# Explanatory notes to the Financial Statements for specific purposes as at 31 March 2024 and for the period from 27 April 2023 to 31 March 2024

# Archimica S.p.A.

**Archimica S.p.A.**
Registered,administrative and manufacturing headquarter:
Viale Milano, 86 – 26900 Lodi (LO) - Italy

**www.archimica.com**

Share capital: Euro 10.207.131,30 fully paid-up
Shares: 16.463.115 ordinary shares
Nominal Value: Euro 0,62 euro per share

Tax Code: 07254610152
VAT No: 07254610152
Company Register of Milan, Monza-Brianza, Lodi: No 07254610152
R.E.A.: LO 1462016

Single-shareholder company

## Statement of financial

| (Values in Euro) | Note | 31 march 24 | 31 march 23 |
|---|---|---|---|
| Intangible assets | **5.1** | 64.066 | 94.669 |
| Tangible assets | **5.2** | 17.665.258 | 15.029.543 |
| Deferred tax assets | **5.4** | 1.395.000 | 1.093.462 |
| Other non-current assets | **5.5** | 307.514 | 77.446 |
| **Total non-current assets** | | **19.431.839** | **16.295.120** |
| Inventories | **5.7** | 8.218.613 | 9.968.560 |
| Trade receivables | **5.8** | 13.216.207 | 10.447.893 |
| Contract assets | **5.16** | 4.528.889 | 3.679.770 |
| Tax receivables | **5.6** | 442.901 | 190.884 |
| Other current assets | **5.5** | 1.658.110 | 1.052.853 |
| Cash and cash equivalents | **5.9** | 781.590 | 2.463.646 |
| **Total current assets** | | **28.846.310** | **27.803.607** |
| | | | - |
| **Total assets** | | **48.278.148** | **44.098.727** |
| Share capital | **5.10** | 10.207.131 | 10.207.131 |
| Other reserves | **5.10** | 3.759.228 | 3.998.973 |
| Profit (loss) carried forward | **5.10** | 4.291.143 | 675.842 |
| Profit (loss) for the period | **5.10** | (3.894.678) | 3.856.729 |
| **Net equity** | **5.10** | **14.362.825** | **18.738.675** |
| Non-current financial liabilties | **5.11** | 6.892.637 | 5.945.758 |
| Liabilities for employees' benefits | **5.12** | 158.329 | 165.080 |
| Non-current provisions for risks and charges | | 1.593.926 | 1.668.856 |
| Deferred tax liabilities | **5.4** | 83.270 | 111.944 |
| **Total non-current liabilities** | | **8.728.162** | **7.891.638** |
| Current financial liabilties | **5.11** | 15.508.630 | 5.806.690 |
| Trade payables | **5.14** | 7.745.171 | 9.330.014 |
| Contract liabilities | **5.16** | - | - |
| Tax payables | **5.6** | - | 596.251 |
| Current provisions for risks and charges | **5.13** | 158.065 | 265.738 |
| Other current payables | **5.15** | 1.775.296 | 1.469.719 |
| **Total current liabilities** | | **25.187.162** | **17.468.413** |
| **Total liabilities** | | **33.915.323** | **25.360.051** |
| | | | |
| **Total equity and liabilities** | | **48.278.148** | **44.098.726** |

**Income Statement**

| *(Values in Euro)* | **From 27 april 23 to 31 march 2024** | **Dal 27 april 22 al 31 march 2023** |
|---|---|---|
| Revenues | 30.546.554 | 40.921.936 |
| Other revenue and income | 26.723 | 77.269 |
| Raw, ancillary and consumable materials and goods | (10.374.181) | (12.634.950) |
| Service costs and costs of third-party assets | (11.779.928) | (12.689.305) |
| Employee expenses | (7.762.864) | (7.096.264) |
| Other operating expenses | (370.192) | (241.483) |
| Change in inventories | (1.518.873) | (902.427) |
| Depreciation, Amortization and Asset value adjustments | (2.088.856) | (2.149.524) |
| **Operating profit** | **(3.321.617)** | **5.285.253** |
| Financial income | 304.039 | 314.212 |
| Financial expenses | (875.525) | (703.774) |
| **Profit (loss) before taxes** | **(3.893.103)** | **4.895.691** |
| Income taxes | (1.575) | (1.038.962) |
| **Net profit (loss) from operations** | **(3.894.678)** | **3.856.729** |
| **Net profit (loss) for the period** | **(3.894.678)** | **3.856.729** |

## Statement of Comprehensive Income

| (in Euro) | Note | From 27 april 23 to 31 march 2024 | Dal 27 april 22 al 31 march 2023 |
|---|---|---|---|
| **Net profit (loss) for the period** | | **(3.894.678)** | **3.656.729** |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of defined benefit plans | | 9.337 | 25.201 |
| Tax effect | | (2.241) | (6.048) |
| **Total** | **5.12** | **7.096** | **19.153** |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Gains/(losses) on cash flow hedging instruments | | (194.223) | 456.316 |
| Tax effect | | | (109.516) |
| **Total** | **5.11** | **(194.223)** | **346.800** |
| **Comprehensive income (loss) for the period** | | **(4.081.805)** | **4.022.682** |

## Cash flow 31 march 2024

| *(Values in euro)* | ***Note*** | | **From 27 april 2023 to 31 march 2024** | **From 27 april 2022 to 31 march 2023** |
|---|---|---|---|---|
| **Operations of income management:** | | | | |
| Net Profit / (Loss) for the Period | | | -3.894.678 | 3.856.729 |
| Amortization | | | 2.088.856 | 2.149.524 |
| Taxes | | | -1.575 | 1.038.962 |
| | | | -182.267 | -27.518 |
| Net financial expense | | | -571.486 | 389.561 |
| **Cash flow generated (absorbed) by income management** | | **a** | **-2.561.149** | **7.407.258** |
| **Increases/decreases in current assets and liabilities:** | | | | |
| Change in inventories | | | 2.306.096 | -1.230.728 |
| Change in trade receivables | | | -4.179.284 | -5.687.127 |
| Change in trade debts | | | -922.230 | 875.175 |
| Changes in other assets and liabilities | | | -1.218.028 | 228.170 |
| Taxes paid | | | -623.014 | -169.430 |
| **Cash flow generated (absorbed) by current assets and liabilities** | | **b** | **-4.636.459** | **-5.983.940** |
| **Cash flow generated (absorbed) by operating activity** | **5.25** | **a+b** | **-7.197.609** | **1.423.319** |
| **Activities of investment:** | | | | |
| Increase of tangible fixed assets net of consideration for disposals | | | -4.621.217 | -4.290.182 |
| **Cash flow generated (absorbed) by investment activity** | **5.25** | **c** | **-4.621.217** | **-4.290.182** |
| **Financial assets and liabilities:** | | | | |
| Increase in medium and long-term financing | | | 9.000.000 | -196.847 |
| Increase in short-term financing | | | 7.965.000 | 2.500.000 |
| Repayment of short-term loans | | | -6.186.840 | -2.048.701 |
| Net financial expense paid | | | 585.480 | -393.102 |
| **Cash flow generated (absorbed) by financing activities** | **5.25** | **d** | **11.363.639** | **-138.650** |
| **Cash flow and cash equivalents** | | **a+b+c+d** | **-455.187** | **-3.005.513** |
| Cash and cash equivalents at the beginning of the Period | | **e** | 1.250.771 | 5.465.619 |
| Exchange effect | | **f** | -13.994 | 3.540 |
| **Cash and cash equivalents at the beginning of the Period** | **5.25** | **a+b+c+d +e + f** | **781.590** | **2.463.646** |
| of which entered in cash and cash equivalents | | | 781.591 | 2.463.646 |

# 1 General information

Archimica S.p.A. (hereinafter the "**Company**" or "**Archimica**") is a company incorporated and domiciled in Italy, organized according to the legal system of the Italian Republic. The capital of Archimica is 100% owned by PI Health Sciences BV, a company incorporated under Dutch law.
The Company operates in Italy in the field of active pharmaceutical ingredients, in particular in the Active *Pharmaceutical Ingredients ("APIs")* sector. The plant in Lodi (Italy) is used to produce APIs and Key Starting Materials (KSM) for customers who need GMP production. Currently, the Lodi plant is about 50% utilized. The Lodi facility will require a certain level of improvements and upgrades to meet the needs of global innovators, to be accomplished with the capital investment and technical expertise of PI Industries. The planned and carried out investments are to be placed in relation to the objectives of increasing production capacity, improving the efficiency and safety of the Lodi plant, guaranteeing respect for the environment and compliance with the requirements of the Italian regulatory authority, the provision of effective extraordinary maintenance activities aimed at ensuring production continuity and creating the technical infrastructures for the development of the business line CDMO. On 6 May 2024, PI Health Sciences Netherlands BV, the sole shareholder of Archimica SpA, confirmed its intention and commitment to continue to financially support and capitalise Archimica SpA in order to ensure that it fulfils its obligations and continues its operations, without prejudice to its ability to operate as a going concern for at least the twelve months following the date of approval of the financial statements being prepared.
The Company has prepared the Financial Statements for specific purposes as at 31 March 2024 and for the period from 27 April 2023 to 31 March 2024 (also the "**Period**") in accordance with the criteria set out in these explanatory notes.
The Financial Statements for specific purposes as at 31 March 2024 and for the period from 27 April 2023 to 31 March 2024 (also "**these Financial Statements**") have been prepared not by virtue of a legal obligation but to provide the parent company PI Health Sciences Limited Group with information necessary for the preparation of its Consolidated Financial Statements as at 31 March 2024. As a result, the budget for specific purposes as at 31 March 2024 and for the period from 27 April 2023 to 31 March 2024 may not be suitable for other purposes.
This document was approved by the Company's Board of Directors held on 14 May 2024.

| | **27/04/2023** | **IAS 8** | **27/04/2023 RESTATED** |
|---|---:|---:|---:|
| Profit (loss) carried forward | 6.090.685 | (200.000) | 5.890.685 |
| Net equity | 18.644.630 | (200.000) | 18.444.630 |
| Other current payables | 1.659.935 | 200.000 | 1.859.000 |

# 2 Summary of Accounting Standards

The following are the main accounting policies and policies applied in the preparation of the Financial Statements for specific purposes as at 31 March 2024 and for the period from 27 April 2023 to 31 March 2024. It should be noted that these financial statements have not been prepared in full compliance with IFRS because, although the financial statements have been prepared in accordance with IAS 1, the explanatory notes are prepared in abbreviated form and do not include all the information required for financial statements to be prepared in accordance with IFRS.

