ANNUAL CONSOLIDATED FINANCIAL REPORT

December 31, 2022

Kepler S.p.A
Audited Consolidated Financial Report as of and for the period ended
December 31, 2022

Biofarma group

REPORT OF OPERATIONS

01

INTRODUCTION

- GENERAL INFORMATION ABOUT THE KEPLER S.P.A. AND ITS CONSOLIDATED SUBSIDIARIES (THE "GROUP")
- MARKET TREND
- SIGNIFICANT MACROECONOMIC AND INTERNATIONAL EVENTS THROUGHOUT THE PERIOD
- SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31, 2022

GENERAL INFORMATION ABOUT THE KEPLER S.P.A. AND ITS CONSOLIDATES SUBSIDIARIES (THE "GROUP")

Kepler S.p.A. (following the "Parent Company") is an holding company indirectly controlled by Ardian Buyout Fund VII B SLP through its wholly-owned subsidiary Vegeta S.p.A. which was created on February 7, 2022 for the purpose of the acquisition (the "Biofarma Acquisition") of Biofarma Srl and its subsidiaries (the "Biofarma Group")from White Bridge Investments and certain other sellers.

On March 27, 2022 Ardian Buyout Fund VII B SLP, Victoria HD S.r.l. and managers completed the acquisition of Biofarma Group.
The Biofarma Group, which operates in manufacturing and research and development of health supplements, medical devices and cosmetics products, was formed in February 2020 from the aggregation of the Biofarma Srl, Nutrilinea Srl, Apharm Srl (initially acquired for 70% controlling stake), Pasteur Srl (initially acquired for 75% controlling stake) and International Health Science Srl. On April 2022 and May 2022 the minority interests in Pasteur and Apharm have been acquired respectively.

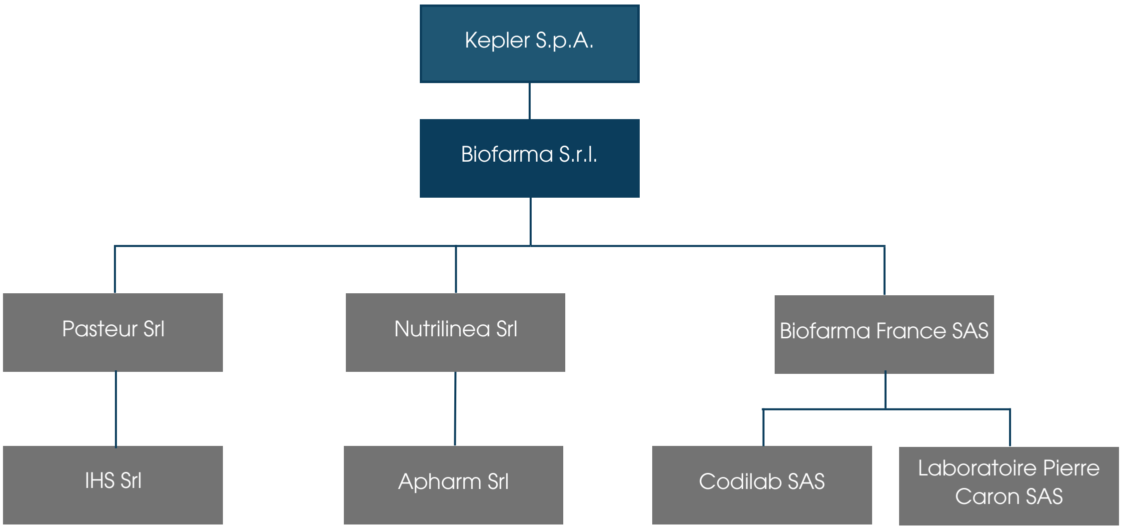
Kepler S.p.A. performed the acquisition through the newco Tauri S.p.A. that was subsequently merged into Biofarma Srl with retrospective accounting and fiscal effects at acquisition date. The acquisition price for 945 million of Euro has been paid partially by equity injections and banks loan.
In connection with the Acquisition, on March 22, 2022, Kepler. S.p.A. entered into (i) the Bridge Facility Agreement, which provides for the 345 million of Euro Bridge Facilities (comprising the following virtual tranches: the Bridge Acquisition Tranche, the Bridge Refinancing Tranche and the Bridge General Corporate Purpose Tranche) and (ii) the Revolving Credit Facility Agreement, which provides for 60 million of Euro Revolving Credit Facility.
Kepler S.p.A. successfully completed the offering of 345 million of Euro aggregate principal amount of Senior Secured Floating Rate Notes due 2029 (the "Notes"). The Notes bear interest equal to three-month EURIBOR (with 0% floor) plus 5.75% per annum, reset quarterly, and were issued at an issue price of 96.00% of the nominal amount thereof Application has been successfully made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market thereof.
On August 8, 2022, Kepler S.p.A.. signed an ISDA master agreement for an interest rate cap based on a notional amount of 345 million of Euro with an underlying rate based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0%, to hedge against the interest rate risk relating to the Notes for a running premium of 152bps.
Thus, the Group capped its EURIBOR exposure to 1.52% for 3 years, which is expected to generate savings in the current rising interest- rate environment.

On September 15, 2022, the Group completed the acquisition of 100% of the shares of Codilab and Laboratoire Pierre Caron (together "Nutraskilss"), two French companies specialized in the research and development, manufacture, and packaging of food supplements. More precisely, Codilab is a Contract Manufacturing Organization specialist of dry-form food supplements (in particular tablets, capsules, powders) and Laboratoire Pierre Caron is a Contract Development Organization focused on the formulation and packaging (mostly pill jars) of food supplements for third parties.

That operation on French territory has been settled thank to the constitution of Biofarma France legal entity, which is controlled by 100% by Biofarma S.r.l. and which is structured with idea to become the legal and fiscal vehicle for all Kepler S.p.A. initiative in France. In order to perform the acquisition operation, Biofarma France has received the necessary capital injection from Biofarma S.r.l., mostly financed by the group available financial resources. The Group primarily funded the acquisition of the Nutraskills group through the issuance of approximately 38.5 million of Euro in aggregate principal amount of additional subordinated PIK notes by an indirect parent company of the Parent Company, the proceeds of which were contributed as equity to Kepler S.p.A. and its subsidiaries. The proceeds of which were contributed as equity to the Issuer and its subsidiaries, with an accretive effect on leverage.

The Parent Company has no revenue-generating activities of its own, and no business operations, material assets, other than the equity interests, and no material indebtedness, other than its outstanding indebtedness and inter-company balances incurred in connection with the Transactions. The Parent Company is currently not expected to engage in any activities other than those related to the Transactions and any other future potentialtransactions permitted by the Indenture.

The Group structure is set out below.



Company	Control	Percentage Holding	Owned by:
Kepler S.p.A.	Parent Company	100,0%	Denis S.p.A.
Biofarma S.r.l.	Direct	100,0%	Kepler S.p.A.
Nutrilinea S.r.l.	Indirect	100,0%	Biofarma S.r.l.
Apharm S.r.l.	Indirect	100,0%	Nutrilinea S.r.l.
Pasteur S.r.l.	Intermediate Holding	100,0%	Biofarma S.r.l.
International Health Science S.r.l.	Indirect	100,0%	Pasteur S.r.l.
Biofarma France SAS	Intermediate Holding	100,0%	Biofarma S.r.l.
Codilab SAS	Indirect	100,0%	Biofarma France SAS
Laboratoire Pierre Caron SAS	Indirect	100,0%	Biofarma France SAS

MARKET TREND

Health supplements and medical devices

In the world, the pharmaceutical market will exceed the total value of 1.5 trillion of dollars in 2023 with a CAGR (compound annual growth rate) growth of between 3-6% over the next five years.
In Italy the trend consist of an increase from an average pharmaceutical expenditure of 34.4 billion of dollars in the period 2014-18, to an expenditure of 40-44 billion in the five-year period 2019-23.
The arrival of innovative products on the markets and the simultaneous loss of patent protection on certain medicines are the two phenomena that will continue to drive market dynamics in the most developed areas. Key drivers of growth, highlights the Iqvia Report, will continue to be the United States - a 484.9 billion of dollars market - with expected increases of 4-7%, as well as emerging pharmaceutical markets, with growth of 5-8%. In more developed areas, the first five European markets (including Italy) will grow more slowly (+1-4%), compared to 3.8% in the last five years, while the growth of the Japanese market - at 86 billion of dollars in 2018 – it goes from -3 to 0%. A trend partly due to dynamic forecasts in exchange rates that mask a favourable trend for brand products despite an advance in generic products.
With regard to the market in the nutraceutical sector, there is significant growth: in fact, the market for supplements in Italy is growing in 2022 compared to the same period of the previous year, both in traditional channels (pharmacy, parapharmacy and large-scale retail trade), and in direct sales. This is the view that emerges from a joint analysis conducted by Integratori Italia - Unione Italiana Food, the association that represents the sector in Confindustria and Avedisco, the Association for direct sales of consumer services.
Overall, 2022 closed with a positive sign (+5.3%), recording the sale of over 137 million products.
The reference distribution channel continues to be the pharmacy, which alone represents 76.3% of the total value of Italian turnover. Behind it, the parapharmacy, whose value settles at 170.3 million Euro (+1.4%). In third place is the online channel (related only to the e-commerce of pharmacies and parapharmacies, not inclusive, therefore of sales on other platforms, such as, for example, Amazon), which records the highest growth rate compared to the previous year with a turnover of over 162.2 million of Euro (+49.4%). Lastly, the large-scale distribution channel, linked to the corners and shelves of super and hypermarkets, which recorded growth of 12.7%.
In pharmacies and parapharmacies, mineral salts recorded the highest growth rate in the number of products sold, with an increase of 16.1% and 9.4% respectively. It should be noted that the e-commerce of pharmacies and parapharmacies recorded a significant double-digit leap in the sale of supplements to fight insomnia and help mental well-being (+59.2%).
The exponential growth of online sales in the sector should be underlined, helped by the lifestyle and consumption resulting from the reduced circulation of people due to the lockdowns due to the Sars-Covid19 pandemic, which has bound people to a greater presence on the internet.
As regards direct sales, according to Avedisco data relating to 19 member companies that distribute food supplements, in the first half of 2022 the sector generated a turnover of 210.9 million of Euro, confirming the growth trend in terms of employment with 335,890 sales representatives. Among the best-selling categories we find: Omega-3 supplements, vitamins, aloe drinks and multivitamins.

Cosmetics

The total turnover of the cosmetics sector in Italy in 2022 exceeds 11.7 billion of Euro (+10.4% compared to 2021).
After a 2020 seriously affected by the pandemic, significant elements of recovery were seen in both 2021 and 2022: The forecast is in the economic survey presented by the Study Center of Cosmetica Italia, the national association of companies in the sector, which projects in the second half of 2022 the achievement of pre-crisis values.
The recovery of European and international trade and travel on a global scale makes it possible to predict a positive leap in exports by the end of the year: 4.7 billion of (+14%) and a trade balance that will exceed 2 billion. Estimates for the end of 2021 indicate a growth of the domestic market to 10.6 billion of Euro(+8.5%).

The projections for the end of 2022 see the growth of e-commerce (+29.7%), which covers a value of 900 million of Euro, of the pharmacy (+4.0%), which reaches 1.9 billion of Euro and of large-scale distribution (+1.5%), which reaches 4.5 billion of Euro. The professional channels also reacted positively: hairdressing (+14.8%) and beauty (+12.6%) recorded a year-end closure estimate of 520 and 190 million of Euro respectively, partially recovering the forced closures of 2020.

The recovery in 2021 and 2022 also positively affects the recovery of sales in perfumery (+22.1%, for a value of over 1.8 billion of Euro), which is close to the pre-pandemic distribution share. The year-end forecasts of the herbalist channel (+12.7%) lead to a closing value of over 370 million of Euro.

Confirmations also from direct sales (+3.7%) which, in year-end estimates, lead to a closing projection of around 360 million of Euro. Contracting turnover finally rises to pre-pandemic levels, reaching 2 billion of Euro (+20%) at the end of 2021, supported by the recovery in foreign demand.

SIGNIFICANT MACROECONOMIC AND INTERNATIONAL EVENTS THROUGHOUT THE PERIOD

WAR IN UKRAINE

The Group is not directly exposed with direct sales to Russia or Ukraine; however, the Group is manufacturing nutraceuticals products for European clients, which deliver these goods to such two markets. The total yearly sales to those markets are equal to 7.2 million of Euro, which correspond to 2,5% of the total Group turnover, which has been already collected as cash.
In terms of working capital, the Group currently has no inventory for goods which were planned to be sold in Russia and Ukraine.

INFLATION

The Group, as further disclosed within this report, is facing increases in raw-material prices, energy costs, shipping cost, external workers and services given the current macroeconomic trends. Up to now, the Group has been able to pass-through c. 70% of these increased costs thanks to a constant dialogue and long-lasting relationships with customers; it has been also able to further reduce the cost-increase impact via dedicated mitigation actions such as hedging on energy prices and introduction of new raw-materials and packaging suppliers.

SIGNIFICANT EVENTS OCCURRED AFTER DECEMBER 31, 2022

MERGER OF IHS S.R.L. AND APHARM S.R.L. AND PASTEUR S.R.L. IN BIOFARMA S.R.L.

In first quarter 2023 the Group continue to focus on structural simplification in Italy, which had as a first step the Apharm S.r.l. exit from the Nutrilinea S.r.l ownership, in order to be merged in Biofarma S.r.l.
Finally, on the 6th February 2023, the Board of Directors approved the mergers of the two operating companies IHS S.r.l. and Apharm S.r.l. and the holding Pasteur S.r.l. in Biofarma S.r.l. with retrospective accounting effects on the 1st January 2023.

02

GROUP ACTIVITIES AND OPERATIONS

- **TOTAL REVENUES BREAKDOWN**

GROUP ACTIVITIES AND OPERATIONS

The Group is the leading European CDMO fully focused on nutraceuticals, and the undisputed leader of the Italian market. The Group is the result of a "buy-and-build" story of complementary businesses that led to the creation of a leading player with a wide portfolio of differentiated products and manufacturing technologies.

The Group positions itself as large Pharmaceutical Companies' ("PharmaCos") and Consumer Health Clients' ("CHCs") partner-of-choice for co-development projects thanks to:

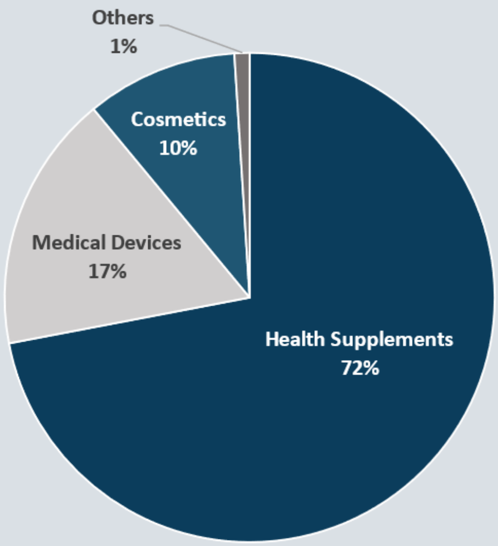
- An end-to-end Contract Development and Manufacturing Organization proposition from market intelligence, R&D and regulatory, to finished dosage forms ("FDFs") manufacturing and packaging
- A proactive offer of innovative solutions ("push innovation model"), trying to anticipate market trends and clients' needs also leveraging on a strong R&D department and a solid portfolio of differentiated technologies (e.g., Microencapsulation, Dry-Cap, T-Win)

Kepler's differentiated positioning is based on:

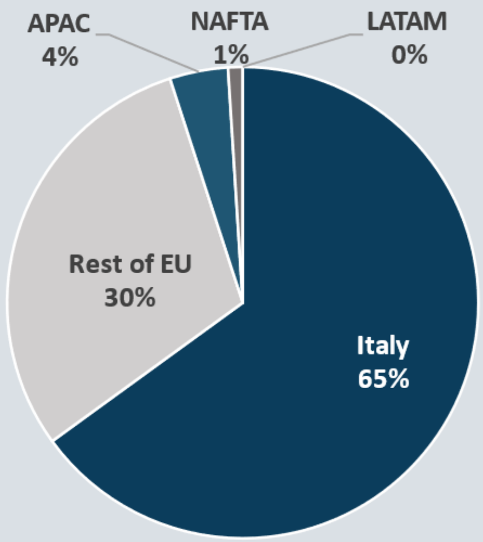
- Strong in-house R&D capabilities and a team of c. 52 FTEs working on clinical studies to support products' claims (over 87 patents and 70 trademarks);
- Regulatory know-how with a dedicated team of c. 24 FTEs, supporting clients in registering product dossiers both at local and international level;
- State-of-the-art manufacturing capabilities, with several "pharma-like" manufacturing equipment and quality control systems.

TOTAL REVENUES BREAKDOWN

By Business Unit



By Geography



Kepler operates its business through three business units:

- Health Supplements. Through our Health Supplements business unit, Kepler develops and manufactures health-enhancing products that primarily enable the maintenance of good health and support or enhance prevention treatments individually or in combination with pharmaceutical products, including for chronic diseases. While the purchase of Health Supplements does not require a formal doctor's prescription in most of its geographies, the initial purchase of health supplements by end consumers is usually driven by doctors' recommendations.

- Medical Devices. Through our Medical Devices business unit, Kepler develops and manufactures products that achieve their therapeutic effect through a physical (e.g., aerosol) or mechanical (e.g., a protective layer in the stomach) action to prevent and treat diseases. Medical devices are closer to pharmaceuticals (compared to health supplements) due to the specific regulatory framework they need to comply with at a national and European level. Similar to health supplements, medical devices are typically recommended by doctors and sold to end-customers through pharmacies.

- Cosmetics. Through our Cosmetics business unit, Kepler primarily develops and manufactures premium skin care products, such as anti-ageing creams, sun care and hair care products. Kepler's strategic focus in this business unit is represented by "cosmeceuticals," consisting of cosmetic products that are purported to have therapeutic action. The Cosmetics business unit includes certain differentiated innovative technologies, such as the Bag on Valve ("BOV") technology.

