

Press release

MEDICA S.P.A.

APPROVAL OF THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

SUMMARY DATA	
Consolidated Net Revenues	Euro 80.0 million (+57%)
EBITDA	Euro 11.7 million (+5%)
EBIT	Euro 4.6 million (-13%)
Net Result	Euro 2.5 million (-38%)
NFP negative	Euro 13.7 million (negative of Euro 4.3 million as of 31 December 2022)

Medolla (MO), 25 march 2024 – The Board of Directors of Medica S.p.A., an integrated Italian biomedical and MedTech group with a strong international footprint, approved the financial statements and the consolidated financial statements as of 31 December 2023.

Commenting on the performance of the Group, the Chairman Luciano Fecondini declared: although **satisfied with the significant growth in organic turnover of the Group** (with a contribution from all divisions with the exception of Chronic and the newly established Medica USA and Medica GmbH), and with the recovery in the second half of the Automation and Water division, the results of the financial year do not reflect expectations in terms of margins (particularly for Automation results). **The unfavorable macroeconomic scenario due to the continuation of the Russian-Ukrainian conflict in addition to the investments made for the growth of the Group** has made this exercise more **complex in terms of maintaining historical margins** which adds to the initial impact of the newly established and newly acquired companies. **The recovery**, also in terms of margins, which occurred **in the second half** compared to the first half **makes us confident for an improving 2024**.

We have also completed the season of large production investments with the **inauguration of the new plant in Tunisia** which adds to the new plant in Sarmed substantially completed at the end of 2022. With these two operations we guarantee ourselves the possibility of significant growth in turnover in the historical perimeter of the group.

Operating performance

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The result for the year is characterized by very diversified situations in the group's large product portfolio.

The sustained growth in sales of our products (lines and filters) for apheresis continues, also supported by the important growth in previous years, and also confirmed in 2023, in the revenues of electro-medical machines, with important growth in niche products with important margins such as plasma filters, hemoconcentrators and bioregenerative medicine.

As regards the other business lines, we achieved significant growth in all divisions with the exception of Chronic on a like-for-like basis, a division which was most affected by the effects of the pandemic at a global level in terms of reduction in volumes of filters and lines for dialysis.

In particular, the Automation division, thanks above all to the processing of orders which last year had slowed down due to the impacts of the Russian-Ukrainian conflict on the supply chain, and the Water division achieved significant growth in the second half of the year, recovering from a first half below expectations.

From a financial point of view, the non-recurring cash out in the recently acquired and newly established companies and the non-recurring investments dedicated to the construction of the factories in Medica Mediterranée and in Medica USA and to the renewal of the machine fleet in the former Slom workshop are the main reasons for the cash absorption occurred during the year. We also report a tangible improvement in liquidity in the second half of the year, less impacted by non-recurring events.

Economic Performance

The item "Revenues from sales and services" equal to Euro 80.0 million in the 2023 financial year, highlights an increase of Euro 29.1 million (57%) compared to 2022. The growth in revenues was mainly characterized by the contribution of newly acquired and newly established companies, equal to Euro 18.9 million (from Euro 7.4 million in 2022 to Euro 26.3 million in 2023), and by a significant growth in group revenues on a like-for-like basis (+24% , equal to 10.2 million euros), mainly concentrated in the Automation division, Acute & Apheresis and OEM.

In particular, the strong growth trend of the Acute & Apheresis business line continues, which grew on a like-for-like basis by 14% compared to the 13.5 million euros achieved in 2022, reaching an overall turnover with the contribution of the new companies of 23.6 million euros, accompanied by a recovery of the Automation division which, thanks above all to the processing of orders which last year had slowed down due to the impacts of the Russian-Ukrainian conflict on the supply chain, achieved an increase of 5.5 million euros (+60%) compared to the 9.3 million euros achieved in 2022, and by a strong improvement in the second part of the year in the Water division which made it possible to achieve growth at the end of the year compared to by 21% to 2022 (+0.8 million euros) on a like-for-like basis and the achievement, with the contribution of the new companies, of a total revenues of 6.0 million in 2023 (+2.2 million, equal to 64%, compared to 2022).

As regards the other business lines, we achieved significant growth in all divisions with the exception of Chronic on a like-for-like basis, a division which was most affected by the effects of the pandemic at a global level in terms of reduction in volumes of filters and lines for dialysis.

