Annual report and financial statements

For the year ended 31 December 2024

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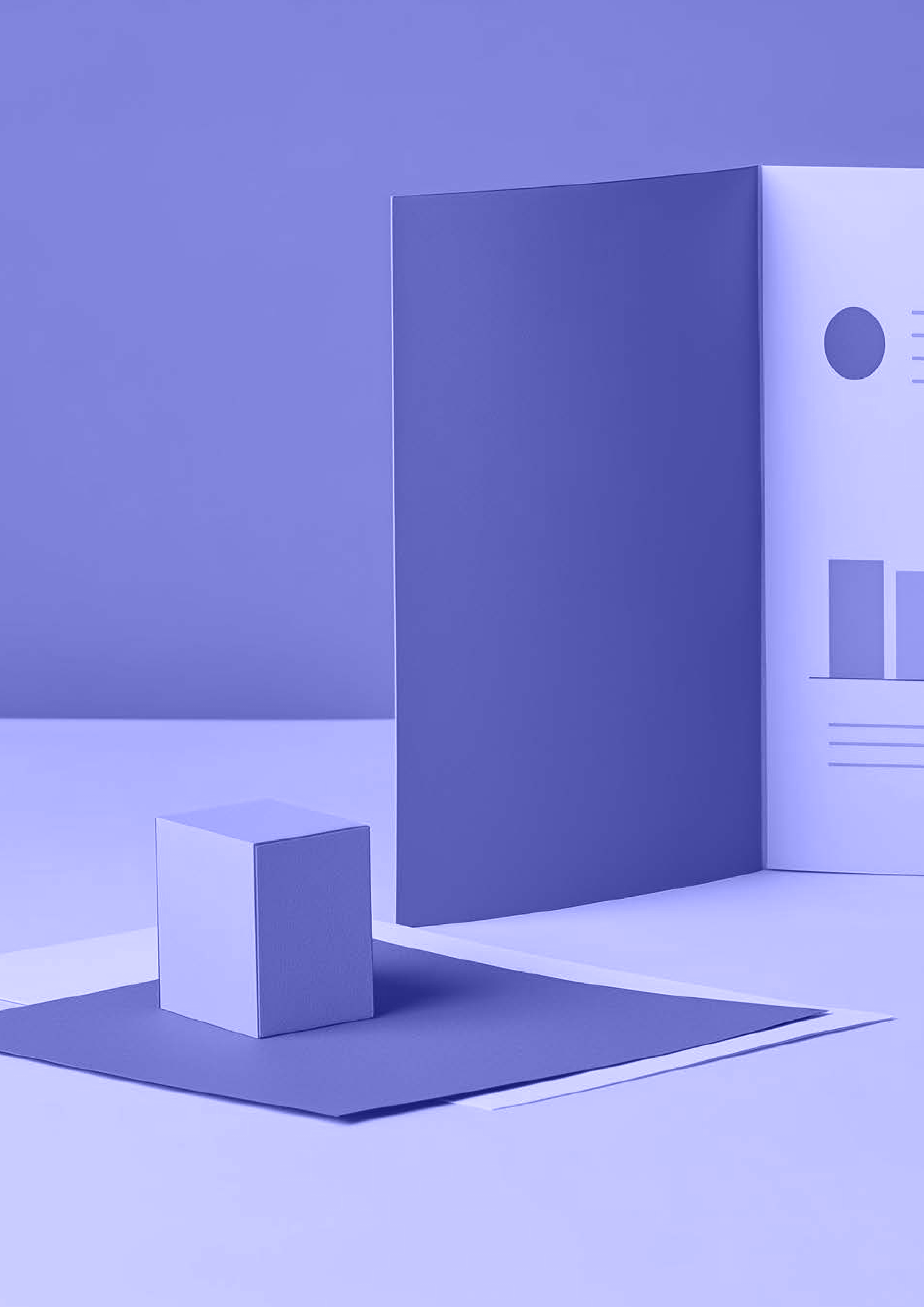

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Directors' Report

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COMPANY PROFILE

F.I.S. – Fabbrica Italiana Sintetici S.p.A. is an Italian company specializing in the development of chemical products and has been operating internationally since its founding in 1957. With almost 70 years of experience, since its pioneering beginnings F.I.S. has always been able to thrive into the market and industrial segment with strategic insights and continuous innovative choices of progressive development, which have enabled it to achieve a leading position in the industry.

The Company's core business is divided between:

- **Custom manufacturing synthesis**, including the exclusive production of intermediates, advanced intermediates, and APIs for pharmaceutical companies;
- the **generic market**, including the development and sale of generic APIs such as anxiolytics, tranquillizers, antibacterials, anticonvulsants, anti-inflammatory, diuretics, analgesics, and cardiovascular;
- the **veterinary market**, including both Custom and Generic products.

With the support of approximately 245 R&D experts, F.I.S. can provide a series of integrated services that range from the optimization of the synthetic process to large-scale commercial production.

F.I.S. – Fabbrica Italiana Sintetici S.p.A. has a global production capacity of more than 3,500 m3 and about 2,000 employees, divided into three manufacturing sites in Italy:

- the F.I.S. plant in Montecchio Maggiore (Veneto), historic headquarter and main production facility, houses the research, development and production of active ingredients for pharmaceutical companies, accredited by the Italian Ministry of Health since 1958 and inspected by FDA since 1968;
- the F.I.S. plant in Termoli (Molise), initially involved in the production of intermediates, now also produces active ingredients and is equally accredited by the Italian Ministry of Health and the FDA;
- the F.I.S. plant in Lonigo (Veneto), which became part of the company following the acquisition of the Zach System business unit, which produces active ingredients and is accredited – as the other sites – by the Italian Ministry of Health and the FDA.

The Company is part of Bain Capital Private Equity. In terms of corporate structure, F.I.S. is wholly owned by Molecule (BC) BidCo Spa which, in turn, is wholly owned by Molecule (BC) HoldCo Spa. In Molecule (BC) HoldCo Spa, the previous shareholders reinvested part of the proceeds from the sale, so the aforementioned Company is 86% owned by a Bain Capital Private Equity fund and 14% owned by a Ferrari family vehicle.

COMPANY BODIES

Board of Directors	
Chairman of the Board of Directors	Daniele PIERGENTILI
Counsellor	Manuel BARRECA
Counsellor	Michele GAVINO

Board of Statutory Auditors	
Chairman of the Board of Statutory Auditors	Luca VALDAMERI
Standing Statutory Auditor	Luca NICODEMI
Standing Statutory Auditor	Marco MICHIELON

Supervisory Body	
Chairman of the Supervisory Body	Fabio SERGI
External component	Alberto COTTA RAMUSINO
Internal component	Stefano FULGI

Independent Auditors	
	PricewaterhouseCoopers S.p.A.

BACKGROUND

The evolution of the reference context and market remains positive and in line with the growth expectations assumed within the framework of the Business Plan, despite the persistence of some external mega-factors, such as the conflicts in Ukraine and the crisis in US-China trade relations, has not allowed a complete return of the cost inflation suffered in previous years.

Overall, it remains among the few sectors from the decisive support to GDP generation, playing an essential role in ensuring the continuity of drug supply, albeit under conditions of objective difficulties related to supply chain criticalities, due to the current geo-political and economic context.

Within this context, F.I.S. and its staff carried out constant and distinctive production efforts by developing the first commercial productions of 7 new *Custom* products and introducing 10 new projects, which are fundamental to the Company's future growth. The Generics sector also held up in terms of volume, registering growth in value mostly driven by the inflationary dynamics of raw materials and energy spilled downstream, at least partially, to prices, in addition to an important process, already begun in the past few years, of optimizing the generic product portfolio.

