costs of raw, ancillary and con. materials and goods for resale

The costs of raw materials, consumables and goods for resale for the years ended 31 December 2020 and 31 December 2021 are detailed below.

Purchase cost	2020	Change	2021
Raw materials	15,351,086	4,031,880	19,382,965

Finished products	2,812,972	(2,046,144)	766,828
Consumables	881,602	(31,725)	849,877
Packaging	8,981,511	914,805	9,896,317
Other purchases	129,734	55,487	185,221
Additional charges	56,514	38,570	95,083
Rewards and gifts from suppliers	(226,919)	(2,131)	(229,050)
<b>Total</b>	<b>27,986,499</b>	<b>2,960,743</b>	<b>30,947,242</b>

## Note No. 26: Service costs

Service costs for the years ended 31 December 2020 and 31 December 2021 are detailed below.

Service costs	2020	Change	2021
Advice	2,340,571	1,082,687	3,423,258
Listing expenses	968,158	(968,158)	0
Rental fees	202,440	(66,418)	136,022
Directors' fees	548,838	385,096	933,934
Directors' severance pay	29,769	(29,769)	0
Product analysis and certification costs	1,289,095	5,431	1,294,526
Electricity, methane gas, water	817,923	81,292	899,215
Telephone costs	146,631	7,590	154,221
Maintenance and fees	1,005,607	327,887	1,333,494
Processing at third parties	481,996	(183,361)	298,635
Transport and storage	851,237	369,355	1,220,592
Cleaning costs	280,757	31,243	312,000
Miscellaneous insurances	256,327	(58,247)	198,080
Banking services	19,449	20,718	40,167
Premiums, royalties and finders' fees	15,748	62,846	78,594
Employment agency fees	162,659	(24,262)	138,397
Expenses for trade fairs, exhibitions and conferences	15,297	385,994	401,291
Waste disposal charges	225,144	(4,346)	220,798
Entertainment expenses and gifts	124,617	(31,234)	93,383
Advertising expenses	41,125	347,253	388,378
Pay of collaborators and internships	66,427	45,065	111,492
Other miscellaneous expenses	78,607	145,503	224,110
<b>Total</b>	<b>9,968,423</b>	<b>1,932,165</b>	<b>11,900,586</b>

The figures shown in the table are significant with regard to the evident increase in consultancy expenses dictated mainly by the costs incurred for the two acquisitions (approximately € 373 thousand relating to the Parent Company) and the increase in commercial consultancy in the Parent Company.

It should be noted that directors' fees also include reimbursements and various expenses.

Other costs that increased compared to the 2020 financial year include the increase in expenses for trade fairs and conferences compared to not much of these events in the previous year due to the pandemic effect, and maintenance and transport/storage expenses, the incidence of which remains in line with the increase in turnover. Advertising expenses include euro 344 thousand related to the marketing activities of the Welcare group carried out in the second half of 2021, which are part of the project for the expansion of foreign markets and penetration of the Italian market in order to ensure greater visibility to end users of Welcare devices.

## Note No. 27: Personnel costs

The table below breaks down personnel costs in the financial years ending on 31 December 2020 and 31 December 2021.

Personnel costs	2020	Change	2021
Wages and salaries	10,317,606	535,789	10,853,395
Social security costs	2,357,809	170,581	2,528,390
Employee severance indemnities	610,403	(6,807)	603,596
Other personnel costs	170,222	110,913	281,136
<b>Total</b>	<b>13,456,040</b>	<b>810,476</b>	<b>14,266,516</b>

The general crisis caused by the Covid-19 pandemic led to higher personnel costs during the year. The increase was due, on the one hand, to a higher rate of employee absenteeism during 2020, which, especially after the outbreak of the pandemic, required greater use of temporary work. On the other hand, higher bonus payments were made to employees.

The increase in personnel costs is mainly due to a strengthening of the internal structure in order to cope with the constant growth of the company and the contribution of the companies that joined the scope of consolidation during the year.

Personnel costs also include the cost related to the use of personnel with staff supply contracts at the Parent Company: in particular, this refers to personnel used in the production area to meet the various needs emerging from one period to the next (different types of processes, processing peaks, management of work shifts, absences due to holidays, leaves, illnesses, etc.). In 2021, the cost was Euro 1,024 thousand compared to Euro 1,320 thousand spent in 2020. The reduction in the cost of temporary workers is attributable to greater efficiency achieved by the contribution of direct labour as well as by using staff supply contracts in a wiser manner.

Other personnel costs are broken down as follows:

Other personnel costs	2020	Change	2021
Expense reimbursement	30,830	(68,937)	43,122

Training	35,416	24,349	72,571
Clothing/garments	57,524	13,492	63,265
Other miscellaneous items	46,453	51,468	102,177
<b>Total</b>	<b>170,222</b>	<b>20,373</b>	<b>281,136</b>

The average and exact number of employees by category for the year ended 31 December 2020 and 31 December 2021 is shown in the table below:

	2020			2021	
	Average	Exact		Average	Exact
Senior Managers/Middle Managers	22	22		29	30
White-collar workers	76	81		98	99
Blue Collar Workers	160	159		195	204
Other employees	10	11		9	9
<b>Total employees</b>	<b>268</b>	<b>273</b>		<b>331</b>	<b>342</b>

#### Note No. 28: Depreciation and write-downs of assets

The following table presents details of depreciation and amortisation for the years ended 31 December 2020 and 31 December 2021.

	2020	Change	2021
Amortisation of intangible assets	660,411	479,472	1,139,669
Depreciation of tangible assets	2,358,751	524,303	2,883,270
Amortisation of rights of use	836,723	54,310	891,032
Write-down of fixed assets	113,494	2,298,540	2,412,034
Write-down of receivables	79,386	7,469	86,854
<b>Total</b>	<b>4,048,764</b>	<b>3,364,094</b>	<b>7,412,858</b>

Amortisation of intangible assets includes € 453 thousand related to intangible assets with a defined useful life identified within the purchase price allocation tied to the acquisition of the Welcare group. Refer to paragraph 7 for more detailed information. Business combinations". The item write-down of fixed assets mainly refers to the write-down of goodwill of approximately € 2.2 million following the impairment test carried out on the Canadian CGU, as better described in Note 1 Intangible fixed assets.

#### Note No. 29: Provisions

Provisions for risks of EUR 312,500 were made during the year. Please refer to Note 16 Provisions for risks and charges for further details.

### Note No. 30: Other income, Other expenses

	2020	Change	2021
<b>Contingent assets</b>	48,287	11,027	59,314
<b>Contingent liabilities</b>	(24,353)	(90,440)	(114,792)
<b>Other income</b>	383,289	645,410	1,028,699
<b>Other charges</b>	(142,959)	(29,638)	(172,597)
<b>Total</b>	<b>264,265</b>	<b>536,359</b>	<b>800,624</b>

The item Other income sees an increase compared to the previous year, mainly as a result of the contribution recorded by the Parent Company amounting to € 500,000 received from the Ministry of Economic Development, in accordance with the procedures set out in Article 7 of the Ministerial Decree of 23 April 2018 following admission to listing on the AIM regulated market which took place in October 2020.

The residual amount corresponds to the recognition by the Parent Company of income obtained from operating grants. These include the contribution relating to the tax credit for research, development, technological innovation, design and aesthetic conception activities under Art. 1, paragraphs 198 - 209 of Law No. 160 of 27 December 2019 amounting to approximately € 104 thousand and the grant recognised in respect of investments in new capital goods pursuant to Decree Law 91/2014.

The item "Other expenses" mainly includes costs for membership fees and various taxes and duties.

### Note No. 31: Financial income

The breakdown of the item financial income for the year ended 31 December 2020 and 31 December 2021 is shown below:

	2020	Change	2021
<b>Bank interest earned</b>	27,071	(18,422)	8,648
<b>Interest income from associated companies</b>	4,591	(4,591)	
<b>Fair value adjustment of debt for earn out</b>	293,565	244,151	537,716
<b>Other financial income</b>	118,669	79,573	198,243
<b>Total</b>	<b>443,896</b>	<b>300,711</b>	<b>744,607</b>

The item "Fair value adjustment for earn-out debt" represents the effects of the adjustment of the residual debt related to the acquisition of the Canadian company on the basis of the amount agreed between the parties in the settlement agreement dated 23 July 2021.

It should be noted that the item "Other financial income" is attributable to the Parent Company and is represented mainly by interest income on the post-listing dedicated account and by interest subsidies (Simest and Sabatini law).

## Note No. 32: Financial charges

	2020	Change	2021
Bank interest expense	668	1,213	1,881
Bank interest payable on loans	441,342	(124,847)	316,495
Commissions on credit lines	15,161	(4,035)	11,126
Financial charges from use of derivative instruments	16,220	20,932	37,152
Sundry interest expense	105,036	(101,238)	3,798
Interest expense on rights of use (leases)	71,105	1,349	72,454
Interest expense on rights of use (financial lease)	2,535	(1,265)	1,271
Financial charges from actuarial adjustment to employee termination indemnities	11,163	12,816	23,978
Fair value adjustment of Welcare option	-	53,196	53,196
Capital losses	20,968	(20,968)	-
<b>Total</b>	<b>684,198</b>	<b>(162,847)</b>	<b>521,351</b>

The increase in financial expenses is mainly related to the interest expenses accruing on the loan agreements entered into in 2021 and in previous years.

## Note No. 33: Net gains (losses) on exchange

Foreign exchange gains/losses are highlighted:

	2020	Change	2021
Foreign exchange gains	8,546	766,652	775,198
Foreign exchange losses	(652,652)	574,343	(78,309)
Financial charges from hedging derivatives	-	(238,530)	(238,530)
<b>Total</b>	<b>(644,106)</b>	<b>1,102,465</b>	<b>458,359</b>

Foreign exchange gains at the end of the year mainly relate to valuation gains and realised by the Parent Company in respect of loans granted to the Canadian subsidiary Importfab Inc.

Foreign exchange losses mainly refer to exchange rate differences on the Parent Company's currency account balances.

Financial charges from hedging derivatives represent the mark to market at 31 December 2021 of the derivative financial instruments entered into by the Parent Company to hedge the exchange rate risk on the outstanding loan to the Canadian subsidiary Importfab Inc.

#### Note No. 34: Value adjustments on financial assets

	2020	Change	2021
Fair value measurement of Labiotre's investment at the date of acquisition of control	0	5,547,338	5,547,338
Revaluation of the associate Labiotre prior to majority acquisition	190,256	(10,300)	179,956
Revaluation of the associate Printing Pack	21,562	45,688	67,250
Revaluation of the associate Project Zero	286,124	(161,476)	124,648
<b>Total</b>	<b>497,942</b>	<b>5,421,251</b>	<b>5,919,193</b>

With reference to Labiotre, which at 31 December 2020 was reported as an equity investment in an associate and of which control was acquired in 2021, in accordance with IFRS 3, at the date of acquisition of control the value of the previously held associate investment was remeasured at fair value, which was previously reported at the value resulting from the equity method. This accounting treatment resulted in a gain of € 5,547 thousand recognised in the income statement.