## 2.1 Preparation Base

These Financial Statements have been prepared in compliance with the principles of going concern, accrual, relevance and aggregation, and the prohibition of offsetting information.
These financial statements consist of the statement of financial position as at 31 March 2024, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the period and these notes, which also include a summary of the most significant accounting principles applied.
The statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement are expressed in euros, while all other amounts included in this document, unless otherwise indicated, are expressed in thousands of euros.
The Financial Statements as at 31 March 2024 and the related classification criteria adopted by the Company are as follows:

- The statement of financial position has been prepared by classifying assets and liabilities according to the "current/non-current" criterion. Current assets are those intended to be realised, sold or consumed in the normal course of operations of the Company; current liabilities are those that are expected to be extinguished in the normal operating cycle of the Company or in the twelve months following the end of the financial year;
- The Income Statement has been prepared by classifying operating costs by nature, as it is believed that this setting provides reliable and more relevant information than the classification by destination;
- The Statement of Comprehensive Income includes, in addition to the profit for the year shown in the income statement, other changes in shareholders' equity attributable to transactions not carried out with the Company's shareholders;
- The cash flow statement has been prepared by presenting the cash flows deriving from operating activities according to the "indirect method";
- The statement of changes in shareholders' equity is presented with separate evidence of the comprehensive income statement and the transactions entered into with shareholders.

The explanatory notes have been prepared in abbreviated form, and, therefore, are reported in summary form and do not include all the information required in the annual financial statements, as they refer exclusively to those components which, due to their amount, composition or variations, are essential for understanding the Company's economic, financial and equity situation. Therefore, these Financial Statements must be read together with the annual financial statements as at 31 December 2023 and the Statement of Financial Position as at 27 April 2023.

## 2.2 Business Continuity Assessment

For the purposes of preparing these Financial Statements, the Directors have assessed the adequacy of the going concern assumption and verified the absence of financial, managerial or other indicators that could indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future. In particular, the Directors positively assessed the Company's ability to finance its activities over a time horizon of at least 12 months from the date of reference of these Financial Statements and to operate as a going concern.
As part of this evaluation process, the Directors considered a number of qualitative and quantitative elements. During 2023 and the first quarter of 2024, the repercussions of the Covid pandemic on the economy and on the company's management have subsided, while the war events in Eastern Europe and the Israeli-Palestinian conflict have had significant economic repercussions in terms of energy costs and the procurement of raw materials.
The results achieved during the period showed a loss of Euro 3,895 thousand attributable to a number of concomitant factors: the operational and strategic reorientation of the Company following the change of ownership during the year, the physiological time gap in the preparation, start-up and development of the new promising CDMO business segment and the need to implement some production slowdowns in relation

to investments in progress. The Company is in a balanced financial position between current assets and liabilities.
The Company has taken into account the implications of the Russian, Ukrainian and Israeli-Palestinian conflicts and the implications of the current macroeconomic environment in formulating opinions relating to going concern and in the significant estimates and judgments used in the preparation of these Financial Statements. In this regard, it should be noted that, although the Company cannot remain exempt from indirect effects deriving from the aforementioned conflicts, it is not exposed to direct effects that may have an impact on business continuity and on the significant estimates and judgments used in the preparation of these Financial Statements.
The Company considers the prevention and management of risks that may jeopardize the achievement of objectives and business continuity to be a strategic priority. In this regard, the Company has identified the main risks related to climate change or environmental issues that may have implications or an impact on economic activities. The potential risks identified are those related to climate change, both in terms of physical risks, i.e. more frequent extreme weather events or gradual changes in the climate (e.g. floods, increase in temperatures, decrease in resources, etc.) and/or related to an increase in operating costs for extraordinary maintenance activities (e.g. for the restoration of the condition of the assets following the damage suffered), and in terms of transition risks, i.e. related to the transition to a low-carbon and/or more environmentally sustainable economy.
On the basis of the above, the Directors have a reasonable expectation that the Company will have the adequate resources to operate on the assumption of going concern, also taking into account the letter of commitment to the capital and financial support of Archimica SpA signed by PI Health Sciences Netherlands BV on 29 January 2024 for a period of at least twelve months from the approval of the Company's financial statements and renewed on 6 May 2024. A description of the ways in which the Company manages financial risks is contained in paragraph 3 "Management of financial risks" of the Explanatory Notes to these Financial Statements.

## 2.3 Accounting Principles and Valuation Criteria

### INTANGIBLE ASSETS

Intangible assets are non-monetary items, identifiable and without physical substance, that can be controlled and generate future economic benefits. These items are initially recognised at purchase cost, including the expenses directly attributable to preparing the business for its use. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.
*(a) Other intangible assets*
Intangible assets acquired separately are initially recognised at cost, while those acquired through business combinations are recognised at *fair value* at the acquisition date. After initial recognition, intangible assets are recognised at cost net of accumulated depreciation and any accumulated impairment losses.
The useful life of intangible assets is assessed as definite or indefinite depending on the nature of the intangible assets.
Intangible assets with a finite useful life are depreciated over their useful life and are subject to a fairness check whenever there are indications of a possible impairment loss. The depreciation period and method of depreciation of an intangible asset with a finite useful life shall be reconsidered at least at the end of each period. Changes in the expected useful life or the manner in which future economic benefits from the asset will be realized are recognized through a change in the depreciation period or method, as applicable, and are considered changes in accounting estimates. The depreciation and amortisation of intangible assets with a finite useful life are recognised in the statement of profit/(loss) for the period in the cost category consistent with the function of the intangible asset.
Intangible assets with an indefinite useful life are not depreciated, but are subject to an impairment test annually, both at the individual level and at the level of the cash-generating unit. The assessment of indefinite useful life shall be reviewed annually to determine whether this allocation continues to be sustainable; otherwise, the change from indefinite useful life to defined useful life shall apply on a prospective basis.

Gains or losses arising from the elimination of an intangible asset are measured by the difference between the net proceeds from disposal and the carrying amount of the intangible asset and are recognised in the income statement at the time of the elimination.
The Company's estimated useful life for the various categories of intangible assets is as follows:

| Category of intangibles asset | Service life in years |
|---|---|
| Concessions, licenses and similar rights | 10 |
| Trademarks and Brand | 5 |
| Development costs | 3 |
| Software | 5 |

*(b) Research and development costs*
Research costs are recognised in the income statement for the period in which they are incurred. Development costs incurred in relation to a given project are recognised as intangible assets when they can be demonstrated:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the activity and one's ability and intention to use or sell it;
- how the activity will generate future economic benefits;
- the availability of resources to complete the task;
- the ability to reliably assess the cost attributable to the activity during development.

After initial recognition, development activities are measured at the decreasing cost of accumulated depreciation, amortization or impairment losses. Asset depreciation begins the moment development is completed and the asset is available for use. Development activities are depreciated with reference to the expected benefit period and the related depreciation and amortization are included in the cost of sales.
For development projects whose depreciation had already started during previous periods, their recoverability is analysed through the verification of any impairment *test*.

## TANGIBLE ASSETS

Property, plant and equipment are recorded at purchase or production cost, net of accumulated depreciation and impairment. The purchase or production cost includes the costs directly incurred to prepare the assets for their use, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the asset to be restored to its original condition. Financial charges directly attributable to the acquisition, construction or production of qualifying assets are capitalized and amortized on the basis of the useful life of the asset to which they refer.
Expenses incurred for ordinary maintenance and repairs are charged to the income statement when incurred. The capitalisation of costs relating to the extension, modernisation or improvement of structural elements owned or in use by third parties shall be carried out to the extent that they meet the requirements to be separately classified as an asset or part of an activity. Assets recognised in relation to improvements to third-party assets are allocated to the asset classes to which they refer, and are depreciated on the basis of the duration of the lease, or on the basis of the specific useful life of the asset, whichever is lower.
Depreciation and amortization are calculated on a straight-line basis by means of rates that allow the assets to be depreciated until the end of their economic and technical useful life. Where the asset to be depreciated is composed of distinctly identifiable items, the useful life of which differs significantly from that of the other parts of the asset, depreciation shall be carried out separately for each of those parts, in accordance with the component *approach*.
The estimated economic and technical useful life for the various categories of property, plant and equipment is as follows:

| Category of intangibles asset | Service life in years |
|---|---|
| Industrial building(walls) | 25 |
| Lightweight constructions | 13 |
| Higly corrosive specific plants | 8 |
| Low corrosive specific plants | 10 |
| Purification plants | 8 |
| Generic plants | 10 |
| Miscellaneous equipment | 5 |
| Specific equipment | 5 |
| EDP system | 5 |
| Office furniture | 8 |
| Car fleet | 4 |
| Vehicles | 5 |

The economic and technical useful life of property, plant and equipment shall be reviewed and updated, where necessary, at least at the end of each period.