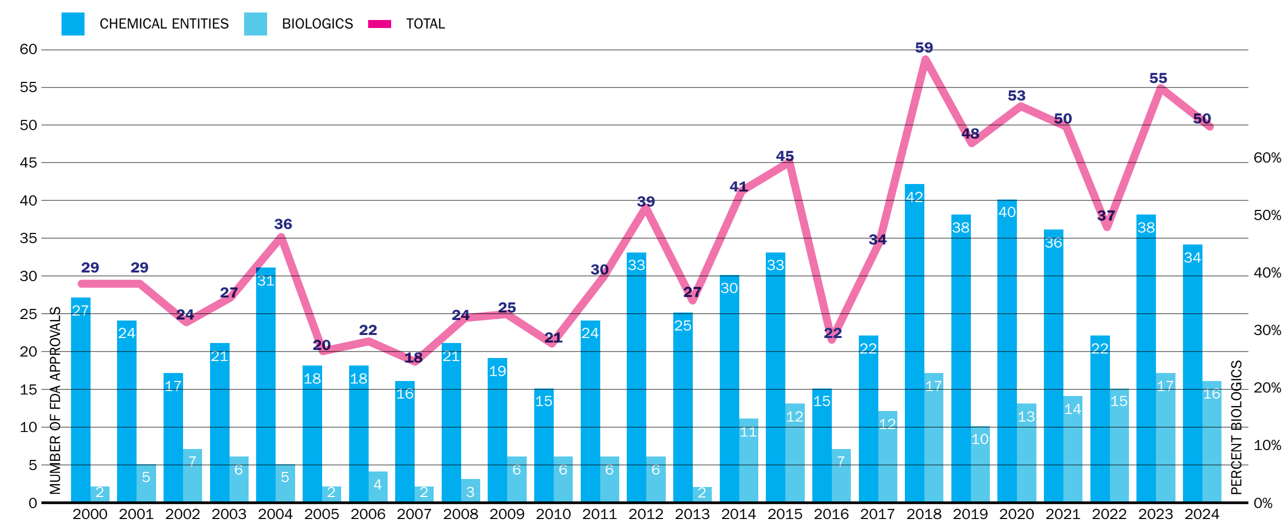
In 2024, U.S. pharma companies continued to accelerate reshoring in response to the BioSecure Act, which requires "*supply chain resiliency*" initiatives to reduce pharmaceutical manufacturing's dependence on India and China. Several new project opportunities presented to F.I.S. during the year should be included in this perspective.

The European Commission itself has paid attention to this issue by highlighting the importance of an appropriate policy of resilience of the entire European drug *supply chain*, with particular attention to active ingredients and the need to ensure continuity of supply of raw materials and intermediates necessary for their production. This attention has declined in member countries in different forms, which our Society is obviously looking at carefully (e.g., PNRR).

On the ***custom products*** front, there was still a year full of new drug registrations in the U.S. market, traditionally a driver of innovation, after the peak observed in 2023.

In 2024, the FDA (*Food and Drug Administration*) approved 50 NCEs (*New Chemical Entities*), of which 31 were Small Molecules and 19 Biological, down slightly from 55 in 2023, when one of the all-time highs in approvals was recorded, but in line with the last five years. Small *molecules*, accounting for 62% of the total, continue to be the largest segment even though *Biologics* have been growing steadily since 2019 (source: *fda.gov*). F.I.S. is supplier in one of these new products and in negotiations for another.

Some trends already present appear to be confirmed: new drug development is no longer the preserve of large multinationals but is increasingly being undertaken and led to success by mid-sized companies or *start-ups* as well. In 2024, for the first time, the majority (58%) of these turn out not to be from "*Big Pharma*" companies, but rather from the "*Biotech/Small Pharma*" branch, a sector that F.I.S. is developing through new opportunities received during the year (1 already won and 8 under negotiation). Moreover, about half of these new products have application in rare diseases, confirming the growth of this therapeutic class.



Also, of note for 2024 is the push in the Diabetes/Obesity area, with new drugs with a GLP-1 mechanism entering the pipelines of many clients. F.I.S. has an important position as a supplier of the key *industry leaders* not only for small *molecules*, but from 2024 also for peptide fragments, a segment new to the company and in growing market demand. There is an expectation of strong future growth for these products.

At the same time, the strategic reorganization process undertaken by several multinationals continues in the direction of a strong push to outsource chemical and production development activities, to the point of establishing real strategic partnerships with selected CDMOs. A key requirement to be considered in such partnerships is to have an industrial set-up, expertise and capability available and in line with the highest industry standards. Still of note, in countertrend, are some capacity acquisitions (*fill & finish* and API), by large groups to address specific supply deficiencies in the metabolic/cardiovascular area and in particular for new drugs against diabetes and obesity.

The *trend* observed in past few years continues of increasing specialization and strategic focus of pharmaceutical *players* as opposed to the previous decades, which were marked by numerous phenomena of acquisitions and aggregations. The underlying strategic motivation appears to be the need to focus investment and innovation capacity in distinctive business areas, recovering resources and divesting areas of business that are no longer core.

The **generic** market in 2024 grew at a slightly higher rate than expected (2.5% vs 1.5%) and the forecast for the next 10 years sees growth percentages between 3% and 4%. This acceleration is due to a more accelerated transfer of volumes between *Originator* and Generic than in the past and then expected. This clearly affects the strategy to be adopted with *Custom* projects once the product goes to lose its patent coverage: more accelerated volume drops than in the past will have to be expected and managed contractually from the beginning in the most profitable way for the company.

The new generics placed on the market when patents expire remain the prerogative of Indian companies (80%). The most valuable end market, and therefore the most attractive for a generic company, remains the United States. This phenomenon can be explained by the type of (high) pricing positioning that the US pharma market applies to *retail* from the beginning of brand's life. The strongest end markets in terms of volume are Asian ones, which however remain difficult for Western Generic CDMOs to access due to their low pricing. Europe and Japan remain attractive end markets for Western Generic CDMOs, due to pharma companies' propensity to partially source from Western players, as a result of defensive *procurement* strategies and their supply chain sustainability goals, while value in these markets remains a weak point due to pricing being controlled by local authorities.

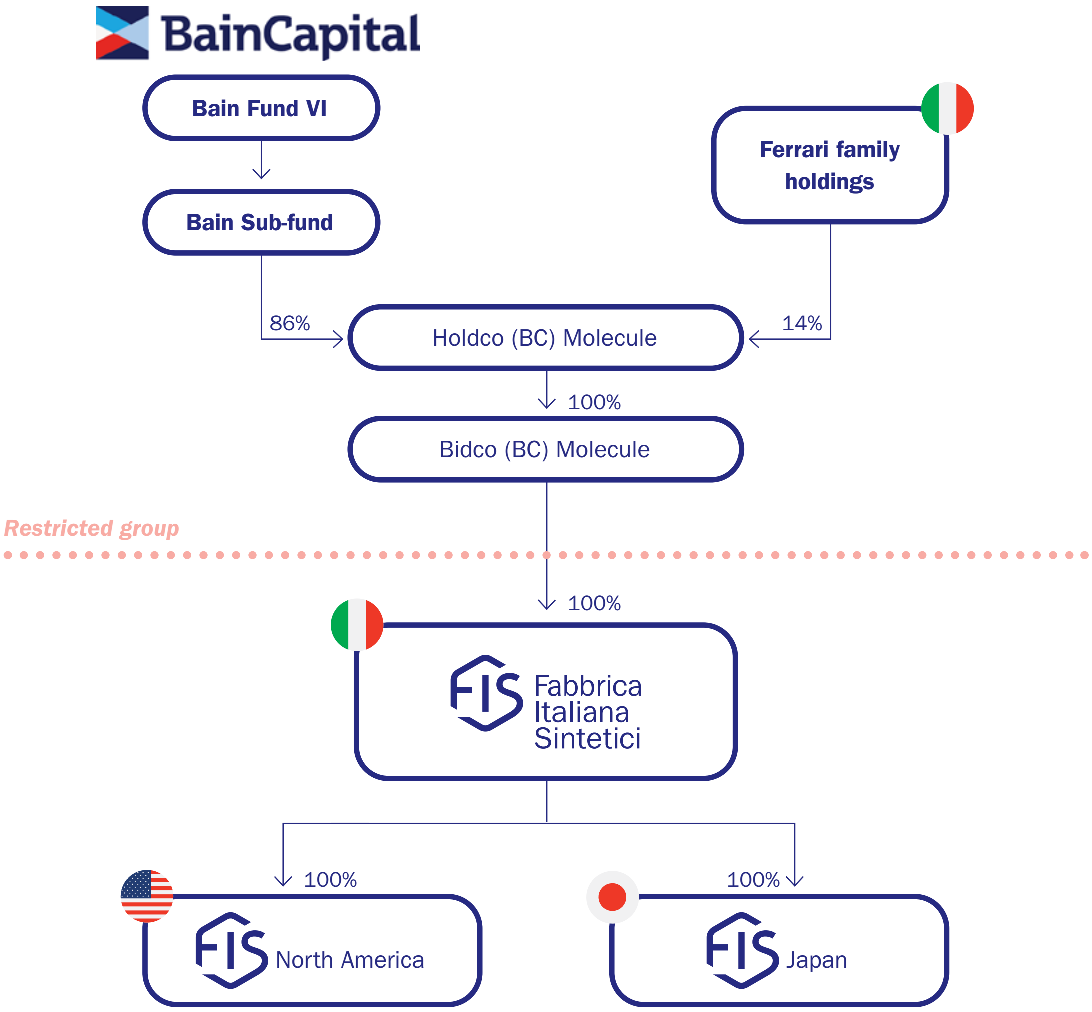
The ***animal health*** market continues to record a positive growth trend, due to several factors, including the strong growth of the *companion animal sector* in more developed and mature countries. However, the growth that is occurring in the livestock sector in emerging countries should not be underestimated. Furthermore, there is a restructuring process of the *supply chain* to ensure adequate levels of quality and continuity and an increasing number of regulatory and quality requirements.