The table above also shows changes in the value of investments in associates accounted for using the equity method.

#### Note No. 35: Taxes

The table below provides a breakdown of income taxes at 31 December 2020 and 31 December 2021.

	2020	Change	2021
Current taxes	1,467,867	488,798	1,604,168
Deferred tax assets and liabilities	64,359	(1,189,788)	(772,932)
Taxes from previous years	(735,111)	630,653	(104,458)
<b>Total taxes for the year</b>	<b>797,115</b>	<b>(70,337)</b>	<b>726,778</b>
% current taxes on pre-tax profit	21%		22%
% tax for the year on pre-tax profit	12%		8%

The low incidence of taxes for the year with respect to the pre-tax result is mainly due to the tax effect on the income from the remeasurement at fair value of the Labiotre investment, which benefits from the tax relief participation exemption.

The following tables show the reconciliation between the balance sheet charge and the theoretical IRES/IRAP charge.

The expected tax rate used for the calculation of the tax burden is 24% for the IRES jurisdiction and 3.9% for the IRAP jurisdiction.

Description	2020	2021
Pre-tax result	6,889,120	8,991,586
Theoretical IRES tax burden	1,139,412	2,157,981
Increasing permanent differences	313,838	735,148
Decreasing permanent difference	(1,860,806)	(6,693,310)
Pre-tax profit adjusted for permanent differences (A)	<b>5,342,152</b>	<b>3,033,424</b>
IRES tax for the year	768,140	728,022
Increasing temporary differences	826,592	3,211,407
Decreasing temporary differences	(26,183)	(553,472)
Total temporary differences (B)	800,409	2,657,935
Total taxable income (A + B)	6,142,561	5,691,359
Taxable amount foreign group	(2,141,569)	(1,285,434)
Previous tax losses		-
Reduction of aid to economic growth and other significant changes for IRES purposes	-	(347,995)
Total taxable income	4,000,993	4,057,930
<b>Total current taxes (IRES Italy) before deductions</b>	<b>960,238</b>	<b>973,903</b>
Deduction for incentives on investments to improve energy efficiency	(4,965)	(4,965)
Taxation of foreign companies	303,459	339,047
IRAP of Italian companies	209,134	296,183
<b>Total current taxes on taxable income</b>	<b>1,467,866</b>	<b>1,604,168</b>

## 10. Information on transactions with related parties

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

In order to determine whether related party transactions were concluded at arm's length, the Group considered both the quantitative conditions, relating to price and related elements, and the reasons that led to the decision to enter into the transaction and to conclude it with a related party rather than with a third party.

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

The following table summarises transactions with related parties:

	for the 2020 financial year			
	Receivables	Payables	Costs	Revenues
<b>PARENT COMPANY</b>				
LBM Holding Srl				

ASSOCIATED COMPANIES				
Labiotre Srl	9,150	840,413	2,597,580	90,000
Printingpack Srl		321,044	931,851	
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	
Universo TV Scarl			500	
Consorzio Ribes-Next Scarl			1,000	
BModel Sas		88,167	313,769	
Labofit Srl		3,000	36,000	

	for the 2021 financial year					
	Financial receivables	Financial Debts	Receivables	Payables	Costs	Revenues
PARENT COMPANY						
LBM Holding Srl						
ASSOCIATED COMPANIES						
Printingpack Srl				460,134	1,129,271	
Zero srl						
OTHER RELATED PARTIES						
Farmacia Bertin Walter Sas			11,326	1,513	8,785	33,691
Imm.re Alessandra Srl	180,000	1,547,830	18		36,809	18
Universo TV Scarl					500	
Consorzio Ribes-Next Scarl	315				1,000	
BModel Sas				50,310	234,362	
Labofit Srl				3,000	36,000	

Related party transactions mainly involve sales and consulting relations, with the exception of loan receivables relative to the associate Immobiliare Alessandra S.r.l. Financial payables to the associated company Immobiliare Alessandra S.r.l. represent the residual financial liability in relation to the real estate sublease contract granted by this company to the Parent Company.

It should be noted that in 2021 the Parent Company distributed € 2,033,245 in dividends, of which € 1,446,174 to LBM Holding S.r.l.

There are no guarantees given to or received by related parties.

The accumulated remuneration for the year 2021 of personnel holding strategic positions amounted to a company cost of € 479 thousand.

## 11. Remuneration of directors, statutory auditors and auditing firms of the Parent Company

The remuneration of directors and auditors for their work during the year is as follows:

	2021
Directors' fees*	882,511

Remuneration of statutory auditors	40,190
<b>Directors and statutory auditors' fees</b>	<b>923,128</b>

\*including contributions and social security charges.

The auditing firm's remuneration amounts to € 152,641 and is broken down as follows:

	<b>2021</b>
Statutory audit of annual accounts and audit of half-yearly consolidated financial statements	131,890
Other non-audit services	11,028
<b>Total independent auditor's fees</b>	<b>142,918</b>

## 12. Information on off-balance sheet arrangements

The Parent Company has numerous contractual agreements in place with its customers, suppliers, employees and trade associations, and other commercial and financial partners, which provide for reciprocal commitments of various types and of various durations, the effects of which are reflected in the statement of financial position if and to the extent that this is correct on the basis of the accounting principles applied, with particular reference to the accrual principle, while as regards future effects, these are obviously not reflected in the statement of financial position if this is consistent with the requirements of the accounting standards.

However, these agreements are all within the scope of what can be called 'normal industrial, commercial and financial management'.

## 13. Risk management and hierarchy of financial instruments at fair value

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

In adopting this policy, the Group has diversified the technical forms of bank financing in order to limit the risk to which it is exposed, finding the most suitable to cover the requirements determined by its industrial activities and whose interest rate levels can minimise any 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 the non-existence of liquidity risk.

Indeed, 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.

The fair value of derivative financial instruments is detailed below:

Transaction	Value as at 31.12.2021	Level 1	Level 2	Level 3
Derivative on loan - IRS with cap	(2,129)			(2,129)
Derivative on loan - IRS with hedging	804			804
Derivative on loan - IRS	7,228			7,228
Derivative on loan - IRS	14,221			14,221
Foreign exchange derivatives - Put and call options	(238,530)			(238,530)
Derivative on loan - IRS with floor	(2,721)			(2,721)
Derivative on equity investments - Put option	(7,152,956)			(7,152,956)

## NOTES:

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

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

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

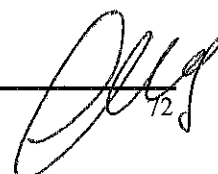
At 31 December 2021, the following instruments were outstanding in relation to the Parent Company: (i) one IR derivative with cap entered into in 2018 for a notional value of € 2,520,000 with a 5-year term, to hedge interest rate risk, providing a fixed rate of 0.00 against a variable rate of (Euribor 6 months); (ii) one IR derivative with hedging entered into in 2019 for a notional value of € 4.753.251 with a 5-year term, to hedge interest rate risk, providing a fixed rate of 0.00 against a variable rate of (Euribor 6 months); (iii) one IR derivative entered into in 2020 for a notional value of € 8,000,000 with a 5-year term, to hedge interest rate risk, with a fixed rate of -0.3 against a variable rate of (Euribor 3 months); (iv) one IR derivative stipulated in 2020 for a notional value of € 5,000,000 with a 6-year term, to hedge interest rate risk, with a fixed rate of -0.3 against a variable rate of (Euribor 6 months); (v) 13 optional derivatives on the Canadian dollar, entered into in 2021 to hedge the exchange rate risk related to the loan receivable from the associate ImportFab. The options are aligned on a quarterly basis with the maturities of the loan repayment plan.

The subsidiary Labiotre has an IRS derivative with floor entered into in 2017 by Labiotre for a notional value of Euro 1,250,000 with a 5-year term, to hedge interest rate risk, providing a fixed rate of -0.1 against a variable rate of (Euribor 3 months) with a minimum of 1%.

Finally, as of 31 December 2021, a put option is outstanding for the minority shareholders of Welcare. Refer to Note No. 20 for more information.

**Credit risk**

In the course of its business, the Group is exposed to the risk that its receivables may not be paid when due, as a consequence of the financial conditions of the obligor, and therefore the risks relate to the increase in the seniority of the receivables, the risk of insolvency and the increase in receivables subject to bankruptcy proceedings with consequent loss of value that may lead to their total or partial cancellation from the financial statements. The Group has adopted internal procedures for credit management aimed at setting rules as regards the creditworthiness of clients, the monitoring of expected collection flows, issue payment reminders and, when deemed necessary or expedient, grant special credit conditions and handle legal disputes regarding receivables. Almost all the receivables present at the end of the year were not past due.



### Geopolitical risk

The Group operates to a small extent (around 1.0% of its turnover) in geographical areas currently affected by the war between the Commonwealth of Independent States and the Republic of Ukraine. The management is paying special attention to supplies that, in the past, came from the areas affected by the aforementioned war. However, these deliveries accounted for only a small part of the total. There are no other noteworthy transactions in other geographic areas which could give rise to macroeconomic, financial, regulatory, market, geopolitical or social risks.

### Exchange rate risks

For most of the period, the Group did not carry out any significant transactions in currencies other than the euro. However, in view of the financial exposure to the Canadian subsidiary, management undertook currency hedging activities for the Canadian currency.

Currency risk is the risk that the fair value or future cash flows of an exposure will change as a result of changes in exchange rates. The Group's exposure to the risk of fluctuation of exchange rates mainly refers to the loan in Canadian dollars that the Company granted to its Canadian subsidiary Importfab.

The Group manages its exchange rate risk by hedging the loan repayment flows that will occur according to the expected depreciation schedule.

When derivatives are entered into for hedging purposes, the Group negotiates the terms of such derivatives to match the terms of the hedged exposure. As regards hedging of expected transactions, derivatives cover the exposure period from the time when the cash flows of transactions are expected to occur to the time of payment of the resulting foreign currency denominated receivable.

The Group has preliminarily defined the amount of the exchange rate risk based on the residual portion of the loan. The hedge is implemented through specific forward currency sales contracts.

Management believes that the policies adopted by the Company to manage and contain this risk are adequate.

Forward foreign exchange contracts are designated as hedges of redemptions in Canadian dollars. These future transactions are highly probable and relate to 100% of the principal amounts outstanding at the date of subscription of the instruments.

There is an economic relationship between the hedged items and the hedging instruments in that the terms of the exchange rate reflect the terms of the highly probable future transactions (i.e. the notional amount and expected payment date). To test the effectiveness of the hedge, the Group uses a method based on the determination of a hypothetical derivative that compares the changes in fair value of the hedging instruments with the changes in fair value of the hedged instruments arising from the hedged risk.

Ineffectiveness of the hedge may occur due to:

- Timing differences of cash flows generated by the underlying hedged items and hedging instruments;
- Different indices (and their different curves) correlated with the hedged risk of the underlying item and the hedging instruments;

- Different impact that counterparty risk has on fair value movements of hedging instruments and the underlying item;
- Changes in the expected amount of cash flow of the underlying hedged items and hedging instruments.