## Leasing

A contract contains or represents a lease if it gives the contractor the right to control the use of a particular asset for a specified period of time in exchange for consideration; This right exists if the contract gives the lessee the right to manage the asset and obtain substantially the economic benefits deriving from its use.
On the date on which the asset is made available for use, the lessee recognises, in the balance sheet, an asset representing the right to use the asset and a liability of payments expected over the term of the contract. The duration of the lease is determined by also considering the periods represented by the extension options or the options for early termination of the contract, depending on the probability that they will be exercised.
The lease liability is initially recognised at an amount equal to the present value of the lease payments due from the lease commencement date, i.e.: (i) fixed (or substantially fixed) payments; (ii) variable payments that depend on indices, rates or other parameters; (ii) payment of the exercise price of the call option, provided that the option is in the hands of the lessee and the lessee reasonably considers it likely that it will be exercised. The present value of these payments is calculated using a discount rate equal to the implied interest rate of the lease or using the lessee's incremental financing rate.
After initial recognition, the lease liability is measured at amortised cost and is recalated, generally as a contra-entry to the carrying amount of the related right-of-use asset, in the event of a change in lease payments due mainly as a result of: (i) contractual renegotiations that do not give rise to a new separate lease; (ii) changes in indices or rates (to which variable payments are related); or (iii) changes in the valuation regarding the exercise of the contractually provided options (options to purchase the leased property, options to extend or terminate the contract early).
The right to use a leased asset is initially recognised at cost, determined as the sum of the following components: (i) the initial amount of the lease liability; (ii) the initial direct costs incurred by the lessee; (iii) any payments made on or before the start date, net of any incentives received from the lessor; and (iv) an estimate of the costs that the lessee expects to incur for the dismantling, removal of the underlying asset and remediation of the site or to bring the asset back to the conditions set out in the contract. After initial recognition, the right-of-use asset is adjusted to take into account accumulated depreciation and amortization, any impairment losses and the effects of any restatement of the lease liability. In particular, the lessee applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset has been impaired and to account for the identified impairment losses.

Leases in which the lessor substantially retains the risks and rewards of owning the assets are classified as operating leases. Operating lease payments are recognised linearly in the income statement over the life of the lease agreement.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

*(a) Tangible and intangible assets with a finite useful life*

On each reporting date, a review is carried out to ascertain whether there are any indicators that tangible and intangible assets with a finite useful life may have been impaired. For this purpose, both internal and external sources of information are considered. With regard to the former (internal sources), the following are considered: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the economic performance of the asset compared to what was expected. As far as external sources are concerned, the following are considered: the development of the market prices of the assets, any technological, market or regulatory discontinuities, the development of market interest rates or the cost of capital used to value investments.

If the presence of such indicators is identified, the recoverable amount of the aforementioned assets is estimated, allocating any impairment to the relevant book value in the income statement. The recoverable amount of an asset is the greater of the *fair value*, net of ancillary costs to sell, and its value in use, the latter being understood as the present value of the estimated future cash flows for that asset, determined by applying the same approach as described in the previous paragraph. For an asset that does not generate broadly independent cash flows, the recoverable amount is determined in relation to the *cash generating unit* to which that asset belongs.

An impairment loss is recognised in the income statement if the carrying amount of the asset, or of the CGU to which it is allocated, is greater than its recoverable amount. Impairment losses on CGUs are allocated primarily to a reduction in the carrying amount of any goodwill attributed to the same and, therefore, to a reduction in other assets, in proportion to their carrying amount and within the limits of their recoverable amount. If the conditions for a previously written down no longer apply, the carrying amount of the asset is reinstated, with the exception of goodwill, and charged to the income statement, within the limits of the value that the asset in question would have had if the impairment had not been carried out and the related depreciation had been made.

*(b) Impairment of non-financial assets*

Further information on the impairment of non-financial assets is also provided in the following notes:

- Estimates and Assumptions — Note 4
- Intangible Assets — Note 5.1
- Tangible activities — Note 5.2

At each reporting date, the Company assesses the possible existence of indicators of impairment of assets. In such a case, or in cases where an annual impairment audit is required, the Company shall make an estimate of the recoverable amount. The recoverable amount is the greater of the fair value of the cash generating asset or unit, net of costs to sell, and its value in use. The recoverable amount is determined on a per-asset basis, except when that asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, that asset has suffered an impairment loss and is consequently written down to its recoverable amount.

In determining value in use, the Company discounts estimated future cash flows at present value using a pre-tax discount rate, which reflects market valuations of the present value of money and asset-specific risks. In determining the *fair value* net of costs to sell, account is taken of recent transactions that have occurred on the market. If such transactions cannot be detected, an appropriate valuation model is used. These calculations are supported by appropriate valuation multipliers, prices of listed shares for investee companies whose securities are traded on the market and other *available fair value* indicators .

The Company bases its *impairment* test on detailed budgets and forward-looking calculations, prepared separately for each cash-generating unit to which individual assets are allocated. These budgets and forecast

calculations generally cover a period of five years. In the case of longer periods, a long-term growth rate is calculated which is used to project future cash flows beyond the fifth year.
Impairment losses on continuing operations, including impairment losses on inventories, are recognised in the income statement in the cost categories consistent with the allocation of the asset that gave rise to the impairment. Exceptions are fixed assets that were previously revalued, where the revaluation was accounted for as part of other comprehensive income. In such cases, the impairment loss is in turn recognised under the other components of the statement of comprehensive income up to the amount of the previous revaluation.
For non-goodwill assets, at each reporting date, the Company assesses whether there are indications that previously recognised impairment losses have disappeared (or decreased) and, if such indications exist, estimates the recoverable amount of the asset or CGU. The value of a previously impaired asset can only be reversed if there have been changes in the assumptions on which the calculation of the determined recoverable amount was based since the last impairment loss was recognised. The reversal in value may not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized in previous periods. This recovery is recognised in the income statement unless the fixed asset is accounted for at a revalued value, in which case the recovery is treated as a revaluation increase.
Intangible assets with an indefinite useful life are subject to impairment testing at least once a year with respect to 31 December, at the level of the cash-generating unit and when circumstances indicate that there may be an impairment loss.

## FINANCIAL ASSETS (EXCLUDING DERIVATIVE INSTRUMENTS)

The Company's financial assets are classified on the basis of the business model adopted to manage them and the characteristics of their related cash flows.
(a) Financial assets measured at amortised cost
Financial assets for which the following requirements are met are classified in this category: (i) the asset is held as part of a business model whose objective is to own the asset aimed at collecting contractual cash flows; and (ii) the contractual terms of the business provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid. These are mainly trade receivables, financial assets and other assets.
Trade receivables that do not contain a significant financial component are recognized at the price defined for the relevant transaction (determined in accordance with IFRS 15 Revenues from contracts with customers).
The criterion for post-initial recognition is the amortised cost using the effective interest rate method. With reference to the impairment model, the Company evaluates receivables by adopting an expected loss logic (so-called "expected loss"). Expected Loss).
For trade receivables, the Company adopts a simplified approach to valuation (so-called "trade receivables"). Simplified approach) which does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss (so-called Expected Credit Loss). ECL) calculated over the entire life of the credit (so-called ECL lifetime). In particular, the policy implemented by the Company provides for a matrix-based approach according to the following steps:

- historical analysis of losses on trade receivables;
- definition of appropriate customer groupings according to the characteristics of credit risk highlighted by historical analysis;
- determination of the historical loss rate per customer group on the basis of the losses recognised in relation to the amount of receivables in the reference period or in relation to past due bands if the relevant information is available without excessive effort;
- possible adjustment of the historical loss rate based on current and forward-looking information (changes in the economic, regulatory and technological environment, industry outlook, etc.).

In the absence of a reasonable expectation of recovery, trade receivables are fully written down.
Impairment losses made in accordance with IFRS 9 are recognised in the income statement net of any positive effects related to impairment losses or reversals and are recognised under costs.
(b) Financial assets at fair value offset in the statement of comprehensive income ("FVOCI")

This category includes financial assets for which the following requirements are met: (i) the asset is held as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset itself; and (ii) the contractual terms of the business provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid.
These assets are initially recognised in these Financial Statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the measurement carried out at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. With reference to the impairment model, it follows what is described in point a) above.
(c) Financial assets at fair value offset in the income statement ("FVPL")
Financial assets that are not classified in any of the above categories (i.e. residual category) are classified in this category. Assets in this category are recognised at fair value at their initial recognition. Ancillary costs incurred at the time of recognition of the asset are immediately recognised in the income statement. At the time of subsequent measurement, FVPL financial assets are measured at fair value.
Gains and losses arising from changes in fair value are recognised in the income statement in the period in which they are recognised, under the item "Gains (losses) from assets measured at fair value". Purchases and disposals of financial assets are accounted for at the settlement date.

## INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realisable value, represented by the amount that the Company expects to obtain from their sale in the ordinary course of business, net of costs to sell.
The purchase cost of raw materials is calculated according to the weighted average cost method.
The cost of finished and semi-finished products includes the weighted average cost of raw materials, labour costs directly attributable to the product and other production costs (determined on the basis of normal operating capacity). Financial charges, which are charged to the income statement when incurred, are not included in the measurement of inventories, as the time conditions for capitalisation are not met.
The realisable value for inventories of raw materials and semi-finished products that can no longer be used in the production cycle and inventories of finished products that cannot be sold is determined through an analysis for each purchase or production batch and the accounting of a specific provision for obsolescence.