Overall, some elements of risk remain in the scenario. Among these, the issue of the fragility of the drugs *supply chain*, structurally dependent on certain geographies of East Asia for the supply of raw materials, is a geo-political issue of strong attention together with *reshoring* phenomena, which aim at increasing degrees of regionalization, if not nationalization of drug production. The *shift* of innovation increasingly towards *biotech* and *small pharma* will presumably require ever greater versatility and integration due to the fragmented nature of this market of *players* without *assets* and therefore totally dependent on outsourcing. Their need for support goes beyond simple production and generally presupposes a CDMOs entry into projects at an earlier stage of clinical development (Phase 1-2) than the traditional F.I.S. placement (Phase 2-3).

COMMENTS ON THE MANAGEMENT PERFORMANCE

Fiscal year 2024 saw the consolidation of some transformation processes that were started at the same time as the change of ownership of the Company, as well as the start of other project areas, aimed at increasing the Company's economic and financial performance and the growth underlying the Strategic Plan.

From the point of view of the corporate organization, the structure defined at the time of closing, which took place at the end of 2023, is confirmed.



During the year, the *Rating Agencies* all confirmed FIS's Rating, in one case improving the *outlook*, testifying to FIS's growth path also recognized by external *stakeholders*.

The financial structure has not changed during 2024: the *350 million euro* sustainability-linked senior secured *bond* is outstanding *(maturity* of 5.5 years, a *coupon* of 5.625% and a *non-callable period* of two years), as well as the €50 million *private tap*, with the same *maturity* of the original bond; finally, the €80 million RCF (Revolving Credit Facility) line is in place, fully available at the end of the year, as it was throughout the entire financial year.

From a governance point of view, a new CEO joined F.I.S. in April 2024, and, at the same time, the Board of Directors was updated, now consisting of Daniele Piergentili, Chairman and Chief Executive Officer, Manuel Barreca, CFO and Investor Relations, and Michele Gavino, previously Chief Executive Officer, who remained on the Board to replace the resigning Maria Calzolari. The composition of both the Board of Statutory Auditors and the Supervisory Board remains unchanged (for details, please refer to the paragraph relating to the Corporate Bodies).

From a business and macroeconomic trend perspective, the main events to report are as follows.

The CDMO (*Contract Development Manufacturing Organization*) market confirmed a growth trend that stands, and will continue to stand in the coming years, at a level equal to a CAGR of 7%. The Company, on the other hand, recorded a higher *year-on-year* growth, equal to about 10%, thanks to its positioning in *the custom* field in high-growth therapeutic areas, thanks to its recognized ability to support *Big Pharma* in extremely complex and high value-added R&D and production processes, also thanks to the contribution given both by new projects acquisition, combined with existing portfolio management. An important contribution also came from the process of diversifying the customer and product portfolio while, speaking of generic APIs, from the focus on high value-added markets and the optimization of the product portfolio.

In the face of the aforementioned growth in turnover (+10%), production volumes and batches were substantially in line with 2023, testifying to a qualitative growth of the product portfolio, which is integrating existing products with a product portfolio with high added value and high chemical and production complexity.

From a technological point of view, Research and Development, also thanks to the strengthening of the teams (staff up 10% compared to 2023), has supported the Company in the development of technological applications strongly requested by the Pharma market (e.g. Flow Chemistry). The ability to develop new technological applications and the recognized expertise of our R&D team continues to be a distinguishing factor of the Company.

The supply chain has begun a process of diversification of chemical raw material suppliers, with the aim of derisking not only because of the greater breadth of the panel of providers, but also geographically, with less dependence on Chinese dealers, and a greater weight acquired by Indian ones. From a procurement cost perspective, Indian suppliers, who are still heavily dependent on the Chinese *supply chain*, are not yet as competitive as Chinese ones, but the diversification pursued by the Company has nevertheless compensated for this.

It is important to underline that, after a few years, the FDA (Food and Drug Administration) inspected the Company. This inspection was conducted in May at the Montecchio Maggiore site and ended in an absolutely positive way (no Form 483, no observations). It should be noted that, in order to better prepare for this inspection, production rates slowed down in the weeks leading up to it. Nevertheless, the growth compared to last year is testimony to the Company's continuous growth path.

Similarly, AIFA conducted inspections at 2 of the Company's sites, Montecchio Maggiore and Lonigo, as described in more detail below. Also in these 2 cases, the outcome of the inspections was positive.

To support Company's current and prospective growth, a strong focus has been placed on personnel development. From the point of view of external skills, training and growth have been important objectives for the development of F.I.S. staff already in the Company. In addition to this, key professionals have joined the company to support F.I.S. in the development and growth path envisaged in the Strategic Plan.

Finally, it is worth mentioning F.I.S.'s commitment to important issues such as Sustainability and Cybersecurity.

With regard to sustainability, investments to support it are going on, as well as initiatives aimed at continuously strengthening the corporate culture from an ESG perspective, also with the support of dedicated projects and activities with internal and external stakeholders.

On the other hand, with regard to the increasingly important issue of cybersecurity, F.I.S. has implemented a wide range of activities. The sophistication of cyber threats, made possible by the increasingly aggressive operations of organized international groups, makes it necessary to constantly adapt the Company's defences and processes to safeguard its IT assets, as a further element of protection of the Company's industrial know-how and market competitiveness. A mature approach to cyber security is also essential to support the strategic development of the Company, as it is characterized by increasing technological complexity. F.I.S. has taken measures to contain these risks, drawing on best practices in governance systems and continuously monitoring the management of infrastructure and applications.

Marketing & Sales

The global API (*Active Pharmaceutical Ingredients*) *Contract Development & Manufacturing* business recorded an increase in line with forecasts, rising from a value of about $90 billion in 2023 to about $96 billion in 2024 and confirming itself as profitable, stable, and far from its maturity. The growth forecast in the next 5 years is estimated at a C.A.G.R. of 7%.

The Company confirmed a new and strong growth in the Custom business of 16% compared to 2023 both through consolidated products, which have performed favourably, and thanks to the evolution and strengthening of the pipeline, whose preparatory activities (R&D services) have shown an extremely positive trend. In fact, the growing market demand for sophisticated technologies and complex molecules, as well as the need for speed of execution and flexibility, has made F.I.S. a point of reference to ensure rapid registration processes.

In 2024, the Company's commercial strategy of consolidating and expanding partnership relationships with strategic customers continued. This strengthening has allowed the Company to acquire new projects and opportunities in the commercial phase and to strengthen its focus on *biotech*, a sector that will fuel growth in the coming years.

An attempt was also made to balance the customer portfolio by promoting and strengthening collaborations with new customers, in order to diversify the portfolio and reduce the Company's dependence on its main customers (*derisking*). The search for new customers was conducted in a targeted manner, selecting clients with the greatest development potential and whose project portfolio is compatible with the technologies, experience, knowledge, and production capacity offered by the company. The company is strongly committed to reaching new clients active in therapeutic areas that are highly topical and strategic for the coming years.

During 2024, 14 new projects were acquired by companies with different profiles, ranging from large pharmaceutical multinationals to small *start-ups* belonging in Europe and Americas, confirming the *derisking activity* described in the previous paragraph.

These projects are expected to contribute, with pilot and/or commercial-scale production activities, to the growth of the product portfolio in the years 2025-2029.