### Exchange rate sensitivity analysis

In its operations, the Company does not carry out any sales and purchases of goods and services in currencies other than the financial exposure to Entreprises Importfab Inc., totalling CAD 13,040,000 (for details see Note No. 5) whose residual debt at the end of the 2021 financial year was reduced to CAD 9,343,750 (or € 6,517 thousand).

The following table shows the sensitivity to a reasonably possible change in the exchange rate of the currency to which the Company is exposed, all other variables constant.

The effect on the Company's pre-tax result is due to changes in the fair value of monetary assets and liabilities. The pre-tax impact on equity is comparable to the impact on pre-tax profit.

	Increase / Decreases in points	Effect on profit before taxes (Euro thousand)
Exchange rate €/CAD	+4.9% (CAD appreciation)	(12)
Exchange rate €/CAD	-4.9% (CAD depreciation)	(25)

### Liquidity risk

Considering the nature of the business in which it operates and the operating cash flows historically generated, the Group does not present particular risks related to the procurement of financing sources. The Group pursues a prudent management of liquidity risk and therefore systematically carries out analyses to monitor cash flows, funding needs and any surplus liquidity.

With this in mind, the Group has 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 corporate planning processes.

To this end, monthly the Group produces an 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 the current financial commitments, reference should be made to the table below, which indicates the undiscounted flows provided for by bank loan agreements and financial liabilities for rights of use.

It should be noted that the table herein shows the undiscounted maturities as contractually agreed, even for loans with covenants, since the latter are met as of 31 December 2021.

Financial liabilities	Within one year	One to five years	Beyond five years
Bank loans	9,612,680	21,089,148	0
Right-of-use liabilities	1,131,407	3,031,833	684,961
Payables for business combinations		7,629,450	
<b>TOTAL maturities relating to financial liabilities</b>	<b>10,744,087</b>	<b>31,750,431</b>	<b>684,961</b>

### Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's pre-tax profit to possible changes in interest rates, all other variables constant. Considering the year-end indebtedness to banks and other lenders (€ 30,369 thousand), the impact on pre-tax profit is as follows:

	Increase / Decreases in points	Effect on profit before taxes (Euro thousand)
Euribor	+1%	(194)
Euribor	-1%	130

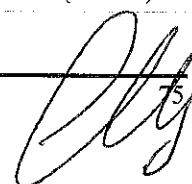
## 14. Operating segments

For the purposes of IFRS 8 'Operating Segments', the Group's activities are in a single operating segment.

## 15. Market and Competition Law - Law No. 124 of 4 August 2017, Article 1, paragraph 125

In compliance with the disclosure obligation set out in paragraph 125 of Article 1 of Law 124/2017, the grants and subsidies received from the public administration considered using the cash basis are summarised below:

Group company	Name of the lender	SUM COLLECTED	Date of collection	Reason
Labomar SpA	Ministry of Economic Development	1,691	16/07/2021	F24 COMP. TAX CRED. CONTR. FOR 2020 R&D EXPENSES
Labomar SpA	Ministry of Economic Development	50,000	16/07/2021	F24 COMP. TAX CRED. CONTR. FOR 2020 R&D EXPENSES
Labomar SpA	Ministry of the Economy and Finance	28,297	16/04/2021	COMP. F24 SANITATION TAX CREDIT
Labomar SpA	Ministry of Economic Development	25,000	12/04/2021	Crediting of the innovation voucher operating grant
Labomar SpA	Ministry of Economic Development	10,804	31/03/2021	Crediting of interest subsidy (Sabatini)



Labomar SpA	Ministry of Economic Development	2,701	01/12/2021	Crediting of interest subsidy (Sabatini)
Labomar SpA	Ministry of Economic Development	12,679	29/11/2021	Crediting of interest subsidy (Sabatini)
Labomar SpA	Ministry of Economic Development	4,167	15/09/2021	Crediting of interest subsidy (Sabatini)
Labomar SpA	SIMEST - Cassa Depositi e Prestiti	52,621	30/04-12/11/2021	Crediting of interest subsidy
Labomar SpA	Veneto Region	28,000	18/06/2021	Crediting of operating grant Employment bonus for the stabilisation of COVID-19 employees
Labomar SpA	Ministry of Economic Development	500,000	16/06-16/07/2021	F24 COMPENSATION FOR SME LISTING TAX CREDIT
Welcare Industries SpA	Umbria Region	4,079	23/11/2021	Contribution to consultancy vouchers ROP ERDF 2014-2020
Welcare Industries SpA	Ministry of Agricultural Food and Forestry Policies	1,127	01/07/2021-26/11/2021	National Rural Development Programme 2014-2022 AGEA
Welcare Industries SpA	Ministry of Economic Development	3,963	18/01/2021	F24 COMP. TAX CRED. CONTR. FOR 2019 R&D EXPENSES
Welcare Industries SpA	Ministry of Economic Development	26,326	16/06/2021	F24 COMP. TAX CRED. CONTR. FOR 2020 R&D EXPENSES
Welcare Industries SpA	Ministry of the Economy and Finance	2,891	18/01/2021	COMP. F24 2020 SANITATION TAX CREDIT
Welcare Industries SpA	Ministry of Economic Development	1,366	15/09/2021	F24 COMP. 2020 CAPITAL GOODS TAX CRED. CONTR.
Welcare Research Srl	Ministry of the Economy and Finance	6,263	15/09/2021	F24 COMP. TAX CRED. CONTR. FOR 2020 R&D EXPENSES
Labiotre Srl	Tuscany Region	34,690	10/04/2021	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
<b>TOTAL</b>		<b>796,666</b>		

## 16. Events after the close of the financial year

During the first months of 2022 following 31 December 2021, the Group's operations continue to be affected by the spread of Covid-19, as is the case for the entire national and international economy.

The Company has continued its production activities in compliance with the requirements of local regulations aimed at preventing the spread of Covid-19.

It should be noted that on the basis of the results of the Parent Company's Shareholders' Register, the conditions set out in Article 2-bis of the Issuers' Regulation No. 11971 of 14 May 1999 (the "Issuers' Regulation") necessary for the Parent Company to qualify as an "issuer of shares widely distributed among the public" (the "Issuer with widespread shareholder base") have been met. In particular, it should be noted that:

- the total number of shareholders, other than the Company's Controlling Shareholder (Walter Bertin through LBM Holding Srl), which together hold at least 5% of Labomar's share capital, is more than 500;
- the limits indicated in Article 2435-bis, first paragraph, of the Civil Code have been exceeded.

The Parent Company, having acknowledged that it has exceeded the prescribed requirements, has assumed the status of "issuer of shares widely distributed among the public" and has taken steps to make the disclosures required by the Issuers' Regulations to the CONSOB. As a result of the above, Labomar will apply the Issuer with widespread shareholder base rules as of the 2022 financial year.

## 17. Transactions resulting from atypical and/or unusual transactions


The Group has not carried out any atypical and/or unusual transactions, i.e. transactions which, due to their significance/relevance, the nature of the counterparties, the purpose of the transaction, the way in which the transfer price is determined and the timing of the event, may give rise to doubts as to the fairness/completeness of the information in the financial statements, the conflict of interest, the safeguarding of the company's assets and the protection of shareholders' interests.

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Istrana, 30 March 2022

Chairman of the Board of Directors

**Walter Bertin**





# LABOMAR S.P.A.

Share Capital € 1,848,404 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

A handwritten signature in black ink, consisting of stylized cursive letters, likely 'Ch' or 'Ch' followed by a flourish.

**REPORT ON OPERATIONS**  
**accompanying the Consolidated Financial Statements as at 31/12/2021**

Dear Shareholders,

the Board of Directors submits to your attention the annual financial statements and consolidated financial statements as at 31/12/2021 for Labomar S.p.a., in accordance with the schedule and methods established under the current regulations.

The consolidated financial statements submitted for your examination and approval show Group profits totalling € 8,360,335, net of € 726,778 in taxes for the year.

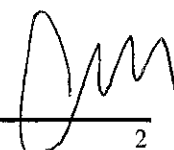
The individual financial statements submitted for your examination and approval show profits totalling € 8,141,357, net of € 796,336 in taxes for the year.

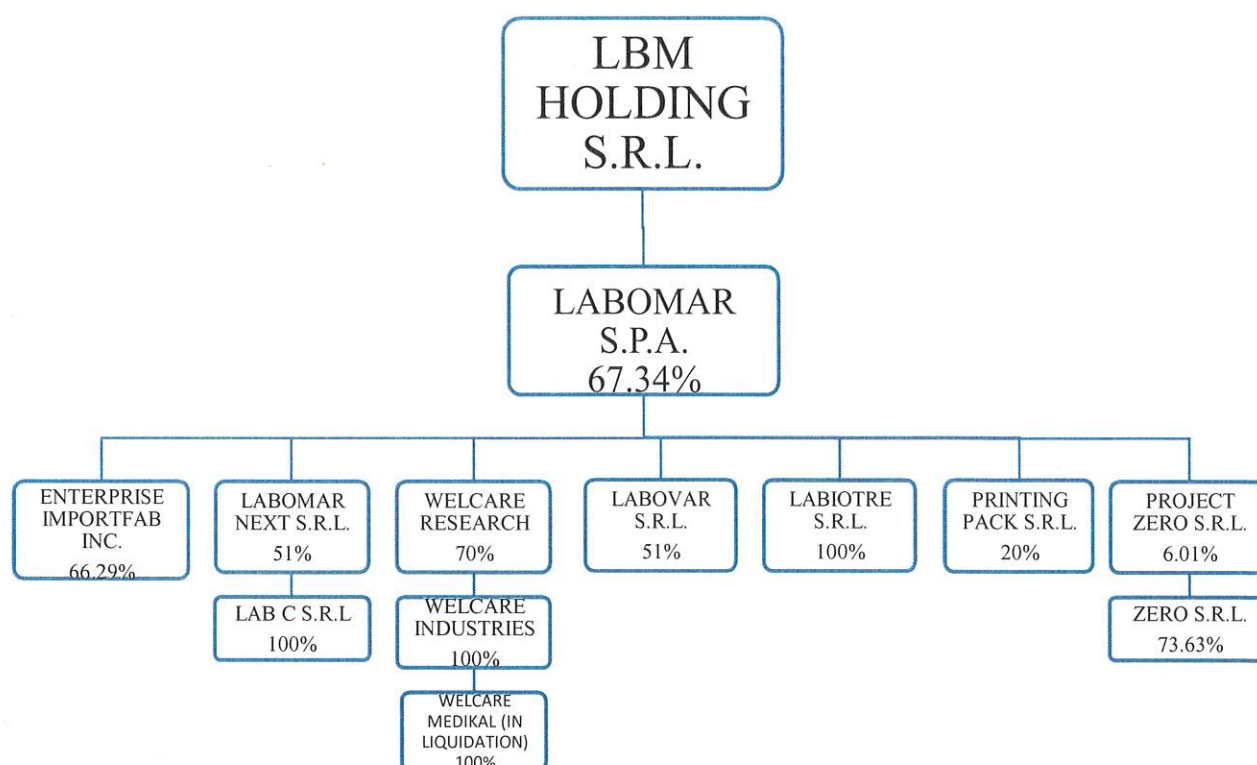
This report on operations accompanies both the Consolidated Financial Statements and the separate Financial Statements as at 31 December 2021. In fact, the Company decided to make use of the option allowed under article 40 of Italian Legislative Decree 127/1991, as amended by Italian Legislative Decree 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 2021 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), Labomar Next S.r.l., Lab C S.r.l., Welcare Research S.r.l. and Welcare Industries S.p.a., Welcare Medikal we Saglik Urunleri Sanayi ve Ticaret A.S., with registered office in Istanbul (a Turkish company in liquidation fully controlled by Welcare Industries S.p.a.), and Labiotre S.r.l., Labovar S.r.l.