## CONTRIBUTIONS

Grants are recognised in the presence of a formal concession resolution and are accounted for as income in the period in which the related costs are incurred.
Grants received in respect of specific assets whose value is recognised as fixed assets are recognised in the income statement in relation to the depreciation period of the asset to which they refer.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and available bank deposits and other forms of short-term investment, with a maturity of three months or less. Cash and cash equivalents are measured at *fair value*.

## FINANCIAL PAYABLES

Financial payables are initially recorded at *fair value*, net of directly attributable ancillary costs, and are subsequently measured at amortised cost, applying the effective interest rate method. If there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change based on the present value of the new expected cash flows and the effective internal rate initially determined. Financial payables are classified as current liabilities, except for those with a contractual maturity of more than twelve months from the date of these Financial Statements and those for which the Company has an unconditional right to defer their payment for at least twelve months after the reference date.

Financial payables are accounted for at the date of trading of the transaction and are removed from these Financial Statements at the time of their settlement and when the Company has transferred all risks and charges relating to the instrument itself.
Financial liabilities are written off these Financial Statements when the underlying obligation is extinguished, cancelled or discharged.
Financial assets and liabilities are offset on the balance sheet when you have the legal right to set-off, which is currently exercisable, and you intend to settle the ratio on a net basis (i.e. to realize the asset and simultaneously settle the liability).

## DERIVATIVES

Derivative financial instruments are qualified as securities held for trading, measured at *fair value* with a contra-entry in the income statement and classified under other current and non-current assets or liabilities, or, if the instrument hedges the risk of changes in expected cash flows of another financial instrument or a scheduled transaction, directly to a positive or negative equity reserve.
Financial assets and liabilities offset in the income statement are initially recognised and subsequently measured at *fair value* and the related ancillary costs are immediately recognised in the income statement. For derivative instruments for which a hedging relationship has not been designated, the gains or losses arising from their measurement at *fair value* are recognised directly in the income statement for the period in which the change in *fair value* occurs.

## EMPLOYEE BENEFITS

In programs with defined benefits, which also include the severance pay due to employees pursuant to Article 2120 of the Italian Civil Code ("**TFR**"), the amount of the benefit to be paid to the employee can only be quantified after the termination of the employment relationship and is linked to one or more factors such as age, years of service and salary; therefore, the related expense is charged to the accrued income statement on the basis of actuarial calculations. The liability recognised in these Financial Statements for defined benefit plans is the present value of the obligation at the date of these Financial Statements. Requirements for defined benefit plans are determined annually by an independent actuary using the projected *unit credit method*. The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to that of bonds (*high-quality corporate*) issued in the currency of the relevant defined benefit plans and taking into account the duration of the relevant pension plan. Actuarial gains and losses arising from these adjustments and changes in actuarial assumptions are recognised in the comprehensive income statement.
As of 1 January 2007, the so-called "2007 Finance Law" and its implementing decrees introduced significant changes to the rules on severance pay, including the employee's choice of the destination of his or her accrued severance pay. In particular, the new flows of severance pay can be directed by the worker to chosen pension schemes or kept in the company. In the case of allocation to external pension schemes, the Company is subject only to the payment of a defined contribution to the chosen fund and from that date the newly vested portions are in the nature of defined contribution plans not subject to actuarial valuation.

## CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities of an unlikely, but possible, or remote nature are not recognised in these Financial Statements; however, adequate information shall be provided in this regard for possible contingent assets and liabilities.
If, on the other hand, the financial disbursement relating to the obligation is expected to take place beyond the normal payment terms and the effect of discounting is significant, the amount of the provision is represented by the present value of the future payments expected to extinguish the obligation.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised against losses and charges of a specific nature, of certain or probable existence, the amount and/or date of occurrence of which, however, cannot be determined.

Recognition is recognized only when there is a current obligation, legal or implied, for a future exit of economic resources as a result of past events and it is likely that such exit is required for the performance of the obligation. This amount represents the best estimate of the cost to pay off the obligation. The rate used in determining the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.
When the financial effect of time is significant, and the payment dates of the bonds are reliably estimated, funds are valued at the present value of the expected disbursement using a rate that reflects market conditions, the change in the cost of money over time and the specific risk associated with the bond. The increase in the value of the fund, determined by changes in the cost of money over time, is accounted for as interest expense. The funds are periodically updated to reflect changes in cost estimates, lead times and discount rates; Revisions to estimates are charged to the same income statement item that previously included the provision.
Risks for which the occurrence of a liability is only possible are indicated in the appropriate information section on contingent liabilities and no allocation is made for them.

## PAYABLES TO SUPPLIERS AND OTHER LIABILITIES

Trade payables are obligations to pay against goods or services acquired from suppliers as part of ordinary business activities. Payables to suppliers are classified as current liabilities if payment is made within one year from the date of these Financial Statements. Otherwise, these payables are classified as non-current liabilities. Payables to suppliers and other liabilities are initially recorded at fair value, net of directly attributable ancillary costs, and are subsequently measured at amortised cost, applying the effective interest rate method.

## REVENUE RECOGNITION

Revenues are recognized at the *fair value* of the consideration received for the sale of products and services in the ordinary course of the Company's business. The revenue is recognized net of value added tax, expected returns, rebates, discounts and certain marketing activities carried out with the help of customers and whose value is a function of the revenues themselves.
Revenues from the sale of products are recognised when the risks and rewards associated with the ownership of the goods are transferred to the buyer, the sale price is agreed or determinable and it is expected to be collected.
More specifically, revenues from contracts with customers are recognised when the following conditions are met:

- the contract with the customer has been identified;
- the contractual obligations ("performance obligations") contained in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The allocation of the consideration between the various performance obligations is carried out on the basis of the "stand-alone selling prices" of the related performance obligations.

The Company recognises revenues from contracts with customers when it fulfils the contractual obligation by transferring the promised good or service to the customer, or through the satisfaction of the various performance obligations. This can take place at a specific time ("point in time") or as the relevant performance obligations are met ("over time"). The good or service is deemed to have been transferred when (or as soon as) the customer acquires control of it.
A performance obligation is met over time if one of the following criteria is met:

- The client simultaneously receives and consumes the benefits at the time the entity performs its service.
- The customer controls the contracted asset at the time it is created or improved by the entity
- The entity's performance does not create an asset with an alternative use, and the entity has a right to collect consideration for services completed on the date

The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts, or both. If the contractual consideration includes a variable amount (e.g. discounts, price concessions, incentives, penalties or other similar elements), the Company estimates the amount of consideration to which it will be entitled in exchange for the transfer to the customer of the promised goods or services. The Company includes in the transaction price the amount of the estimated variable consideration only to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenues recognized.

### COST RECOGNITION

Costs are recognised when they relate to goods and services purchased or consumed during the period or systematically allocated.

#### Financial income/expense

Interest income/expense is recognised as financial income/expense following their assessment on the basis of accrual criteria or when it is not possible to identify their future usefulness.

### TAXES

Current taxes are determined based on the estimated taxable income, in accordance with the tax laws applicable to the Company.
Deferred tax assets and liabilities are calculated on the basis of all differences between the taxable amount of an asset or liability and its carrying amount, with the exception of goodwill at initial recognition. Deferred tax assets, including those relating to tax losses carried forward, for the portion not offset by deferred taxes, are recognized to the extent that it is probable that future taxable income is available against which they can be recovered. Deferred tax assets and deferred tax assets are determined using the tax rates in effect or substantially approved at the end of the period that are expected to be applicable in the periods in which the differences are realized or settled.
Current, deferred tax assets and deferred tax assets are recognised in the income statement under "Income taxes", with the exception of those relating to items recognised under comprehensive income other than net income and those relating to items directly charged or credited to shareholders' equity. In the latter cases, deferred taxes are recognised in the statement of comprehensive income and directly to shareholders' equity.
Deferred tax assets and deferred tax assets are offset when they are applied by the same tax authority, there is a legal right to set-off, and a settlement of the net balance is expected.
Other non-income related taxes, such as indirect taxes and taxes, are included in the income statement item "Other operating expenses."

# 3 Financial Risk Management

The Company's assets are exposed to the following financial risks: market risk (defined as exchange rate and interest rate risk), credit risk, liquidity risk and equity risk.
The Company's *risk management* strategy is aimed at minimizing potential negative effects on the Company's financial performance. Risk management is centralised in the Treasury department, which identifies, assesses and hedges financial risks in close collaboration with the operating units. The Financial Department provides guidance for monitoring risk management, as well as guidance for specific areas regarding interest rate risk, exchange rate risk and the use of derivative and non-derivative instruments.

### MARKET RISK

The Company is exposed to the following market risks.
*Interest Rate Risk*

The Company has a long-term financing situation that is fully financed by third parties. The loan agreements are initially recorded at *fair value*, net of directly attributable ancillary costs, and are subsequently measured at amortised cost, applying the effective interest rate method, recognising the interest accrued during the period in the income statement. In addition, where deemed applicable, the Company has indexed the loans received to market values.

*Exchange Rate Risk*

On average, the Company generates a significant share of its turnover in countries in the US Dollar Area and is therefore subject to exchange rate risk. However, the risk arising from the foreign currency credit exposure is mitigated by the fact that the Company also has supply contracts in place in US Dollars, which generate a partial natural hedge of the foreign currency exposure.