03

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- KEY FINANCIAL INFORMATION
- RESULTS OF OPERATIONS
- FINANCIAL POSITION
- KEY PERFORMANCE INDICATORS (KPI'S)
- RISK MANAGEMENT
- INVESTMENTS
- PERSONNEL
- RESEARCH AND DEVELOPMENT
- EARNINGS PER SHARE

KEY FINANCIAL INFORMATION

The following table provides an overview of the Group's key results for the fiscal year ended December 31, 2022. A detailed description of the figures utilized for the analysis and for the discussion is detailed below.

(in thousand of Euro)	**2022**
Revenues and other income (from 7th February to December 2022)	212.744
Pro-Forma Revenues **(1)**	287.900
Pro-Forma EBITDA **(2)**	21.230
Adjusted EBITDA **(3)**	62.800

(1) Pro-Forma Revenues as the revenues for which each entity contributes for a 12 months periods, as if both acquisitions (Biofarma Group and Nutraskils) had been performed on January 1, 2022.

(2) Pro Forma EBITDA as net profit before depreciation, amortization and impairment losses, income taxes, finance costs, finance income for which each entity contributes for a 12 months periods, as if both acquisition had been performed on January 1, 2022, without the EBTDA contribution of Kepler S.p.A., Pasteur S.r.l. and Biofarma France S.a.s. (following the "Holdings")

(3) Adjusted EBITDA as Pro Forma EBITDA minus/plus certain income and costs that management does not consider to be representative of the underlying operations of the business because they either relate to actions taken in relation to transformation projects in connection with certain acquisitions, are not expected to recur within the next two years or are costs associated with business combinations that are expensed as incurred.

	Year ended December 31,
(in thousand of Euro)	**2022**
Result for the period	**(26.869)**
Depreciation and amortization	35.690
Corporate taxes	(9.803)
Financial income	(10.172)
Financial expenses	30.199
Accruals to provisions for risks	937
Biofarma and Nutraskills Acquisition and accounting adjustments ***(A)***	1.895
Holdings accounting adjustments ***(B)***	(647)
Pro-Forma EBITDA	**21.230**
Non-recurring and certain M&A income and costs ***(C)***	31.362
Long Term Incentive program ***(D)***	4.600
IFRS accounting impact ***(E)***	3.708
Other adjustments ***(F)***	1.900
Adjusted EBITDA	**62.800**

A. Kepler acquired Biofarma Group on March 27, 2022 and Nutraskills on September 15, 2022. Acquisition and accounting adjustments related Pro-forma EBITDA contribution of the Biofarma Group and Nutraskills, as if they have been acquired on January 1, 2022

B. Holding accounting adjustments related to Pro Forma EBITDA contribution of the Holdings not included in management reports.

C. Represent adjustments related to
(i) 20.2 million of Euro of costs incurred in relation to Biofarma Group acquisition
(ii) 2.4 million of Euro of the insurance reimbursement not included in the Kepler consolidated financial statement even if the reimbursement is still confirmed, but not yet settled. The insurance settlement is expected to be executed in June 2023
(iii) 1.9 million of Euro for extraordinary costs related to the fire incident in Monselice (one of the Nutrilinea facility), related to the waste disposal, structural and equipment cleaning and removal, management of dangerous materials and alcohols, complete refurbishment and repairment of three production lines and one warehouse and manufacturing facility, as well as related to the replacement of the damaged stock and consumables for the production of cosmetic products
(iv) 1.6 million of Euro related to the lawyer costs for the law case in US
(v) 1.5 million of Euro of lay-of reorganizations costs
(vi) 0.8 million of Euro for lawyers an endurance broker costs for the fire incident in Monselice
(vii) 0.6 million of Euro costs incurred in relation with the COVID-19 pandemic in respect of increased personnel expenses for temporary employees in order to cover unavailability of personnel
(viii) 0.6 million of Euro of risk provision for an adjustment on energy costs
(ix) 0.6 million of Euro for CRM software implemented as well as for the MES ERP and Sustainability report and other ERP integration.

D. Represent Long Term Incentive (LTI) bonuses settled in 2022 with some Nutrilinea and Biofarma employees linked to the success of the change of control in ownership of Biofarma Group.

E. Represent the effect of costs connected with the adoption of IFRS accounting, in particular to 3.5 million of Euro for the reversal of inventory step-up arose by purchase price allocation of Biofarma Group.

F. Represent other minor adjustments as
(i) rent savings related to Biofarma's plant acquisition finalized in March 2022
ii) EBITDA from the associate Cura Beauty Gmbh
(iii) layoff costs of some manager of Nutraskills.

RESULTS OF OPERATIONS

The following table provides an overview of the results of the operation of the Group, as per managerial reporting, for the year ended December 31, 2022 and 2021. Both periods consider the same consolidation perimeter (the Group excluding the Holdings) and a 12 months periods, as if both acquisition had been performed on January 1, 2021. Please consider that managerial reporting figures for the years ended December 31, 2022 and 2021 are unaudited.

YTD (€m)	dic-22A	dic-21A	Δ(%)	Δ
Net Sales	283,8	247,9	*14,5%*	*35,9*
Other Revenues	4,1	3,6	*14,2%*	*0,5*
Total Revenues	**287,9**	**251,5**	***14,5%***	***36,4***
Raw Materials Costs	(135,3)	(114,4)	*18,3%*	*20,9*
First Margin	**152,6**	**137,1**	***11,3%***	***15,5***
First Margin (%)	*53,0%*	*54,5%*	*(151bps)*	
Third Party Works Costs	(17,4)	(15,7)	*11,1%*	*(1,7)*
Direct Personnel Costs	(21,1)	(18,0)	*17,0%*	*(3,1)*
Other Direct Production Costs	(14,3)	(10,4)	*37,8%*	*(3,9)*
Trasformation Margin	**99,8**	**93,0**	***7,3%***	***6,8***
Trasformation Margin (%)	*34,7%*	*37,0%*	*(233bps)*	
Indirect Personnel Costs	(5,3)	(5,0)	*6,9%*	*(0,3)*
Maintenance Costs	(3,1)	(2,3)	*36,0%*	*(0,8)*
Logistics and Storage Costs	(5,7)	(4,2)	*35,7%*	*(1,5)*
Other Indirect Production Costs	(3,1)	(2,0)	*58,8%*	*(1,1)*
Second Margin	**82,6**	**79,6**	***3,7%***	***3,0***
Second Margin (%)	*28,7%*	*31,7%*	*(298bps)*	
Total SG&A Costs	**(21,7)**	**(20,5)**	***5,6%***	***(1,2)***
% of revenue	(7,5%)	(8,2%)	*+63bps*	
EBITDA	**60,9**	**59,1**	***3,1%***	***1,8***
EBITDA Margin (%)	*21,2%*	*23,5%*	*(234bps)*	
Adjustments	1,9	1,9	--	-
Adj. EBITDA	**62,8**	**60,9**	***3,0%***	***1,8***
Adj. EBITDA Margin (%)	*21,8%*	*24,2%*	*(244bps)*	

During 2022, the Group posted a strong performance with topline growing double digit compared to the same period of the previous year. Total Revenues reached 287.9 million of Euro, growing by 14.5% compared to 2021, in light of positive contribution of all business lines and geographies (APAC in delay), driven by the execution of the defined 3-pillars strategy:

- Customer penetration: increased share of wallet with key accounts, especially on certain products and therapeutic areas such as probiotics, gastro, and baby care products;
- Geographical expansion: the Group was able to strengthen its revenues generation in Europe and NAFTA;
- Technological innovation: leveraging on its R&D department, Biofarma has been able to continue to innovate its products and offer new solutions to its clients (strong performance of Probiotics, Dry Cap and T Win technologies).

First Margin for the 2022 amounted to 152.6 million of Euro, an increase of 11.3% compared to the 2021. Marginality slightly decreased due to the higher raw material and packaging prices, partially offset by a well-managed increase in selling prices and positive mix. The raw material price increases of 11.3 million of Euro (at constant volumes) have been partially offset by Euro 8.0 million prices increase (at constant volumes) thanks to a constant dialogue and long-lasting relationships with customers.

Transformation Margin for the 2022 amounted to 99.8 million of Euro, with marginality down to 34.7% vs. 37.0% for the 2021, mainly due to (i) the reduction of the first margin, (ii) higher maintenance and logistic cost, partially offset by (iii) increased insourcing activities and (iv) successful manufacturing efficiency plan introduced that allowed to decrease dependency on third party works costs and generate savings.

Second Margin for the 2022 amounted to 82.6 million of Euro (28.7%) vs. 79.6 million of Euro7%) mainly due to the partial passthrough executed, however improved by the manufacturing cost efficiency initiatives.

Sales, General and Administration costs (SG&A) increased by 1.2 million of Euro compared to the 2021, mainly due to due to the higher Commercial activities and Personnel cost (0.6 million of Euro) and higher research and development expenditure (0.5 million of Euro).

Adjusted EBITDA for the 2022 amounted to 62.8 million of Euro, an increase of approximately 3.0% compared to the previous year. Adjusted EBITDA Margin was 21.8%, compared to 24.2% of the 2021, mainly related the passthrough mechanisms, partially improved by the economies of scale driven by volume increases.

REVENUES BY BUSINESS UNIT

YTD €m	dic-22A	dic-21A	*22a vs. 21a*
Revenue	**287,9**	**251,5**	***14,5%***
Health Supplements	207,9	178,0	*16,8%*
Medical Devices	46,7	36,7	*27,2%*
Cosmetics	29,2	33,2	*(12,0%)*
Others	4,1	3,6	*14,0%*

Health Supplements: Total Revenues stood at 207.9 million of Euro, growing by c. +16.8% compared to the 2021, mainly thanks to new customers wins as well as growth with all existing customers with long-lasting relationships. Within existing customers, there is an important increase of the Tier 1 consumer healthcare clients' volumes.

Medical Devices: Total Revenues stood at 46.7 million of Euro, up by +27.2% compared to the 2021, mainly thanks to the increase in sales of Ziverex (Esoxx family) in Eastern Europe and Enterogermina in Italy.

Cosmetics: Total Revenues amounted to 29.2 million of Euro, -12.0% compared to the 2021, mainly due to backlog occurred during the fourth quarter 2022 related to the solar-cream campaign, that we'll be recovered (with significant cross selling) also thanks to the BoV technology products in Northern Europe. In addition, we established an important customer relationship with a leader player in pedicure treatment.

REVENUES BY REGION

YTD €m	dic-22A	dic-21A	*22a vs. 21a*
Italy	187,4	170,0	*10,2%*
France	26,7	26,6	*0,4%*
Spain	10,3	9,4	*9,6%*
Germany	9,1	8,8	*3,4%*
UK	2,9	1,2	*141,7%*
Other EMEA	36,6	16,7	*119,2%*
Total EMEA	**273,0**	**232,7**	***17,3%***
APAC	10,4	14,5	*(28,3%)*
NAFTA	4,1	3,9	*5,1%*
LATAM	0,4	0,4	*0,0%*
Total RoW	**14,9**	**18,8**	***20,7%***
Total	**287,9**	**251,5**	***14,5%***

EMEA: For 2022, Total Revenues increased by 17.3% compared to the previous year, mainly on the back of higher revenues coming from Tier 1 consumer healthcare clients' volumes. In particular, in Italy. Total Revenues increased by 10.2% compared to the previous year, with growth spread between new clients' acquisitions and existing clients.

Asia and Pacific (APAC): For 2022, Total Revenues decreased by 28.3% compared to the previous year, mainly due to the Cosmax customer stock build-out in 2021 related to the IHS entity.

North America (NAFTA): For 2022, Total Revenues increased by 5.1% compared to the previous year, mainly due to higher sales of VSL3 product.

Latin America (LATAM): For 2022, Total Revenues remained stable compared to the previous year, mainly due to the a tier-1 pharma client.

FINANCIAL POSITION

The following table summarizes the Group's Consolidated Statement of Financial Position as at December 31, 2022, with presentation of the Net invested capital, Equity and Net financial debt.

(In Euro Thousand)	**Year ended December 31, 2022**
Intangible assets	1.219.202
Property plant and equipment	82.770
Investments	384
Net working capital	47.710
Provisions for risks and employee	(4.713)
Other net assets (liabilities)	(113.588)
Net Invested Capital	**1.231.765**
Total shareholders' equity	914.021
Net financial debt	317.744
Equity and Net financial debt	**1.231.765**

The figures above were obtained from the financial statements. Some items have been modified and/or aggregated as follows:

- The net working capital is the sum of "inventories" and "trade receivables" less "trade payables".
- The net financial debt is the sum of "cash and cash equivalents" and "current financial assets", less "current and non-current financial liabilities".

The Group's net financial debt is 317.7 million of Euro as of December 31, 2022.

KEY PERFORMANCE INDICATORS (KPI'S)

The Key Performance indicators (KPI's) help to understand the performance and operating result of the Group.
The result indicators taken into consideration are:

- financial performance indicators;
- non-financial performance indicators.

These are quantitative measures that reflect the critical success factors of the Group and measure the progress relating to one or more objectives.

The term financial result indicators defines the performance indicators that are defined starting from the information contained in the financial statements and can be divided into:

- income indicators;
- economic indicators;
- solidity indicators;
- indicators of solvency (or liquidity).

Financial indicators have the characteristic of being sufficiently standardized, precisely because of the external significance of the budget documents underlying their calculation.
Finally, it should be remembered that the doctrine usually divides the indicators into margins (absolute values) and quotients (relative values) but both types of indicators are commonly defined as "indexes"; for ease of understanding, therefore, also in this document reference will be made to the terms used in common parlance.

FINANCIAL PERFORMANCE INDICATORS

Financial Performance indicators listed below have been calculated by considering results of operations of the Group from February 7th to December 31st 2022 from Consolidated Income Statement and Financial Position data as of December 31, 2022 as presented above

Income indicators

The following table summarizes certain the indicators that investors may consider helpful
The analysis of the development of these indicators highlights the trend of the main production drivers of the Group's income.

KPI Mil €	from February 7th to December 31st 2022
Revenues	206,9
Operating result	(16,6)
Result of the period	(26,9)

Economic Indicators

KPI Mil €	31/12/2022
ROE - (Return on Equity)	(2,9%)
ROI - (Return on Investment)	(1,3%)
ROS - (Return on Sales)	(8,0%)

Return on Equity in the Group is referred to the ratio Result for the period (-26,9 million of Euro) on Total Equity (914 million of Euro). The performance is negative due to high transaction costs, interest rates and depreciation that bring the result to negative.

Return on Investment in the Group is the ratio between Operating result (-16,6 million of Euro) and Net Invested Capital (1.232 million of Euro) and it is negative due to the high level of depreciation and amortization of intangible assets arose from purchase price allocation, interests and high transaction costs.

Return on Sales in Kepler is the ratio between Operating result (-16,6 million of Euro) and Revenues (206,9 million of Euro) it is negative due to the high level of depreciation and amortization of intangible assets arose from purchase price allocation, interests and high transaction costs.

Solidity indicators

The analysis of capital strength has the purpose of studying the Group's ability to maintain financial equilibrium in the medium to long term.
This ability depends on:
- methods of financing medium-long term loans;
- composition of funding sources.

With reference to the method of financing medium-long term loans, considering that the recovery time of loans must be "logically" related to the recovery time of the sources, the indicators deemed useful to highlight this correlation are the following.

KPI Mil €	31/12/2022
Primary margin of structure (Equity - Total Assets)	(578)
Primary structure quotient (Equity / Total Assets)	61,3%
Secondary margin of structure ((Equity + Non current liability) - Total Assets)	(108)
Secondary margin quotient ((Equity + Non current liability) / Total Assets)	92,8%

It can be seen from the margin and/or the primary quotient that equity, even if significant, is not able to cover the total investment of the Assets alone, driven by the impact of goodwill deriving from the Group and Nutraskills acquisitions.
However, by adding the Consolidated Liabilities, the secondary ratio of 92,8 is generated, which testifies to the Group's solidity.

KPI Mil €	31/12/2022
Total debt ratio (Current + Non-Current Liabilities) / Equity	0,63
Financial debt ratio (Net Financial Position / Equity)	0,35

Both indicators, less than 1, show that the Group has a relevant Equity level and therefore is solid.

Liquidity indicators

In 2022 the Group also confirmed a satisfactory level of solvency or liquidity: the Group's ability to pursue short-term financial equilibrium was maintained, i.e to meet expected short-term outflows (current liabilities) with existing liquidity (immediate cash) and expected short-term income (deferred cash).
Considering that the recovery time of loans must be "logically" related to the recovery time of sources, the indicators considered useful to highlight this correlation are the following:

- Availability Margin: Current Asset less Current Liability
- Availability Quotient: Current Asset / Current Liability

KPI Mil €	31/12/2022
Availability Margin (Current Asset - Current Liability)	60
Availability Quotient (Current Asset / Current Liability**)**	1,55

Both indicators are positive and the availability quotient is above 1, which means that the Group is able to cover short term liabilities using the current asset: no tension on liquidity.

The managerial reporting includes also the following KPI's:

- i)Pro Forma Adjusted EBITDA, which is composed of Adjusted EBITDA incremented by twenty-four months synergies. The future synergies are out of the audit perimeter as not measurable in the IFRS framework. However, Kepler's management consider to deliver in two years 9.3 million of Euro, which brings the Pro Forma Adjusted EBITDA to 72 million of Euro (Adjusted EBITDA 62,8 millions of Euro plus 9,3 million Euro of synergies). The synergies included in the calculation are related to the operational activities defined and planned for 2023 and 2024 and they refers to Procurement synergies for 3,9 million of Euro, to Manufacturing optimization and Insourcing projects for 3,5 million of Euro, to Organization optimization for 1,7 million of Euro and Others for 0,2 million of Euro.
- ii)Pro Forma AdjustedNet Financial Position. which is composed by the Net Financial Position of 317,7 million of Euro without the impact of IRS fair value of 14,8 million of Euro andthe amount of amortized costs included for 15,4 million of Euro Net Financial Position on Pro Forma Adjusted EBITDA attest to 347,9 million of Euro.
- iii)Therefore the index Net Financial Position on Pro Forma Adjusted EBITDA ratio results 4.8x

Non-Financial Performance Indicators

Non-financial result indicators are measures of a quantitative, but not monetary, nature, which have the objective of analyzing management performance in more detail by monitoring the factors that influence economic and financial results. The main advantage of these indicators compared to the financial ones is represented by their ability to signal the trends of the economic-financial results, also and above all in a long-term perspective.