The following diagram presents the structure of the group to which Labomar S.p.a. belongs at the time of publication of these consolidated financial statements.





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 2021 compared with 31 December 2020:

NAME	2021		2020	
	Stake attributable to the Group	Directly controlled stake	Stake attributable to the Group	Directly controlled stake
<b>Parent company</b>				
Labomar S.p.a.	100%		100%	

<b>Subsidiaries consolidated on a line by line basis</b>				
Entreprises Importfab Inc.	100%	66.28%	100%	66.28%
Labomar next S.r.l. (ex Herbae S.r.l.)	51.00%	51.00%	51.00%	51.00%
Lab C S.r.l.	51.00%	100.00%		
Labiotre S.r.l.	100%	100%		
Welcare research S.r.l.	100%	70%		
Welcare Industries S.p.a.	100%	0%		
Welcare Medikal a.s.	100%	0%		
Labovar S.r.l.	51.00%	51.00%		
<b>Associated companies consolidated with the equity method</b>				
Labiotre S.r.l.		-		31.20%
Printing Pack S.r.l.		20.00%		20.00%
Project Zero S.r.l.		6.01		5.56%

It is noted that during the year, 100% control was acquired of Labiotre and control of the Welcare group through acquisition of the direct controlling stake of Welcare Research S.r.l. (70%). The minority interest is recorded for accounting purposes as a financial liability, therefore the stake attributable to the Group is 100%.

The consolidated financial statements were constructed as follows:

- the equity figures reflect the consolidation of the assets and liabilities of Labomar S.p.a. and the subsidiaries of the Group included in the scope of consolidation;
- the economic figures reflect the consolidation of the costs and revenues of Labomar S.p.a. and the subsidiaries of the Group included in the scope of consolidation;
- the reference date for the consolidated financial statements is 31 December 2021, 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 of the subsidiaries, prepared in accordance with local laws 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. 2021 financial statements, with recognition in the relative Translation Reserve.

Below are the exchange rates used in the translation process:

Currency	Exchange rate at 31.12.2021	Average exchange rate financial year 2021	Exchange rate at 31.12.2020	Average exchange rate financial year 2020
Canadian dollar - CAD	1.4393	1.4826	1.5633	1.5300
Turkish lira – TRY	15.2335	10.5124	-	-

## ALTERNATIVE PERFORMANCE INDICATORS

Labomar's management also assesses Group performance on the basis of certain indicators not specified by the IFRS. Specifically, EBITDA is used as a primary indicator of profitability, as it enables analysis of the Group's margins.

As set out in Consob Communication no. 0092543 of 3 December 2015, adopting the ESMA/2015/1415 guidelines on alternative performance indicators, below is a description the components of these indicators:

- EBIT: is calculated by combining financial results with earnings before taxes, the former understood as the sum of financial charges and income, net gains or losses on exchange and value adjustments of financial assets;
- EBITDA: is calculated by combining amortisation, depreciation and impairment of assets and provisioning with EBIT, as presented in the financial statements;
- Adjusted EBITDA and Adjusted Net Profit for the Period: these are calculated by adding non-recurring costs and subtracting non-recurring revenues to and from these indicators and/or items. In addition, for Adjusted Net Profit for the Period, there is tax-effect adjustment for these non-recurring components.
- Bank loans: represents the sum of available liquidity net current and non-current amounts due to banks and liabilities for derivative financial instruments;
- Comprehensive Net Financial Position: this is calculated as the sum of Bank loans and right-of-use liabilities, payables to shareholders for dividends, non-disposable cash in trusts and payables for business-unit acquisition and payables for business combinations.

## FORECASTED STATEMENTS

This document contains forecasted statements regarding future events and future results of Labomar and the Group, founded on expectations, estimates, predictions and current projections for the sectors in which the Group operates, and assessments, hypotheses and predictions on the future development of Group operations that management consider reasonable and credible at the current time and on the basis of the available information.

These forecasted statements are solely predictions and as such are subject to risks, uncertainty and hypotheses that are difficult to predict, being dependent on future events and circumstances. Therefore, the actual results of the Group may differ significantly and unfavourably in relation to that

communicated or understood through any forecasted statements. Factors that may determine such differences or contribute to them may include global economic conditions, political and economic conditions and regulatory changes at a national or international level.

No express or implied guarantee is provided regarding the reliability, accuracy, completeness or correctness of forecasted information and opinions presented herein.

## 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 8 plants, 7 in Italy and 1 in Canada (in the province of Quebec), which are dedicated to R&D, industrial production and logistics management. With regard to the parent company, the physical separation of the individual plants, even if they are concentrated in the parent company's industrial zone within Italy (central Veneto), constitutes an important disaster recovery measure. The plant of the subsidiary Labiotre, located in Tuscany (Tavarnelle Val di Pesa – Florence) is dedicated to the production of extracts, softgel and granulation and logistics. The plants of the subsidiary Welcare are located in Orvieto (Terni) and are dedicated to industrial production and logistics.

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 (for Medical Devices) and GMP certification for food supplements (Code of Federal Regulations, Title 21, Volume 2, part 111). It is also certified to use the word “organic” on some of its products (Regulation EC 834/2007). Additionally, through Importfab it has CGMP certification issued by the US FDA and Health Canada.

## THE ECONOMIC SITUATION AND REFERENCE SECTOR

Financial year 2021 saw a reduction in the effects of the spread of Covid-19 recorded in the 12 months previous. Whilst continuing on a path of growth, the global economy was impacted by the effects of the fourth wave of the pandemic and a recovery in inflation rates that was more intense and lasting than expected.

According to the findings of the Bank of Italy report updated in 2022, after widespread slowing in economic activity in the third quarter, at the end of last year there were signs of a more lasting recovery in the US and other developed countries, whilst there was continued weakness in emerging economies. The new wave in the pandemic and continuing supply-chain bottlenecks nevertheless pose the risk of reduced growth. Inflation increased further almost across the board, influenced primarily by increased in energy prices, prices of intermediate inputs and recovery of internal demand.

In the Euro area, GDP decelerated at the end of the year, due to a new increase in infection figures and continuing supply-chain tensions impeding manufacturing activity. Inflation reached its peak since the

start of the monetary union, due to exceptional increases in energy prices, particularly gas, which was also impacted in Europe by geopolitical factors. According to forecasts from Eurosystem experts, inflation will fall progressively in 2022, reaching a 3.2% average for the year and 1.8% for the period 2023-24.

Growth in Italy remained high in the third quarter of 2021, supported by expansion in household consumption. Subsequently, GDP slowed: on the basis of Bank of Italy models, in the fourth quarter, GDP growth was around half a percentage point. The increase in added value was weakened both for industrial and tertiary sectors. The increase in infection figures and consequent worsening of the climate of confidence above all impacted spending on services. According to the intentions identified in the surveys conducted between November and December, companies are planning a deceleration of investments this year. In the third quarter, Italian exports continued to grow, supported by the recovery in international tourism. Inflation rose to high levels (4.2% in December), driven up by energy prices. Net of volatile components, the annual variation in prices remains moderate. So far, increases in production costs have only led to modest increases in retail prices.

Trends on the financial markets were impacted by fears linked to increasing infection figures globally, uncertainty around the danger of the Omicron variant and its impact on economic recovery, and expectations regarding the direction of monetary policy. Market volatility and investor risk aversion increased, determining a greater sovereign spread for Italy in relation to German government bonds.

Macroeconomic forecasts for Italy assume gradual improvement in the health situation. The scenario is based on the assumption that the recent increase in infection levels will have negative effects in the short term on mobility and consumption behaviour, but will not require a severe tightening of restrictions. It is assumed that the epidemic will ease from spring onwards.

GDP, which had reached 1.3 percentage points below pre-pandemic levels, should have recovered this decrease by around the second half of the year. Business expansion should then continue robustly, although slightly less so than seen following reopening in the middle of 2021. As an annual average, GDP should increase by 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. Employment figures should grow more gradually and return to pre-pandemic levels at the end of 2022.

Consumer prices should rise by 3.5% on average this year, 1.6% in 2023 and 1.7 in 2024. The underlying trend should be 1% this year and increase progressively up to 1.6% in 2024, supported by a reduction in margins for unused capacity and trends in wages.

Growth prospects are associated with multiple risks, primarily with negative effects. In the short term, the uncertainty around the forecasted scenario is connected to health conditions and tensions on the supply side, which could be more persistent than expected and demonstrate a higher degree of impact on the real economy. For the medium term, forecasts continue to be conditional on the full implementation of spending programmes included in the budget plan and full and quick implementation of actions set out in the PNRR (Italian Recovery and Resilience Plan).

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 -5.2% before returning to a positive figure in 2021 (+4.6%). (ref. ISPI – 2021).

Supply-chain interruptions slowed but did not stop the economic recovery in Canada. With the fourth wave of infections at the end of 2021 fading, GDP is expected to grow more quickly than prior to the pandemic, reaching 3.9% in 2022 and 2.8% in 2023. Longer lasting constraints on supply could, however, mean that inflation remains high for a more extended period and could delay the forecast acceleration of trade and consumption.

*(ref. OECD – December 2021).*

The Business Outlook Survey (BOS) of the Bank of Canada for the fourth quarter of 2021 reports a new increase in the indicator in the last quarter of 2021. The BOS indicator is a weighted average of the individual indicators derived from various questions. This increase is partly due to improvements in sales indicators and firms' intentions to expand investment and hiring. Production-capacity pressures also contribute to the BOS indicator, explaining most of the increase since the beginning of 2021. Historically, stronger capacity pressures were typically caused by high demand and suggested an increase in business activity ahead. But currently these pressures are driven largely by supply-chain bottlenecks and tightening labour markets. The recent high level of the BOS indicator therefore reflects a complicated business environment in addition to heightened business confidence.

A broadening set of firms saw a solid recovery in sales supported by strengthening domestic and foreign demand, as well as easing of restrictions on activities and mobility. Recovery in sales was strengthening until the Omicron variant started to spread widely. It is noted that a rapid increase in Covid-19 cases due to the Omicron variant has been seen at the start of 2022, generating uncertainty about future expectations.

The combination of high demand and supply-chain bottlenecks is expected to apply upward pressure on prices over the coming two years. Nevertheless, the majority of companies expect current elevated inflationary pressure to dissipate and inflation to return near to the 2% target in one to three years.

The outlook for companies that fared well during the Covid-19 pandemic remain solid. At the same time, more companies reported impacts from labour shortages and supply-chain disruption, and a continued drag on their sales.