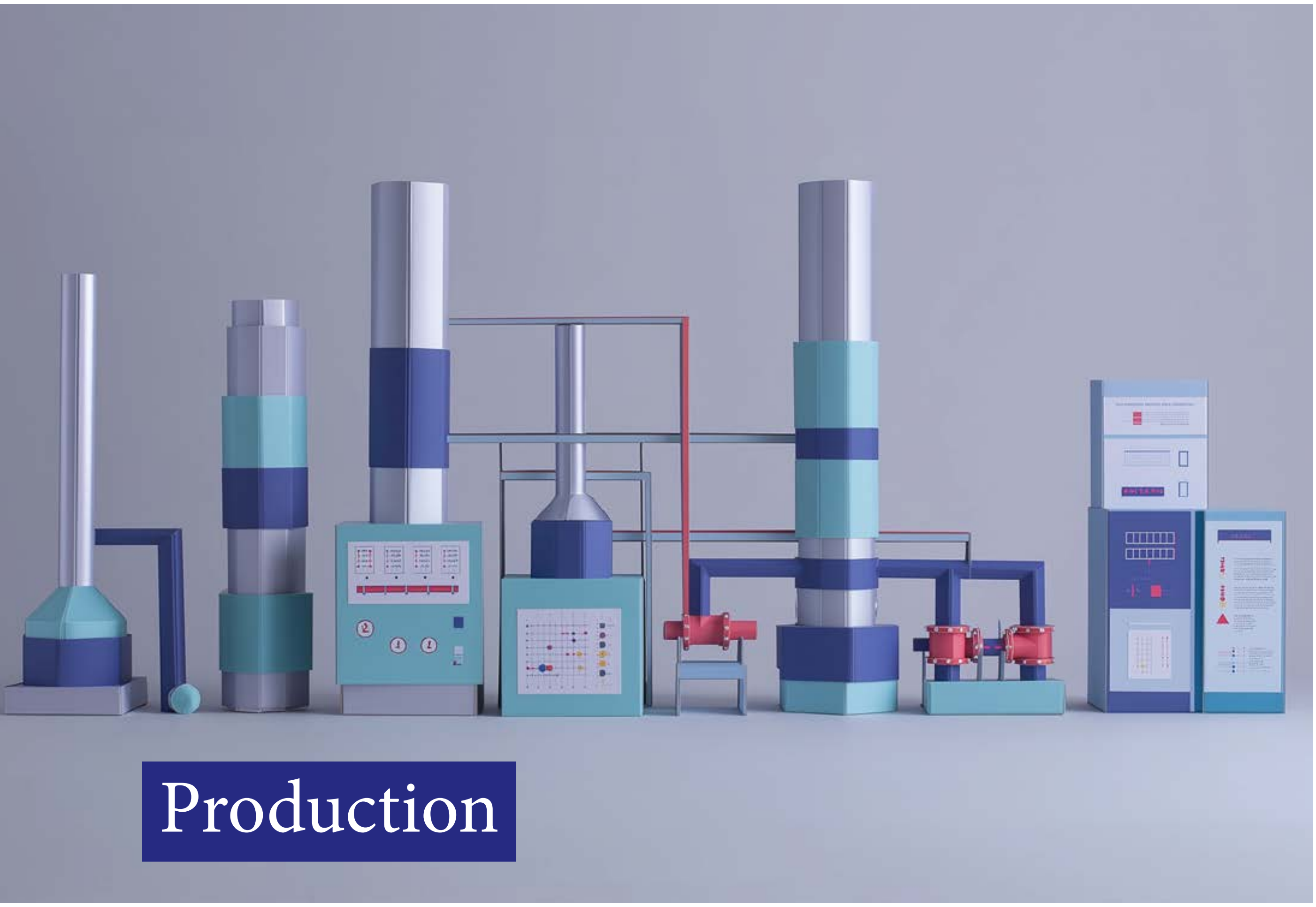
The new products' pipeline is mainly represented by cardiovascular/metabolic, oncological, and nervous system care active ingredients, for which F.I.S. has a *leading* position in the market. It is worth noting that F.I.S. is present in the main areas of growth and innovation such as diabetes and obesity, as well as in a frontier area such as non-opioid painkillers.

Regarding the generics sector, FIS's strategic model, now in its third year, aims to be relevant in specialized, strategic and high value-added markets, often located in the USA, sometimes sacrificing the volumes of those products under strong pressure for the competitiveness of Asian companies, mostly Indian. This strategy has allowed the margins of FIS's generic to develop considerably over the last 3 years, and 2024 was no exception. On the contrary, less productive volumes in terms of margins have contracted, as a result of the elasticity of demand to price, freeing up capacity for other more strategic projects (mostly *Custom*). Over the next few years, in line with the Strategic Plan, F.I.S. will have to work on renewing its generic product portfolio, trying to launch 1 or 2 new *highly* specialized and value-added generic APIs. The execution will be entrusted to the NGLU (*New Generic Launching Unit*) inter-functional unit, which constitutes a distinctive organizational model due to its focused purpose and integrated level of expertise. The NGLU's specific mission is to launch new generic products and support the commercial development of the consolidated generic portfolio. F.I.S. will also have to focus the efforts of the *business* department on *commercial excellence*, in order to develop high value-added projects, on which it has a good *right to win*. Finally, F.I.S. is focused on consolidating the production processes of Generic products and the related *supply chain*, in order to improve competitiveness and reliability towards customers and the market.

The ***animal health*** market continues to record a positive growth trend, due to several factors, including the strong growth of the *companion sector* in more developed and mature countries, as well as the growth of the *livestock sector* in emerging countries. It is a *purely* custom *business*, where the generic part weighs only 20%. The limits of FIS's growth in this category remain linked to production capacity, which often has to be implemented in special dedicated plants and not in *multi-purpose plants* typical of the *Custom Human Business*.

The growing regulatory pressure, the attention to *product safety* and the increasing focus on the sustainability of production and the correct use of products for animal use, constitute a particularly favourable environment for a CDMO like FIS, which is able to offer an integrated offer and distinctive and cutting-edge R&D skills, in full compliance with *Good Manufacturing Practice* (GMP), from the early stages of API development to *scale-up* and commercialization.

FIS, leveraging on the consolidated relationships with its customers, on a production and business structure dedicated *to Animal Health* and on its technical and commercial skills in the sector, has in turn highlighted an important and distinctive growth rate over the last 2 years, and above all is forecasting an even more significant growth rate for the next 3-5 years, thanks to the progressive completion of important projects and the continuous acquisition of new projects with many of the world's top 20 *players* in the sector.



Production

During 2024, operations' performance was generally regular throughout the year at the Termoli site, while at the Montecchio and Lonigo ones there were slowdowns in the weeks corresponding to the inspections by the regulatory bodies (FDA and AIFA) and in the preparatory weeks immediately preceding them; therefore, the target figures planned in the budget were affected accordingly.

Production activities were carried out at full capacity, even if the aforementioned slowdowns and some punctual situations of plant breakdowns and process problems on some productions, have in fact reduced *the production output* which stood at just over 11,300 lots, against an initial forecast of 13,000.

However, the employment rates of the plants were high, as were those of saturation of the workforce which, as planned, saw the introduction of new production personnel.

Absenteeism rates in production departments were in line with 2023 in all three sites, standing just below the reference value of 4% in Lonigo and around 6% in Termoli and Montecchio, still two points higher than in pre-pandemic years in the latter 2 sites.

As for the PA (*Planning Adherence*) service index, it was subdued, for the reasons mentioned above at the Montecchio Maggiore site, while substantially in line with last year in Lonigo and Termoli.

The OTIF in Montecchio Maggiore recorded the value of 90%, about 1% lower than that in 2023, while in Lonigo it was in line with the value of 97% of the previous year. Finally, in Termoli, the service value grew significantly to reach values that stood at about 99%.

Research and Development

The Research and Development structure is a strategic area for Company's continuous growth; the inclusion of new projects and products aims at maintaining and increasing Company's turnover through the continuous renewal and expansion of FIS's product portfolio, with a consequent increase in turnover and average margins, in line with the objectives of the new 2024-2028 Strategic Plan. Over the years, F.I.S. has invested in the evolution of the Research and Development department which, to date, has about 270 researchers, divided into numerous teams, dedicated to different projects, in the various phases of development of new drugs (clinical phases 1, 2, 3 and commercial). This structure is a recognized strength of the Company, placing it among the top in Europe for its ability to manage, develop and industrialize complex new R&D projects. In 2024, as part of an overall transformation plan that began with the acquisition of the Company by *Bain Capital Private Equity* and in line with the new strategic growth objectives, the R&D function saw a further increase in staff, equal to approximately 10%. In conjunction with the numerical expansion, an operational review/ digitalization plan has been defined aimed at increasing efficiency and productivity, to be implemented over the next 1-3 years.