Contrary to what happens for financial indicators, for which there are certain parameters commonly accepted by the market, it should be noted that for non-financial indicators there are no applicable standards and precise rules for choosing them; they were therefore chosen with reference to the characteristics of the company and the type of business.
The following Non-financial indicators are presented in this report:

- turnover development indicators (variously classified, according to sector/business); and efficiency (or productivity);
- indicators of critical management processes, the level of which is monitored with effectiveness indicators (for example: number of new products launched on the market, if the product innovation process is critical).

Turnover new products and markets	45.150.237
Time to market new products (including R&D)	365 days
Advertising costs on turnover	0,4%
Research and development expenses on turnover	0,6%
Costs for quality on turnover	0,6%

RISK MANAGEMENT

The Group's business is exposed to several types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through derivatives.
Risk management is centralized with the Treasury Management function, which identifies, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to interest rate risk and credit risk.

MARKET RISK

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, volatility in the availability and price of the raw materials, and utilities and for a minor portion also for the risk of for foreign exchange risks

INTEREST RATE RISK

In order to mitigate the interest rate risk on the financial bond, the Parent Company, on August 8, 2022, signed an ISDA master agreement for an interest rate cap based on a notional amount of 345 million of Euro with an underlying rate based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0%, to hedge against the interest rate risk relating to the Notes for a running premium of 152bps. Thus, the Group capped its EURIBOR exposure to 1.52% for 3 years. The other loan facilities are subject to interest risk fluctuations, however they represent a minor residual amount.

PRICE RISK

The Group is exposed to price risk primarily on vitamins, different ingredients and packaging material as well as on energy procurement, whose costs are subject to market volatility.
The Group controls the exposure to raw material and energy commodity price changes by monitoring the costs on monthly basis and by comparing it against budget assumptions. In order to mitigate that risk, the Group implemented the following actions:

- Continuous diversification of suppliers for ingredients and vitamins, in order to avoid the supplier concentration and the negotiation power;
- Continuous scouting of alternative sources for raw material supply by skipping, where possible, the intermediators and by certification of new overseas and low cost country suppliers which met our international quality, sustainability and pricing standards;
- Definition of the price and delivery conditions on middle term in the contract with supplier, in order to fix as much as possible the purchase price and, at the same time, to assure relevant contract flexibility which allow the Group to change the supplier in case of price and delivery condition deterioration;
- Definition of middle term flexible contracts with energy supply brokers, which allow us to obtain on quarterly basis the pest possible ratio between price and quality and quantity of utility supply.

VOLATILITY AND AVAILABILITY OF RAW MATERIALS

The Group is exposed also to raw material volatility an availability and the risk mitigation measures have been described also on the Price risk chapter. In addition to that, the Group continuously search the alternative local backup supplies in case on delivery term extensions practiced by the primary supplier.
Finally, the Company R&D and Regulatory departments, in collaboration with Purchasing, research and implement engineering innovation by activation of new and alternative raw materials that can replace the current supply primary sources.

FOREIGN EXCHANGE RISK

The Group conducts business on an international level, however the revenues are always invoiced in Euro. Due to the nature of the Group business foreign currency transactions are of a non-significant amount. However, in order to transfer the foreign currency risk to our suppliers the group accept to pay a premium charge to the pure raw material costs. The Group has analysed the cost and benefit of this approach and decided to implement this strategy. The Group doesn't exclude that in future it will cover the negotiation in non-euro currency. That approach will be applied once the Group implements a more solid purchasing structure.

CREDIT RISK

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates.
The top 10 clients represent about 60% of the total receivables and, to mitigate the credit concentration risk the Group has defined the following strategies:

- Activation of pro-soluto factoring with all top ten customers by involving the primary Italian banks;
- Implementation of strict credit collection policies based on weekly dunning letters, weekly credit collection calls with customers with outstanding balances;
- Block of sales order production and shipments in case of missing outstanding balances settlement within maximum 30 days

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past.
For trade receivables and contract assets, the Group uses a simplified approach to calculate expected losses; the Group monitors changes in credit risk using a simplified approach based on brackets of shared credit risk characteristics and past-due days. Therefore, the Group discloses the full amount of expected credit losses at each reporting date. The Group has defined a provision matrix based on historical experience, adjusted for forward-looking information about specific types of debtors and their economic environment, as a tool for determining expected credit losses.
The group manufacture highly customized products and thanks to its differentiated technology which are difficult to replace by our competitors. That competitive advantage in combination with our credit management policy help us to minimize any relevant market threat.

LIQUIDITY RISK

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the cash turnover projections, including undrawn credit lines, and available cash and cash equivalents, based on expected cash flows.

EQUITY RISK

The Group's equity risk management objective is to maintain the going concern status to assure returns to shareholders and benefits to other stakeholders. The Group also aims to maintain an optimal capital structure to reduce debt cost.
Net invested capital is calculated as the sum of equity attributable to the shareholders and net financial debt.

INVESTMENTS

Total Investment in the period is equal to 18,57 million of Euro and refers to:

- Investments in Manufacturing: mainly related to the extension of Gallarate and Mereto plants, as well as the investments for new machines and lines (Bassina, Microencapsulator in Mereto, two new Sachet machines and others)
- R&D investments, which were mainly related to several R&D projects in with premium and strategic clients
- ICT investments, which were mainly related to investments in SAP new modules and ICT infrastructure
- Maintenance investments related to Gallarate and Mereto plants in order to maintain the production continuity.

PERSONNEL

Kepler management decided to base the Human Resource strategy on the following pillar assumptions: dedicated, engaged and highly-invested employees are arguably the most valuable asset to a company. Additionally, the longer an employee stays at an organization, the more valuable they become to the growth and success of the company.
Kepler structured five strategy pillars in people management:

1. Offering opportunities for professional development, based on internal open market tools, as well as by launching international opportunities
2. Supporting employee's individual passions and interests, by introduction of welfare measures and incentives for hobbies and free time
3. Supporting personal health and wellness, by reinforcing the welfare program as well as enlarging the health insurance for the management
4. Creating opportunities for connection and team building, by launching several inter-functional and interregional projects.
5. Consistent and supportive communication, by review of the company's website, insertion of four learning and development projects and by launching several self-formation training platforms online.

RESEARCH AND DEVELOPMENT

Last year, the constant effort to anticipate market evolution led us to start a multi-year research project: this is the possibility of launching the project called "ANALYSIS, STUDY OF PRODUCTS AND PROCESSES IN THE NUTRACEUTICAL AND MEDICAL DEVICES WORLD".
In the Health supplement segment, projects related to oncology, solution for diabetic prevention and golden age wellness were the main innovation drivers in 2022.
In Cosmetic Business and Medical devices business lines, the management has been focused on potential usage of Canapa in our products, as well as on the additional customer penetration by new formulas related to foot, hair and skin care protection.
The financing of the entire operation currently takes place thanks to forms of self-financing, supported in 2022 by the contribution for the tax credit on Research and Development.

Expected macroeconomic trendsAfter a slight slowdown in economic activity experienced in the fourth quarter of 2022, mainly due to the weakness of household consumption, the first quarter of 2023 will open with modest growth in European Union, which will also benefit in the coming months from the positive trend in net foreign demand.
According to the financial estimates, it is precisely the net foreign demand, together with investments, that will represent the engine of UE growth in the coming years. The investment component will mainly be supported by public investments and by the resources of the European Program for Recovery and Resilience, which in turn can also act as an incentive for private investments, stimulating their growth. Household consumption, on the other hand, will still remain substantially stable, with modest growth also in 2024.
In this context, Nomura investment bank report, forecasts indicate real Gross Domestic Production (GDP) growth of 0.5% for UE in 2023 and UE 1.3% in 2024, while it is estimated that the inflation rate will go from 6.7% in 2023 to 3.1% in 2024.
According to these estimates, and to a scenario of great uncertainty, the resources of the PNRR will therefore represent the real engine of the growth of European GDP in 2023, in a context of rising interest rates that discourage private consumption and investment.
Despite negative market outlook above, Kepler has recorded an outstanding portfolio collection in Q1 2023 and the revenue growth in Q1 2023 is showing a two-digit growth in respect to the same quarter last year.
The company purchases are growing due to the volume however Q1 2023 shows first signs of raw material and utility price decreases, as well as combined by lower difficulties on raw material delivery times. All those trends drive to an important margin increase.
The Group expects its substantial growth in the market for 2023, setting itself the goal of significantly increasing turnover and profitability compared to the results achieved in 2022.
That target is based on the strategy execution which is based on high-specialty product increase, constant innovation in formulas and delivery formats.
The company is active on the market to search manufacturing player acquisition opportunities on global scale, in order to combine the organic with non-organic business growth product Lines and careful opening towards internationalization (new markets to be conquered and/or implemented).
Furthermore, the Group sets itself directly non-financial objectives such as strengthening of the Integrated Information System through the SAP project;

- Improvement of the Working Capital Management Process;
- Greater integration between the individual companies of the Biofarma Group, both from an organizational point of view and from that of production insourcing.

EARNING PER SHARE

(in thousand of Euro)	Year ended December, 31 2002
Result of the period attributable to owners of the Parent	(26.869)
Weighted average of shares (in thousand)	3.211.186
Basic earnings per share (in Euro)	(8,37) Euro
Diluted earnings per share (in Euro)	(8,37) Euro

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance-Sheet and Financial-Position Statement

(In Euro Thousand)	Notes	31.12.22
Goodwill	6	797.223
Intangible assets	6	421.979
Property plant and equipment	7	82.770
Investments	8	384
Non-current financial assets	9	14.935
Deferred tax assets	10	6.352
Total non-current assets		**1.323.643**
Inventories	11	63.034
Trade receivables	12	56.855
Current income tax receivables	13	19.331
Other current assets	14	4.557
Cash and cash equivalents	15	24.279
Total current assets		**168.056**
Total assets		**1.491.699**
Share capital	16	3.000
Other reserves	16	946.950
Retained earnings (losses)	16	(35.929)
Total shareholders' equity		**914.021**
Non-controlling interest		-
Total equity		**914.021**
Non-current financial liabilities	17	347.960
Employee benefits	18	2.256
Provisions for risks and charges	19	2.457
Deferred tax liabilities	20	116.935
Other non-current liabilities		-
Total non-current liabilities		**469.608**
Current financial liabilities	17	8.998
Trade payables	21	72.179
Current tax liabilities	22	3.671
Other current liabilities	23	23.221
Total current liabilities		**108.069**
Total liabilities		**577.678**
Total equity and liabilities		**1.491.699**

CONSOLIDATED INCOME STATEMENT

(In Euro Thousand)	Notes	Period from February 7, 2022 to December 31, 2022
Revenues	24	206.986
Other income	25	5.758
Raw materials and COGs	26	(109.977)
Service costs	27	(35.048)
Personnel costs	28	(25.999)
Other operating costs	29	(21.738)
Accruals to provisions for risks	30	(937)
Depreciation and amortization	31	(35.690)
Operating result		**(16.646)**
Financial income	32	10.172
Financial expenses	32	(30.199)
Result before tax		**(36.673)**
Corporate taxes	33	9.803
Result for the period		**(26.869)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In Euro Thousand)	Period from February 7, 2022 to December 31, 2022
Result for the period	**(26.869)**
Actuarial (losses)/gains on post-employment benefit obligation	709
Actuarial losses/(gains) on post-employment benefit obligation - tax effect	(170)
Items that will not be reclassified to the income statement	**539**
Cash Flow Hedge	14.822
Cash Flow Hedge - tax effect	(3.557)
Other items that may be reclassified to the income statement	**11.265**
Other items of comprehensive income	**-**
Total comprehensive income for the period	**(15.065)**
of which:	
Total comprehensive income attributable to non-controlling interests	-
Total comprehensive income attributable to the group	(15.065)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	**Period from February 7, 2022 to December 31, 2022**
Profit/(loss)	(26.870)
Adjustment for:	-
Corporate Income taxes	(9.803)
Depreciation of property, plant and equipment	8.139
Amortization of intangible assets	27.551
(Releases from)/charges to risk provisions	457
Charges to provision for doubtful debts	480
Net financial costs/(income)	20.027
Cash flow from operating activities before movements in working capital and income taxes	19.982
Change in trade receivables	(4.668)
Change in trade payables	(9.542)
Change in inventories	(7.284)
Use of provisions for risks	(206)
Use of provisions for personnel	523
Change in other assets / liabilities	4.639
Change in Deferred Taxes	(67)
Cash generated by operations before income taxes paid	**3.377**
Income taxes paid	**(5.179)**
Net cash generated by operating activities	**(1.802)**
Investments in intangible assets	(6.444)
Investments in property, plant and equipment	(48.194)
Acquisition of Biofarma Group	(945.794)
Acquisition of minority Apharm	(18.410)
Acquisition of Nustraskills	(53.190)
Acquisition of minority Pasteur	(16.019)
Net cash acquired	22.736
Net cash generated by/(used in) investing activities	**(1.065.315)**
Capital injection for Biofarma Group acquisition	874.623
Capital injection for Nutraskills Group acquisition	57.974
Other movements	(578)
Finance costs paid	(15.399)
Increase in securities/notes for acquisition Biofarma Group	345.000
Increase in long-term loans	13.000
Repayment of securities/notes	(183.225)
Net cash generated by/(used in) financing activities	**1.091.395**
Net increase/(decrease) in cash and cash equivalents for the period	**24.279**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	**24.279**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Other reserves	Reserve for hedging operations of expected cash flows	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at February 7, 2022	-	-	-		-	-	-	**0**
Business combination (Biofarma acquisition)	3.000	834.123	43.587		(9.060)	**871.650**		**871.650**
Business combination (Nutraskills acquisition)			57.795			**57.795**		**57.795**
Other movements			(359)			**(359)**		**(359)**
Actuarial gains/(losses)			539			**539**		**539**
Cash Flow Hedge net of tax effect				11.265		**11.265**		**11.265**
Net result of the period					**(26.869)**	**(26.869)**		**(26.869)**
Total comprehensive income for the period						**(15.065)**		
Balance at December 31, 2022	**3.000**	**834.123**	**101.562**	**11.265**	**(35.929)**	**914.021**	**-**	**914.021**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Kepler S.p.A. (following the "Parent Company") is a holding company indirectly controlled by Ardian Buyout Fund VII B SLP through its wholly-owned subsidiary Vegeta S.p.A. which was created on February 7, 2022 for the purpose of the Biofarma Group acquisition (following "Biofarma Acquisition") from White Bridge Investments and certain other sellers.

On March 27, 2022 Ardian Buyout Fund VII B SLP, Victoria HD S.r.l. and managers completed the acquisition of Biofarma Group.
The Biofarma Group, which operates in manufacturing and research and development of health supplements, medical devices and cosmetics products, was formed in February 2020 from the aggregation of the Biofarma S.r.l., Nutrilinea S.r.l., Apharm S.r.l. (initially acquired a 70% controlling stake), Pasteur S.r.l. (initially acquired a 75% controlling stake) and International Health Science S.r.l. On April 2022 and May 2022 the minority interests in Pasteur S.r.l. and Apharm S.r.l. have been acquired respectively.

Kepler S.p.A. performed the acquisition through the newco Tauri S.p.A. that was subsequently merged in Biofarma S.r.l. with retrospective accounting and fiscal effects at acquisition date. The acquisition price for 945 million of Euro has been paid partially by equity injections and banks loan.

In connection with the Acquisition, on March 22, 2022, Kepler. S.p.A. entered into (i) the Bridge Facility Agreement, which provides for the 345.0 million of Euro Bridge Facilities (comprising the following virtual tranches: the Bridge Acquisition Tranche, the Bridge Refinancing Tranche and the Bridge General Corporate Purpose Tranche) and (ii) the Revolving Credit Facility Agreement, which provides for the 60.0 million of Euro Revolving Credit Facility.

Then the entity, successfully completed the offering of 345 Million of Euro aggregate principal amount of Senior Secured Floating Rate Notes due 2029 (the "Notes"), as part of the overall financing arrangements for the acquisition (the "Acquisition") of all the equity interests in Biofarma S.r.l. by, which was completed on March 22, 2022. The Notes bear interest equal to three-month EURIBOR (with 0% floor) plus 5.75% per annum, reset quarterly, and were issued at an issue price of 96.00% of the nominal amount thereof Application has been successfully made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market thereof.

On August 8, 2022, Kepler S.p.A. signed an ISDA master agreement for an interest rate cap based on a notional amount of 345 million of Euro with an underlying rate based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0%, to hedge against the interest rate risk relating to the Notes for a running premium of 152bps.