The 2023 Ebitda, equal to Euro 11.7 million (+Euro 0.5 million, +5% compared to 2022), suffered a contraction in terms of incidence on turnover of 7 percentage points compared to 31 December 2022, attributable for approximately 5 percentage points to the capital gain realized in 2022 of Euro 2.6 million on the sale of the automation line and residually from the contribution of the newly established companies, being in the start-up phase.

The decrease in 2023 Ebit compared to 2022 (Euro -0.7 million, -13%) is partly due to the so-called business model capital intensive of Spindial, which requires significant investments in medical equipment with consequent growth in depreciation.

The 2023 tax burden (equal to 27% of pre-tax profit) increased compared to 2022 (17% of pre-tax profit) mainly due to non-recurring non-deductible expenses.

Financial performance

The consolidated net financial position, negative (debt) for approximately 13.7 million euros, increased of 9.4 million euros compared to the 4.3 million euros at 31 December 2022, was mainly impacted by the significant reduction in exposure to suppliers of the subsidiary Spindial existing prior to the acquisition date, investments non-recurring dedicated to the construction of factories in Medica Mediterranée and in Medica USA and the renewal of the machinery fleet in the former Slom workshop, and the financing of the start-up phase of newly established companies. The significant growth in turnover occurred in second half of 2023 contributed significantly to the improvement of net financial position compared to 15.5 million euros as of 30 June 2023.

Significant events in 2023

An investment contract was signed in April 2023 with SIMEST - the company of the Cassa Depositi e Prestiti Group for the internationalization of Italian companies - aimed at entry into the share capital of Medica USA Inc.. The total investment by SIMEST in the project of Medica's international expansion, between capital payment and interest-bearing financing was Euro 1.7 million. The operation - which also benefited from the intervention of the Venture Capital Fund, managed by SIMEST in agreement with the Ministry of Foreign Affairs and International Cooperation - confirms SIMEST's commitment to supporting the international growth of excellent Italian companies. The entry of SIMEST into the share capital of Medica USA Inc. allows Medica to develop the planned investment plan in the American company in the broader geographical expansion project of the Group, supported by the contract for the purchase of assets to produce blood filters and water filters perfected with Evoqua Water Technologies, a leading company in mission-critical water

treatment solutions, the April 1, 2023 and of which Evoqua will retain the distribution rights to the product line of water filtration, including life-science filters and filters used in washing of endoscopes (AER).

At the end of February 2023, Medica GmbH was established, a medical products commercial company in Germany, 100% controlled by Medica SpA.

The armed conflict between the nations of Russia and Ukraine, which began in 2022, continues. At the time of writing this note, the conflict is limited to the two nations, but with most Western countries, including Italy, having taken decisions of a aimed at inflicting sanctions on the Russian Federation, these sanctions also had repercussions on the economy of our country.

Although the Company does not have direct commercial relationships in the two countries and does not have a significant exposure to energy costs, the progressive economic deterioration resulting from the economic sanctions and the consequences of the conflict has had an indirect impact on the Company as illustrated in the paragraph relating to management performance and at present it is not possible to quantify or predict how these repercussions may be reflected in the budget for future years, as they essentially depend on the duration of the conflict, its geographical and temporal extension and the consequent duration of the economic sanctions.

Regarding the conflict in the Middle East at the end of 2023 and still ongoing, the Group is not suffering a direct repercussion due to the conflict and there are no negative impacts on the performance of the business.

However, the directors acknowledge that they will monitor ongoing conflicts very carefully, in consideration of the potential negative impact on the general economic context, and will carry out the checks required by the new EU regulations with the support of consultants to avoid any sales in violation of the relevant legislation and in dual use verification.

Main subsequent events

We have received, through the subsidiary Tecnoideal America Inc, from the US FDA the 510k authorization for the distribution of Hemoconcentrators, produced by Medica, on the US market, with the indication of use on adult patients, for the removal of excess fluids from the blood, for the purpose of restoring physiological blood conditions during or at the end of cardiopulmonary bypass surgery. This authorization opens important commercial opportunities for the Medica group, given the importance of the US market in both strategic and geographical terms. Hemoconcentrators represent only the first class of approved devices; the FDA authorization process has already started for a series of other devices in Medica's product portfolio.