In response to capacity pressures, most businesses across sectors and regions are set to increase investment and plan to raise wages to compete for workers and retain staff. Companies have encountered intense labour shortages. Continued tightening in labour markets is attributed to structural factors with a lasting impact as well as other factors that have limited the supply of labour in the short term and are linked to the pandemic, such as income-support programmes and lower immigration levels.

*(Ref.: Business Outlook Survey (BOS) fourth quarter 2021)*

With regard to the reference market, according to data prepared by Federsalus at 31 December 2021, in the last 12 months, the food-supplements market has exceeded a value of almost € 4 billion for a total of 294 million packets sold, including results generated by e-commerce, pharmacies and OTC pharmacies. The following changes were recorded: +8.6% in value and +8.2% in terms of units sold. The role of local pharmacies as the main distribution channel continues, representing 79% of overall value, followed by mass retailers, OTC pharmacies and e-commerce of pharmacies and OTC pharmacies, representing 8.8%, 7.4% and 4.8%, respectively. In the same period, pharmacies in Italy recorded an increase of +5.9%. In this context, over-the-counter products overall recorded +9.2%, and food supplements specifically saw an increase of 8.1%. In pharmacies, foods for special medical purposes have a value of more than € 123 million, for a total of 9.5 million packets sold, with growth in value of +3.8% and +4% in terms of units sold compared to the previous 12 months.

Observing the trend in volumes over the last 12 months, there was an increase of 5.9% for pharmacies. OTC pharmacies saw a 5.5% increase in consumption in terms of units sold. For mass retail, which as a whole represents around 23% of sales volumes, the change was +9.9% in hypermarkets and supermarkets without a “pharmacy corner” and +31.2% in sales points with a “pharmacy corner”. E-commerce for pharmacies and OTC pharmacies saw 10% growth in volumes. With reference to prices in the last 12 months, a 2% increase was seen for pharmacies and 1.4% for OTC pharmacies, with a decrease of 1.7% for hypermarkets and supermarkets with a pharmacy corner, while sales points in mass retailers without a pharmacy corner saw a 5.5% decrease in prices. For e-commerce of pharmacies and OTC pharmacies, the price remained stable. Products launched in the last 12 months accounted for a total value of € 162 million.

## SIGNIFICANT EVENTS IN 2021

The following significant events were identified for 2021:

- On 13 April 2021, the Board of Directors resolved to change the company name of Herbae S.r.l. to Labomar Next S.r.l.
- In April 2021, the company LAB C S.r.l. was established, controlled 100% by Labomar next S.r.l., which operates in the development, production and sale of hi-tech, innovative products and services connected to plant vertical-farming techniques.
- During May 2021, the parent company obtained a tax credit of € 500,000.00 from the Italian Ministry of Economic Development, according to the methods indicated by art. 7 of Italian Ministerial Decree of 23 April 2018, following admission for listing on the AIM regulated market in October 2020.
- On 14 July 2021, the parent company acquired 63% of the capital of the Welcare Group on closing of the transaction by the owner Fulvia Lazzarotto against payment of € 8,171,000.
- On 30 July 2021, the Board of Directors of the Company resolved to exercise the option right on Labiotre stakes held by Difass International (10%) and Previfarma (7.6%) and signed a non-binding Letter of Intent, subject to due diligence for confirmation, for the acquisition of the 51.2% of the share capital of Labiotre S.r.l. held by Biodue S.p.A. On 15 September 2021, the parent company, exercising the option right already in existence between the parties, acquired 17.6% of the capital of Labiotre, taking its overall stake in this company specialised in the production of plant extracts from 31.2% to 48.8%.

On 23 November 2021, the purchase of the remaining stakes in Labiotre was completed, thus acquiring all remaining stakes from Biodue S.p.A. The price paid to the latter was € 8.4 million and is not subject to adjustments. The prices take into account possible future acquisition of the production plant of Labiotre, covering approximately 2,000 m<sup>2</sup>, through exercise of the purchase option under Labiotre’s rent-to-buy contract, which can be used until January 2023.

- On 9 August 2021, Joh. Berenberg, Gossler & Co. KG, a German institutional investor with international scope, acquired a stake in the parent company of 3.79%. The parent company of Labomar S.p.a., LBM Holding, sold 700,000 shares (around 3.79% of the total shares in circulation). Following this transaction, the shareholding of LBM Holding in Labomar S.p.a. fell from 71.1% to 67.3%.
- On 7 September 2021, the parent company signed a partnership agreement with the Sesa Group for the development of digital e-commerce platforms in the Chinese market, aimed at offering Labomar nutraceutical products (food supplements, cosmetics and products for personal well-being).  
In November 2021, the company Labovar S.r.l. was established in partnership with Adiacent S.r.l., a subsidiary of Var Group S.p.a. (company of the Sesa group, a group listed in the STAR segment of the Borsa Italiana S.p.a. MTA market. Labovar will be a sales agent in the Far East for selected Labomar products, with the obligation to purchase these products from Labomar and sell them exclusively within the aforementioned market, through the online sales platform TMALL.  
The partnership represents an opportunity to engage with the Chinese market, one of the largest in the world, with products of excellence and a business model focused on digital sales platforms, such as Tmall (marketplace leader in China for online business-to-consumer sales, owned by the Alibaba Group) and Wechat (Tencent Group), through mini-programs, tailor-made proprietary social e-commerce solutions developed by Adiacent China for leading international customers. Launch of operations and initial sales are expected in the first quarter of 2022.
- On 27 December, the parent company acquired a further 7% in the capital of the Welcare Group from Think FWD S.r.l., completing the 70% stake established by the share-purchase agreement signed in July 2021. The price paid was € 1,338,500. The overall value for purchase of 70% of the share capital of the group totals € 9.5 million.

With regard to the minority interest in Project Zero S.r.l., the following events occurred during the year:

- Project Zero S.r.l. distributed dividends using an optional ordinary reserve for an amount € 251,470.44 (€ 13,970.58 to Labomar S.p.a.).
- With a resolution of the shareholders' meeting of 30 November 2021, Project Zero S.r.l. passed a resolution for a share-capital increase worth € 33,088.24, taking the total to € 145,588.24. This increase should be subscribed and paid with a share premium of € 221.53 by 31 August 2022. The increase in equity will therefore total € 7,363,126, with € 442,218 of Labomar S.p.A.
- The company Zero S.r.l. (at 31 December a subsidiary of Project Zero S.r.l., in which the parent company holds a 6.01% equity investment), saw a new Russian investor join the shareholding structure, increasing the stake of foreign investors, who already held a minority interest in Zero S.r.l. The transaction took the shareholders, key figures of a Russian multinational that is a market leader in the distribution of ready-to-eat salads, up to a 26.4% stake in the equity of Zero S.r.l. Following this sale, Project Zero reduced its stake by 5.12% (a nominal € 6,582.89) for a sale price of € 1,740,800, generating a capital gain of € 1,734,217.11.
- The company Orto Verticale (at 31 December controlled 82% by Zero S.r.l., a subsidiary of Project Zero S.r.l., in which the parent company holds a 6.01% stake) carried out a share-capital increase

worth € 90,000 taking the total from € 10,000 to € 100,000. The stake held by Zero S.r.l. of a nominal € 72,000 was entirely paid in kind through the transfer of aeroponic farming systems, machinery and additional equipment with a total value of € 3 million, established through a specific valuation.

## ANALYSIS OF THE SITUATION AND OPERATING TRENDS

During 2021, Group operations were still affected by the spread of Covid-19, as was the entire world economy.

The parent company was impacted by difficulties in its market, particularly in the first part of the year, specifically in relation to the following key factors:

- a significant reduction in sales promotion activity carried out by medical detailers in relation to doctors prescribing the products (which is the main source of indirect development of turnover for the parent company) compared to before the pandemic;
- a reduction in consequent sales of nutraceutical products in segments such as cough & cold and probiotics, which Labomar has invested heavily in recent years for research and development. At the same time, use of face masks impeded the spread of common viruses. It is noted that, particularly in the fourth quarter of 2021, there was a strong recovery in orders and turnover in segments such as cough & cold and probiotics, which suffered in the first part of the year;
- The natural operational difficulties in relation to pharmaceutical companies for the development of new projects, also due to market uncertainty, slowed the launch of many new products;
- The strong economic recovery that was seen globally generated a significant relative stress on supplies of raw materials and consumables. This stress started to impact the value chain of the company with partial delays in delivery of supplies of raw materials and increases in the prices of supplies due to excess global demand.

The key consequences were:

- reduced benefit of research and development activity that should have translated into additional sales as early as 2021, and which will instead begin to show results only from 2022;
- Problematic changes in the prices of raw materials were unable to be offset by sales prices for orders already confirmed and will instead be recognised only for subsequent new orders with a partial negative effect on company profitability.

Actions adopted by the Group to overcome these difficulties included recovery in terms of volumes, accelerating certain activities with more reactive customers in market areas that have seen less slowing, in addition to promotion of a new Group policy, with identification of the leading customers across the Group, primarily multinationals, and activation of a new management approach aimed at further increasing the focus on the customer and, consequently, turnover with these parties.

At the same time, also on the basis of its listing in 2020, the Group established the necessary governance structure and strengthened top management to handle the increased management complexity and size of the business. There was a different situation in the Canadian market in which the subsidiary Importfab operates. The rules of the lockdown, far stricter than those in Italy, led to a

strong slowing in production activity and the retail sector, expected to recover their former balance and size only in the second half of 2022.

Significant government support was obtained from the Canadian government, distributed to offset the negative effects of closures imposed on production companies not considered to be of strategic importance (including Importfab) due to the pandemic.

The positive effects in terms of these public funds and favourable final determination of the remaining earnout amount to pay in relation to the debt recorded have contributed to offsetting almost all of the operational negatives.

Whilst maintaining a positive margin, again in 2021, Importfab Inc. achieved weaker results compared to that budgeted for in economic and financial plans underlying the definition of values for the acquisition. Therefore, for the purpose of these Consolidated Financial Statements, the impairment test has been carried out, with reference to the Canadian cash generating unit (CGU) at 31 December 2021, on the basis of updated projections for the 2022-2024 period, approved by the BoD of the subsidiary Importfab Inc. at the meeting held on 14 March 2022, assuming a terminal value including a long-term growth rate (g) of 2%. Projections take into consideration the current macroeconomic scenario and assume compound annual growth rate (CAGR) in revenues in the 2021-2024 period of approximately 10%. The recoverable value is therefore determined on the basis of the use value, applying a discount rate (WACC) of 11.69% (9.97% at 31 December 2020). The test identified a loss in value of the Canadian CGU of approximately € 2.2 million, recorded as goodwill impairment.

With regard to the trend for turnover recorded in the second half of 2021, it is noted that both companies within the scope (the parent company and the subsidiary Importfab) saw significant growth in the second half of the year, both compared to the first half and compared to the second half of the previous year.

R&D activity continues to play a key role in the positive results achieved, creating original formulations developed on the basis of customer requests, and also offering consulting services for scientific marketing.