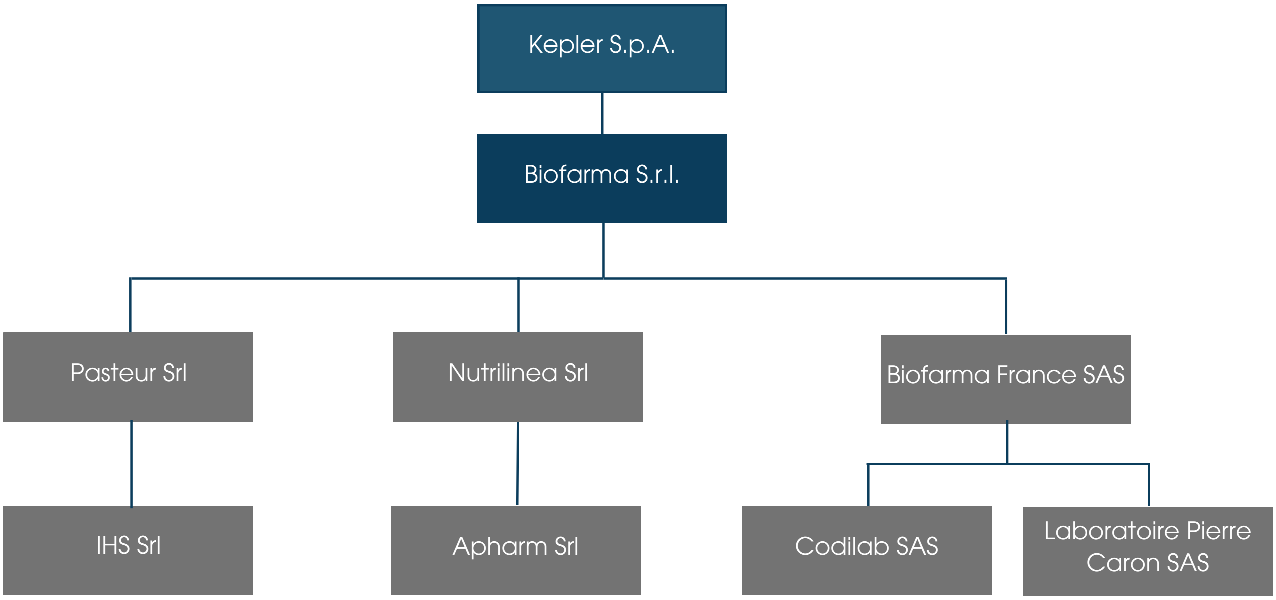
Thus, the Group capped its EURIBOR exposure to 1.52% for 3 years, which is expected to generate savings in the current rising interest- rate environment.

On September 15, 2022, the Group completed the acquisition of 100% of the shares of Codilab and Laboratoire Pierre Caron (together "Nutraskills"), two French companies specialized in the research and development, manufacture, and packaging of food supplements. More precisely, Codilab is a Contract Manufacturing Organization specialist of dry-form food supplements (in particular tablets, capsules, powders) and Laboratoire Pierre Caron is a Contract Development Organization focused on the formulation and packaging (mostly pill jars) of food supplements for third parties.

That operation on French territory has been settled thank to the constitution of Biofarma France legal entity, which is controlled by 100% by Biofarma S.r.l. and which is structured with idea to become the legal and fiscal vehicle for all Kepler initiative in France. In order to perform the acquisition operation, Biofarma France has received the necessary capital injection from Biofarma S.r.l., mostly financed by the group available financial resources. The Group primarily funded the acquisition of the Nutraskills group through the issuance of approximately 38.5 million of Euro in aggregate principal amount of additional subordinated PIK notes by an indirect parent company of the Parent Company, the proceeds of which were contributed as equity to Kepler S.p.A. and its subsidiaries. The proceeds of which were contributed as equity to the Issuer and its subsidiaries, with an accretive effect on leverage.

The Parent Company has no revenue-generating activities of its own, and no business operations, material assets, other than the equity interests, and no material indebtedness, other than its outstanding indebtedness and inter-company balances incurred in connection with the Transactions. The Parent Company is currently not expected to engage in any activities other than those related to the Transactions and any other future potentialtransactions permitted by the Indenture.

The Group structure is listed below.



As of December 31, 2022, the scope of consolidation perimeter of Kepler S.p.A. is set out below:

Company	Control	Percentage Holding	Owned by:
Kepler S.p.A.	Parent Company	100,0%	Denis S.p.A.
Biofarma S.r.l.	Indirect	100,0%	Kepler S.p.A.
Nutrilinea S.r.l.	Indirect	100,0%	Biofarma S.r.l.
Apharm S.r.l.	Indirect	100,0%	Nutrilinea S.r.l.
Pasteur S.r.l.	Intermediate Holding	100,0%	Biofarma S.r.l.
International Health Science S.r.l.	Indirect	100,0%	Pasteur S.r.l.
Biofarma France SAS	Intermediate Holding	100,0%	Biofarma S.r.l.
Codilab SAS	Indirect	100,0%	Biofarma France SAS
Laboratoire Pierre Caron SAS	Indirect	100,0%	Biofarma France SAS

1.GENERAL INFORMATION

Kepler S.p.A. is a leading European CDMO fully focused on nutraceuticals, and the undisputed leader of the Italian market. The Company is the result of a "buy-and-build" story of complementary businesses that led to the creation of a leading player with a wide portfolio of differentiated products and manufacturing technologies.

The Company positions itself as large Pharmaceutical Companies' ("PharmaCos") and Consumer Health Clients' ("CHCs") partner-of-choice for co-development projects thanks to:

- An end-to-end CDMO proposition from market intelligence, R&D and regulatory, to finished dosage forms ("FDFs") manufacturing and packaging
- A proactive offer of innovative solutions ("push innovation model"), trying to anticipate market trends and clients' needs also leveraging on a strong R&D department and a solid portfolio of differentiated technologies (e.g., Microencapsulation, Dry-Cap, T-Win)

The Company's differentiated positioning is based on:

- Strong in-house R&D capabilities and a team of c. 50 FTEs working on clinical studies to support products' claims (over 85 patents and 70 trademarks);
- Regulatory know-how with a dedicated team of c. 23 FTEs, supporting clients in registering product dossiers both at local and international level;
- State-of-the-art manufacturing capabilities, with several "pharma-like" manufacturing equipment and quality control systems.

Kepler S.p.A. operates the business through three business units:

- Health Supplements. Through our Health Supplements business unit, we develop and manufacture health-enhancing products that primarily enable the maintenance of good health and support or enhance prevention treatments individually or in combination with pharmaceutical products, including for chronic diseases. While the purchase of Health Supplements does not require a formal doctor's prescription in most of our geographies, the initial purchase of health supplements by end consumers is usually driven by doctors' recommendations.
- Medical Devices. Through our Medical Devices business unit, we develop and manufacture products that achieve their therapeutic effect through a physical (e.g., aerosol) or mechanical (e.g., a protective layer in the stomach) action to prevent and treat diseases. Medical devices are closer to pharmaceuticals (compared to health supplements) due to the specific regulatory framework they need to comply with at a national and European level. Similar to health supplements, medical devices are typically recommended by doctors and sold to end-customers through pharmacies.
- Cosmetics. Through our Cosmetics business unit, we primarily develop and manufacture premium skin care products, such as anti-ageing creams, sun care and hair care products. Our strategic focus in this business unit is represented by "cosmeceuticals," consisting of cosmetic products that are purported to have therapeutic action. Our Cosmetics business unit includes certain differentiated innovative technologies, such as the Bag on Valve ("BOV") technology.

2. SUMMARY OF ACCOUNTING STANDARDS

Provided below are the main accounting standards and principles applied in the preparation of the Group's consolidated financial reports.

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, and with the provisions issued in enactment of Italian Legislative Decree n. 38/2005, Article 9. The term "EU-IFRS" means the International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all Interpretations of the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee, or SIC) which, as of the date of approval of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedures established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. The Consolidated Financial Statements were prepared according to the best knowledge of the EU-IFRS and the best doctrine applicable. Any future changes in interpretation or orientation will be reflected in subsequent periods as established at the time by applicable accounting standards.

Considering that the Group has been constituted in 2022, the consolidated financial position refers to the figures as of December 31, 2022; differently, the income statement position and cash flows changes report the figures from February 7, 2022 (the constitution date) and December 31, 2022. For the same reason, the Consolidated financial statements do not include comparative figures.

The Consolidated Financial Statements have been prepared on a going concern basis, as the Directors have verified the Group's ability to meet its obligations in the foreseeable future and specifically in the next 12 months.

A description of how the Group manages financial risk, including both liquidity and equity risk, is provided in Note 3 regarding the management of financial risks.
The Consolidated Financial Statements are presented in Euro, the currency used in the economies in which the Group primarily operates; the figures are rounded off to the thousands, except where stated otherwise. The rounding off could cause discrepancies in the tables between the total amounts and the sums presented.
Below is a description of the financial statements and related classification criteria adopted by the Group as envisaged in IAS 1 – Presentation of Financial Statements:

- The consolidated statement of financial position has been prepared by classifying assets and liabilities as either current or non-current;
- The consolidated income statement has been prepared by classifying operating costs by their nature;
- The consolidated statement of comprehensive income includes both the net profit for the period as shown in the consolidated income statement and the other changes in equity resulting from transactions not entered into with shareholders of the Company;
- The consolidated statement of cash flows has been prepared by showing the cash flows resulting from operations by way of the "indirect approach".

The Consolidated Financial Statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit and loss, and derivative financial instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities have been adjusted to reflect the fair value changes for the hedged risks (fair value hedge).

2.2 Basis and method of consolidation

Described below are the criteria adopted by the Group in determining the companies to be consolidated in terms of subsidiaries and associates and their respective consolidation methods.

CONSOLIDATED COMPANIES

(i) Subsidiaries
The Consolidated Financial Statements include those of the Company and companies over which, in accordance with IFRS 10, Kepler S.p.A. exercises control either directly or indirectly by virtue of direct or indirect ownership of the majority of voting rights or the exercise of dominant influence in terms of the power to make decisions about the financial and operating policies of the companies/entities, obtaining the related benefits, regardless of the ownership interest. All subsidiaries are included in the consolidation perimeter from the date on which they are acquired until the date on which control over the subsidiary ceases.

Subsidiaries are consolidated on a line-item basis as described below:

- the assets and liabilities, income and expenses are consolidated line by line, with non-controlling interests allocated their share of equity and net profits as shown separately in the statement of changes in equity, consolidated income statement, and consolidated statement of comprehensive income;
- business combinations which, during the period under review, result in acquiring control over an entity are recognized using the acquisition method under IFRS 3. The acquisition cost is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued. Transaction costs are recognized through profit or loss on the date on which the related services are provided. The assets, liabilities and contingent liabilities acquired are recognized at their fair value at the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognized, if positive, among intangible assets as goodwill or, if negative and after verifying the proper measurement of the fair value of the assets and liabilities acquired and their acquisition cost, through profit or loss. If the fair value of the identifiable assets and liabilities acquired can be determined only provisionally, the business combination is recognized using the provisional values. Any adjustments resulting from the measurement process are recognized within twelve months from the acquisition date, and the comparative figures are remeasured;
- the acquisition of non-controlling interests related to entities in which there is already control, or the sale of non-controlling interests that do not result in a loss of control, are considered equity transactions. This means that, in the event of acquisition or sale of non-controlling interests that result in control being maintained, any difference between the acquisition/sale cost and the related share of equity acquired/sold is recognized in equity;
- receivables, payables, income and expenses between the consolidated companies as well as significant profits and losses and related tax effects resulting from transactions conducted between companies and not yet realized with other parties are eliminated, with the exception of unrealized losses, which are not eliminated if the transaction provides evidence of an impairment loss of the business transferred. Also eliminated, if material, are reciprocal receivables and payables, revenues and expenses, financial income and finance costs;
- profits or losses resulting from the sale of equity interests in consolidated companies that results in a loss of control over that entity are recognized through profit or loss in an amount equal to the difference between the selling price and the corresponding share of the equity sold.

The financial statements of subsidiaries are prepared with reporting periods ending on December 31, which is the same reporting date for the Consolidated Financial Statements and have been prepared and approved by the boards of directors of the respective entities and adjusted, as necessary, to ensure uniformity in the accounting standards adopted within the Group.

II) ASSOCIATES

Associates are companies over which the Group exercises significant influence, which is the power to contribute to determining the financial and operating policies of the entity without having either control or joint control. Significant influence is assumed to exist when at least 20% of the exercisable voting rights is held either directly or indirectly through subsidiaries. When determining the existence of significant influence, potential voting rights that are actually exercisable or convertible are also taken into account. Investments in associates are measured using the equity method and initially recognized at the cost incurred for their acquisition.

A description of the equity method is provided hereunder:

- the carrying value of these investments is aligned with the equity held and adjusted, as necessary, in application of the EU-IFRS; this includes the recognition of the greater value attributed to the assets and liabilities and any goodwill established at the time of acquisition;
- profit or loss attributable to owners of the parent company is recognized from the date on which significant influence began until the date on which it ceases; if realized losses of a company measured at equity should result in negative equity, the carrying value of the investment is eliminated, and any excess attributable to the owners of the parent is recognized in a specific reserve if the parent has undertaken to meet the associate's legal or other constructive obligations; changes in equity for companies measured at equity that are not related to net profits are recognized as a direct adjustment to equity reserves;
- significant unrealized profits and losses generated on transactions between the Company, its subsidiaries and equity-accounted associates are eliminated based on the value of the equity interest that the Group owns in the associate; unrealized losses are eliminated, apart from cases in which such losses represent an impairment loss.

A list of subsidiaries and associates, which includes information on their headquarters and the respective ownership interests, is provided below.

Company	Control	Percentage Holding	Owned by:
Biofarma S.r.l.	Direct	100,0%	Kepler S.p.A.
Nutrilinea S.r.l.	Indirect	100,0%	Biofarma S.r.l.
Apharm S.r.l.	Indirect	100,0%	Nutrilinea S.r.l.
Pasteur S.r.l.	Intermediate Holding	100,0%	Biofarma S.r.l.
International Health Science S.r.l.	Indirect	100,0%	Pasteur S.r.l.
Biofarma France SAS	Intermediate Holding	100,0%	Biofarma S.r.l.
Codilab SAS	Indirect	100,0%	Biofarma France SAS
Laboratoire Pierre Caron SAS	Indirect	100,0%	Biofarma France SAS
Cura Beauty Gmbh	Indirect	45,0%	Biofarma S.r.l.

2.3 Accounting policies

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost net of accumulated depreciation and any impairment losses. The purchase or production cost includes any charges incurred directly to bring the assets to working condition for their intended use, as well as any charges for disposal and removal that should be incurred as a result of contractual obligations that require restoring the asset to its original condition. Finance costs directly attributable to the purchase or construction of qualified assets are capitalized and depreciated over the useful life of the related asset.

Expenditure incurred for routine and/or cyclical maintenance and repairs is fully recognized directly in the income statement of the period in which they are incurred. Costs related to the expansion, modernization, or improvement of structural components of owned assets are capitalized when such components meet the requirements for separate classification as assets or part of an asset in application of the component approach, which establishes that each component subject to separate determination of its useful life and related value must be treated individually.

Depreciation is recognized monthly on a straight-line basis based on rates that enable the asset to be fully depreciated by the end of its useful life.
The useful lives estimated by the Group for the main categories of fixed assets are reflected in the following depreciation rates:

Buildings	3%-10%
Plant and machinery	10% - 20%
Equipment	10% - 40%
Other tangible assets	20% - 25%

The useful lives of property, plant and equipment and the residual value of such assets are reviewed and updated as necessary at the end of each year. Land is not depreciated.

LEASES

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease, i.e., whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group adopts a single recognition and measurement model for all leases, excluding short-term leases and leases of low-value assets. The Group recognizes the liabilities referring to lease payments and the right-of-use asset, which represents the right to use the underlying asset in the lease.

RIGHT-OF-USE ASSET

The Group recognizes the right-of-use assets at the commencement date of the lease (the date on which the underlying asset is available for use). The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, adjusted by any remeasurements of lease liabilities. The cost of the right-of-use asset comprises the amount of lease liability recognized, the initial direct costs incurred, and any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of the useful life of the underlying asset or, if earlier, to the end of the lease term.
If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.
The right-of-use assets are subject to impairment testing. More information is provided in the section on impairment testing.

LEASE LIABILITY

At the lease's commencement date, the Group measures the lease liability at the present value of the lease payments not paid at that date. The lease payments due include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and the payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as costs in the period in which the event or condition that generated the payment occurs.
In calculating the present value of the lease payments due, the Group uses the incremental borrowing rate at the commencement date if the implicit interest rate cannot be determined easily. After the commencement date, the lease liability is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. Moreover, the carrying amount of the lease liability is remeasured to reflect any lease modifications or revised contractual terms for payment modifications; it is also remeasured to reflect any changes in the assessment of whether the option to purchase the underlying asset is reasonably certain to be exercised or modifications in future payments deriving from a change in the index or rate used to determine such payments.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS
The Group applies the exemption for recognizing short-term leases (those that, at the commencement date, have a term of 12 months or less and do not contain a purchase option). The Group also applies the exemption for leases with low-value assets mainly to leases for office equipment considered to have a low value. The payments on short-term leases and low-value leases are recognized as costs on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are identifiable, non-monetary items without physical substance, which generate future economic benefits. Goodwill is included when acquired for valuable consideration. Intangible assets are recognized at purchase and/or production cost including any directly attributable expenses incurred to prepare the asset for use and net of accumulated amortization and any impairment losses. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.
Amortization begins when the asset is available for use and is recognized systematically in relation to the remaining useful life of the asset.
Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, i.e. the estimated period in which such assets will be used by the Group. Intangible assets with a finite useful life are tested for impairment in order to determine whether those assets have suffered a loss in value (impairment loss) whenever there is any indication thereof.
Intangible assets with an indefinite useful life are not depreciated, but they are tested for impairment at least annually). The impairment test is described in the section on "impairment losses".
When part or all of a previously acquired business is sold, and goodwill had emerged on the acquisition, the corresponding residual value of goodwill is taken into account in determining the capital gain or capital loss on the sale.

(a) Industrial patents and intellectual property rights
Patents and intellectual property rights are amortized on a straight-line basis over their useful life.

b) Concessions, licenses and trademarks
Concessions, licenses and trademarks are amortized on a straight-line basis over their respective term except for the brands, emerging when accounting for the acquisitions, which are measured using the royalty method and are not amortized because they have indefinite useful lives but are tested annually for impairment.
Costs for software licenses, including expenses incurred in order to make the software ready for use, are amortized on a straight-line basis over a period of 3 years.
Costs related to software maintenance are expensed as incurred.