Outlook for the current year

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The Group will continue to work to provide rapid responses to the needs of the market and its customers even if the current conditions of sourcing raw materials (plastics, metals, electronic components) put the planning of the various productions to the test. Added to this is the general increase in prices which greatly complicates industrial relations with both suppliers and customers. The group has still untapped growth potential, but it is difficult at this juncture to estimate the results for 2024. On the one hand, the substantial order book (Euro 36 million as at 31 December 2023, without considering the contribution of Spindial and Medica GmbH more linked to tenders or multi-year agreements) and the hyper-performing market trends of our main products (apheresis) and the first signs of the recently established and acquired companies are positive signs in terms of growth trends, on the other the continuation of geopolitical and military tensions and difficulties in the supply chain can lead to slippages in revenues in the following financial year.

Results of the parent company Medica SpA

The parent company Medica SpA recorded a revenues of Euro 46.6 million with an operating profit of approximately Euro 2.6 million.

The Board of Directors will propose to the Shareholders' Meeting to allocate the operating result, equal to Euro 2,590,977, as follows:

- a) as to Euro 129,549 as legal reserve
- b) as to Euro 2,461,428 as a statutory reserve;

Calling of the Medica SpA shareholders' meeting

The Board of Directors has resolved to convene for April 24, 2024:

- the Ordinary Assembly for the approval of the financial statements closed on 31 December 2023, the presentation of the consolidated financial statements, the allocation of the profit for the year, the appointment of the board of directors for the three-year period 2024-2026 and the determination of its compensation.
- the Extraordinary Assembly for the amendment of the Articles of Association to reflect the regulatory change on the verification of the independence requirements of the independent director.

The documentation relating to the items on the agenda will be made available to the public at the registered office, on the website www.medica-spa.com and on the Borsa Italiana website, within the terms established by current legislation.

This press release is available on the Company website www.medica-spa.com in the Investors section. On March 26, 2024, at 2.00 pm, the management will illustrate the results achieved by the Medica Group in 2023 in an audio conference. Below are the telephone numbers to connect to the audio conference:

Italy: +39 02 802 09 11
France: +33 170918704
Germany: +49 6917415712

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Attached below are the consolidated reclassified income statement, the consolidated reclassified balance sheet and the net financial debt of the Group and the Company for the financial year ended 31 December 2023 and 31 December 2022.

Medica Profile

Medica Group is operating since 1985 in the biomedical district of Mirandola (Italy). Development of innovative products for blood purification has always been company's core business. Thanks to the activity of two extremely dynamic R&D groups (medical equipment, membranes and disposable), the Group competes successfully in several markets, namely:

- **Medical** (dialysis, CRRT, ECCO2, Apheresis, DFPP, CHF, HIPEC, pre-transplant organ perfusion, bioregenerative medicine, gastroenterology, urodynamics, oxygen humidification).
- **Microbiological purification of water**
- **Industrial automation** for the biomedical sector.

R&D focus has been integrated over the years with a highly automated production systems in several facilities, and with different commercial entities, both in Italy and abroad.

The key success factors of the Group are:

- **extrusion of hollow fiber membranes** for hemofiltration, plasmapheresis, cascade filtration, oxygen humidification, ultrafiltration and microfiltration of water
- **vertical integration**, proved by the ability to manage not only the design and development of medical disposables and equipment, and the development of the automation technologies required for their production as well.
- **International recognition with significant share of export**, with sales in over 60 countries.

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Consolidated reclassified income statement

(In thousands of Euro)	For the Year ended December 31				Change	
	2023	(*)	2022	(*)	2023-2022	
Revenues from sales and services	79,979	100%	50,864	100%	29,115	57%
Raw, ancillary, and consumable materials and goods	-34,812	-44%	-17,220	-34%	-17,592	102%
Gross Profit	45,166	56%	33,644	66%	11,522	34%
Purchases of services, leases and rentals	-17,627	-22%	-12,452	-24%	-5,175	42%
Personnel costs	-19,995	-25%	-15,971	-31%	-4,024	25%
Other operating costs, net	4,453	6%	5,950	12%	-1,497	-25%
Impairments	-282	0%	0	0%	-282	-100%
EBITDA	11,716	15%	11,171	22%	545	5%
Depreciation and amortization	-7,031	-9%	-5,896	-12%	-1,135	19%
Accrual to provisions	-125	0%	-11	0%	-114	1033%
Operating result (EBIT)	4,560	6%	5,264	10%	-704	-13%
Net finance expense	-1,150	-1%	-453	-1%	-697	154%
Profit before tax	3,410	4%	4,811	9%	-1,401	-29%
Income tax expense	-917	-1%	-798	-2%	-119	15%
Profit for the period	2,492	3%	4,014	8%	-1,522	-38%
Of which Profit of Minorities	-474	-1%	-337	-1%	-137	41%
Of which Profit of the Group	2,967	4%	4,350	9%	-1,383	-32%