Product Risk

All production sites and production techniques used must comply with GMP standards established by industry regulatory authorities such as the Food and Drug Administration ("FDA") and the Italian Medicines Agency ("AIFA") as well as other regulatory authorities in other countries. In the event of non-compliance with regulatory requirements, the Company may have to pay fines, notify its customers and regulatory authorities, dispose of non-compliant inventories, incur costs for product recalls or even close its facilities. This could have a significant risk to the Company's operating and financial results. In addition, regulatory authorities conduct periodic undisclosed inspections of the Company's manufacturing sites to check our compliance with regulatory standards. If, in the course of such inspections, the Regulatory Authority identifies a non-compliance with regulatory requirements, it may impose fines on the Company or, if it determines that the Company's non-compliance is serious, it may impose the closure of the Company's production sites. This could have a significant risk to the Company's operating and financial results. The Company constantly monitors compliance with regulatory standards and maintains processes and controls designed to prevent and mitigate the risk of non-compliance.

The Company has assessed the risk associated with the non-conformities of its products as low on the basis of its historical data and the high customer satisfaction index.

Risks related to the evolution of the legislative and regulatory framework in the pharmaceutical sector

The pharmaceutical sector is characterized by a high level of local, national and international regulation, which influences activities at all levels. The pharmaceutical sector is also exposed to national and international technical standards that govern the conduct of research, development, production, distribution and scientific information of medicines. The Company implements a policy of constant monitoring of regulatory developments in all the markets in which it operates, through dedicated organizational controls, set up at Corporate and branch level, in order to identify and promptly adopt the most appropriate response strategies.

Risks associated with expansion into emerging countries

The Company's strategy envisages an expansion of activities in countries with the highest development potential and sustained growth rates (e.g. Central and Eastern Europe, the Middle East and North Africa). Operations in such countries may present risks related to political, economic, currency, regulatory, or fiscal instability or discontinuity.

Risks associated with competitive pressure

Archimica, like any company operating in the pharmaceutical sector, is subject to product competition that could cause a contraction in its market share. The Company manages risk by pursuing a policy of progressive diversification and enrichment of its product portfolio, in order to reduce dependence on the existing product portfolio. In the pharmaceutical sector, there is a risk that delays in the development processes or the issuance of the necessary authorizations by the Regulatory Authorities may prevent compliance with the scheduled timing for launches, with consequent possible impacts on the expected profitability of products and/or delays in achieving the expected growth targets. In order to mitigate this risk, the Company pursues both a strategy of enriching and balancing its pipeline of products related to dossiers in the registration phase and already registered and others in different stages of development, and a logic of geographical diversification aimed at limiting dependence on the Regulatory Authorities of a single country.

## CREDIT RISK

The Company's ability to operate and fulfil its obligations to the banking system and suppliers is conditioned by the regular flow of collections from customers. In this regard, the company has always carefully monitored trade receivables and minimised risk positions, the nominal value of which has been adjusted on the basis of the presumed realisable value. On this basis, and in view of a customer default rate of less than 1%, no external loan coverage measures were adopted.
The amount of financial assets deemed to be doubtful recoverable is in any case covered by appropriate allocations to the provision for doubtful debts. See note 5.7 for more details on the provision for doubtful debts. The following table provides a breakdown by classes of past due receivables of current receivables from customers as at 31 March 2024, net of the provision for doubtful debts.

| *(in Euro)* | **31 march 24** |
|---|---|
| Current | 8.965 |
| Past due 0-30 days | 2.611 |
| Past due 31-60 days | 771 |
| Past due 61-90 days | 600 |
| Past due 91-120 days | 29 |
| Past due 121-150 days | 34 |
| Past due 151-180 days | 203 |
| Past due 210-240 days | |
| Past due 241-270 days | 34 |
| Past due 271-300 days | |
| Past due over 360 days | - 31 |
| **Total** | **13.216** |

## LIQUIDITY RISK

Liquidity risk is typically represented by the possibility that an entity may have difficulty in raising sufficient funds to meet its obligations and includes the risk that counterparties that have provided loans and/or credit lines may require their repayment.

-

| **Balance at 31 march 24** *(in Euro)* | **Total** | **< 1 year** | **1-5 years** | **>5 years** |
|---|---|---|---|---|
| Non-current financial liabilties | 6.893 | - | 6.893 | - |
| Current financial liabilties | 15.508 | 15.508 | - | - |
| Financial Leasing | 1 | 1 | - | - |
| Other Liabilities | 1.775 | 1.775 | - | - |
| Trade payables | 7.745 | 7.745 | - | - |
| **Total** | **31.922** | **25.029** | **6.893** | **-** |

## CAPITAL MANAGEMENT RISK

The Company's objective in the area of capital risk management is primarily to safeguard business continuity in order to guarantee returns to shareholders and benefits to other stakeholders. The Company also aims to maintain a sustainable capital structure in order to reduce the cost of debt.

Archimica

## FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The *fair value* of receivables from customers and other financial assets, payables to suppliers and other payables and other financial liabilities, recorded under the "current" items of the statement of financial position and measured using the amortised cost method, since these are mainly assets underlying commercial relationships that are expected to settle in the short term, does not differ from the carrying amounts of the Balance Sheet as at 31 March 2024.

Non-current financial liabilities and assets are settled or measured at market rates and the fair value of these liabilities and assets is therefore considered to be substantially in line with current carrying amounts.

The following is a classification of financial assets and liabilities by category as of March 31, 2024:

| **Balance at March 31,2024** *(in Euro)* | **Loans and receivables** | **Financial assets or liabilities** | **Designated hedging tools** | **Total financial asset(iabilities)** | **Non-financial assets (liabilities)** | **Total** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade receivables | 13.216 | - | - | 13.216 | - | 13.216 |
| Other current and non-current assets | 1.966 | - | - | 1.966 | - | 1.966 |
| Cash and cash equivalents | 782 | - | - | 782 | - | 782 |
| **Total assets** | **15.963** | **-** | **-** | **15.963** | **-** | **15.963** |
| **Liabilities** | | | | | | |
| Current and non-current financial liabilities | 22.401 | - | - | 22.401 | - | 22.401 |
| Trade payables | 7.745 | - | - | 7.745 | - | 7.745 |
| Other current and non-current liabilities | 1.775 | - | - | 1.775 | - | 1.775 |
| **Total liabilities** | **31.922** | **-** | **-** | **31.922** | **-** | **31.922** |

## ESTIMATION OF FAIR VALUE

The *fair value* of financial instruments listed on an active market is based on market prices at the reporting date. The *fair value* of instruments that are not listed on an active market is determined using valuation techniques based on a variety of methods and assumptions related to market conditions at the date of these Financial Statements. The fair *values* of financial instruments are classified below on the basis of the following hierarchical levels:

*Level 1*: *Fair value* determined with reference to quoted (unadjusted) prices on active markets for identical financial instruments;

*Level 2*: *Fair values* determined using valuation techniques with reference to variables observable on active markets;

*Level 3*: *Fair values* determined using valuation techniques with reference to unobservable market variables.

# 4 Estimates and Assumptions

The preparation of financial statements requires the Directors to apply accounting principles and methodologies which, in certain circumstances, are based on difficult and subjective evaluations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic according to the relevant circumstances. The application of these estimates and assumptions affects the amounts reported in the present financial statements, the statement of financial position, the statement of income, the statement of comprehensive income, the statement of cash flows, as well as the information provided. The final results of the items in these Financial Statements for which the above estimates and assumptions have been used may differ from those reported in the financial statements that record the effects of the occurrence of the event being estimated, due to the uncertainty surrounding the assumptions and the conditions on which the estimates are based.

The following are briefly described the areas that require greater subjectivity on the part of directors in the preparation of estimates and for which a change in the underlying conditions of the assumptions used could have a significant impact on financial data.

(a) Impairment of assets

In accordance with the accounting principles applied by the Company, tangible and intangible assets and goodwill, where present, are subject to verification in order to ascertain whether an impairment has occurred, which must be recognized through an impairment, when there are indicators that suggest difficulties in recovering the related net book value through use. The verification of the existence of the aforementioned indicators requires, on the part of the directors, the exercise of subjective assessments based on the information available within the Company and on the market, as well as on historical experience. In addition, if it is determined that a potential impairment may have been generated, the Company shall proceed to determine the same using valuation techniques deemed appropriate. The correct identification of the indicators of the existence of a potential impairment of property, plant and equipment, intangible assets and goodwill, as well as the estimates for determining them, depend on factors that may vary over time, influencing the valuations and estimates made by the directors.

(b) Depreciation

The cost of property, plant and equipment and intangible assets is amortised on a straight-line basis over the estimated useful life of the related assets. The economic useful life of these assets is determined by the directors at the time they are acquired; It is based on historical experience for similar activities, market conditions and anticipations of future events that could impact the useful life of assets, including changes in technology. Therefore, the actual economic life might differ from the estimated useful life.

(d) Provisions for risks and charges

The estimation of provisions for risks and charges, which is carried out with reference to the best information available at the date of these Financial Statements, involves the preparation of discretionary estimates based on both historical and prospective data regarding the future outcome of disputes or events, the assessment of which in terms of risk profiles and estimates in terms of economic and financial impacts are subject to uncertainties and complexities that could lead to changes in estimates.

(e) Provision for doubtful debts

The allowance for doubtful accounts reflects estimated losses for the Company's receivables portfolio. Provisions were made for expected credit losses, estimated on the basis of past experience with reference to loans with similar credit risk, current and historical outstanding amounts, as well as careful monitoring of the quality of the loan portfolio and the current and expected conditions of the economy and the reference markets. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the relevant period.