The structure was strongly committed during the year. Turnover from services for *custom* projects closed above the target set (+3.2%) due to timely management of project timelines and as a consequence of the increase in margins in the sales phase of the services of new projects started in 2024. The result of the turnover of R&D services is constantly monitored in the *Sales and Operations Planning* (S&OP) cycle, through a system for recording and reporting the costs and revenues of active projects, interfaced with the management system.

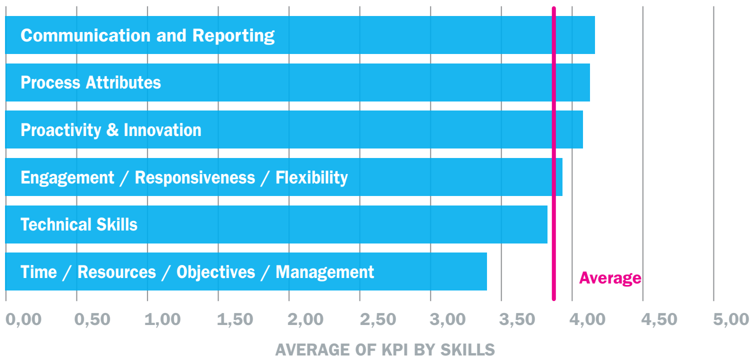
In 2024, investments in Process Modelling - Crystallization and Flow Chemistry were consolidated. This latest technological application, specific for the development and industrialization of continuous flow processes, is attracting increasing interest from some of the Company's main customers. The percentage of *RFPs* for new projects with steps in flow in 2024 was 14% of total requests, an increase of 70% compared to 2023. This increased demand in this area will drive further future investments in both R&D and industrial. As for the expansion of Process Modelling - Crystallization area, the acquisition of dedicated instrumentation and application for the study and development of crystallization and isolation processes of intermediates and final *APIs* continued, a critical area in the industrialization phase of new productions, in particular for peptide derivatives and new *modalities* newly included in F.I.S. project portfolio.

In 2024, 18 new projects were launched, and the entire portfolio consisted of 38 main projects grouped into: *Toll Manufacturing* (7 projects, 3 in the industrialization phase from 2023 and 4 newly inserted), *Advanced Phase* (24 projects, 12 newly inserted in 2024), *Veterinarians* (1 new project), *Early Phase* (6 projects). The New Product *Analytical Unit* (NPAU) of Montecchio Maggiore and Lonigo was engaged in following 21 production campaigns, 15 for the production of new products and 6 process validation campaigns. Among the new projects managed or started during 2024, peptide derivatives belonging to the GLP-1 *agonists* area, and *new modalities*, stand out among the most important ones; the latter refer to *carrier molecules* for RNA-based therapies. In both cases, these are molecules with increased complexity of development and subsequent industrialization due to the intrinsic characteristics of chemical instability and isolation of the intermediates.

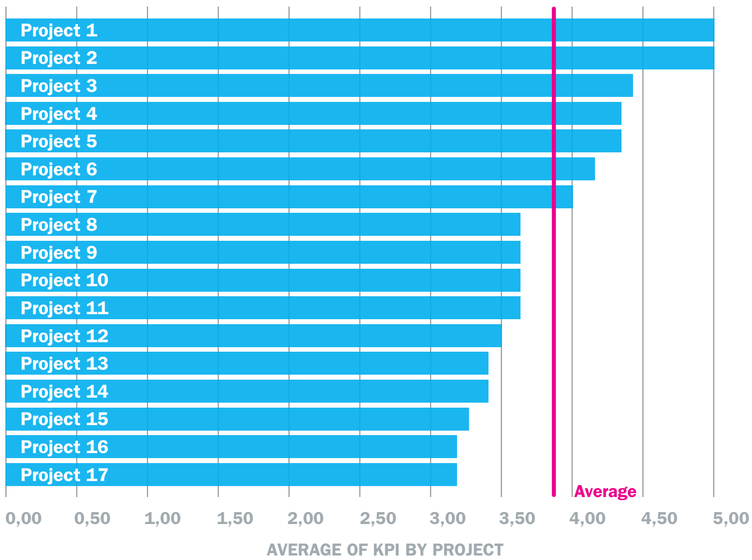
On the sustainability front, starting in 2022 R&D has introduced the calculation of the **PMI** (*Process Mass Intensity*) parameter to assess the ability to develop more sustainable processes. The R&D goal for 2024 was to reduce the PMI by 15% of the entire new active project portfolio. The result was an average reduction of 15.7% in the PMI.

In 2022, F.I.S. R&D prepared a structured questionnaire to ask customers for a formal evaluation of the *performance* of the R&D teams related to projects managed and completed during the year. The result in 2024 was very positive, the average overall index achieved stood at 3.9 points (*score* above expectations) on a scale of 1-5 (1 = far below expectations, 2 = below expectations, 3 = in line with expectations, 4 = above expectations, 5 = far above expectations). The performance expectation is evaluated on six parameters that include: technical capacity, involvement, responsibility and operational flexibility, communication and reporting, proactivity and innovation, time, resources and *management*, process parameters' study.

Customer Satisfaction Index - Skills Analysis



Customer Satisfaction Index - Project Analysis



In 2024, in addition to those already active, two additional collaborations with national academic institutions started. Overall, the following collaborations are active:

- University of Bologna (since 2016) – Faculty of Industrial Chemistry – Prof. Luca Bernardi, for consultancy and internal training in F.I.S. R&D in the field of Organic Chemistry;
- University of Venice (2022) – Faculty of Chemistry – PhD in Higher Education for the development of sustainable *synthetic cross-coupling* methodologies using water as a solvent;
- EU (2023) *Horizon* (*NextBase*) project funded by the European Community in which F.I.S. participates in a Research Consortium with four European Universities (Milan, Graz, Caen, Rostock) and a second *industrial partner* (J&J). The objective of the research program, implemented by six PhD students, one for each *partner*, refers to the development of sustainable synthesis methodologies in organic chemistry that replace the use of precious metals (Platinum, Palladium, Rhodium) with "vile" and common metals (Iron, Copper, Nickel) in chemical reactions in which metal catalysts are used;
- University of Padua (2023) – Faculty of Chemical Engineering, with the co-funding PNRR/F.I.S. of a PhD that involves the development of Statistical analysis and *Process Modelling methodologies* and their applications to the industrialization of new production processes;
- University of Trieste (2023) – Faculty of Chemical Engineering, with the co-funding of PNRR/F.I.S. of two PhDs in the analytical field that provide for the development of methodologies for quantitative analyses with Raman spectroscopy and gold nanoparticles to be applied to the determination of APIs in wastewater and on the surfaces of industrial reactors (*cleaning*);
- University of Trieste (2024) - Department of Chemical and Pharmaceutical Sciences, with the co-funding of a PhD program, which has as its topic "Computational applications/artificial intelligence to support the profiling of the biological activity of molecules related to the synthesis of *Active Pharmaceutical Ingredients* (*APIs*))". The use of these computational approaches, if successful, will allow F.I.S. to become autonomous in the determination of the limit concentrations of *APIs* in wastewater (PNEC) and in the categorization and management of active substances, currently entrusted to external consultants;
- Politecnico di Torino (2024) - Department of Applied Science and Technology with PNRR/F.I.S. co-funding for a PhD in Chemical Engineering on the topic "*Precipitation and Isolation of New Chemical Modalities*", which has as its field of application peptide derivatives or carriers for RNA therapies in which F.I.S. is active with new projects.

Project management

The *project management* structure consists of a team of eleven people who play a strategic role for the Company. *Project managers* have the ultimate responsibility for ensuring that multifunctional work groups deliver projects on time, on time, on cost, on allocated resources, on goals, and on the quality of the finished product. The projects they manage are both in the custom and generic areas and include the different phases of the life of the products: from the initial phases of research, development, and optimization of the new processes to the execution of the first industrial production campaigns, up to the validation of the new process and the approval by the competent regulatory authorities for subsequent commercial production. They are also responsible for coordinating the activities related to the first commercial campaign of the new products, so as to be able to transfer their knowledge and experience, gained during the development of the project, to what will then become a series production in large quantities.