(c) Customer relationships
Customer relationships represents the total contractual relationships (supply agreements, service agreements, etc.) and non-contractual relationships with customers and are amortized over their useful life, estimated as 15 years for the historical data.

(d) Research and development costs
Research costs are expensed as incurred, whereas development costs are recognized as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated has been demonstrated;
- a potential market exists or, in the event of internal use, the utility of the intangible asset to produce the intangibles generated by the project has been demonstrated;
- the technical and financial resources needed to complete the project are available.

The amortization of any development costs recognized as intangible assets begins on the date on which the project becomes marketable.
In an identified internal project for the creation of an intangible asset, if the research stage is indistinguishable from the development stage, the cost of this project is fully recognized through profit or loss as if there had only been a research stage.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below);
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Impairment of property, plant, equipment and intangible assets

At each reporting date, a review is performed to determine whether there is any indication that assets have suffered an impairment loss. Both internal and external sources of information are taken into account for the impairment testing. Internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the financial performance of the asset compared to expectations. External sources of information include trends in the market price of the asset; any technological, market or legislative changes; trends in market interest rates or in the cost of capital used to measure the value of the investment.
If any such indication exists, the recoverable value of the asset is estimated, and any impairment loss compared to the current carrying value is recognized in the income statement. The recoverable value of an asset is its fair value less any costs to sell or its value in use (i.e. the present value of estimated future cash flows generated by the asset), whichever is greater. To determine value in use, the present value of expected future cash flows is calculated using a pre-tax discount rate that reflects the current market values of the cost of money based on the investment period and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined for the cash-generating unit to which the asset belongs.
An impairment loss is recognized when the carrying value of the asset or of the related cash-generating unit exceeds its recoverable value. Impairment of cash-generating units is initially recognized as a reduction of the carrying value of any goodwill attributed to it and subsequently as a reduction of the other assets proportionate to their carrying values and to the extent of their respective recoverable values. If the conditions for a previous impairment loss should cease to exist, the carrying value of the asset is reinstated and recognized in the income statement to the extent of the net carrying value that the asset would have had if it had not been written down and all related depreciation or amortization had been recognized.

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently at amortized cost in accordance with the effective interest rate approach, net of any write-downs. Trade receivables and other financial assets are included among current assets, excluding those contractually due after twelve months from the reporting date, in which case they are classified as non-current assets.
Impairment losses on receivables are recognized when there is objective evidence that the Group will not be able to collect the amount from the counterparty based on the related agreement's terms.
Objective evidence includes events such as:

- significant financial difficulty of the Parent Company or debtor;
- pending legal disputes with the debtor concerning the receivables;
- likelihood that the debtor will declare bankruptcy or will initiate other such financial restructuring procedures.

The amount of the write-down is measured as the difference between the carrying value of the asset and the present value of the future cash flows and is recognized in the income statement under "other costs". Uncollected receivables are eliminated from the statement of financial position and recognized in a provision for doubtful debts. If the reasons for a previous write-down should cease to exist in future periods, the value of the asset is reinstated at the value of its amortized cost without the write-down.
Financial assets are written off when the right to receive cash flows from them ceases or is transferred, or when the Group has substantially transferred all risks, rewards and control associated with the financial instrument to a third party.

Derivatives and hedge accounting

The Group uses derivatives to hedge against risks of variability in:
- interest rates with respect to the note issuance through Interest Rate Swaps;

The use of derivatives is regulated by the Group's policies approved by the management bodies, which lay down precise written procedures on the use of derivatives in keeping with the Group's risk management strategies. Derivative agreements were stipulated with some of the most financially solid counterparties to reduce the risk of contractual breach. The Group does not use derivatives for trading purposes, but to hedge against identified financial risks. A description of the criteria and methods used to manage financial risks is contained in the "Financial risk management" section.
Derivatives are initially measured at their fair value, in accordance with IFRS 13, and the attributable transaction costs are recognized in profit and loss as incurred. After initial recognition, the changes in fair value are recognized in profit and loss if the derivatives do not qualify for hedge accounting due to their type or to the Group's decision not to perform effectiveness testing. Derivatives are designated as hedging instruments when formal documentation of the hedging relationship exists and the hedge effectiveness, tested periodically, is high, under IFRS 9.
Hedge accounting differs according to the purpose of the hedge: hedging of the exposure to variability in future cash flows (cash flow hedge) or of changes in fair value (fair value hedge):
- Cash flow hedge: the changes in the fair value of the derivatives that are designated, or are effective, for hedging future cash flows regarding probable transactions are recognized directly in other comprehensive income and other reserves, while the ineffective portion is recognized immediately in profit or loss. The amounts, which had been recognized directly in the Statement of Comprehensive Income and accumulated in equity, are included in profit or loss when the hedged transactions affect profit or loss.
- Fair value hedge: for effective hedging of exposure to changes in fair value, the hedged item is adjusted by the fair value changes attributable to the risk hedged with a balancing item in the income statement. Gains and losses deriving from measurement of the derivative are also recognized in profit or loss. Fair value changes of derivatives that do not qualify for hedge accounting are recognized in profit or loss as they occur.

In the absence of quoted prices on active markets, the fair value is the amount resulting from appropriate valuation techniques that take into account all factors adopted by market participants and the prices obtained in an actual market transaction. The fair value of the interest rate swaps is determined by discounting the future cash flows to their present value.

Derivatives qualified as trading instruments

Derivative instruments are used for strategic and financial hedging purposes. However, since some derivatives do not meet conditions set by EU-IFRS for hedge accounting, those derivatives are recognized as trading instruments. Accordingly, the derivatives are initially recognized at fair value, and subsequent changes in fair value are recognized as components of financial income and finance costs for the period.
The fair value of financial instruments not listed on an active market is determined using valuation approaches based on a series of methods and assumptions related to the market conditions at the reporting date.
The fair value classification of financial instruments is set forth below based on the following hierarchical levels:

- Level 1: fair value determined based on quoted (non-adjusted) prices in active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques based on inputs that are observable in active markets;
- Level 3: fair value determined using valuation techniques based on unobservable inputs in active markets.

Given the short-term nature of trade receivables and payables, we believe that the carrying value is a good approximation of their fair value.
For more information on the valuation of financial instruments at Fair Value based on this hierarchy, see Note 3.5.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value, i.e. the amount that the Group expects to receive on their sale under normal business conditions, less costs to sell. The cost of inventories of raw and ancillary materials, consumables and finished products is determined by using the weighted average cost method.
The cost of finished products and semi-finished goods includes the costs of raw materials, direct labor, and other production costs (based on normal operating capacity). Finance costs are not included in the measurement of inventories because the conditions for their capitalization are not present.

Cash and cash equivalents

Cash and cash equivalents include available bank deposits and other forms of short-term investment with a maturity not exceeding three months. At the reporting date, bank overdrafts are classified as current financial liabilities in the statement of financial position. The items included in cash and cash equivalents are measured at fair value, and subsequent changes are recognized through profit or loss.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at fair value net of directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities

Financial liabilities, which relate to loans, leases and other payment obligations, are initially recognized at fair value net of transaction costs and are subsequently recognized at amortized cost using the effective interest rate method. In the event of changes in the expected cash flows, the value of the liability is recalculated in order to reflect such change based on the present value of the new expected cash flows and using the initially determined internal rate of return. Financial liabilities are classified among current liabilities, excluding those with a contractual maturity of twelve months after the reporting date and excluding those for which the Group has the unconditional right to defer payment for at least twelve months from such date.
Purchases and sales of financial liabilities are recognized on the transaction settlement date.
Financial liabilities are eliminated from the statement of financial condition when paid in full and/or when the Group has transferred all risks and charges related to the instrument.

Employee Benefits

Short-term benefits include wages, salaries, related social security charges, compensation for unused vacation time, and incentives and bonuses payable within twelve months of the reporting date. These benefits are recognized as components of the cost of personnel during the service period.
Pension funds
The companies of the Group have both defined-contribution and defined-benefit plans.
The defined-contribution plans are managed by external fund managers in relation to which there are no legal or other obligations to pay further contributions if the fund should have insufficient assets to meet the obligations toward employees. For those defined-contribution plans, the Group gives voluntary or contractually set contributions to both public and private pension funds. The contributions are recognized as costs of personnel on an accruals basis. Advance contributions are recognized as an asset to be reimbursed or used to offset any future payments due.
A defined-benefit plan is one that cannot be classified as a defined-contribution plan. In defined-benefit plans, the amount of the benefit to be paid to the employee is quantifiable solely upon termination of employment and is tied to one or more factors, such as age, seniority, and salary level. As such, the obligations of a defined-benefit plan are determined by an independent actuary using the projected unit credit method. The present value of a defined-benefit plan is determined by discounting the future cash flows at an interest rate that is equal to that of high-quality corporate bonds issued in the currency in which the liability is to be settled and which considers the term of the related pension plan. Actuarial gains or losses resulting from these adjustments are shown in the statement of comprehensive income as a component of such income. The Group manages solely one defined-benefit plan, which is the fund for employee severance indemnities (or "TFR"). This fund, which is a form of deferred remuneration, is mandatory for Italian companies in accordance with Article 2120 of the Italian Civil Code and is correlated to the length of employment and the salary received throughout the period of service.

On January 1, 2007, Italian law no. 296 of December 27, 2006 ("2007 Financial Law"), and subsequent law decrees and regulations introduced significant changes as to how this fund is to be handled, including the right for employees to choose whether their benefit is accumulated in a supplemental pension fund or in the "treasury fund" managed by INPS. As a result, the obligation toward INPS and the contributions to supplementary pension funds have, in accordance with IAS 19 – Employee Benefits, become defined-contribution plans, whereas the amounts contributed to the TFR fund as at January 1, 2007 maintain their status as defined-benefit plans.

Provisions for risks and charges

Provisions for risks and charges are recognized for certain or probable losses and other charges of a given nature, but for which the amount and/or timing cannot be determined. The provision for agency termination represents amounts that could be due because of the termination of agency relationships in effect at the reporting date.
Provisions are recognized only when there is a present obligation (legal or constructive) for a future outflow of economic resources that has arisen because of past events and when it is probable that such outflow will be required to settle the obligation. The amount allocated represents the best estimate of the amount required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and considers the specific risk associated with each liability.
Where the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provisions are measured at the present value of the outflow expected using a rate that reflects current market conditions, the change in the time value of money, and the risks specific to the liability. Any increases in value of the provision attributable to changes in the time value of money are recognized as interest expense.
Risks for which a liability is only possible are disclosed in the section on contingent liabilities, and no provision is allocated for them.

Recognition of revenues

- Sales revenues

The group revenues are composed of Finish product related to health supplements, medical devices and cosmetic products.
Sales revenues are recognized when the control over the good is transferred to the customer, which normally coincides with the sending or delivery of the good and receipt of it by the customer. The good has been transferred when the customer obtains control over it, i.e., when the customer has the capacity to make decisions about the use of the asset and to obtain benefits from it.
Within this framework, sales revenues and the costs for purchasing goods are measured at the fair value of the consideration received or due, considering any returns, rebates, sales discounts and quantity premiums.
The Group grants discounts to some customers when the product quantities they purchase during the period exceed the threshold established in the contract. Only when the threshold is exceeded, the discount is granted and accounted for as a reduction of the revenues.

In accordance with IFRS 15, the Group checks whether there are any contractual terms that represent separate performance obligations to which the transaction price must be allocated (such as guarantees), and effects deriving from the presence of variable consideration, significant financing components or non-monetary exchanges that must be paid to the customer.

- Other income

The Group revenue is also formed by services sales such as laboratories analysis, primary and secondary graphical services and clinical studies. Other income revenues are recognized once the service is fully performed and accepted by the customer and the service life cycle is usually within 30 days.

- Interest income

Interest income is recognized in the consolidated income statement based on the effective rate of return. It refers primarily to interest earned on bank accounts.

Government grants

When formally authorized and when the right to their disbursement is deemed definitive based on reasonable certainty that the Group will meet the underlying conditions and that the grants will be received, government grants are recognized based on the matching concept of income and expenses.

- Grants relating to assets

Government grants relating to fixed assets are recognized as deferred income among "other liabilities", either current for short-term portions or non-current for long-term portions. Deferred income is recognized in the income statement as "other operating income" on a straight-line basis over the useful life of the asset for which the grant is received.

- Grants for operating expenses

Grants other than those relating to assets are recognized on the income statement under "other income".

Recognition of expenses

Expenses are recognized when relating to goods or services acquired or consumed during the period or when systematically allocated.

Income taxes

Current income taxes are calculated based on the taxable income for the period at the tax rates in effect on the reporting date.
Deferred taxes are calculated for differences emerging between the tax base of an asset or liability and its related carrying value, with the exception of goodwill and differences related to investments in subsidiaries when the timing of such differences is subject to control by the Group and it is probable that they will not be recovered in a reasonably foreseeable time frame. Deferred tax assets, including those concerning accumulated tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent to which it is probable that there will be sufficient future taxable earnings to recover the deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates expected to apply in the period in which the differences will be realized or settled.

Current and deferred taxes are recognized in the income statement under "income taxes", excluding those related to items shown in the consolidated statement of comprehensive income other than net profits and items recognized directly in equity. In the latter cases, deferred taxes are recognized under "income taxes related to other comprehensive income" in the consolidated statement of comprehensive income and directly in equity. Income taxes are offset when they are assessed by the same fiscal authority, there is a legal right to such offsetting, and the net balance is expected to be settled.
Other taxes unrelated to income, such as indirect taxes and other duties, are included with "other costs".

Earnings per share

- Earnings per share – basic

Basic earnings per share is calculated by dividing the Group's net profit (from continuing operations and discontinued operations) by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares.

- Earnings per share – diluted

Diluted earnings per share is calculated by dividing the Group's net profit (from continuing operations and discontinued operations) by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted-average number of shares in circulation is adjusted by assuming the exercising of all rights that could potentially have a dilutive effect, and the Group's net profit is adjusted to take into account any effect, net of taxes, of exercising such rights.

2.4. Recently issued accounting standards

Adoption of the following accounting standards and amendments to accounting standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union has become mandatory for annual periods beginning on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3, Business Combinations, IAS 16, Property, Plant and Equipment, IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020. On May 14, 2020 the IASB published the following amendments:
    - Amendments to IFRS 3 Business Combinations: The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

- Amendments to IAS 16 Property, Plant and Equipment: The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements 2018-2020: amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples accompanying IFRS 16 Leases.

ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT EFFECTIVE YET AND NOT APPLIED IN ADVANCE BY THE GROUP

At the reporting date, adoption of the following accounting standards and amendments to accounting standards endorsed by the European Union had not become mandatory yet and were not adopted early by the Group.

- IFRS 17, Insurance Contracts. On May 18, 2017, the IASB published IFRS 17 – Insurance Contracts, which shall supersede IFRS 4 – Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. IASB developed the standard to eliminate inconsistencies and weaknesses of existing practices through a single principle-based framework to account for all insurance contracts, including reinsurance contracts. The new standard also has presentation and disclosure requirements to improve comparability among insurance entities. The standard is effective for annual periods beginning on or after January 1, 2023 but earlier application is permitted if IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have also been applied. The Directors do not expect the adoption of this standard to materially affect the Group's consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The company's directors anticipate that the application of these amendments may impact the Group's consolidated financial statements in future periods should such transactions arise.

- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of th January 2020 amendments. The company's directors anticipate that the application of these amendments may impact the Group's consolidated financial statements in future periods.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies The amendments change the requirements in IAS 1 about disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The directors of the Company are evaluating the impact on the Group's consolidated financial statements in future periods.

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:
  - A change in accounting estimate that results from new information or new developments is not the correction of an error
  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The directors of the Company are evaluating the impact on the Group's consolidated financial statements in future periods.

- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The directors of the Company are evaluating the impact on the Group's consolidated financial statements in future periods.

IFRS ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

As of this writing, the European Union authorities have not yet completed the endorsement process needed for the adoption of the following amendments and standards. The company's directors are evaluating the potential effects of adopting these amendments on the Group's consolidated financial statements.

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 it published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debts and other short-term or long-term liabilities. The changes come into force on 1 January 2024; however, early application is permitted.
- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes must be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations. The amendments will apply from 1 January 2023, but early application is permitted.
- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to the comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore at improving the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17.
- On 22 September 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to value the lease liability arising from a sale & leaseback transaction so as not to recognize an income or loss that refers to the retained right of use. The amendments will apply from 1 January 2024, but early application is permitted.

3. FINANCIAL RISK MANAGEMENT

The Group's business is exposed to several types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through derivatives.
Risk management is centralized with the Treasury Management function, which identifies, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to interest rate risk and credit risk.

3.1 Market risk

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, volatility in the availability and price of the raw materials, and utilities and for a minor portion also for the risk of for foreign exchange risks.

INTEREST RATE RISK

In order to mitigate the interest rate risk on the financial bond, the Parent Company, on August 8, 2022, signed an ISDA master agreement for an interest rate cap based on a notional amount of 345.million of Euro with an underlying rate based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0%, to hedge against the interest rate risk relating to the Notes for a running premium of 152bps. Thus, the Group capped its EURIBOR exposure to 1.52% for 3 years. The other loan facilities are subject to interest risk fluctuations, however they represent a minor residual amounts.

	At December 31, 2022	
(in thousands of Euro)	**Negative Fair Value**	**Positive Fair Value**
Commodity Derivatives		
Interest Rate Derivatives		14.822
Currency Derivatives		
Total		14.822

PRICE RISK

The Group is exposed to price risk primarily on vitamins, different ingredients and packaging material as well as on energy procurement, whose costs are subject to market volatility.
The Group controls the exposure to raw material and energy commodity price changes by monitoring the costs on monthly basis and by comparing it against budget assumptions. In order to mitigate that risk, the Group implemented the following actions:

- Continuous diversification of suppliers for ingredients and vitamins, in order to avoid the supplier concentration and the negotiation power;
- Continuous scouting of alternative sources for raw material supply by skipping, where possible, the intermediators and by certification of new overseas and low-cost country suppliers which met our international quality, sustainability and pricing standards;

- Definition of the price and delivery conditions on middle term in the contract with supplier, in order to fix as much as possible the purchase price and, at the same time, to assure relevant contract flexibility which allow the Group to change the supplier in case of price and delivery condition deterioration;
- Definition of middle term flexible contracts with energy supply brokers, which allow us to obtain on quarterly basis the pest possible ratio between price and quality and quantity of utility supply.