Finally, management of chain of supply and production continued through profitable relationships with investees upstream in the value chain: Labiotre S.r.l. for the production of plant extracts and Printingpack S.r.l. for the production of packaging for Labomar products.

Regarding the performance of the Welcare group, it is noted that 2021 turnover saw continuation of the positive trend of recent years.

Turnover grew by 14.5% in 2020, with equal distribution amongst European and non-European countries. The sales margin remained very high, enabling an EBITDA of 30%. Lower margins can be attributed for 3.7% to costs linked to extraordinary transactions required to complete the acquisition by the parent company of the majority stake in the Welcare group. The remainder can be attributed to increases in the cost of raw materials, hiring of addition personnel, above all in sales, and significant marketing investments, as specified in the following paragraphs.

It is also noted that there was a significant increase in orders for the Saudi partner and addition of three new distributors, covering Portugal, Greece and Albania.

Regarding new foreign markets, initial contact with potential partners for Oman and Iran are being established and may provide turnover as early as 2022. With regard to product lines, it is noted that globally, also due to the world health crisis, turnover increased significantly for our range of biocides (which rose from 31% of the total turnover of Welcare Industries S.p.a. to 44%) and the range of debridement products (Sinaqua and Easyderm). Medications also represented a significant portion of total orders, followed by the new line of biocides and all devices for controlling infections.

Only Welcare Research S.r.l., which markets the UCS Debridement line, records an increase in revenues of approximately 11% compared to the previous year, with a stable margin of 81%, partly thanks to further improvements in the production cycle and a significant reduction in production waste. This range will be the focus of activity in 2022.

It is also noted that for 2022, the Welcare group has planned significant investments connected to the construction of a new building that will house an additional cleanroom for the production of biocides, a warehouse for raw materials and new offices. Further investments will be targeted at purchasing additional machinery and the creation of a new reverse-osmosis plant to support increased manufacturing volumes. In line with the environmental sustainability plan, there will also be expansion of the existing photovoltaic system.

With regard to the performance of the subsidiary Labiotre, it is noted that turnover primarily came from consolidation of the main customers, which led to an increase in the supply of existing products in both business macroareas (plant extracts and softgel). For 2022, there are investments planned both in terms of resources and machinery and equipment aimed at consolidation of production in the softgel sector of business.

Expectations of Group management for the first quarter of 2022 are as follows:

- recovery of growth in turnover that will take the group over the 2021 topline and end 2022 with double-digit growth;
- contribution in terms of profitability of the newly acquired Welcare group and Labiotre, which are in a positive phase with good prospects and growth;
- constant monitoring of the effects and financial activity aimed at offsetting increased prices for supplies of raw materials that could lead to tightening margins.

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.

The effects of the spread of Covid-19 in the coming months cannot be clearly defined today. On this basis, the company's management will continue to closely and constantly monitor developments through the year. Nevertheless, the current scenario regarding development of the pandemic, in addition to the final estimates prepared internally by management, confirms the assumptions in company plans and indicate the possibility of a recovery in performance, particularly for the Canadian subsidiary.

In the light of the conflict that broke out in February involving Russia and Ukraine, management has evaluated supplies coming from these areas and halted commercial development in the corresponding

markets. Despite difficulties arising in this context, based on the currently available information the company's management confirms the assumptions set out in company plans.

**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.

RECLASSIFIED INCOME STATEMENT	LABOMAR GROUP CONSOLIDATED FINANCIAL STATEMENTS			
	31/12/2021	%	31/12/2020	%
<b>Revenues from contracts with clients</b>	<b>65,412,049</b>	<b>100.0</b>	<b>61,059,449</b>	<b>100.0</b>
Purchases of products, goods and materials	30,947,242	47.3	27,986,499	45.8
Changes in inventory	(1,017,809)	(1.6)	(1,411,599)	(2.3)
<b>Cost of sales</b>	<b>29,929,433</b>	<b>45.8</b>	<b>26,574,900</b>	<b>43.5</b>
<b>Primary contribution margin</b>	<b>35,482,616</b>	<b>54.2</b>	<b>34,484,549</b>	<b>56.5</b>
Service costs	11,900,586	18.2	9,968,423	16.3
Personnel costs	14,266,516	21.8	13,456,040	22.0
Other operating costs	287,389	0.4	167,311	0.3
Other income	(1,088,013)	(1.7)	(431,576)	(0.7)
<b>EBITDA</b>	<b>10,116,137</b>	<b>15.5</b>	<b>11,324,351</b>	<b>18.5</b>
Amortisation and impairment	7,412,858	11.3	4,048,764	6.6
Other provisions	312,500	0.5	0	0.0
<b>EBIT</b>	<b>2,390,779</b>	<b>3.7</b>	<b>7,275,587</b>	<b>11.9</b>
Financial income	744,607	1.1	443,896	0.7
Financial charges	(521,351)	(0.8)	(684,198)	(1.1)
Net gains (losses) on exchange	458,359	0.7	(644,106)	(1.1)
Value adjustments on financial assets	5,919,193	9.0	497,942	0.8
<b>Earnings before taxes</b>	<b>8,991,586</b>	<b>13.7</b>	<b>6,889,121</b>	<b>11.3</b>
(Taxes)	(726,778)	(1.1)	(797,115)	(1.3)
<b>Net profit for the year</b>	<b>8,264,809</b>	<b>12.6</b>	<b>6,092,006</b>	<b>10.0</b>
<b>Group net profit</b>	<b>8,360,335</b>	<b>12.8</b>	<b>6,093,883</b>	<b>10.0</b>
<b>Minority interest net result</b>	<b>(95,526)</b>	<b>(0.1)</b>	<b>(1,878)</b>	<b>(0.0)</b>

During 2021 the Group recorded total revenues of € 65.4 million, against € 61.1 million in 2020, an increase of over 7% with respect to the previous year.

Taking into account the effect of acquisitions as though they had occurred at the start of 2021, Group total revenues total € 74.2 million, up 21.6% compared to 2020. This increased turnover is attributable to Welcare's first half for € 4.1 million and the first 11 months of Labiotre for € 4.7 million net of Intercompany sales.

The primary contribution margin shows an increase in absolute values of 2.9%, however in percentage terms it has fallen by 2.3%. This change is due to the main consequences of the pandemic that caused a slight fall in production efficiency and a different mix of products groups sold, in addition to lower recharges for research and development services and the effect of increased procurement costs.

Due to Covid-19, it is noted that in Italy demand for cough & cold products has fallen, leading to a consequent reduction in the sales of these liquid products which have a higher return.

In terms of EBITDA, there has also been an increase in the amount of variable costs and fixed costs due to the following additional elements:

- greater variable production costs for certification and analysis of medical devices and increased maintenance activity
- an increase in personnel costs for facilities and fixed costs due to the increase in the number of employees and strengthening of the internal structure to handle the new governance approach.

With regard to “Other income”, primarily deriving from revenues from compensation and operating grants, there was a significant increase in 2021, due to receipt of € 500,000 for the listing bonus for SMEs received by the parent company following listing on Borsa Italiana’s Euronext Growth Milan (formerly AIM Italia) market in October 2020.

For the reasons above, EBITDA is € 10.1 million, remaining basically stable at 15.5% of total revenues and down in percentage-point terms compared to the previous year.

Taking into account the effect of new acquisitions as though they had occurred at the start of 2021, Group EBITDA for 2021 is € 12.4 million, up 9.9% compared to 2020. This increased EBITDA is attributable to Welcare's first half for € 1.2 million and the first 11 months of Labiotre for € 1.1 million. Net of amortisation, depreciation and provisioning of over € 7.7 million, EBIT is approximately € 2.4 million.

Income taxes total € 0.7 million.

The Group's net profit was higher than the previous year, totalling € 8.3 million (+35.7%). This increase is due primarily to financial income of € 5.5 million, and recalculation of the fair value of the equity stake of Labiotre on acquisition of control in November 2021.

It should be noted that results achieved in 2021 were significantly affected by the following non-recurring factors: the listing bonus mentioned above, consulting expenses and bonuses to personnel connected to the acquisitions of Labiotre and Welcare, goodwill impairment following the impairment test on the Canadian CGU, income deriving from the transaction agreement established with the seller of Importfab regarding the earnout debt relative to acquisition of the Canadian company and finally the financial income deriving from recalculation of the fair value of the Labiotre equity stake.

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, in order to better represent the Group’s income capacity over time in a comparable manner.

With the same logic, the 2020 results for comparison are presented net of expenses linked to listing on Borsa Italiana's AIM market and receipt of the benefit of the Patent Box for previous years.

Below are the percentages of the relative values in relation to “revenues from contracts with clients”.

	31/12/2021	%	31/12/2020	%
Adjusted EBITDA	10,128,116	15.5	12,292,509	20.0
Adjusted net profit for the year	4,042,962	6.2	6,069,107	9.9

Below is the reconciliation of the adjusted indicators:

	31/12/2021	%	31/12/2020	%
EBITDA	10,116,137	15.5	11,324,351	18.4
Costs and listing bonuses	(500,000)	(0.8)	968,158	1.6
Costs connected to acquisitions	484,646	0.7	0	0.0
Legal costs for Importfab earnout transaction	27,333	0.0	0	0.0
<b>Adjusted EBITDA</b>	<b>10,128,116</b>	<b>15.5</b>	<b>12,292,509</b>	<b>20.0</b>

	31/12/2021	%	31/12/2020	%
Net profit for the year	8,264,809	12.6	6,092,005	9.9
Costs and listing bonuses	(500,000)	(0.8)	968,158	1.6
Costs connected to acquisitions	484,646	0.7		
Recalculation of Labiotre fair value	(5,547,338)	(8.5)		
Importfab goodwill impairment	2,238,265	3.4		
Importfab earnout transaction	(510,383)	(0.8)		
(Tax effect of costs detailed above)	(387,037)	(0.6)	(270,116)	(0.4)
Patent box benefit for previous years		0.0	(720,940)	(1.2)
<b>Adjusted net profit for the year</b>	<b>4,042,962</b>	<b>6.2</b>	<b>6,069,107</b>	<b>9.9</b>

RECLASSIFIED FINANCIAL POSITION	LABOMAR S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS			
	31/12/2021	Increase % over CIN	31/12/2020	Increase % over CIN
Intangible assets	41,046,733	55.5	15,734,599	37.8
Rights of use	4,993,953	6.8	3,130,804	7.5
Tangible assets	23,173,700	31.4	17,121,091	41.1
Equity investments and financial assets	1,161,503	1.6	2,078,204	5.0
Other non-current assets and liabilities*	(5,691,886)	(7.7)	(2,607,522)	(6.3)
<b>Net Non-Current Assets</b>	<b>64,684,002</b>	<b>87.5</b>	<b>35,457,176</b>	<b>85.1</b>
Inventories	13,669,582	18.5	9,546,220	22.9
Trade receivables	13,908,986	18.8	9,438,872	22.6
Trade payables	(15,796,168)	(21.4)	(12,685,358)	(30.4)
Other current assets and liabilities**	(2,549,638)	(3.4)	(75,907)	(0.2)
<b>Net Working Capital</b>	<b>9,232,762</b>	<b>12.5</b>	<b>6,223,827</b>	<b>14.9</b>
<b>Net Invested Capital</b>	<b>73,916,764</b>	<b>100.0</b>	<b>41,681,003</b>	<b>100.0</b>
<b>Shareholders' equity</b>	<b>(45,688,170)</b>	<b>(61.8)</b>	<b>(38,238,532)</b>	<b>(91.7)</b>
Cash and cash equivalents	14,162,598	19.2	33,660,632	80.8
Due to banks	(30,368,827)	(41.1)	(33,311,412)	(79.9)
Liabilities for derivative financial instruments	(243,380)	(0.3)	(88,673)	(0.2)
<b>Bank loans</b>	<b>(16,449,609)</b>	<b>(22.3)</b>	<b>260,547</b>	<b>0.6</b>
Right-of-use liabilities	(4,626,030)	(6.3)	(2,860,558)	(6.9)
Payables to shareholders for dividends	0	0.0	0	0.0
Non-disposable cash in trusts	0	0.0	858,167	2.1