The listing of new offers is managed by a team of 4 people. In 2024, the team, initially consisting of 3 people, was further strengthened to cope with the growing workload.

The *proposal drivers* group is also responsible for supporting *project managers* in defining and quoting *change orders*. Changes to contracts are often necessary as a result of changes that projects undergo during the development and industrial *scale-up* phase.

During the 2024 financial year, the *project management* structure was engaged in the management of 46 projects; of these, 5 have completed process validation and another 8 will be completed in 2025.

In 2024, deliveries totalling 85 tons has been finalized and 12 new projects belonging to the *custom* and veterinary areas began, which will continue in the following years.

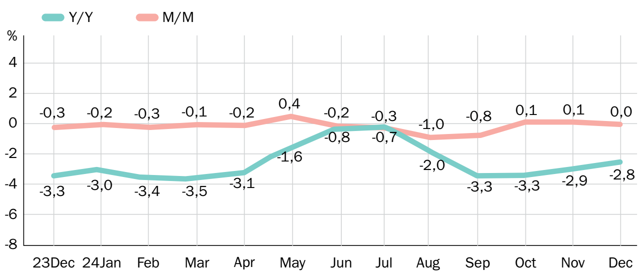
In the same period, requests for quotation were received for 78 (+20% compared to 2023) new molecules and 57 *change orders were managed*.

Supply chain

With reference to the Chinese market, the prices of chemical raw materials fell by 4.7% *year-on-year* and those of non-chemical raw materials by 2.6%. Prices continue to benefit from an excess of supply, due to investments in the sector and economic policy interventions, facilitating greater use of negotiation leverage and competition between the various historical *producers*, thus bringing benefits to the Company's purchasing strategies.

As for the Indian market, there is a greater presence of local suppliers, which has brought several benefits in the diversification of the supply chain and has stimulated greater competitiveness throughout the Asian market. Costs remain higher than those of Chinese competitors, given India's strong dependence on Chinese imports.

Producer Price Index for Means of Production

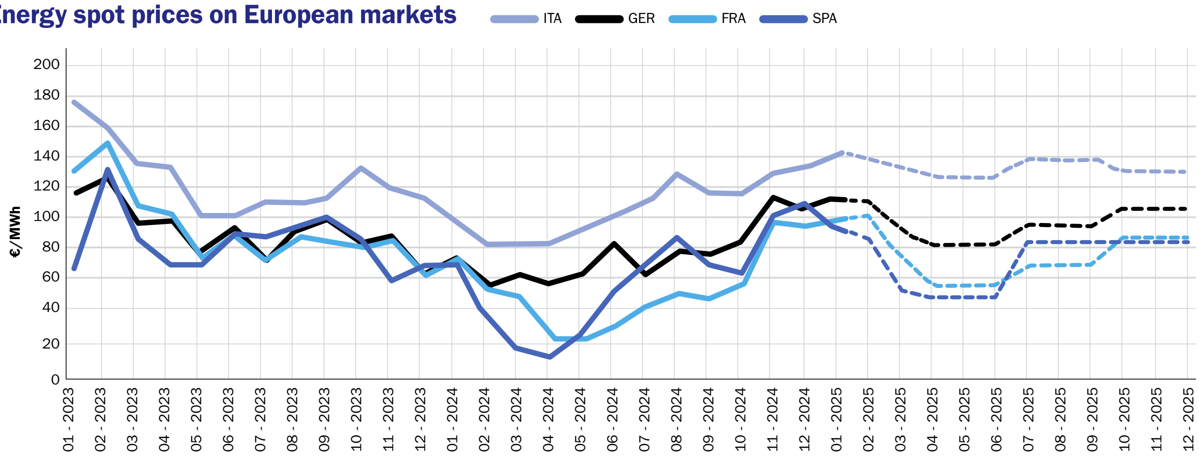


In 2024, European solvents and *commodities* market went through a particularly difficult period, in which the largest manufacturers worked at reduced *operating rates*. This reduction in production capacity was mainly due to three macro factors:

- Abundant supply from Asian markets
- European demand still weak
- High production costs (also resulting from high energy costs).

While at the beginning of 2024 there was a fair amount of optimism that demand for solvents and *commodities* would recover, demand remained weak throughout the year. As for energy, European markets continue to be particularly unstable and fragile, with Italy recording some of the highest gas and energy prices in Europe. Geopolitical tensions and dependence on liquid gas from the United States have led energy-intensive companies to incur electricity and gas costs that are still double the 2021 values.

Energy spot prices on European markets



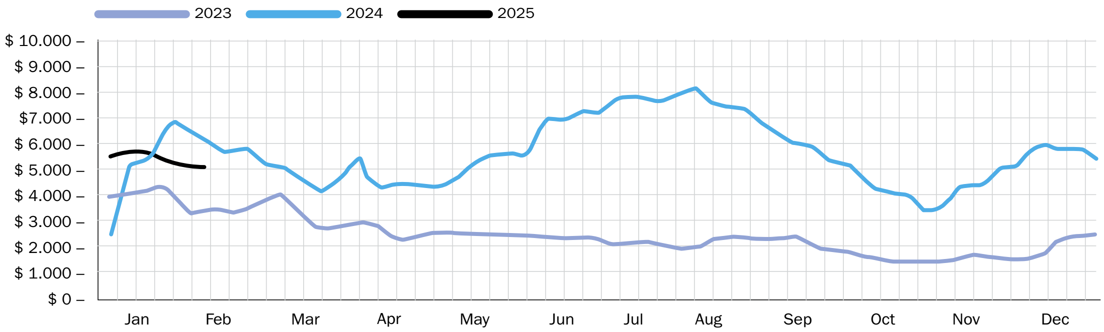
Logistics

If 2023 was a year of stability in the maritime sector, 2024 was characterized by strong imbalances.

The first, at the beginning of the year, due to the closure of the Suez Canal caused by the repeated attacks of the Houthis on passing ships: from that moment on, all shipping companies began to circumnavigate Africa, extending the transit time by 15-20 days. The situation has not changed to date.

The second effect, between May and June, was a sudden increase in demand combined with congestion in the main port hubs (e.g. Singapore) which led to a significant increase in the level of freight rates and finally in December 2024 when we saw the recurrence of the end-of-year “seasonality” which led to a new peak.

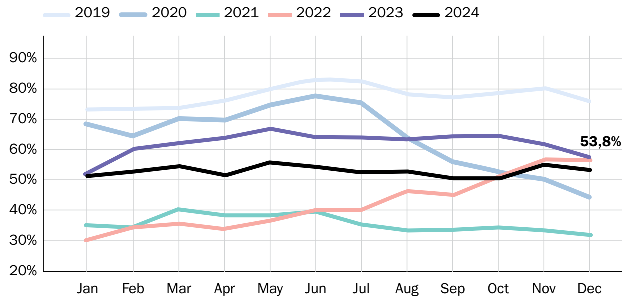
China/East Asia to Mediterranean



Compared to 2023, the Company experienced a worsening in the *performance* level by the main carriers, marking an average punctuality of 50%. The average ship delay time also worsens by an average of 1 day. These effects are mainly due to a longer transit time than standard and the consequent revision of the routes of the Companies.

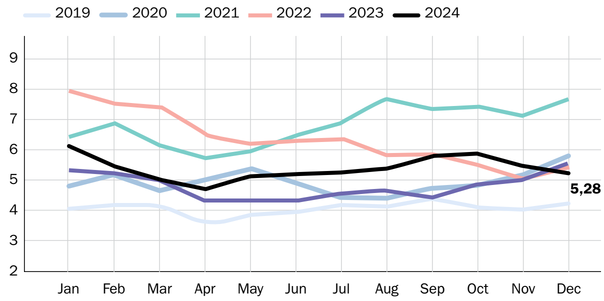
Average Carriers Reliability

(Arrival on time within one business day)



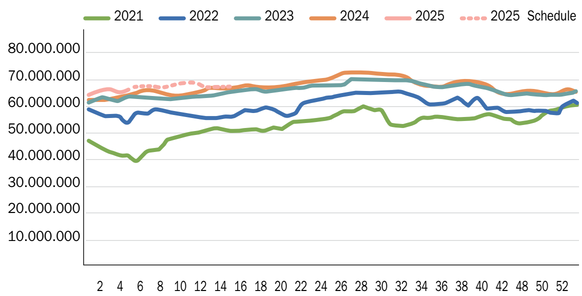
Global Average Delays for Late Vessel Arrivals

(days)

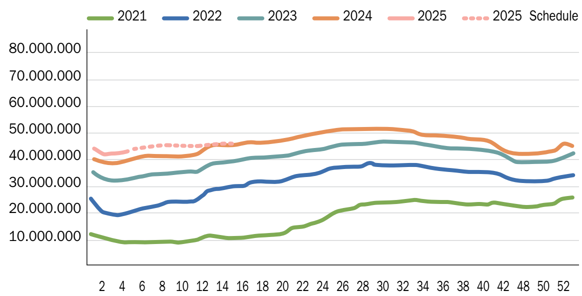


The trend of the air freight is comparable to that of the previous year, with a good availability of cargo hold.