VOLATILITY AND AVAILABILITY OF RAW MATERIALS

The Group is exposed also to raw material volatility an availability and the risk mitigation measures have been described also on the Price risk chapter. In addition to that, the Group continuously search the alternative local backup supplies in case on delivery term extensions practiced by the primary supplier.
Finally, the Company R&D and Regulatory departments, in collaboration with Purchasing, research and implement engineering innovation by activation of new and alternative raw materials that can replace the current supply primary sources.

FOREIGN EXCHANGE RISK

The Group conducts business on an international level, however the revenues are always invoiced in Euro. Due to the nature of the Group business foreign currency transactions are of a non-significant amount. However, in order to transfer the foreign currency risk to our suppliers the group accept to pay a premium charge to the pure raw material costs. The Group has analysed the cost and benefit of this approach and decided to implement this strategy. The Group doesn't exclude that in future it will cover the negotiation in non-euro currency. That approach will be applied once the Group implements a more solid purchasing structure.

3.2 Credit risk

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates.
The top 10 clients represent about 60% of the total receivables and, to mitigate the credit concentration risk the Group has defined the following strategies:

- Activation of pro-soluto factoring with all top ten customers by involving the primary Italian banks;
- Implementation of strict credit collection policies based on weekly dunning letters, weekly credit collection calls with customers with outstanding balances;
- Block of sales order production and shipments in case of missing outstanding balances settlement within maximum 30 days

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past.

For trade receivables and contract assets, the Group uses a simplified approach to calculate expected losses; the Group monitors changes in credit risk using a simplified approach based on brackets of shared credit risk characteristics and past-due days. Therefore, the Group discloses the full amount of expected credit losses at each reporting date. The Group has defined a provision matrix based on historical experience, adjusted for forward-looking information about specific types of debtors and their economic environment, as a tool for determining expected credit losses.
The group manufacture highly customized products and thanks to its differentiated technology which are difficult to replace by our competitors. That competitive advantage in combination with our credit management policy help us to minimize any relevant market threat.

The following table sets forth an aging analysis of the trade receivables at December 31, 2022, stating separately the provision for doubtful debts:

	At December 31, 2022						
(in thousands of Euro)	Expiring	Expired 0-30	Expired 31-60	Expired 61-90	Expired more than 90	Provision for doubtful debts	Total
Trade receivables	45.424	6.318	1.469	800	4.198	-1.354	56.855

3.3 Liquidity risk

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the cash turnover projections, including undrawn credit lines, and available cash and cash equivalents, based on expected cash flows.
The following tables set forth a maturity analysis of the financial liabilities at December 31, 2022 The maturities are based on the period from the reporting date to the contractual maturity date of the obligations.

	At December 31, 2022				
(in thousands of Euro)	On Demand	Within 1 year	In 1 to 5 years	Due after 5 years	Total recognized
Leasing liabilities	-	1.219	2.394	803	4.416
Other financing	-	7.779	15.163	-	22.942
Bond	-	-	-	329.600	329.600
Trade payables	13.928	58.251	-	-	72.179
Total	**13.928**	**67.250**	**17.557**	**330.403**	**429.137**

The value of the liability for the Bond contract is based on a nominal amount of 345.000 thousands of Euro that is offset by 15.400 thousands of Euro of amortized cost.

3.4 Equity risk

The Group's equity risk management objective is to maintain the going concern status to assure returns to shareholders and benefits to other stakeholders. The Group also aims to maintain an optimal capital structure to reduce debt cost.
Net invested capital is calculated as the sum of equity attributable to the shareholders and net financial debt.
Below is the breakdown of the Group's net financial debt at December 31, 2022, determined in accordance with Committee of European Securities Regulators (CESR) Recommendation n. 05/054b, Paragraph 127, for implementation of EC Regulation n. 809/2004, and the gearing ratios at December 31, 2022:

(in thousands of Euro)		At December 31, 2022
A	Cash	4
B	Cash equivalents	24.274
C	**Liquidity (A+B)**	24.278
D	Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	7.779
E	Current portion of non-current financial debt	1.219
F	**Current financial indebtedness (D+E)**	8.998
G	**Net current financial indebtedness (F-C)**	(15.280)
H	Non-current financial assets	14.935
I	**Total Non-current financial assets (I)**	14.935
J	Non-current financial debt (excluding current portion and debt instruments)	18.360
K	Debt instruments	329.600
L	Non-current trade and other payables	-
M	**Net non-current financial indebtedness (J+K+L-I)**	333.025
N	**Total financial indebtedness (G+M)**	317.745
	Net operating invested capital	914.021
	Gear ratio	34,76%

The non-current financial assets are mainly related to the value of the Hedge Derivate of 14.822.
The current financial liability includes 7.779 thousands of Euro of cash advanced by the banks in front of invoice; 1.219 thousands of Euro are related to short term lease liabilities. The non-current financial debt equal to 18.360 thousands refers for 13.000 thousands of Euro related to RFC facility, long term loan in French entities and leasing long term debt. The debt instrument are mainly related to the Bond contract netted.

3.5 Financial assets and financial liabilities by category

The following table presents the financial assets and liabilities aggregated by category with their fair values stated.

	At December 31, 2022	
(in thousands of Euro)	**Fair value through profit or loss**	**Amortized Cost**
Non-current financial assets	14.822	113
Non-current financial liabilities		347.960
Current financial liabilities		8.998

The fair value of the derivatives was determined using valuation techniques based on observable inputs in active markets (Level 2).

4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved. Application of such estimates and assumptions affects the figures reported in the Consolidated Financial Statements, including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the related explanatory notes. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the financial statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based. The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the consolidated financial information.

(a) Provision for inventory obsolescence
The provision for inventory obsolescence reflects management's best prudent estimate of the losses expected by the Group, determined on the basis of past experience, past trends and expected market trends.
Slow-moving raw materials and finished products are analyzed regularly on the basis of past statistics and the possibility to sell them at a lower price than that in a normal market transaction. If the analysis results in the need to write down the inventory value, an inventory provision is recognized.

(c) Goodwill and fixed assets
Goodwill and fixed assets recognized in the Consolidated Financial Statements are tested for impairment by calculating the value in use of the cash generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, the Group conducted testing in which goodwill was allocated to a group of CGU that benefit from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80).
The CGU has been identified, consistently with the Group's organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them; the structures were grouped together at a regional level to identify the benefits deriving from the synergies.
Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes.
The Discounted Cash Flow (DCF) model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate.
More information on the methodology used is reported in Note 7.
The business plan prepared by the Group's management based on projections of the 2022 financial performance prepared by the subsidiaries' management and approved by the Group's management, used for the impairment testing, is based on variables controllable by the Group's management and theoretical changes in exogenous variables not directly controllable or manageable by the Group's management.

If the main estimates and assumptions used to prepare the business plans should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, the Group is not able to assure that the assets disclosed in the financial statements at December 31, 2022 will not suffer an impairment loss in the future.

5. SEGMENT REPORTING

The criteria used to identify Segments are consistent with the way in which the Group is managed. The division into Segments for reporting purposes corresponds to the structure of the reports periodically examined by the key management who is considered the chief operating decision maker.
The Group's operations are split into three business lines and more precisely Health Supplements, Medical Devices and Cosmetics
The Group's management evaluates the performance of these Segments, using the following as indicators, determined on the basis of the managerial reporting:
- revenues, on the basis of where the products are sold, not where the billing company's head office is located;
- EBITDA as net profit before depreciation, amortization and impairment losses, income taxes, finance costs, finance income;
- Operating result for the period;
- Investments in tangible and intangible assets.

Managerial P&L		Transaction cost	One offs	Managerial P&L Adjusted	Health Supplements	Medical Devices	Cosmetics
Revenues	212.744			212.744	139.347	43.187	30.210
Raw Material	(109.977)			(109.977)	(74.564)	(20.526)	(14.887)
First Margin	**102.767**			**102.767**	**64.783**	**22.661**	**15.322**
First Margin %	**48%**			**48%**	**46%**	**52%**	**51%**
Service cost on Trasformation Margin	(16.384)			(16.384)	(7.817)	(3.522)	(5.046)
Direct Personnel cost	(15.833)			(15.833)	(9.706)	(2.327)	(3.800)
Transformation Margin	**70.550**			**70.550**	**47.261**	**16.812**	**6.477**
Transformation Margin %	**33%**			**33%**	**34%**	**39%**	**21%**
Service cost on SG&A	(18.664)		13.023	(5.641)	(3.667)	(1.692)	(282)
Personnel cost on SG&A	(10.166)			(10.166)	(6.232)	(1.494)	(2.440)
Other operating items	(21.738)	20.240		(1.498)	(974)	(450)	(75)
EBITDA	**19.982**	**20.240**	**13.023**	**53.244**	**36.388**	**13.176**	**3.681**
EBITDA %	**20%**			**26%**	**27%**	**33%**	**11%**
Depreciation	(35.690)			(35.690)	(24.983)	(10.496)	(212)
Operating Result	**(16.646)**			**18.388**	**11.925**	**3.364**	**3.099**

Transaction costs are the costs related to change of control costs and costs for the structured financing.
One-offs are referred to ceasing cost occurred in 2022 as well as to other non-recurring cost linked to four business segments.

Below is the breakdown by Segment of the investments in tangible and intangible assets per business segment:

(in thousands of Euro)	**Year ended December 31, 2022**
	2022
Investments in intangible assets	6.878
Health Supplements	4.004
Medical Devices	1.998
Cosmetics	876
Investments in tangible assets	11.692
Health Supplements	7.600
Medical Devices	3.508
Cosmetics	584
Total	**18.570**

Revenues are broken down below by geographical area:

(in thousands of Euro)	**Period from February 7, 2022 to December 31, 2022**
Italy	134.558
Rest of Europe	61.483
Rest of World	10.945
Total	**206.986**

6. INTANGIBLE ASSETS

The changes in this item are detailed below.

(in thousands of Euro)	Development costs	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Customer Relationship	Know-How	Goodwill	Work in progress and advances	Total
Balance at February 7, 2022									
Business Combination (Biofarma Group)	527	28.793	15	6.567	325.577	77.104	751.011	3.895	1.193.489
Business Combination (Nutraskills)	-	-	167	-	-	-	46.212	-	46.379
Investments	1.318	495	-	3.822	-	-	-	1.243	6.878
Disposals	-	-	-	-	-	-	-	-	-
Depreciation	(331)	(2.683)	(14)	(2.461)	(16.279)	(5.783)	-	-	(27.551)
Reclassifications	-	-	-	421	-	-	-	(421)	-
Other changes	-	7	-	-	-	-	-	-	7
Balance at December 31, 2022	**1.514**	**26.612**	**168**	**8.349**	**309.298**	**71.321**	**797.223**	**4.717**	**1.219.202**
Of which:									
Historical cost	4.116	31.903	327	16.623	325.577	77.104	797.223	4.717	1.257.590
Accumulated depreciation	(2.602)	(5.291)	(159)	(8.274)	(16.279)	(5.783)	-	-	(38.388)

The Development Costs are composed of 1.515 thousands of Euro for development regulatory and quality department projects related to premium customers.

Patent and intellectual property rights equal to 26.627 thousands of Euro includes 25.687 thousands of Euro for patent arose by purchase price allocation.

Other intangible assets of 8.329 thousands of Euro includes various long term intellectual activity for new biochemical laboratories development in science project for the signed product lunching in 2023 and 2024.The increase of the period mainly refers new investments in developing biochemical project related to implementation of health supplements in oncology as well as for the diabetes prevention.
Customer Relationship of 309.298 thousands of Euro are entirely formed from the result of the purchase price allocation on the different client cluster Health Supplements, Medical devices and Cosmetics.
Know how are related for 71.321 thousands of Euro arose from purchase price allocation on different plants expertise, in particular for Nutrilinea and Biofarma entities.
Work in progress of 4.717 thousands of Euro are mostly related to biochemical formulas development projects linked to premium customers; the increase of the period is linked to innovative chemical health supplement solution not yet finalized.
Goodwill, equal to 797.223 thousands of Euro is the residual value of the purchase price allocation for Biofarma and Nutraskills acquisitions.

The goodwill allocated is set forth below by business segment:

	Year ended December 31,	
(in thousands of Euro)	**2022**	
Cash Generating Unit (CGU)		
Health Supplements	506.115	63%
Cosmetics	84.884	11%
Medical Devices	206.224	26%
Total	797.223	**100%**

Considering that the purchase price allocation at 31 December, 2022 remains provisional, as better explained in the following paragraph, the allocation of goodwill among the CGU has been considered not definitive.

Impairment testing

As required by IAS 36, the Group tested the carrying amounts of the tangible and intangible assets recognized in its Consolidated Financial Statements at December 31, 2022 with respect to their recoverable amounts. Goodwill is tested for impairment at least annually, even when no indications of impairment losses are present.
In accordance with IAS 36, the Group identified the CGU representing the smallest identifiable group of assets able to generate largely independent cash inflows within the Consolidated Financial Statements. CGU were identified by considering the organizational structure, the type of business and the methods with which control is exercised over the operation of the CGU.

The CGU identified by the Group to monitor goodwill coincide with the aforementioned business in which the Group operates and has been allocated upon acquisition occurred in 2022.
The CGU in which goodwill is recognized/allocated, on which the impairment testing was based, are as follows:

- Health Supplements
- Cosmetics
- Medical Devices

The assets were tested for impairment by comparing the carrying amount attributed to the CGU, including goodwill, with its recoverable amount (value in use). The value in use is the present value of the estimated future cash flows to be derived from continuing use of the assets referring to the cash generating units and the terminal value allocated to them.
In conducting the impairment test, the Kepler Group used the most recent forecasts for the financial and business performance envisioned for 2023 (as described in the section on "estimates and assumptions"), presuming that the assumptions and targets would be met. In preparing its projections, management made assumptions based on past experience and expectations about the developments in the business segments in which the Group operates.
The terminal value was calculated by using a growth (G) rate in line with the average inflation expected in the long term (2026) for the main countries where the CGU operates, weighted with the respective revenues (2021). The main assumptions underlying the calculation of WACC applied for all CGU's are reported below:

Valuation date	31.12.2022
Market premium risk	5.50%
Beta unlevered	0.73
Beta levered	0.82
Additional risk premium	1.21%
Saggio risk free	3.83%
Cost of own capital	9.57%
Target debt ratio	12.29%
Terminal growth rate (g)	2.00%
WACC	**9.06%**

No impairment loss emerged from the impairment test, which was approved by the Board of Directors on April 21, 2023.

Since the recoverable amount is determined based on estimates, the Group cannot assure that goodwill will not suffer impairment loss in future periods.
The operating cash flow estimate was taken from the 2023-2029 Business Plan. The estimated cash flows are based on the Directors' assumptions, which are cohesive with the Group's strategy in each business and market where it operates, and they depend on exogenous variables beyond management's control, such as the performance of currency exchange and interest rates, the infrastructural investments of the countries where the Group operates, and macro-policy or social factors having a local or global impact. In accordance with IAS 36, such exogenous variables were estimated on the basis of information known when the business plans were drawn up and examined, and consider the effects of the elevated inflations levels, the pricing increase of commodities, energy and logistics, which however are currently hard to quantify.

In addition, the Group performed a sensitivity analysis using deteriorated variables of the impairment test, WACC and G rate. The discount rate was raised by one percent, and the g rate of the terminal value was reduced by one percent. Health Supplements CGU would suffer impairment in the event of a 0.5% worsening of the WACC and G rate, Medical Devices CGU in the event of a 0.5% worsening of the WACC or G rate. Cosmetics CGU would not be impacted.

The post-tax WACC of indifference, i.e. the discount rate that reduces the headroom to zero for each CGU, is reported in the following table:

CGU	Post-tax WACC of indifference
Health Supplements	9,6%
Cosmetics	10,45%
Medical Devices	9,31%

Allocation of goodwill from business acquisitions

As noted, in March 2022 Kepler completed the acquisitions of 100% of Biofarma Group and in September 2022 the Group completed the acquisition of 100% of Codilab e LPC.; these are presented as business combinations in accordance with IFRS 3 – "Business Combinations".

With respect to the acquisition of Biofarma Group, the purchase price allocation was determined with the assistance of independent advisor in order to identify the fair value of the assets acquired, liabilities assumed and goodwill. The excess of the purchase price over the fair value of the net assets and liabilities acquired was recognized as intangible, contingent liabilities, inventory and for the residual portion as goodwill as detailed in the table below. The methodology used is the full goodwill method.

According to IAS 32, as far as IHS and Apharm subsidiaries are concerned, the Acquisition triggered the obligation for Biofarma to acquire the full control (100%) of their share capital through its subsidiaries, Nutrilinea Srl and Pasteur Srl respectively. The financial payments were made in different stages after the Acquisition. In particular Pasteur Srl, the subsidiary established in December 2021 for the purpose of IHS acquisition, acquired 75% of the equity interests in IHS from Giellepi S.p.A and the remaining 25% minority interest in IHS has been acquired by the Group on May 24th, 2022; as well during April 2022 also the remaining stake in Apharm was acquired by the Group.

With respect to the acquisition of Nutraskills, the purchase price was provisionally recognized as goodwill.

The identified intangible assets are:

- Customer Relationships
- Know-how
- Patents
- Inventory
- Contingent liabilities

Customer relationship exists between an entity and its customer if (a) the entity has information about the customers and has regular contact with the customers and (b) the customers have the ability to make direct contact with the entity. Customer relationships can meet the contractual-legal criterion if an entity has a practice of establishing contracts with its customers, regardless the presence of a contract as of the acquisition date. However, customer relationships more commonly arise through means other than contracts, such as through regular contacts by sales or service representatives that contribute to create a certain level of customer fidelity. In particular, in the case of Biofarma Group identifiable customer relationships pertains to both the manufacturing (Biofarma and Nutrilinea) and the distribution (IHS and Apharm) entities.