(f) Warehouse obsolescence provision

The Company ascertains in the provision for inventory obsolescence the probable liabilities attributable to impairment of inventories. The determination of these provisions involves the assumption of estimates based on current knowledge of factors that may change over time, thus generating final outcomes that may be significantly different from those taken into account in the preparation of this disclosure.

# 5 Notes to the Statement of Financial Position and the Income Statement

## 5.1 Intangible Assets

| (in euro) | Development and research costs | Software and other intangible assets | Current intangible assets | total |
|---|---|---|---|---|
| **Balance at April 27,2023** | **-** | **105** | **-** | **105** |
| *Of which:* | - | - | - | **-** |
| *- historical cost* | *154* | *2.444* | - | ***2.598*** |
| *- accumulated amortization* | *(154)* | *(2.339)* | - | ***(2.493)*** |
| | - | - | - | **-** |
| Amortization | - | (23) | - | **(23)** |
| Reclasses | - | (18) | - | **(18)** |
| **Balance at December 31, 2020** | **-** | **64** | **-** | **64** |
| *Of which:* | - | - | - | **-** |
| *- historical cost* | *154* | *2.426* | - | ***2.580*** |
| *- accumulated amortization* | *(154)* | *(2.362)* | - | ***(2.516)*** |

No investments were made during the Period.

## 5.2 Tangible activities

The investments in the period represent what is necessary for the process of constant modernization of the production plants, the adaptation to environmental safety standards and the protection of employees.

| (in Euro) | Building and land | Plants and machinery | Industrial & commercial equipment | other goods | Current tangible assets and accounts | total |
|---|---|---|---|---|---|---|
| **Balance at April 27,2023** | **4.411** | **7.025** | **1.147** | **94** | **2.397** | **15.074** |
| *Of which:* | - | - | - | - | - | **-** |
| *- historical cost* | *12.113* | *50.544* | *4.062* | *1.296* | *2.397* | ***70.411*** |
| *- accumulated depreciation* | *(7.701)* | *(43.519)* | *(2.915)* | *(1.202)* | - | ***(55.337)*** |
| Additions | 346 | 646 | 29 | 31 | 3.588 | **4.640** |
| Disposals | - | (11) | - | - | - | **(11)** |
| Depreciation | (337) | (1.378) | (317) | (13) | - | **(2.044)** |
| Impairments | - | - | - | (9) | - | **(9)** |
| Reclassifications | 32 | 787 | - | - | (801) | **18** |
| **Balance at December 31, 2018** | **4.452** | **7.069** | **859** | **104** | **5.183** | **17.668** |
| *Of which:* | - | - | - | - | - | **-** |
| *- historical cost* | *12.491* | *51.604* | *4.091* | *1.327* | *5.183* | ***74.697*** |
| *- accumulated depreciation* | *(8.038)* | *(44.535)* | *(3.232)* | *(1.223)* | - | ***(57.028)*** |

During the period, the Company made investments of Euro 4,640 thousand. The investments made are to be made in relation to the objectives of increasing production capacity, improving the efficiency and safety of the plant, ensuring respect for the environment and providing for regular extraordinary maintenance activities in order to guarantee production continuity and to implement interventions required by the Italian regulatory authority.

The increases in the period mainly relate to:

- acquisition of new plants and revamping of existing ones for the Diacerein, Sucralfate, Mianserine and Cytarabine production lines;
- the creation of a new Chilo Lab and a new laboratory for quality control;

- the general renovation of the F1 office building.

As of March 31, 2024, the Company analyzed internal and external sources of information in order to assess whether tangible assets were impaired. As of the aforementioned date, there were no impairment indicators for Property, Plant and Equipment, also taking into account the expert report prepared by an independent expert who estimated a market value as of April 27, 2023 higher than the book value of the plant and equipment in place. No indicators emerged about a possible significant change in market value

## 5.3 Deferred tax assets and deferred tax liabilities

The items in question and the related movements can be detailed as follows (values in thousands of Euro):

| Particulars | Taxable 27-apr-23 | Deferred Tax assets 27 april 23 | P&L during the period | Taxable 31-mar-24 | Deferred Tax assets 31 march 24 |
|---|---|---|---|---|---|
| Provision for inventories | 2.029 | 566 | -566 | 908 | 0 |
| Trade receivables | 645 | 155 | -155 | 257 | 0 |
| Gains(loss) on exchange differences | -36 | -9 | 9 | 7 | 0 |
| Other provision | 222 | 62 | -62 | 5 | 0 |
| Environmental provision | 1.717 | 479 | -479 | 1.701 | 0 |
| Fiscal losses | 2.277 | 546 | 849 | 7.946 | 1.395 |
| Surplus Tax advantage | 228 | 55 | -55 | 217 | 0 |
| **Totale** | **7.081** | **1854** | **-459** | **11041** | **1395** |

| Particulars | Taxable 27-apr-23 | Deferred Tax Liabilities 27 april 2023 | P&L during the period | Taxable 31-mar-24 | Deferred Tax Liabilities 31 march 24 |
|---|---|---|---|---|---|
| Property, plant and equipment | 1.167 | 280 | -255 | 87 | 25 |
| Other | 396 | 95 | -37 | 208 | 58 |
| **Totale** | **1.563** | **375** | **-292** | **295** | **83** |

The Company has theoretical deferred tax assets for a total of Euro 3,756 thousand. On the basis of the forecasts of future taxable income deriving from the positive results expected by the Company, confirmed by the 2024/2025 budget and the multi-year plans until March 2029 approved by the Company's directors on 28 March 2024, the directors considered it reasonable to record only deferred tax assets on losses carried forward that are expected to be recovered by March 2027, taking into account the following elements:

- current tax legislation referring to the carry-forward, for IRES purposes (art. 84 of the TUIR), of tax losses, which provides for the possibility of calculating the aforementioned losses as a reduction in the income of future tax periods (within the limit of 80% of its amount) without time limits;
- verification time horizon for the repayment of deferred tax assets through future taxable income: in this sense, the starting point was the provisions of the 2024-2029 business plan prepared by the directors;
- current tax legislation referring to the deductibility of the components that give rise to deferred tax assets relating to temporary differences.

On the basis of the above considerations, the valuations carried out have shown that the deferred tax assets recorded in these financial statements are fully recoverable.

## 5.4 Other Current and Non-Current Assets

The item in question can be detailed as follows:

| *(in Euro)* | **31 march 24** |
| --- | --- |
| Security deposits | 38 |
| Financial assets derivates | 208 |
| Other non-current assets | 61 |
| | - |
| **Total other non-current assets** | **308** |
| | - |
| Other non-income tax receivables | 827 |
| Advance payments and others | 590 |
| Other current assets | 241 |
| | - |
| **Total other current assets** | **1.658** |

Other non-current assets mainly comprise fixed financial receivables; the main item of 208 thousand refers to derivatives; other current activities mainly include the VAT credit claimed by the Company as at 31 March 2024 for Euro 827 thousand, Euro 590 thousand for advance payments to various suppliers. Among the items of other activities, there is also a tax credit, net of the uses made during the Period for 5 thousand euros, generated by the Technological Innovation Bonus paid in 2020 by the State for companies. Below is a breakdown of the contributions received and their uses:

| **Description** | **year** | **tax credit for energy** | **Utilization** | **Outstanding amount** |
| --- | --- | --- | --- | --- |
| Technological innovation bonus | 2020 | 15.317 | - 15.317 | - |
| Capital goods investment bonus | 2020 | 11.787 | - 7.072 | 4.715 |
| ENERGY I tax credit 2022 semester | 2022 | 172.912 | - 172.912 | - |
| GAS II tax credit year 2022 quarter | 2022 | 76.016 | - 76.016 | - |
| ENERGY TAX CREDIT III quarterly 2022 | 2022 | 158.360 | - 158.360 | - |
| GAS III tax credit year 2022 quarter | 2022 | 128.627 | - 128.627 | - |
| GAS I tax credit year 2022 quarter | 2022 | 46.800 | - 46.800 | - |
| GAS + ENERGY IV tax credit. quarter 2022 | 2022 | 311.391 | - 311.391 | - |
| Energy tax credit 1 quarter | 2023 | 108.697 | - 108.697 | - |
| Gas tax credit January February 23 | 2023 | 86.183 | - 86.183 | |
| Energy tax credit 2 trim 23 | 2023 | 44.119 | - 44.119 | |
| Gas credit March 23 | 2023 | 10.826 | - 10.826 | |
| Gas credit II trim 23 | 2023 | 15.932 | - 15.932 | - |
| **Total march 31, 2024** | | **1.186.968** | **- 1.182.253** | **4.715** |

## 5.5 Current Tax Receivables

The item in question can be detailed as follows:

| *(in Euro)* | 31march 2024 | 27 april 2023 | Variance |
|---|---|---|---|
| IRAP receivables | 277 | 39 | 238 |
| Other tax receivables | 166 | 152 | 14 |
| **Total tax receivables** | **443** | **191** | **252** |
| | | | |
| Payables for income taxes | - | 596 | (596) |
| IRAP payables | - | - | - |
| IRES payables | - | - | |
| Other tax payables | | | - |
| **Total tax payables** | **-** | **596** | **(596)** |

## 5.6 Inventories

The item in question can be detailed as follows:

| *(in Euro)* | 31march 2024 | 27 april 2023 | Variance |
|---|---|---|---|
| Raw and consumable materials | 1.523 | 2.842 | (1.319) |
| Work in progress and semi-finished products | 1.757 | 2.205 | (449) |
| Finish products and goods for resale | 4.939 | 5.477 | (539) |
| **Total** | **8.219** | **10.525** | **(2.306)** |

The value of inventories, net of the related provisions for impairment losses, decreased by Euro 2,306 thousand compared to 27 April 2023.

| *(in Euro)* | Obsolescense Reserve | Quality Reserve | Net realizable value reserve |
|---|---|---|---|
| **Balance at april 27,2023** | **(347)** | **(1.607)** | **(37)** |
| | | | |
| Provisions | (11) | (298) | (2) |
| Utilisations | 110 | 1.249 | 2 |
| Reclassification | - | - | - |
| Releases | - | 33 | - |
| **Balance at March 31, 2024** | **(248)** | **(623)** | **(37)** |

During the period, the Company used funds for a total of 1,360 thousand euros in relation to out-of-specification products for which they were disposed of, and set aside 311 thousand euros for products subject to quality control.