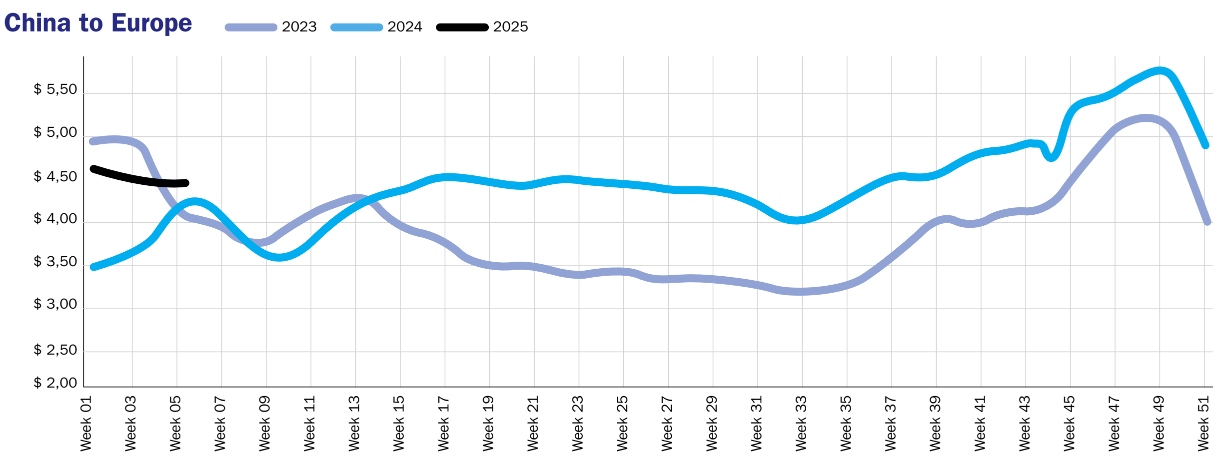
Domestic Seats



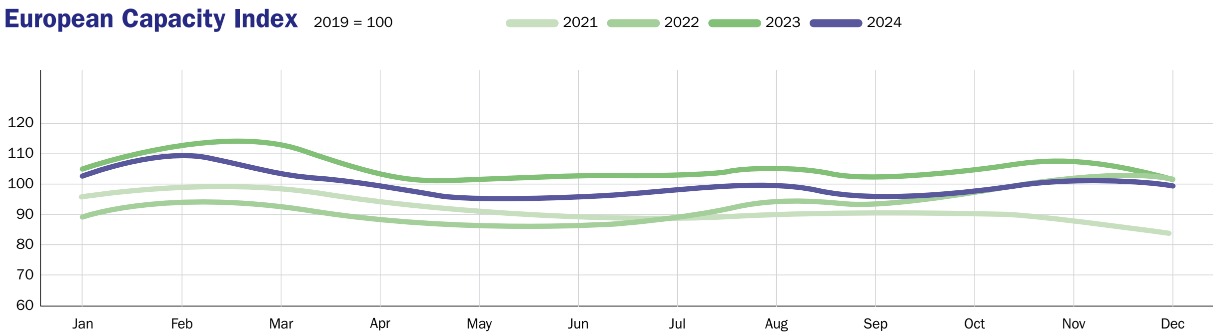
International Seats



In terms of freight rates, there has been an upward trend on average, mainly due to longer shipping times and the need for importers to shorten transit time by using this method.



Finally, for road transportation, the capacity index is in line with the seasonality of 2023, albeit at a lower level. Operating costs remain at a decidedly high level, with no particular signs of reduction.



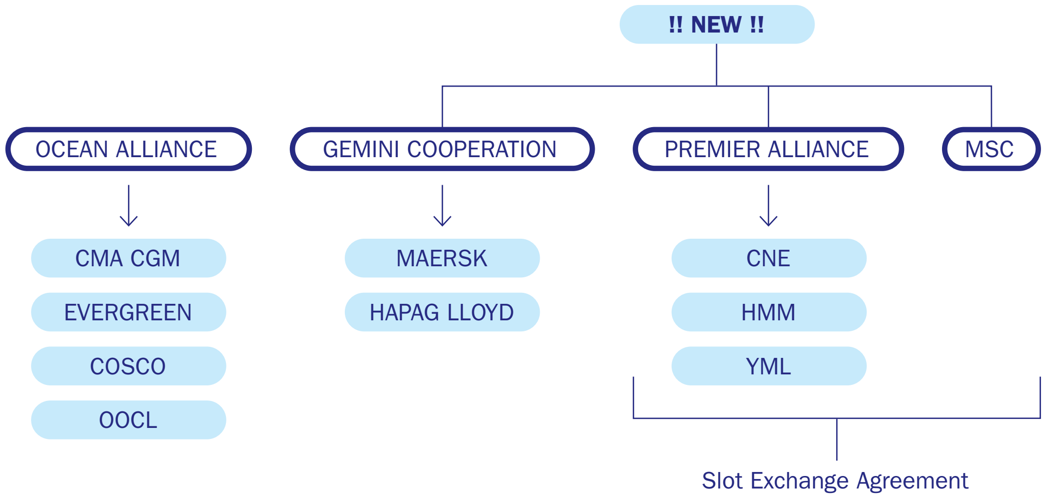
The effects estimated 12 months ago are confirmed for the past year:

- transit time extended by about 3 weeks compared to the normal route through the Suez Canal (total transit time 8 weeks from Shanghai, an increase of about 60%), causing a negative impact on working capital and cash flows;
- fluctuating trend in maritime transport tariffs is always higher than the average of the previous year.

From a management point of view, in order to ensure *supply chain* continuity, the Company has captured the increase in transit times through the new MRP, allowing it to quickly realign supplies to production plans and ensuring production continuity throughout the year.

A new arrangement of the main alliances should be noted: MSC abandons the 2M alliance. This is leading to a review of the main routes on the Mediterranean and a settlement is expected in the first part of the year 2025, in search of a new point of balance. The Company continues to monitor the situation to proactively anticipate potential impacts on the supply chain.

Alliances - Starting from February 2025



Quality (QA, QC) and Regulatory Affairs (RA)

During 2024, a total of 61 inspection activities were completed, including inspections of entities and customer audits, for all three sites (37 at the Montecchio Maggiore plant, 17 at the Lonigo plant and 6 at the Termoli plant).

At the beginning of the year, a baseline assessment was carried out by Lachman (an advisor specializing in inspection readiness assessments) on all three sites, which highlighted a few areas for potential improvement and resulted in the definition of a long-term *quality* and *compliance enhancement project* with a multi-year duration.

As far as regulatory bodies are concerned:

- in May (13-17 May) the FDA inspection took place at the Montecchio Maggiore site. General inspection with focus on the production of veterinary products. Positive result (no Form 483, no observations);
- in June (3-7 June) the *Certiquality* surveillance audit for the Montecchio Maggiore and Lonigo sites was carried out with regard to the three systems (ISO 9001, ISO 14001 and ISO 45001), which was successfully passed;
- in July (15-24 July) the AIFA inspection for the production of Active Substances was held at the Montecchio Maggiore plant aimed at reviewing and verifying the effectiveness of the AIFA 2023 API Inspection **CAPA** Plan (**C**orrective **a**nd **P**reventive **A**ctions). This inspection was carried out again in eight days due to the large number of CAPAs. The process was successfully concluded;
- in November (19-23 November) the AIFA inspection regarding the production of Active Substances was carried out at the Lonigo plant, aimed at reviewing the essential changes relating to department 3C. The process is still awaiting conclusion following the submission of the CAPA *Plan* with the actions in response to the observations found.