The Group's customer relationships are separated for the three business units of the Group, i.e. health supplements, cosmetics and medical devices. This results in a total of 10 customer relationships identified for the Group.

Biofarma Group's know-how acquired refers to technical, organizational and process information related to development of products for third parties, that trade them under proprietary trademarks. The development of a certain product does not only refer to the chemical composition but also to the raw materials' sourcing and selection, to the industrial production stage until the post-production packaging stage. The developed know-how is constantly updated and stored internally in reports as to maintain a competitive and technical advantage over the offered products. As a result, the afore-mentioned output and effort has a tangible effect on the operating profit of the Group. Therefore, Biofarma Group's know-how allows the Company to maintain a competitive and technical advantage over the offered products.
The Company's know-how can be summarized as follows: development of recipes for products across all the Business Units to be sold to third parties, included raw materials' sourcing and selection; contract-based production and packaging of products for third parties; internal organization in terms of personnel, procedure and resources.

Patents represent fundamental assets for Biofarma since the business in which the company operates, and for the resources implied for their development. Ultimately, they have a concrete impact on the operating profit of the company. The number of patents obtained and pending testifies to Biofarma Group's on-going commitment to developing highly innovative products and services.

Inventory refers to finished products available for sale and unfinished work-in-process (WIP) goods.

Contingent liability refers to a potential present obligation that exists as a result of past events accounts. In particular it is related to some uncertainties in determining the taxable profit.

With respect to the acquisition of Nutraskills, the purchase price was provisionally recognized as goodwill. Furthermore, the purchase price includes the amount of 10.000 thousands of Euro of the Earn Out to be paid to Holding Codilab; basing on the most recent projects of Nutraskills EBITDA, Kepler's management evaluated that this amount will be due.

Pursuant to IFRS 3, considering that the initial accounting for both business combination cannot be definitively determined by the end of the reporting period because the fair values to be assigned to the assets and liabilities acquired can be determined only provisionally, the management will use provisional amounts, and within 12 months from the acquisition date the adjustments to these amounts will be recognized, effective retrospectively, thus determining the definitive balances of the acquisitions.

The fair value measurement of the assets and liabilities acquired (excluding the deferred tax assets and liabilities, employee benefits and non-current assets held for sale, recognized in accordance with the applicable accounting standards) and the price paid are set forth below:

(in thousands of Euro)	Biofarma Group	Nutraskills	Total
Price paid for the acquisition (A)	945.794	53.539	999.333
Book value of net assets acquired (B)	108.103	7.327	115.430
Pre-existing Goodwill (C)	223.923	-	223.923
Goodwill before allocation (A-B+C)	1.061.614	46.212	1.107.826
Inventory step-up	3.473	-	3.473
Customer relationship	325.577	-	325.577
Know how	77.104	-	77.104
Patent	27.415	-	27.415
Deferred Taxes	120.966	-	(120.966)
Contingent liabilities	2.000		(2.000)
Total PPA Allocation	**310.603**	**-**	**310.603**
	-	-	-
Residual Goodwill	**751.011**	**46.212**	**797.223**

7. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Rights of use	Total
Balance at February 7, 2022							
Business Combination (Biofarma Group)	45.746	20.872	1.251	1.550	2.039	4.898	76.356
Business Combination (Nutraskills)	611	1.850	-	104	337	286	3.188
Investments	2.561	3.969	615	288	3.967	292	11.692
Disposals	-	(115)	(1)	(5)	-	-	(121)
Depreciation	(768)	(5.390)	(665)	(405)	-	(911)	(8.139)
Impairment	-	-	-	-	-	-	-
Reclassifications	27	182	-	-	(209)	-	-
Other changes	-	2	-	-	-	(208)	(206)
Balance at December 31, 2022	**48.177**	**21.370**	**1.200**	**1.532**	**6.134**	**4.357**	**82.770**
Of which:							
Historical cost	50.892	77.726	10.604	6.059	6.134	5.268	156.683
Accumulated depreciation	(2.715)	(56.356)	(9.404)	(4.527)	-	(911)	(73.913)

Land and buildings for 48.177 thousands of Euro are mainly composed of 41.330 thousands of Euro for Mereto plant facility and land. In addition the Group owns facility and lands in Monselice and part of Gallarate industrial plant, both sites of Nutrilinea entity. The investments of the period are represented by the expansion of Gallate facility as well as further improvements in all Group's sites.

Plant and machinery equals to 21.370 thousands of Euro refer to production lines and industrial machinery in all the Groups plants. In 2022 the Group acquired microencapsulation machine, two new liquid production lines and two blistering machine for 2.560 thousands of Euro and for 1.202 thousands of Euro in new production lines for cosmetic product.
The equipment's for 1.200 thousands of Euro, are related to tools and assets for warehouses.
Other fixed asset of 1.532 include mainly furniture, ICT hardware, machinery and company vehicles.
Work in progress are related to not completed investments in production lines and facilities. The increase of the period are mainly related to new microencapsulation and coating machine in Mereto, as well as advance payments to the suppliers for the facility extension linked to new premium customer production area not yet finalized.
The right of use of 4.357 thousands of Euro are entirely related the application of IFRS 16 and is described in the next paragraph.

The following table presents the changes in the right-of-use asset in leases at the respective reporting dates:

(in thousands of Euro)	Right of use Land and buildings	Right of use Plant and machinery	Right of use Other fixed assets	Total
Balance at February 7, 2022				
Business Combination (Biofarma Group)	3.801	404	693	4.898
Business Combination (Nutraskills)	228		58	286
Investments		112	180	292
Disposals	-	-	-	-
Depreciation	525	218	(168)	(911)
Exchange rate difference	-	-		-
Reclassifications	-	-		-
Other changes	-	-	(208)	(208)
Balance at December 31, 2022	3.504	298	555	4.357

The right of use is classified in different category considering the type of leasing contracts analyzed.
The main category is related to land and buildings 3.504 thousands of Euro that are mostly linked to residual portion of the facility Gallarate's plant not owned by the Group.

8. INVESTMENTS

The amount refers for 372 thousands of Euro of to the equity interest of 45% in Cura Beauty Gmbh and for 12 thousands of investment in Italian Sector associations.

(in thousands of Euro)	Year ended December 31, 2022
Associates	372
Other companies	12
Total	**384**

9. NON CURRENT FINANCIAL ASSETS

The balance derives from the fair value measurement of Interest rate swap (IRS) stipulated by the Group to manage interest rate risk on part of the notes issued.
On August 8, 2022, the Group signed an ISDA master agreement for an interest rate cap based on a notional amount of Euro 345.000 thousand with an underlying rate based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0%, to hedge against the interest rate risk relating to the Notes for a running premium of 152bps. Thus, the Group capped its EURIBOR exposure to 1.52% for 3 years, which is expected to generate savings in the current rising interest- rate environment.
At December 31, 2022 non current financial assets amount to 14.935 of Euro and refers of 14.822 thousands of Euro to the fair value change recognized directly in "Reserve for hedging operations of expected cash flows" netted of the effects of deferred tax liabilities.

10. DEFERRED TAX ASSETS

This item is detailed below:

(in thousands of Euro)	**Year ended December 31, 2022**
Deferred tax assets	6.352
Total deferred tax assets	6.352

The composition of this balance is shown below:

(in thousands of Euro)	**Business combination**	**Effect on Income Statement**	**Effect on statement of comprehensive income**	**December 31 2022**
Actualization of employee benefits	66	72	(170)	(32)
ACE tax break	-	2.170	-	2.170
Tax losses carryforward	-	3.676	-	3.676
Differences in tax treatment of assets depreciation	311	(33)	-	278
Provisions for inventories obsolescence	161	99	-	260
Other differences in tax treatment	190	(190)	-	-
Total deferred tax assets	**728**	**5.794**	**(170)**	**6.352**

The effect on income statement are equal to 5.794 thousands of Euro and is related the tax losses accumulated in 2022 position (3.676 thousands of Euro). The company management has evaluated the tax recovery in the future years and therefore the deferred asset has been accounted. The amount of 2.170 thousands of Euro refers to a tax break that, due to the tax losses incurred in the period, has been accounted as a deferred tax item.

11. INVENTORIES

This item is detailed below:

(in thousands of Euro)	Year ended December 31, 2022
Raw materials	45.901
Work in progress and semi-finished goods	8.858
Finished products	7.810
Advances	465
Total	**63.034**

(in thousands of Euro)	Raw materials	Work in progress and semi-finished goods	Finished products	Advances	Total
Balance at February 7, 2022					
Business Combination (Biofarma Group)	35.209	5.789	5.413	105	46.516
Business Combination (Nutraskills)	4.409	906	417	-	5.732
Changes of the period	6.283	2.163	1.980	360	10.786
Balance at December 31, 2022	**45.901**	**8.858**	**7.810**	**465**	**63.034**

The inventory in 2022 has been increased by 10.786 thousands of Euro; the increase is due to application of the Group's strategy to avoid potential production interruptions linked to the relevant delivery time increase by our oversea suppliers and to prevent costs increases driven by inflation pression at international level.
Inventories are shown net of the provision for inventory obsolescence as detailed below:

(in thousands of Euro)	Provision for inventories obsolescence	Total
Balance at February 7, 2022		
Business Combination (Biofarma Group)	1.084	1.084
Business Combination (Nutraskills)	36	36
Charge	806	806
Use	(19)	(19)
Balance at December 31, 2022	1.907	1.907

No inventories were put up as collateral to guarantee loans received by the Group. The provision for obsolescence has been increased to follow the business growth, however no mentionable obsolescence has been reported in 2022.

12. TRADE RECEIVABLES

(in thousands of Euro)	At December 31, 2022
Gross trade receivables	58.209
Provision for doubtful debts	1.354
Trade receivables	**56.855**

The trade receivables are mostly referred to Italian and European clients. The majority of credits are settled within 90 days and there are no mentionable credit risks. Thanks to a proactive credit management and highly customized products, that are difficult to replace with other suppliers, provide us a strong negotiation power in relation to credit collection versus our clients.
Write-downs are made based on careful analysis of past due accounts, customers in financial difficulties and clients with whom legal action has been initiated, in addition to estimated expected losses on receivables.

The doubtful debt provision reflects management's estimate based on the expected losses by the Group, based on past experience for similar receivables, current and historic amounts overdue, losses incurred, receipts, careful monitoring of the credit quality and projections on economic and market conditions, with the information known at the reporting date.

The table below presents the changes in the provision for doubtful debts:

(in thousands of Euro)	Provision for doubtful debts
Balance at February 7, 2022	-
Business Combination (Biofarma Group)	725
Business Combination (Nutraskills)	3
Charge	626
Use	-
Balance at December 31, 2022	**1.354**

The Group has not used the provision during the year and the increase is mainly referred to the increase of the business level.

13. CURRENT INCOME TAX RECEIVABLES

This item is detailed below:

	At December 31, 2022
(in thousands of Euro)	Total
VAT receivables	11.601
R&D receivables	3.775
Direct tax receivables	3.653
Other government grants receivables	302
Balance at December 31, 2022	**19.331**

The VAT receivables derive from the periodic settlement of VAT in the various Group companies, which resulted in a receivable towards the tax authorities. This receivable is attributable to Biofarma Srl and Nutrilinea Srl.
The R&D receivables derived from a multi-year project for the development of products and processes in the nutraceutical and medical device business in accordance with the law pursuant to L. 160/2019 and L. 178/2020. This amount is mainly attributable to Biofarma Srl and Nutrilinea Srl.
The value of direct tax receivables relates to tax advances higher than the amount due from final tax calculations and generated by the core business.
The other government grants receivables derive from grants provided by specific Italian measures (D.Lgs 50/2022). This receivable is attributable to Biofarma S.r.l.

14. OTHER CURRENT ASSETS

The other current assets are stated in the financial statements net of the related provisions:

	At December 31,
(in thousands of Euro)	**2022**
Other assets-gross	4.557
Provision for other doubtful debts	
Total other assets	4.557

The item is detailed below:

	At December 31,
(in thousands of Euro)	**2022**
Sundry receivables	2.500
Prepaid expenses and accrued income	1.251
Security deposits	801
Due from social security entities	2
Due from employees	3
Total other assets	**4.557**

The sundry receivables mainly include bank credit for pro-soluto factoring not yet settled by the bank due to credit limit.
The prepaid expenses are primarily related to the advance payment for material supply and business related expenses.
The security deposit is mostly referred to cautioned deposit to the utilities provider which requires that extraordinary deposit in order to secure and continues the energy supply in 2022 unpredictable macroeconomic scenario with unpredictable price variance.

15. CASH AND CASH EQUIVALENTS

This item is detailed below:

(in thousands of Euro)	At December 31, 2022
Bank deposits	24.276
Checks outstanding	-
Cash and cash equivalents on hand	4
Total cash and equivalents	**24.279**

Please refer to consolidated statement of cash flows for a detailed analysis of changes in cash and cash and equivalents occurred.

16. SHAREHOLDER'S EQUITY

The equity of the Group at December 31, 2022 is set forth below:

	At December 31, 2022
Share capital	3.000
Share premium reserve	834.123
Other reserves	101.562
Reserve for hedging operations of expected cash flows	11.265
Retained earnings	(35.929)
Total equity	**914.021**

The share capital subscribed to and paid-in amount to 3.000thousands of Euro.

The share premium reserve amount to Euro 834.123 thousands of Euro and represent the value of the capital contribution made by the shareholders in connection with the constitution Kepler S.p.A..

The reserve for hedging operations of expected cash flows amount to 11.265 thousands of Euro and refers to changes in the fair value of IRS derivatives.

The other reserves amount to 101.562 thousands of Euro and mainly refer to additional capital injections to perform Nutraskills acquisition. The amount includes also the actuarial reserve for 539 thousands of Euro.

17. CURRENT AND NON CURRENT FINANCIAL LIABILITIES

This item is detailed below:

	At December 31, 2022							
	Interest Rate	Current portion	Portion with due after 12 months					Total
(in thousands of Euro)			2024	2025	2026	2027	Afterward	
Current financial liabilities	Variable	7.779	-	-	-	-	-	7.779
Non Current financial liabilities	Variable	-	541	541	541	540	342.600	344.763
Lease liabilities	Variable	1.219	847	664	526	358	803	4.417
Total		**8.998**	**1.388**	**1.205**	**1.067**	**898**	**343.403**	**356.959**

The current financial liabilities are composed for 1.997 thousands of Euro for reverse factoring agreements and of 5.782 thousands of Euro relates bank overdraft and bank advance.

The non-current financial liabilities refer mainly to the Group's issuance of senior secured floating rate notes for 345.000 thousands of Euro, netted for the amount of costs related to the financing.

The Senior Secured Floating Rate Notes was issued on 20th May 2022 for a total amount of 345.000.000 thousands of Euro. The maturity date is 15th May 2029. The interest rate (5,75%) is based on 3m Euribor, a maturity of 3 years (starting from 15/09/2022), and a strike at 0% and capped to 1.52% for 3 years, as detailed above in Note 3The total amount of the amortizing costs as of December 31, 2022 is 15.399 thousands of Euro.

The amount includes also for 13.000 thousands of Euro to the Revolving Credit Facility ("RCF"), that is a portion of the total cash available from this facility, that amount to 60.000 thousands of Euro.
The RCF has been signed for a total amount is 60 thousands of Euro. The termination year is 2028.
The interest rate for the year 2022 is 3% and the total amount of the capitalized interest is 41 thousands of Euro.
None of the facilities are subjected to financial covenants testing.

However, both facilities are covered by the following pledges:

- Pledge on the shares representing the entire share capital of Kepler S.p.A. established pursuant to a pledge deed signed on 21 March 2022 between, inter alios, Denis S.p.A. and BNP Paribas as security agent (as confirmed and extended from time to time);
- Pledge on the shares representing the entire share capital of Biofarma S.r.l. established pursuant to a pledge deed signed on March 21, 2023 between, inter alios, Kepler S.p.A. and BNP Paribas as security agent (as confirmed and extended from time to time);
- Assignment of intercompany credits claimed by Kepler S.p.A. as guarantee against Biofarma S.r.l. by virtue of a deed of assignment of credits under guarantee signed on April 8, 2022 between, inter alios, Kepler S.p.A. and BNP Paribas as security agent (as confirmed and extended from time to time);

- Assignment of intercompany credits claimed by Biofarma S.r.l. as guarantee against Nutrilinea S.r.l. and Pasteur S.r.l. by virtue of a deed of assignment of credits under guarantee signed on 21 March 2023 between, inter alios, Biofarma S.r.l. and BNP Paribas as security agent (as confirmed and extended from time to time);
- Assignment as guarantee of intra-group credits claimed by Nutrilinea S.r.l. against Apharm S.r.l. by virtue of a deed of assignment of credits under guarantee signed on 21 March 2023 between, inter alios, Nutrilinea S.r.l. and BNP Paribas as security agent (as confirmed and extended from time to time).

The remaining portion of non-current liabilities is related to long term loans for French Entities used for supporting the business investments with an average interest of 1,88%.

Lease liability refers to IFRS16 application on rents of which 1.219 thousands of Euro relate to the current portion. The remaining 3.198 thousands of Euro are due after twelve months.