## 5.7 Receivables from Customers

| | 31 march 24 | 27 april 23 |
|---|---|---|
| Trade receivables | 13.473 | 10.530 |
| Allowance for doubt trade receivables | (257) | (645) |
| **Total** | **13.216** | **9.885** |

| | |
|---|---|
| **Balance at April 27,2023** | **(645)** |
| Provisions | - |
| Utilisations | 388 |
| Releases | - |
| **Balance at march 31, 2024** | **(257)** |

For the Period, no allocation was made for the write-down of receivables as the amount of receivables deemed to be of doubtful recoverability is covered by the provision in question. The change in the period is due to the use of the provision for doubtful accounts following the ascertained non-recoverability of some receivable positions covered by the relevant provision.

## 5.8 Contractual activities

| | 31 march 24 | 27 april 23 | Variance |
|---|---|---|---|
| Contract assets | 4.529 | 3.681 | 848 |

## 5.9 Cash equivalents and Cash Equivalents

| *(in Euro)* | 31march 2024 | 27 april 2023 | Variance |
|---|---|---|---|
| Cash and cash equivalents (Bank and postal deposits) | 779 | 1.249 | (469) |
| Cash and cash equivalents | 2 | 2 | 0 |
| **Total cash and cash equivalents** | **782** | **1.251** | **(469)** |

| (in Euro) | 31march 2024 | 27 april 2023 | Variance |
|---|---|---|---|
| Cash and cash equivalents in Euro | 780 | 1.248 | (468) |
| Cash and cash equivalents in USD | 1 | 2 | (1) |
| **Total cash and cash equivalents** | **782** | **1.251** | **(469)** |

## 5.10 Equity

The share capital of Archimica SpA, fully subscribed and paid-in, amounts to 10,207 thousand euros and consists of 16,463,115 ordinary shares of 0.62 euros each.
The share capital as at 31 March 2024 is fully paid-up, with no restrictions regarding the distribution of dividends and the repayment of capital.
Below is a summary table of the possibilities for using the various equity reserves.

| *(in Euro)* | **31 march 2024** | **Possibility of use** |
|---|---|---|
| Share capital | 10.207 | Loss allowance |
| Legal reserve | 2.041 | Loss allowance |
| Employee benefits discount | 4 | Share Capital increase-Loss allowance |
| Capital contribution | 1.606 | Share Capital increase-Loss allowance |
| Cash flow hedging reserve | 108 | Share Capital increase-Loss allowance |
| Retained earnings | 4.291 | Share Capital increase-Loss allowance |
| Profit(loss) of the period | (3.895) | Share Capital increase-Loss allowance |
| **Total net equity** | **14.363** | |

| *(in Euro)* | **31 march 2024** |
|---|---|
| Share capital | 10.207 |
| Legal reserve | 3.759 |
| Retained earnings | 4.291 |
| Profit(loss) of the period | (3.895) |
| **Total net equity** | **14.363** |

## 5.11 Current and Non-Current Financial Liabilities

| (in Euro) | 31 march 2024 | 27-apr-23 |
|---|---|---|
| Financial leasing debts non current | - | 3.685 |
| Loan non current part Unicredit 5MIO-2 | 4.451.580 | - |
| Loan non current part Unicredit 5MIO-1 | 1.553.443 | 2.473.975 |
| Loan non current part Credit agricole 3,5 MIO-1 | 887.614 | 1.417.170 |
| Loan non current part Unicredit 2,5MIO | - | 980.291 |
| **Passività Finanziarie Non Correnti** | **6.892.637** | **4.875.121** |

| (in Euro) | 31 march 2024 | 27-apr-23 |
|---|---|---|
| Financial leasing debts current | 1.006 | 9.033 |
| Credit Agricole Hot money | 1.500.000 | 2.500.000 |
| Unicredit c/Export | 736.960 | 647.977 |
| Interests on intercompany loan | 172.691 | - |
| Intercompany loan | 7.965.000 | - |
| UNICREDIT HM | - | 1.000.000 |
| Instalments Loans current portion | 5.132.974 | 2.590.977 |
| **Passività Finanziarie Correnti** | **15.508.631** | **6.747.986** |

The change in financial liabilities is due to the net effect, on the one hand, of the decrease in payables for outstanding loans, for the payment of the instalments of maturing loans and for the repayment of Unicrediti's short-term line, and on the other hand, for the disbursement of three new loans by Unicredit and Cariparma (of which 1.5 million Euro from Cariparma, 2.5 and 5 million Euros from Unicredit). It should also be noted that the parent company disbursed a loan during the period for a total of approximately €8 million, repayable on demand. Finally, it should be noted that as of 31 March 2024, the Company did not comply with a financial covenant on the financing concept of 2.5 million Euros by Unicredit and has, therefore, reclassified the entire remaining loan (equal to approximately 1 million Euros) within the twelve months following 31 March 2024.
11.953

| *(in Euro)* | **Loan amount** | **Outstanding loanat nominal value at the end of the year** | **Covenants** |
|---|---|---|---|
| **Unicredit** | 5.000 | 5.000 | |
| **Unicredit** | 5.000 | 2.540 | |
| **Unicredit** | 2.500 | 1.053 | Net equity>=16.400 |
| **Cariparma** | 3.500 | 1.586 | |
| **Unicredit** | 2.500 | 1.010 | |
| **Cariparma** | 1.500 | 764 | |
| | **20.000** | **11.953** | |

There was no increase in lease liabilities during the period. The table below summarizes the financial liabilities related to existing finance lease contracts:

| *(in Euro)* | **31/03/2024** |
|---|---|
| Cars | 1 |
| **Totale** | **1** |

## Net financial debt

| | in Euro | 31/03/2024 |
|---|---|---|
| A. | Cash | 782 |
| B. | Other cash equivalent | - |
| C 1. | Securities held for trading | - |
| C 2. | Treasury shares | - |
| D | **Cash (A)+(B)+(C)** | 782 |
| | | |
| E. | **Current financial receivables** | - |
| | | |
| F. | Current bank payables | 2.237 |
| G. | Current portion of non current debt | 5.133 |
| H. | other current financial debt | 8.139 |
| I. | **Current financial debt (F) + (G) + (H)** | 15.509 |
| | | |
| J. | **Net current financial debt (I) + (E) - (D)** | 14.727 |
| | | |
| K. | Non Current bank payables | 6.893 |
| L. | Bonds issued | - |
| M. | Other non current financial debt | - |
| N. | **Non-current financial debt (K) + (L) + (M)** | 6.893 |
| | | |
| O. | **Net financial debt (J) + (N)** | 21.620 |

## 5.12 Employee Benefits

This item includes the payable for employee severance pay (TFR). The handling of the item can be detailed as follows:

| *(in Euro)* | **Provisions for Leaving Indemnities & Severance Pay** | **Actualization of Provisions for Leaving Indemnities & Severance Pay** | **Total** |
|---|---|---|---|
| **Balance at april 27,2023** | **(183)** | **14** | **(169)** |
| Actualizated | | 1 | 1 |
| Accrued | (4) | - | (4) |
| Paid | 13 | - | 13 |
| **Balance at march31, 2024** | **(174)** | **15** | **(159)** |

The actuarial calculation assumptions for the purpose of determining defined benefit pension plans are detailed in the following tables:

| **Actuarial assumptions** | **31/03/2024** |
|---|---|
| **Economic assumption** | |
| Inflation rate | 2,00% |
| Increase TFR rate | 3,00% |
| Actuarial rate | 3,40% |
| **Demographic assumption** | |
| Probability of resignation | 5,00% |
| Probability of advances | 3,00% |

The sensitivity analysis of the main actuarial assumptions included in the calculation model is shown below. From the baseline scenario above, the most significant assumptions, such as the annual discount rate, the inflation rate and the resignation rate, have been changed by half, a quarter and two percentage points, respectively. The results obtained can be summarized in the following table:

*(importi in euro)*

| *Archimica S.p.A.* | | | | | | |
|---|---|---|---|---|---|---|
| | *Annual discount rate* | | *Annual inflation rate* | | *Annual turnover rate* | |
| | +0,50% | - 0,50% | +0,25% | - 0,25% | +2,00% | - 2.00% |
| *Past Service Liability* | 151.719 | 165.388 | 160.370 | 156.322 | 159.939 | 156.375 |

The split in liabilities in the coming years is as follows:

Cash Flows futuri

*(Euro)*

| *Archimica S.p.A.* | |
|---|---|
| Years | Cash Flows |
| *0 – 1* | 13.167 |
| *1 – 2* | 11.784 |
| *2 – 3* | 9.666 |
| *3 – 4* | 9.451 |
| *4 – 5* | 11.217 |
| *6 – 10* | 44.110 |

## 5.13 Provisions for Risks and Charges

| (in Euro) | Environmental provision | Other provision | Total |
|---|---|---|---|
| **Balance at april 27,2023** | **(1.717)** | **(217)** | **(1.935)** |
| Actuarial | 16 | | 16 |
| Derivatives | | (51) | (51) |
| Utilizations | | 218 | 218 |
| **Balance at March 31, 2024** | **(1.701)** | **(51)** | **(1.752)** |

Compared to 27 April 2023, the only changes concerned the adjustment of the environmental provision, the fair value of derivatives and the use of the provision for the client Shamrock.
With regard to the environmental characterization activities of the Lodi site, the preliminary plan for the Lodi site was already completed in 2019. During 2020 and 2021, potential remediation initiatives were further analysed and discussed with local authorities during the Services Conference held. At the same time, some significant preliminary activities were launched: soil sampling, the construction of two probes for monitoring interstitial gases and the carrying out of tests for the construction of a pilot groundwater treatment plant. As a result of these activities, in 2022 the applicability of the technology chosen for the execution of the recovery plan was confirmed and the design of the final plant is currently in the start-up phase, which will be followed by the construction phase and the start of operations, thus achieving the complete execution of the characterization plan. The related environmental provision recorded in these Financial Statements is subject to periodic verification and the value shown has been updated and updated.
As described in the "Product Risk" section, the Company constantly monitors compliance with regulatory standards and maintains processes and controls designed to prevent and mitigate the risk of non-compliance. Based on the information currently available, the Company is not aware of any non-compliance that could have a material adverse effect on its operating and financial results.