Consolidated reclassified balance sheet

(In thousands of Euro)	Al 31 dicembre 2023	Al 31 dicembre 2022
Investments:		
Net working capital (B)	17,597	9,344
Intangible assets	11,822	11,577
Tangible assets	38,747	35,560
Financial investments	2,603	3,775
Fixed assets (A)	53,172	50,912
Employee benefit	(2,258)	(2,238)
Provisions	(2,030)	(2,838)
Deferred tax assets - net	1,601	1,336
Net invested capital (A+B+C)	68,082	56,517
Sources:		
Equity	54,403	52,179
Net debt (net cash)	13,679	4,338
Sources of financing	68,082	56,517

Consolidated net financial debt

<i>(In thousands of Euro)</i>	As of 31 December 2022	As of 31 December 2021
A. Cash	(7,499)	(20,509)
B. Cash equivalent		
C. Other current financial assets	(8,004)	(10,049)
D. Liquidity (A + B + C)	(15,503)	(30,558)
E. Current financial liabilities	261	1,140
F. Current portion of non-current financial liabilities	8,779	8,397
G. Current debt (E) + (F)	9,040	9,537
H. Net current debt (G)– (D)	(6,463)	(21,021)
I. Non-current financial liabilities	18,989	20,969
J. Issued bonds		
K. Non-current financial and other payables	1,153	4,390
L. Non-current debt (I) + (J) + (K)	20,142	25,359
M. Net Debt (H) + (L)	13,679	4,338

Reclassified income statements of the Company

<i>(In thousands of Euro)</i>	For the Year ended December 31				Change	
	2023	(*)	2022	(*)	2023-2022	
Revenues from sales and services	46,608	100%	37,970	100%	8,638	23%
Raw, ancillary, and consumable materials and goods	-34,453	-74%	-27,972	-74%	-6,481	23%
Gross Profit	12,155	26%	9,998	26%	2,157	22%
Purchases of services, leases and rentals	-4,530	-10%	-3,530	-9%	-1,000	28%
Personnel costs	-3,338	-7%	-2,889	-8%	-449	16%
Other operating costs, net	1,058	2%	3,153	8%	-2,095	-66%
EBITDA	5,344	11%	6,731	18%	-1,387	-21%
Depreciation and amortization	-1,213	-3%	-1,735	-5%	522	-30%
Provisions for risks and charges	-53	0%	0	0%	-53	-100%
Operating result (EBIT)	4,078	9%	4,996	13%	-918	-18%
Net finance expense	-250	-1%	-187	0%	-63	33%
Profit before tax	3,829	8%	4,809	13%	-980	-20%
Income tax expense	-1,238	-3%	-1,290	-3%	52	-4%
Profit for the period	2,591	6%	3,519	9%	-928	-26%

Reclassified balance sheet of the Company

<i>(In thousands of Euro)</i>	As of 31 December, As of 31 December,	
	2023	2022
Investments:		
Net working capital (B)	1,898	(5,502)
Intangible assets	7,575	6,716
Tangible assets	3,450	3,458
Financial investments	23,175	20,846
Fixed assets (A)	34,200	31,020
Employee benefit	(176)	(169)
Provisions	(238)	(163)
Deferred tax assets - net	2	54
Net invested capital (A+B+C)	35,687	25,241
Sources:		
Equity	37,643	35,052
Net debt (net cash)	(1,956)	(9,811)
Sources of financing	35,687	25,241

Net financial debt of the Company

<i>(In thousands of Euro)</i>	As of 31 December, 2023	As of 31 December, 2022
A. Cash	(3,322)	(15,639)
B. Cash equivalent		
C. Other current financial assets	(16,099)	(12,999)
D. Liquidity (A + B + C)	(19,421)	(28,638)
E. Current financial liabilities	6	14
F. Current portion of non-current financial liabilities	4,896	4,001
G. Current debt (E) + (F)	4,902	4,015
H. Net current debt (G)– (D)	(14,518)	(24,623)
I. Non-current financial liabilities	11,563	10,811
J. Issued bonds		
K. Non-current financial and other payables	1,000	4,000
L. Non-current debt (I) + (J) + (K)	12,563	14,811
M. Net Debt (H) + (L)	(1,956)	(9,812)