18. EMPLOYEE BENEFITS

The changes in this item are presented below:

(in thousands of Euro)	**Employee benefits**
Balance at February 7, 2022	
Business Combination (Biofarma Group)	2.413
Business Combination (Nutraskills)	-
Finance costs	301
Actuarial gains/(losses)	709
Use	(269)
Charge	520
Balance at December 31, 2022	**2.256**

The actuarial assumptions used to determine the obligation for employee benefits are detailed below:

	December 31, 2022
Economic assumptions	
Inflation rate	2,30%
Discount rate	3,77%
"TFR" (provision for severance indemnities) rate of increase	3,23%
Demographic assumptions	
Probability of resignations/dismissals	7%
Probability of advance payouts	5%

The reference actuarial model for severance indemnity valuation is based on various demographic and economic assumptions. For some of the hypotheses used, where possible, explicit reference was made to the Company's direct experience, for the others the reference best practice was considered.
It should be noted that:

- the annual discount rate used to determine the present value of the obligation was deduced, in line with par. 83 of IAS 19, by the Iboxx Corporate AA index with duration 10+ recorded at the valuation date. To this end, the return with a duration comparable to the duration of the group of workers being valued was chosen;
- the annual rate of increase of the severance indemnity as provided for by art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

The accounting sum of the previous elements makes it possible to identify the value of the provision expected at the end of the observation period (Expected DBO) which, compared with the recalculated DBO at the end of the period on the basis of the collective effective resulting at that date and the new assumptions evaluations, allows the identification of actuarial gains or losses denominated Actuarial Gains/Losses (AGL).
These Actuarial Gains/Losses are divided into three types:

- from experience: due to the variations that the group subject to evaluation has undergone between one evaluation and another, in terms of new entries, resignations, retirements, advance requests, etc... different from what was hypothesized;
- from changes in demographic assumptions: determined by changes to the demographic assumptions between one valuation and another;
- from changes in financial assumptions: determined by changes in economic assumptions and mainly due to the change in the annual discount rate.

19. PROVISIONS FOR RISKS AND CHARGES

This item is detailed below:

(in thousands of Euro)	**At December 31,** **2022**
Provision for risks	2.457
Total	**2.457**

The changes in this item are presented below:

(in thousands of Euro)	**At December 31,** **2022**
Balance at February 7, 2022	-
Business Combination (Biofarma Group)	2.202
Business Combination (Nutraskills)	-
Charges	457
Use	(202)
Balance at December 31, 2022	**2.457**

The business combination shows the effect of PPA contingent liabilities that reflect some uncertainty in determining the taxable profit by using the expected value method required by IFRIC23.
The increase of the period refers to a potential price adjustment on energy supply costs for the last quarter of 2022.

20. DEFERRED TAX LIABILITIES

This item is detailed below:

	At December 31,
(in thousands of Euro)	2022
Deferred tax liabilities	116.935
Total deferred tax liabilities	**116.935**

The composition of this balance is shown below:

(in thousands of Euro)	Business combination	Effect on Income Statement	Effect on statement of comprehensive income	December 31 2022
Customer relationship (purchase price allocation)	90.842	(4.542)	-	86.300
Patent (purchase price allocation)	7.645	(478)	-	7.167
Know-how (purchase price allocation)	21.511	(1.613)	-	19.898
Inventory (purchase price allocation)	977	(977)	-	-
Derivatives	-	-	3.557	3.557
Other differences in tax treatment	13	-	-	13
Total deferred tax liabilities	**120.975**	**(7.610)**	**3.557**	**116.935**

The main impact derives from intangible and tangible assets identified by purchase price allocation exercise.
The amount includes for 3.557 thousands of Euro the tax impact on the IRS derivate.

21. TRADE PAYABLES

The trade payables equal to 72.179 thousands of Euro refers for 46.698 to the Raw material supplies, 21.407 thousands of Euro for packaging material and consumables and remaining 4.074 thousands of Euro for other services.

22. CURRENT TAX LIABILITIES

	At December 31, 2022
(in thousands of Euro)	Total
Current tax liabilities	3.671
Total	**3.671**

This item is detailed below:

(in thousands of Euro)	At December 31, 2022 Total
VAT liabilities	56
TAX liabilities	1.886
Employee Tax	1.132
Other tax liabilities	598
Total	**3.671**

The current tax liabilities are related mainly to IRAP and IRES tax duties and other tax debts to be settle within 12 months and to tax duties referred to direct employees and external consultants.

23. OTHER CURRENT LIABILITIES

(in thousands of Euro)	At December 31, 2022
Due to employees	5.537
Accrued expenses and deferred income	1.937
Social security	1.998
Withholding taxes	7
Sundry payables	12.053
Due to supplementary pension fund	227
Advances	1.203
Due to Directors	259
Other current liabilities	**23.221**

Sundry payables of 12.053 thousands of Euro are linked mainly to 10.000 thousands of Euro related to an earn out for former Nutraskills owners as mentioned above.
Employees and social security costs, equal to 7.535 thousands of Euro, are mainly related to salaries for December 2022 settle on 10th of January 2023 and social duties and funds.
The Advances received from customers are related to anticipated settlement for finished products to be manufactured to confirm the order and engage formally the Group manufactory activity.

NOTES TO THE INCOME STATEMENT

24. REVENUES

This item is detailed below:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Revenues from sales of product	207.735
Awards for customers	(982)
Other sales revenues	233
Total	**206.986**

Revenues are related to the Group's core business for manufactured goods related to Health supplements, Cosmetic products and Medical devices. A detailed analysis is included in the Report of Operations.

25. OTHER INCOME

This item is detailed below:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Other revenues	4.427
Grants for operating expenses	988
Other revenues and operating income	343
Total	**5.758**

The other income is mainly composed of services for the following activities: laboratory and R&D analysis recharge, graphical service recharges, material testing, recharge of transportation service as well as the environmental cost transferred to the customers.

26. RAW MATERIALS AND COSTS OF GOODS

This item is detailed below:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Raw materials purchases	113.104
Purchases of ancillary materials and consumables	7.659
Change in raw material inventories	(10.786)
Total	**109.977**

A very positive sales growth trend generates the level of Raw material purchases equal to 109.977 thousands of Euro, mainly related to ingredients, packaging as well as semifinished products. The high level of production volume boost the ancillary material and consumables purchases, which are critical to be secured to avoid any manufacturing disruption. The company has conducted an aggressive stock build-up approach, increasing the inventory level versus the real need, in order to secure the raw material and packaging availability within a macroeconomic scenario where the delivery lead time has been more than doubled. The raw material inventory change of 10.786 thousands of Euro includes also the allocation of PPA Step-up inventory for 3.500 thousand Euro as described above.

27. SERVICE COSTS

This item is detailed below:

	Period from February 7, 2022 to December 31, 2022
(in thousands of Euros)	**2022**
Outsource production	13.176
Consultants & Lawyers	3.082
Utilities	2.712
Logistics	2.705
Maintenance	2.239
Transportation	1.905
Laboratory cost	1.398
Administrative cost	1.369
Cleaning	1.329
Directors and Auditors	1.244
Waste disposal	644
Environmental expenses	640
Travel	561
Insurance	535
ICT Expenses	513
Fairs	475
Telephone	178
Marketing	160
Training and Learning	104
Other	78
Total	**35.048**

Service costs are mainly composed by outsourced production, related to entire production or one or more production phases.
Logistic costs related to externalized handling and warehouse services.
Electricity and natural gas costs equal to 2.712 thousand of Euro, are also a relevant cost item in our manufacturing environment, impacted both by high production volumes, activity on three production shift as well as by the inflation effect on that item.
The consulting and lawyer services, equal to 3.082 thousands of Euro, mainly refers to support received on R&D projects and legal affairs.
Transport costs of 1.905 thousands of Euro are related to both inbound and outbound material flows.
Maintenance costs and cleaning are related both to activity on production lines and on the facilities. Laboratory costs equal to 1.398 thousands of Euro are linked external analysis performed on the product.
The directors and Auditors costs equal to 1.244 thousands of Euro include charges from supervisory board, directors compensation and auditors fee.
The waste disposal, equal to 644 thousands of Euro, is a relevant cost for our structure, especially in relation to the increasing normative and EU law requirements.
The company is more and more involved in fair exhibitions and commercial activities linked to marketing, in order to increase the appeal on the market: the Advertising and publicity cost level is equal to 160 thousands of Euro.
The company is also increasing the insurance coverage, expanding it to more and more sophisticated insurance products and it is equal to 535 thousands of Euro.

28. PERSONNEL COSTS

This item is detailed below:

	Period from February 7, 2022 to December 31,
(in thousands of Euro)	**2022**
Wage and salaries	14.675
Social security contributions	8.179
Accrual for defined contribution and defined benefit plans	2.141
Other personnel costs	1.004
Total	**25.999**

The personnel costs of 25.999 thousands of Euro are mainly composed by the total wages, salaries and social security of 22.854 thousands of Euro. The accrual are linked to welfare and benefits plans. The other personnel costs are the residual amount of 1.004 thousands of Euro related to travel expense reimbursement and other medical and learning costs.

The Group's employee headcount numbers at the reporting date are shown below:

	Year ended December 31,
	2022
Management	14
White-collar employees	340
Blue-collar employees	520
Total	**874**

29. OTHER OPERATING COSTS

This item is detailed below:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Transaction costs	20.264
Indirect taxes	556
Membership dues	63
Other costs	856
Total	**21.738**

Main impact on other operating cost is related to transaction costs (20.264 thousands of Euro) arising out of legal and advisory fees relating to the acquisition of Biofarma Group, the French entities and to reorganization of the new structure of the Group.
The other costs of 856 thousands of Euro are linked to administrative and general operation costs.

30. ACCRUAL TO PROVISIONS FOR RISKS

The total cost is equal to 937 thousands of Euro and it is related by 456 thousands of Euro for risk of utility retroactive cost price adjustment. The remaining costs are referred to risk of credit.

31. DEPRECIATION AND AMORTIZATION

This item is detailed below:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Depreciation of property, plant and equipment	8.139
Amortization of intangible assets	27.551
Impairment of tangible and intangible assets	
Total	**35.690**

The depreciation of property, plant and equipment are related to the operational machinery used in manufacturing and resulting from previous years investments.
The depreciation of intangible asset is mainly referred to patent, know-how and customer relationship arise by purchase price allocation process.

32. FINANCIAL INCOME AND EXPENSES

This item is detailed below:

(in thousands of Euro)	**Period from February 7, 2022 to December 31, 2022**
Interest income	10.001
Other financial income	171
Total financial income	**10.172**
Bond Interest	13.398
Other finance costs	13.751
Amortized Interest	1.489
IFRS 16 Effect on Interest	715
Bank interest expense	320
Interest costs on employee benefits	301
Factoring Interest	183
Foreign exchange losses	38
Interest expense on leases	3
Total finance costs	**30.199**
Total	**(20.027)**

The interest income of 10.001 thousands of Euro is mostly related to 9.919 thousands of Euro for positive hedge effect on the bridge loan of 345.000 thousands of Euro. The interest income has been generated as the difference between the contract loan rate of 6,04% and the hedge rate of 5,75%.
As opposite the main financial costs are represented by interest expenses on the Bond Notes and
other finance costs of 13.751 thousands of Euro that include un up-front Fee 7.880 thousand of Euros and related to mainly 4.96the bridge loan, 8 thousands of Euro take-off costs on the bridge loan 446 thousands of Euro for hedging interest and other minors

33. CORPORATE TAXES

This item is detailed below:

(in thousands of Euro)	**Period from February 7, 2022 to December 31, 2022**
Current taxes	3.501
Deferred taxes	(13.304)
Total	**(9.803)**

The table below presents the reconciliation of the theoretical tax rate (the tax rate in effect in the countries of the Group companies) and the effective tax rate:

(in thousands of Euro)	Period from February 7, 2022 to December 31, 2022
Profit before tax	(36.673)
Theoretical tax rate	24%
Theoretical income taxes	(8.802)
Deferred tax liabilities on intangibles	7.610
Tax losses carryforward	3.676
Ace tax break	2.170
Other tax assets	(222)
Profit non subject to taxes	(1.812)
Other increases	65
Tax effects of foreign subsidiaries and other	**49**
IRAP allocated by Italian companies	767
Effective income taxes	**3.501**

34. EARNINGS PER SHARE

	Year ended December 31
(in thousands of Euro)	2022
Net loss attributable to owners of the Parent	(34.815)
Weighted average of shares (in thousand)	3.211.186
Basic earnings per share (in Euro)	(10,82) Euro
Diluted earnings per share (in Euro)	(10,82) Euro

35. CONTINGENT LIABILITIES

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to management, none of these proceedings are likely to result in significant liabilities for which provisions do not already exist in the Consolidated Financial Statements.

36. COMMITMENTS

No Commitments to purchase property, plant and equipment and no other commitment.

37. RELATED-PARTY TRANSACTIONS

The following tables set forth the transactions and balances of the Group with related parties for the years ended December 31, 2022.

(in thousands of Euro)	At December 31, 2022					
	Assets			Liabilities		
	Financial receivables	Trade receivables	Tax receivables	Tax liabilities	Commercial payables	Financial payables
CURA BEAUTY GMBH	-	1.318	-	-	-	-
AGROTECH SRL	-	-	-	-	24	-
MONTEFARMACO OTC SPA	-	135	-	-	100	-
NAMED SRL	-	52	-	-	134	-
SPECCHIASOL SRL	-	4	-	-	-	-
GIELLEPI SPA	-	802	-	-	4.314	-
FARMA-DERMA SRL	-	56	-	-	-	-
VICTORIA HD SRL	-	-	-	-	322	-
Total	**-**	**2.367**	**-**	**-**	**4.894**	**-**

Income Statement transactions

(in thousands of Euro)	At December 31, 2022				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Costs for Raw Materials&Services	Interest expense
MONTEFARMACO OTC SPA	4.955	144	-	120	-
CURA BEAUTY GMBH	4.217	73	-	-	-
GIELLEPI SPA	2.126	43	-	8.214	-
NAMED SRL	1.279	99	-	0,1	-
FARMA-DERMA SRL	722	27	-	-	-
SPECCHIASOL SRL	154	28	-	-	-
AGROTECH SRL	-	4	-	24	-
VICTORIA HD SRL	-	-	-	-	-
	13.453	**417**	**-**	**8.357**	**-**
As a % of F/S item	6%	7%		6%	

DESCRIPTION OF THE GROUP'S RELATED PARTIES

CURA BEAUTY GMBH

The transactions with Cura Beauty are related to commercial operations performed on market basis and the sales price applied to Cura Beauty GMBH is completely in line with sales policy and profit margin application used with other clients. The company is active in the Austrian market and purchase from the Group finished products and services.

VICTORIA HD S.R.L.

Victoria HD S.r.l. represents one of the ultimate parent companies of the Group. Before the acquisition of Biofarma Group, the transactions referred to the rent of Mereto facility, acquired by Group in same context of the transaction. Payables listed above refers to outstanding invoices for rentals.

GIELLEPI S.P.A.

The transactions with Giellepi are related to purchase of raw materials on payables and to commercial operations performed on market basis on receivables.

MONTEFARMACO S.P.A.

The transactions with Montefarmaco are mainly related to purchase of packaging materials on payables and to commercial operations performed on market basis on receivables. Both purchase and sales prices applied by and to Montefarmaco are completely in line with market condition.

NAMED S.R.L.

The transactions with Named are related to commercial operations performed on market basis and the sales price applied to Named is completely in line with sales policy and profit margin application used with other clients.

FARMA-DERMA S.R.L.

The transactions with Farma-derma are related to commercial operations performed on market basis and the sales price applied to Farma-derma is completely in line with sales policy and profit margin application used with other clients.

SPECCHIASOL S.R.L.

The transactions with Specchiasol are related to commercial operations performed on market basis and the sales price applied to Specchiasol is completely in line with sales policy and profit margin application used with other clients.

AGROTECH S.R.L.

The transations are related to some spot consumables not related to the core business.

38. KEY MANAGEMENT PERSONNEL COMPENSATION

The following positions are considered to comprise the Group's key management personnel: i) Group Chief Executive Officer; ii) General Manager; iii) Group Chief Procurement Officer; iv) Group Chief Human Resources Officer v) Group Chief Financial Officer; and vi) Group Sales Director
The gross compensation paid to the key management personnel totaled Euro 813 thousand of Euro.

39. SUBSEQUENT EVENTS

The illustration of the situation of the company refers to the significant events that occurred after the close of the financial year up to today's date. The emergency situation deriving from the SARS Covid-19 infection seems to be ended, even if to a lesser extent thanks to the mass vaccination measures implemented during 2022 and in the first few months of 2023.

The Company continues to undertake the following actions also in 2022, to maintain and strengthen its position on the market:

- introduction of "agile work"
- Introduction of the contagion prevention regulation (sanitizing material, obligation to measure fever at the entrance, obligation to use masks, daily sanitization of work spaces).

The economic and financial management also risks being negatively impacted by the ongoing war in Ukraine. This escalation risks jeopardizing the supply of products to the Russian market due to the probable suspension of orders from Russian customers. The overall effects of the crisis in question are not fully evident at the date of preparation of the financial statements.

After the close of the financial year, there were no changes in the exchange rates such as to generate significant effects on the assets and liabilities in foreign currency.

The Board of Directors approved the demerger project of partial proportional of the company Nutrilinea S.r.l., with attribution of the total shareholding held in Apharm S.r.l. in favor of the company Pasteur S.r.l. with effect as of 15th of June however with retroactive effect as of January 2023.

In addition, also related to the Group perimeter, on the 6th February 2023, the Board of Directors approved the mergers of the two operating companies IHS S.r.l. and Apharm S.r.l. and the holding Pasteur S.r.l. in Biofarma S.r.l. with retrospective accounting effects on the 1st January 2023.

The operation is part of the wider “Project One” initiative to further streamline the Group Structure in order to enhance the efficiencies and cost synergies.

In conclusion, on 28th February 2022 Mr. Gianfranco Nazzi has replaced Mr. Sebastiano Castorina as Group CEO.

The Group General Manager, Mr. Marco Malaguti, left the Group as of 31st of March 2023 and linked to the organization review, the Group will no longer appoint the new General Manager.

The Group is entering in a strategy review phase as well as manufacturing and Information and Technology process redesign in order to face international challenges.

That process will oblige the Group to reinforce the management and staff composition.

WWW.BIOFARMAGROUP.IT/EN/INVESTORS/

INVESTORS@BIOFARMAGROUP.IT

www.biofarmagroup.it

Biofarma group