Payables for business combinations and payables for business unit acquisition	(7,152,956)	(9.7)	(1,700,627)	(4.1)
<b>Comprehensive Net Financial Position</b>	<b>(28,228,595)</b>	<b>(38.2)</b>	<b>(3,442,471)</b>	<b>(8.3)</b>
<b>Funding sources</b>	<b>(73,916,765)</b>	<b>(100.0)</b>	<b>(41,681,003)</b>	<b>(100.0)</b>

*\*This item includes deferred tax assets, liabilities for employee benefits, provisions for risks and charges and deferred tax liabilities.*

*\*\*This item includes other current assets, income tax credits, contractual liabilities, other current liabilities, income tax payables and other current financial liabilities and financial derivatives.*

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 acquisitions completed.

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.

	31/12/2021	31/12/2020
<b>NET PROFIT FOR THE YEAR</b>	<b>8,264,808</b>	<b>6,092,005</b>
Adjustments for non-monetary elements:	<b>2,634,897</b>	5,266,615
Amortisation, depreciation and impairment of tangible and intangible assets and real estate	7,412,858	4,048,764
Provisions	1,067,865	489,700
Income taxes	726,778	797,115
Net interest income and expense	(223,256)	240,303
Other adjustments for non-monetary elements	(6,349,349)	(309,267)
Changes in operating assets and liabilities:	<b>(233,624)</b>	(1,693,503)
Changes in inventory	(1,837,348)	(1,624,322)
Changes in trade receivables	(2,136,208)	1,207,099
Changes in trade payables	1,903,492	154,524
(Use of provisions)	(279,971)	50,797
Other changes in operating assets and liabilities	2,116,410	(1,481,601)
Other amounts collected and paid:	<b>(1,941,349)</b>	(1,251,503)

Interest received (paid)	(180,001)	(134,598)
(Income taxes paid)	(1,761,348)	(1,116,905)
Other amounts collected (paid)	-	-
<b>NET CASH FLOWS GENERATED (ABSORBED) BY OPERATIONS</b>	<b>8,724,732</b>	<b>8,413,615</b>
Investments:		
Investments in tangible assets	(2,751,344)	(6,254,187)
Divestments of tangible assets	154,103	28,060
Investments in intangible assets	(563,493)	(450,121)
Other cash flows from intangible assets	-	32,680
Business acquisition	(16,102,893)	622,466
Investment in financial assets	(26,400)	-
Divestments of financial assets	134,918	289,756
<b>NET CASH FLOWS GENERATED (ABSORBED) BY INVESTMENTS</b>	<b>(19,155,109)</b>	<b>(5,731,346)</b>
Financial management:		
Capital increase for pay	49,000	24,800,632
Shareholder transactions	-	-
Increase (decrease) in bank loans	(6,430,376)	(1,504,429)
Increase (decrease) in short term amounts due to banks	(51,439)	3,759,109
(Increase) decrease in other financial liabilities	(999,421)	(890,707)
Dividends received (paid)	(2,033,245)	(1,900,000)
<b>NET CASH FLOWS GENERATED (ABSORBED) BY FINANCIAL ASSETS</b>	<b>(9,465,481)</b>	<b>24,264,605</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(19,895,858)</b>	<b>26,946,873</b>
Exchange rate effects on cash and cash equivalents	397,825	(168,300)
<b>Cash and cash equivalents at start of period</b>	<b>33,660,631</b>	<b>6,882,058</b>
Increase (decrease) in cash and cash equivalents	(19,498,034)	26,778,573
<b>Cash and cash equivalents at end of period</b>	<b>14,162,598</b>	<b>33,660,631</b>

In terms of cash flows, during the period in question the Group generated over € 8.5 million through operations.

Investment activities required a sizeable net amount of over € 18.8 million, of which € 15.8 million were for the aforementioned acquisitions (amount gross of € 3.4 million liquidity for equity stakes acquired) and € 3.2 million for investments in intangible assets.

The increase in net cash flows generated by lending activity is formed of € 2 million for distribution of dividends by the parent company and the remainder primarily by the repayment of loans.

As an effect of the above, cash and cash equivalents decreased by around € 19.5 million.

# 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			
	31/12/2021	%	31/12/2020	%
<b>Revenues from contracts with clients</b>	<b>53,778,929</b>	<b>100.0</b>	<b>51,773,448</b>	<b>100.0</b>
Purchases of products, goods and materials	28,527,866	53.0	25,657,555	49.6
Changes in inventory	(1,488,757)	(2.8)	(1,825,836)	(3.5)
<b>Cost of sales</b>	<b>27,039,108</b>	<b>50.3</b>	<b>23,831,719</b>	<b>46.0</b>
<b>Primary contribution margin</b>	<b>26,739,820</b>	<b>49.7</b>	<b>27,941,729</b>	<b>54.0</b>
Service costs	9,435,389	17.5	8,532,413	16.5
Personnel costs	11,435,953	21.3	11,224,699	21.7
Other operating costs	225,745	0.4	164,268	0.3
Other income	(1,009,150)	(1.9)	(429,576)	(0.8)
<b>EBITDA</b>	<b>6,651,884</b>	<b>12.4</b>	<b>8,449,925</b>	<b>16.3</b>
Amortisation and impairment	3,598,112	6.7	3,293,224	6.4
Other provisions	312,500	0.6	0	0.0
<b>EBIT</b>	<b>2,741,272</b>	<b>5.1</b>	<b>5,156,701</b>	<b>10.0</b>
Financial income	302,834	0.6	246,375	0.5
Financial charges	(426,546)	(0.8)	(555,891)	(1.1)
Net gains (losses) on exchange	400,840	0.7	(597,578)	(1.2)
Value adjustments on financial assets	5,919,193	11.0	497,943	1.0
<b>Earnings before taxes</b>	<b>8,937,593</b>	<b>16.6</b>	<b>4,747,550</b>	<b>9.2</b>
(Taxes)	(796,236)	(1.5)	(241,286)	(0.5)
<b>Net profit for the year</b>	<b>8,141,357</b>	<b>15.1</b>	<b>4,506,264</b>	<b>8.7</b>

RECLASSIFIED FINANCIAL POSITION	LABOMAR GROUP SEPARATE FINANCIAL STATEMENTS			
	31/12/2021	Increase % over CIN	31/12/2020	Increase % over CIN
Intangible assets	811,244	1.3	560,750	1.4
Rights of use	2,118,401	3.4	2,688,065	6.8
Tangible assets	16,449,780	26.2	16,131,615	40.6
Equity investments and financial assets	40,259,785	64.2	16,307,888	41.0
Other non-current assets and liabilities*	(2,792,258)	(4.5)	(2,441,387)	(6.1)
<b>Net Non-Current Assets</b>	<b>56,846,953</b>	<b>90.7</b>	<b>33,246,930</b>	<b>83.6</b>
Inventories	9,816,192	15.7	8,272,681	20.8
Trade receivables	10,846,915	17.3	8,854,265	22.3
Trade payables	(14,744,802)	(23.5)	(12,359,223)	(31.1)
Other current assets and liabilities	(77,494)	(0.1)	1,752,116	4.4
<b>Net Working Capital</b>	<b>5,840,812</b>	<b>9.3</b>	<b>6,519,838</b>	<b>16.4</b>
<b>Net Invested Capital</b>	<b>62,687,766</b>	<b>100.0</b>	<b>39,766,768</b>	<b>100.0</b>
<b>Shareholders' equity</b>	<b>(44,115,291)</b>	<b>(70.4)</b>	<b>(37,879,198)</b>	<b>(95.3)</b>
Cash and cash equivalents	6,817,888	10.9	29,840,492	75.0
Due to banks	(23,020,235)	(36.7)	(29,235,700)	(73.5)
Liabilities for derivative financial instruments	(240,659)	(0.4)	(88,673)	(0.2)

<b>Bank loans</b>	<b>(16,443,007)</b>	<b>(26.2)</b>	<b>516,119</b>	<b>1.3</b>
Right-of-use liabilities	(2,129,468)	(3.4)	(2,403,688)	(6.0)
Payables to shareholders for dividends	0	0.0	0	0.0
Non-disposable cash in trusts	0	0.0	0	0.0
Payables for business unit acquisition	0	0.0	0	0.0
<b>Comprehensive Net Financial Position</b>	<b>(18,572,475)</b>	<b>(29.6)</b>	<b>(1,887,569)</b>	<b>(4.7)</b>
<b>Funding sources</b>	<b>(62,687,766)</b>	<b>(100.0)</b>	<b>(39,766,767)</b>	<b>(100.0)</b>

\* *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	31/12/2021	31/12/2020
	8,141,357	4,506,264
<b>Adjustments for non-monetary elements:</b>	<b>(762,345)</b>	<b>4,232,281</b>
Amortisation, depreciation and impairment of tangible and intangible assets and real estate	3,598,112	3,393,224
Provisions	1,067,865	450,484
Income taxes	796,236	241,286
Net interest income and expense	123,712	309,515
Other adjustments for non-monetary elements	(6,348,270)	(62,230)
<b>Changes in operating assets and liabilities:</b>	<b>(264,660)</b>	<b>(1,166,577)</b>
Changes in inventory	(1,978,296)	(1,939,932)
Changes in trade receivables	(2,066,636)	544,274
Changes in trade payables	2,461,040	874,279
(Use of provisions)	(298,685)	50,797
Other changes in operating assets and liabilities	1,617,918	(695,995)
<b>Other amounts collected and paid:</b>	<b>(592,386)</b>	<b>(1,400,338)</b>
Interest received (paid)	(66,938)	(283,433)
(Income taxes paid)	(525,448)	(1,116,905)
Other amounts collected (paid)	-	-
<b>NET CASH FLOWS GENERATED (ABSORBED) BY OPERATIONS</b>	<b>6,521,967</b>	<b>6,171,630</b>
<b>Investments:</b>		
Investments in tangible assets	(2,684,854)	(5,945,514)
Other cash flows from tangible assets	4,103	28,060
Investments in intangible assets	(548,414)	(450,121)
Other cash flows from intangible assets	-	32,680
Investment in financial assets	(19,251,082)	(180,000)
Other cash flows from financial assets	(1,812,709)	793,024
<b>NET CASH FLOWS GENERATED (ABSORBED) BY INVESTMENTS</b>	<b>(20,667,538)</b>	<b>(5,721,871)</b>
<b>Financial management:</b>		
Capital increase for pay		24,800,632
Shareholder transactions	-	-
Increase (decrease) in bank loans	(5,843,483)	(1,504,429)
Increase (decrease) in short term amounts due to banks	(457,613)	3,759,109
(Increase) decrease in other financial liabilities	(614,757)	(752,217)
(Dividends paid)	(2,033,245)	(1,900,000)
<b>NET CASH FLOWS GENERATED (ABSORBED) BY FINANCIAL ASSETS</b>	<b>(8,949,098)</b>	<b>24,403,095</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>( 23,094,669)</b>	<b>24,852,854</b>

Exchange rate effects on cash and cash equivalents	72,065	-
<b>Cash and cash equivalents at start of period</b>	<b>29,840,492</b>	<b>4,987,637</b>
Increase (decrease) in cash and cash equivalents	(23,022,604)	24,852,855
<b>Cash and cash equivalents at end of period</b>	<b>6,817,888</b>	<b>29,840,492</b>

## 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 2021, 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 risks for the parent company refer to the credit line issued to the Canadian subsidiary, which involves repayment in instalments over the medium-term. In 2021, management signed hedging agreements in order to neutralise the exchange-rate risk for the above lending to the Canadian subsidiary. Having hedged the entire amount with matching maturity dates, these derivative contracts are considered as hedged in accordance with international accounting standards. 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.