## 5.14 Payables to suppliers

"Payables to suppliers" includes payables to suppliers of raw materials and services, as well as payables to agents for accrued commissions.

| (in Euro) | 31 march 2024 |
|---|---|
| Current | 7.189 |
| Past due 0-30 days | 396 |
| Past due 31-60 days | 14 |
| Past due 91-120 days | (13) |
| Past due 121-150 days | 1 |
| Past due 241-270 days | 3 |
| Past due over 360 days | 156 |
| **Total** | **7.745** |

## 5.15 Other current liabilities

The item in question can be detailed as follows:

| (in Euro) | 31 march 24 |
|---|---|
| Other non-current liabilities | - |
| **Total other non-current liabilities** | **-** |
| Payables to employees | 930 |
| Social security payables | 381 |
| Advances from customers | - |
| Other current liabilities | 464 |
| **Total other current liabilities** | **1.775** |

Other current liabilities mainly refer to payables to personnel for accruals to be settled and related social security charges.

## 5.16 Sales Revenue

| (in Euro) | From 27 april 23 to 31 march 24 |
|---|---|
| Europe | 14.111 |
| North America | 11.522 |
| South America | 547 |
| Middle East | 286 |
| Asia | 3.862 |
| Others | 218 |
| **Total** | **30.547** |

### Revenue from customer contracts

The Company has contracts in place for the processing and transformation of goods owned by third-party customers and for the Period the amount relating to such processing is equal to Euro 848 thousand. This amount takes into account the "performance satisfied over the time", equal to the product between the kg produced and the selling price, adopting the output method, i.e. measuring progress on the basis of the results achieved and the value transferred compared to the remaining services promised under the contract. As of March 31, 2024, the total amount for these works amounted to Euro 4,528 thousand.

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Goods transferred in a given moment | 29.698 |
| Goods transferred for a given reference period | 848 |
| **Total** | **30.547** |

## 5.17 Other income

"Other income", amounting to Euro 26 thousand, mainly refers to non-recurring revenues.

## 5.18 Purchase costs of raw materials, ancillary materials, consumables and merchandise

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Raw materials expenses | 8.683 |
| Change in inventories of raw material,ancillaries,consumables and goods | 1.692 |
| **Total** | **10.374** |

The significant change in inventories of raw materials, ancillary materials, consumables and merchandise is mainly attributable to the application of strict and restrictive valuation criteria implemented by the Company due to the changed management and strategic logic.

## 5.19 Costs for Services and for the Use of Third Party Goods

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Mainteinance, repair and services | 3.277 |
| Utilities | 1.334 |
| Consulting and collaboration fees | 2.554 |
| Leases and rents | 407 |
| Transport charges on sales | 172 |
| Travel and other expenses | 96 |
| Other services from third parties | 3.940 |
| **Total** | **11.780** |

## 5.20 Personnel Costs

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Wages and salaries | 5.624 |
| Social security contributions | 1.733 |
| Other long-term benefits | 346 |
| Other personnel costs | 61 |
| **Total** | **7.763** |

## 5.21 Other Operating Costs

| *(in euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Other taxes | 282 |
| Provision/use/release for risks and charges | (0) |
| Other costs | 88 |
| **Total** | **370** |

## 5.22 Depreciation, Amortization and Value Adjustments

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Depreciation of tangible assets | 2.052 |
| Depreciation of intangible assets | 26 |
| Impairment of tangible assets | 11 |
| Impairment of intangible assets | - |
| **Total** | **2.089** |

## 5.23 Financial Income and Expenses

The item in question can be detailed as follows:

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Interest expense on financial lease obligations | (0) |
| Other financial expense from third parties | (862) |
| Net exchange rate gain/(loss) | (14) |
| **Total financial expense** | **(876)** |
| Other financial income | 304 |
| **Total financial income** | **304** |
| **Net financial income/(expense)** | **(572)** |

## 5.24 Income Taxes

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Current taxes | - |
| Deferred taxes | 264 |
| Prepaid taxes | (477) |
| Previous year taxes | 211 |
| **Actual tax** | **(2)** |

## 5.25 About the Cash Flow Statement

Net Financial Debt was negative for 21,620 thousand Euros, deriving from positive balances of 782 thousand Euros and financial liabilities totalling 22,401 thousand Euros.

Cash flows used by operating activities are mainly due to changes in receivables from customers, payables from suppliers and changes in inventories.

Cash flows absorbed by investing activities amounted to Euro 4,640 thousand .

## 5.26 Commitments

The Company has guarantees provided by the bank amounting to Euro 1.2 thousand and guarantees that it has borrowed from third parties for Euro 4.5 million.

## 5.27 Relations with Related Parties and with Subsidiaries, Associates, Parent Companies and Companies under the control of the latter

100% of the Company's share capital is held by PI Health Sciences BV, a company incorporated under Dutch law.
During the Period, the Company had commercial and financial relations with related parties whose economic content complies with the rules and conditions agreed upon at arm's length.

| *(in Euro)* | **Financial receivables** | **Financial liabilities** | **Trade receivables** | **Trade liabilities** |
|---|---|---|---|---|
| PI Health Sciences BV | - | - | - | (1.238) |
| PI HEALTH SCIENCES LIMITED | - | (176) | - | (176) |
| | **-** | **(176)** | **-** | **(1.414)** |

| *(in Euro)* | **Revenues and other profits** | **Costs of raw material,ancillaries,consumables and** | **Costs for services** | **Financial income and expenses** |
|---|---|---|---|---|
| PI Health Sciences BV | - | - | (1.237) | (173) |
| PI HEALTH SCIENCES LIMITED | - | (176) | - | - |
| | **-** | **-** | **(1.237)** | **(173)** |

## 5.28 Remuneration payable to Directors, Statutory Auditors and the Independent Auditors

| *(in Euro)* | **From 27 april 23 to 31 march 24** |
|---|---|
| Board of Directors | 3 |
| Board of statutory auditors or other supervisory board | 25 |
| External auditors | 42 |
| **Total** | **70** |

## 5.29 Main events and transactions during the Period

During the Period, the Company requested a loan from the parent company PI Health Science Netherlands BV for a maximum amount of €5 million, of which it obtained an amount of €2 million in June 2023 and a further €1.5 million in October 2023. In addition, on 9 June 2023, it obtained a loan from Unicredit for a total amount of €2.5 million, with simultaneous extinguishment of the outstanding loan of €1 million. In addition, again from Unicredit, on 20 November 2023 the Company obtained a further loan of 5 million Euros. Finally, on 28 June 2023 it obtained a loan from Credit Agricole for 1.5 million Euros, with subsequent extinguishment of the outstanding loan of 1 million Euros.

In addition, with the Shareholders' Meeting of 31 October 2023, the Company appointed Massimo Acciaro as a new member of the Board of Directors, who will hold the position previously held by Dr. Sabine Decker, whose mandate was expiring and will remain in office until the approval of the financial statements as at 31 March 2024.
Finally, on December 8, 2023, Westpole S.p.A., Archimica S.pA.'s IT service provider, was the target of a cyber attack. As a result, the Company has had access to various management software, including the company's ERP, unavailable to the Company. By the end of the year, Westpole was able to restore the functionality of access to the software and, as stated by the same supplier and verified by the controls put in place by the Company, there was no loss of data or corruption of the same.

## 5.30 Significant Events Occurring After the End of the Period and Outlook

No significant events occurred after the end of the Period.
The ongoing investment plan is continuing, aimed at increasing production capacity, improving the efficiency and safety of the plant, ensuring respect for the environment, ensuring effective extraordinary maintenance and fully implementing the observations resulting from the inspection conducted by AIFA during the month of December 2021, successfully launched during 2022. The objective of completing this intervention plan during the 2024 financial year is confirmed, in accordance with the forecasts and communications sent to the regulatory authority.
The events of the war and the geo-political tensions in Eastern Europe, which have mainly generated increases in the costs of acquiring energy resources and raw materials, have not been exhausted and undoubtedly constitute a factor of instability for the Italian and European economy: the Company will constantly and carefully monitor the possible repercussions of this situation on its business. taking the appropriate decisions to safeguard its economic results.

*****************

Lodi, 14 May 2024
For the Board of Directors
A Director