### **Geopolitical risk**

The group has minimal operations (approximately 1.0% of turnover) in geographic areas affected by the war between the Russian Federation and Ukraine.

Management is placing a particular focus on supplies that, in the past, originated directly from areas affected by the aforementioned war. These supplies in any case represent a slim portion of the total. There is continued monitoring of the consequences that the conflict may have indirectly on the chain of supply in the Group's sector.

There are no other noteworthy transactions in other 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 to reflect regulatory changes which had occurred in the meantime as well as due to its listing on the Euronext Growth Milan 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.

### **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 2021, amounts allocated to the bad debt provision (€ 87,000) 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 December 2021, also in the light of information obtained during the initial months of 2022, the administrative body held the provision to be reasonably suitable (at € 672 thousand and with reference to the consolidated financial statements) with respect to perceived credit risk.

## **1) 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 2021 to further strengthen the resources dedicated and make new areas and equipment available.

Patents filed in previous years also led to the creation of new products, with significant sales revenues in both 2021 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. The value of intellectual property was the focus of the second half of 2021, with involvement of a dedicated team for innovative projects.

During 2021, the company moved forward with innovative pre-competitive activities, focussing its efforts on the following projects in particular:

- Activity 1; Futurals Green - Research and development activity for the use of micro greens in food supplements.
- Activity 2; Research and Development for new food supplements, medical devices and food for special medical purposes.
- Activity 3; Technological innovation to develop new food supplements.

For the above projects, the company incurred recognisable costs of € 583,734.55, 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: established in 2012, initially a minority interest, then acquired in its entirety in 2021. Positioned in the value chain of the parent company with synergies in the production of active ingredients and tinctures.
- 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;
- Labomar Next S.r.l.: established in December 2019 in partnership with Zero S.r.l., 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 used in new products.

Lab C S.r.l.: established in April 2021 and 100% controlled by Labomar Next. Lab C develops, produces and sells innovative hi-tech products and services linked to vertical farming techniques.

- Welcare group: control acquired in July 2021. The group is based in Orvieto and has been active since 2001 in the development, production and sale of medical devices to prevent and treat infections and to manage skin injuries of various etiology. In Italy, Welcare distributes its products through hospitals and the main wholesale pharmacy suppliers. In Europe and the rest of the world, this occurs through a network of distributors.

The Welcare Group consists of the parent company Welcare Research S.r.l. which carries out scientific research and innovation relative to dietary, cosmetic and dermocosmetic products, as well as pharmaceuticals and similar, and its subsidiary Welcare Industries S.p.a., in which it holds 100% of the equity, which also is focussed on research and innovation in the areas of pharmaceuticals, parapharmaceuticals, cosmetics, medical devices and similar.

The Welfare Group offers a particular high level of quality standards and some proprietary patented technological solutions, which are in perfect synergy with the Labomar business model.

- Labovar S.r.l.: established in 2021 in partnership with Adiacent S.r.l., a subsidiary of Var Group S.p.a. (company of the Sesa group, a company listed in the STAR segment of the Borsa Italiana S.p.a. MTA market. Labovar will be a sales agent in the Far East for selected Labomar products, with the obligation to purchase these products from Labomar and sell them exclusively within the aforementioned market, through the online sales platform TMALL.

- Printingpack: this is a minority interest that arose in 2012 in a company in the value chain in which the parent company operates, with synergies in the creation of specialised packaging materials.
- Project Zero: this is a minority interest in a holding company which holds the controlling interest in Zero S.r.l., a company developing 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 necessary natural and environmental conditions.

All related party transactions were carried out at arm's 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				
	Financial receivables	Receivables	Payables	Costs	Revenues
<b>PARENT COMPANY</b>					
LBM Holding S.r.l.					
<b>SUBSIDIARIES</b>					
Importfab Inc.	7,725,644				124,689
Labomar Next S.r.l.	180,229		25,500		1,659
Labiotre S.r.l.		9,150	840,413	2,597,580	90,000
<b>ASSOCIATED COMPANIES</b>					
Labiotre S.r.l.		9,150	840,413	2,597,580	90,000
Printingpack S.r.l.			321,044	931,851	
Unilab Immobiliare S.r.l.					1,277
<b>OTHER RELATED PARTIES</b>					
Farmacia Bertin Walter Sas		18,446	575	4,988	51,335
Imm.re Alessandra S.r.l.			1,756,699	40,860	
Universo TV Scarl				500	
Consorzio Ribes-Next Scarl				1,000	
BModel Sas			88,167	313,769	
Labofit S.r.l.			3,000	36,000	

	for the year 2021					
	Financial receivables	Financial Debts	Receivables	Payables	Costs	Revenues
<b>PARENT COMPANY</b>						
LBM Holding S.r.l.						
<b>SUBSIDIARIES</b>						
Importfab Inc.	6,516,756			3,057	4,596	101,843
Welcare research S.r.l.						
Welcare industries S.p.a.						

Labiotre S.r.l.			12,840	933,562	2,435,882	45,000
Labomar Next S.r.l.	282,000		229			2,706
Lab C S.r.l.			2,710			2710
Labovar S.r.l.			49			
<b>ASSOCIATED COMPANIES</b>						
Printingpack S.r.l.				460,134	1,129,271	
Zero S.r.l.						
<b>OTHER RELATED PARTIES</b>						
Farmacia Bertin Walter Sas			11,326	1,513	8,785	33,691
Imm.re Alessandra S.r.l.	180,000	1,547,830	18		36,809	18
Universo TV Scarl					500	
Consorzio Ribes-Next Scarl	315				1,000	
BModel Sas				50,310	234,362	
Labofit S.r.l.				3,000	36,000	

Related-party transactions primarily regard relationships of a commercial and consulting nature, with the exception of financial receivables from Immobiliare Alessandra S.r.l. that refer to the deposit paid against the sub-leasing contract. For other relations with Immobiliare Alessandra S.r.l., it is noted that the payables refer to financial liabilities (current and non-current) for rights of use, regarding real-estate, and costs refer to the related interest.

At the 31 December 2021, and 31 December 2020, there were no guarantees.

### 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

In the initial months of 2022, after year end on 31 December 2021, the Group's operations continued to be affected by the spread of Covid-19, as did the entire domestic and international economy. The Group continued its production activity observing the provisions of local regulations aimed at reducing the spread of Covid-19.

It is noted that based on information contained in the list of shareholders of the parent company, the conditions specified by article 2-bis of the Issuers' Regulation no. 11971 of 14 March 1999 (Issuers' Regulation) exist for the Company to be classified as a "significant issuer of financial instruments to the public". It is specifically noted that:

- the total number of shareholders, other than the controlling shareholder of the Company (Walter Bertin through LBM Holding S.r.l.), holding a total of more than 5% in the share capital of Labomar is greater than 500;
- the limits indicated in article 2435-bis, first paragraph, of the Italian Civil Code have been exceeded.

Labomar, having acknowledged that the set requirements have been exceeded, has accepted its classification as a “significant issuer of financial instruments to the public” and has taken steps to issue the notices required by Consob Issuers’ Regulations. On the basis of the above, Labomar will apply the rules for its new status from financial year 2022.

## 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.

Management notes a significant increase in orders received at the date of approval of this document, highlighting significant growth compared to figures for existing orders at the same date of the previous financial year. However, a portion of orders received refer to deliveries planned for the middle of 2022 and are therefore significantly early with respect to the delivery dates. This is explained by the fact that most probably a portion of these early orders have been prompted by customers’ desire to fix sales prices in this uncertain macroeconomic context. Despite this, even considered without including these early orders, the portfolio still shows growth in double figures compared to orders existing at the same date of the previous year.

From a supply-chain perspective, management highlights that since the end of 2021 there has been strain on supplies of raw materials and packaging materials. This disruption can be seen both in terms of availability and delivery times of the raw materials themselves and in terms of price increases.

Transferring the entirety of these price increases to end customers is a complex issue.

Together, the three factors described above have placed pressure on margins and prompted continuous monitoring by Group management to minimise possible negative effects.

## 7) SECONDARY OFFICES

The Group operates at the following locations:

- four locations of the parent company, all within the municipality of Istrana (Treviso): Istrana - Via N.Sauro 35 (registered office of the parent company and the subsidiaries Labomar next, Lab C and Labovar), Istrana – Via Brigata Marche 1, Istrana – Via F.Filzi 33, Istrana – Via F.Filzi 55 A.
- four locations of the subsidiary Welcare in Milan - via san Giovanni sul muro 18 (registered office), in Orvieto (Terni) - via dei Falegnami 7 and via dei Fornaciari 16, and in Rome – viale L. Gaurico 9/11 (sales).

- 1 location of the subsidiary Labiotre in Barberino Tavarnelle (Florence) - Via Renato Guttuso 6 (registered office)
- 1 location in Canada of the subsidiary Importfab at 50 Hymus Blvd, Pointe-Claire, Quebec.

## **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 appropriate technical and organisational criteria needed to protect common, special and legal personal information processed with IT and manual tools, as well as planning and carrying out training for those responsible for 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 Euronext Growth Milan 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.

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 Management.

### **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 10 injuries in 2021, of which 2 while commuting (8 at the parent company and 2 at the Canadian subsidiary), leading to a total of 156 days of absence.

The labour contract used by the parent company is the Food - Industry contract. The contract used by the subsidiary Labiotre is the Chemicals and Similar Small and Medium Enterprises contract and those applied by Welcare are the Agriculture and Clothing and Tailoring Industrial Companies contracts.

## 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, 30 March 2022

The Chairman of the Board of Directors  
**Walter Bertin**