The number of batches produced (intermediate and finished products) and purchased (raw materials) overall in the three sites decreased as an aggregate figure. The drop in batches is evident Montecchio and Lonigo sites, while Termoli remains unchanged. On the other hand, in despite a decrease in batches, there is an increase in the complexity of analytical methods (long management times of instrumental analysis and sample management) and an ever-increasing complexity of managing the variety of project phase and type of product. There is also a further 10% of batches of raw materials from the inclusion of new suppliers (and a small portion of reanalysis following the passing of *retest* periods). In the early part of the year there was a peak in workload on Montecchio, followed by a drop in preparation for regulatory inspections and again a peak in the last quarter for recovery of the *backlog* generated. In 2024, delays in *compliance* activities not related to the shipment of products (e.g. stability and deviations) were also made up.

The *testing* of raw materials in Montecchio in 2024 had an improvement, achieving a reduction of a further 20% in the passage time, this due to the inclusion of fixed-term staff and dedicated to better planning the arrival of raw materials compared to 2023.

Given the continuing emergency situation in the raw materials market and the *derisking project* launched by *Procurement*, the number of changes opened during 2024 is high (almost 400 in 2024, higher than about 300 in

2023), up from last year. The number of supplier audits remains high in 2024 (63 in 2024 compared to 61 in 2023). In 2024, with the aim of supporting the derisking project and managing a large number of supplier audits, a new third party was qualified to support this activity. In 2025, to continue to support the introduction of new sources by ensuring adequate direct monitoring of suppliers in China (in the previous 3 years, audits of suppliers in China have increased from 30% to 50% of total audits), a new local QA resource in China will be selected who will mainly deal with auditing and verifying the compliance status of manufacturers.

As for the main qualitative KPIs:

- the trend in the percentage of rejected batches (from deviations and out *of spec*) is the subject of analysts for all three sites compared to 2023. In Lonigo this trend is caused by two consolidated products that have shown a worsening of process robustness and the inclusion of new products in toll manufacturing;
- the trends in customer complaints are confirmed in the targets (although the number of complaints on the Montecchio Maggiore site remains high, remarkably close to the target), with excellent performance on the Lonigo site, where the number of complaints is extremely low;
- the trends in audit non-conformities for all three plants are confirmed in the targets, apart from Termoli which is slightly above the target;
- the average batch release time (time between QC approval and batch release for CoA emission and packaging for shipment) increases for all three sites, due to the decrease in resources dedicated to the *batch record* review process and partly to the decreased RFT. Despite this trend, the release time was guaranteed in the shipping times requested by customers;
- the KPIs relating to deviations and CAPAs closed on time, and in particular the overdue backlogs, remain unchanged or slightly improved for all three sites.

The weekly monitoring actions and the new governance structure, the inspection readiness plan activated after *the* assessment at the beginning of the year in Montecchio Maggiore and subsequently in the other sites, together with the collaboration between the functions in the investigations, have allowed the reduction of expired deviations for all three sites to low values, but not yet completely stable, reached at the end of the year. There remains the need to identify further improvement plans, such as the assignment of specialized figures with specific training in investigation techniques and to begin the process of improving the *quality culture* across all company functions.

As part of the *quality and compliance excellence project*, a number of resources were reported to be strengthened for the management of the ever-increasing number of activities (increase in the number of alternative suppliers, complexity of the deviations to be managed, increase in the number of inspections by regulatory bodies) and for the transformation required by the strategic plan as well as for the improvement of the company's quality system. As part of the project, workstreams have been developed for the reinforcement of *quality performance*, for the redefinition of the organizational model of the function, for the development of a greater awareness and culture of quality in a transversal way.

Regulatory activity confirmed the trend that began in previous years. Also, during 2024, as in 2022 and 2023, the activities focused on the following topics:

- registration of products, both generic and *custom*, in emerging countries such as China, Brazil, Korea. The high commitment required of the regulatory function for this activity was confirmed, in particular due to the complex regulations in force in these countries and the degree of detail required for registration documents;
- maintenance and updating of the various registration documents following the implementation of process and analytical changes;
- filing of applications with national authorities for essential changes relating to *equipment*/production lines, expansion of production areas, as well as revamping of departments and production lines;
- support for new custom projects from the early stages of activity, collaborating with customers in the definition of regulatory strategies through direct participation in the various *project teams*;
- support for the review and updating of new regulations and technological advancement of generic products belonging to the *established portfolio*.
- improvement of support for technical and regulatory requests of customers in collaboration with other company functions;
- definition of activities to support the improvement of the operations of the regulatory function, with the creation of specific databases, some of which are shared with other corporate functions;
- increasing the number of evaluations of possible nitrosamine derivatives, potential genotoxic impurities and other derivatives in accordance with newly introduced regulatory requirements;
- review and preparation of *quality agreements* with customers for both *custom* and generic products (activity up compared to previous years).

Finally, all the *decommissioning activities* of the sterile department, an application submitted in April 2024, were completed.

Safety, Health and Environment

Ensuring the safety of operations, the health of workers and the protection of the environment are priority elements of F.I.S.'s sustainability from an economic-financial, social and environmental point of view; consequently, risk prevention and management are central to the implementation of this policy.

The trend of the main parameters in the field of accidents is summarized in the following tables:

Montecchio Maggiore Plant	2024	2023	2022	2021
Number of injuries	9	11	8	12
Injury rate	6.3	6.0	4.5	6.5
Severity rate	0.10	0.10	0.04	0.23

Termoli Plant	2024	2023	2022	2021
Number of injuries	7	9	7	6
Injury rate	11.1	15.3	12.3	12.4
Severity rate	0.22	0.43	0.51	0.26

Lonigo Plant	2024	2023	2022	2021
Number of injuries	6	2	2	3
Injury rate	9.8	3.8	3.8	5.7
Severity rate	0.10	0.13	0.10	0.07

By company policy, events with a prognosis of more than three days are considered accidents.

With reference to the progressive and cumulative F.I.S. accident indices, these show performance levels at the end of December 2024 that are substantially slightly better than those recorded in 2023 as regards the frequency index (7.35 vs 7.45) while for the severity index the improvement is more marked (0.12 vs 0.17). These figures show a high incidence of accidents, but with limited severity.

In summary, the accidents recorded in 2024 are 22 (as in 2023):

- 9 in Montecchio (there were 11 in 2023)
- 7 in Termoli (there were 9 in 2023)
- 6 in Lonigo (there were 2 in 2023)

The IF frequency index for the year 2024 sees, compared to the end of 2023:

- at the Termoli site a downward trend, from 15.33 to 11.08, as the number of accidents decreased;
- at the Montecchio site a slight decrease, from 5.99 to 5.29, which brought it slightly below the same value as the national benchmark figure for the sector;
- in the Lonigo site a worsening from 3.77 to 9.84, following the high number of accidents that occurred.

Specifically, in relation to the Severity Index of the sites, we have:

- overall, a decrease in the index at the Termoli site from 0.43 to 0.22, largely determined by the lower severity of accidents occurring at the site;
- a substantial stability in the Montecchio plant at 0.10, settling at a value lower than the benchmark figure of the Responsible Care program;
- a decrease in the Lonigo plant from 0.13 to 0.10 due to a decrease in days of absence, but still settling at a value lower than the benchmark figure of the Responsible Care program.

The nature of injuries focuses on four main categories:

- chemical agents: 2 accidents, there were 7 in 2023;
- fall, trip, slip, impact: 8 injuries, there were 7 in 2023;
- cuts, wounds, crushing, bruises with objects: 7 injuries, there were 6 in 2023;
- handling of loads: 1, there were 3 in 2023.

There are also 2 new types of accidents that have occurred:

- contact with hot surfaces;
- collision with moving vehicles.

In the context of accidents that have occurred, there is therefore a need to:

- develop an analysis of the accidents that occurred at the Lonigo site and develop a mitigation plan to reduce the frequency;
- define intermediate targets for the reduction of accident indices (Observation 2);
- develop a study on the use of *Diphoterin* and how it has affected accident rates over the years;
- develop a plan to reduce the 2 major injury factors (cut/wounds and fall/trip).

The bimonthly meeting with the RLS also makes it possible to evaluate accidents and the actions taken with a collaborative and constructive approach, as well as to analyse and manage any safety reports received from the workers themselves.

In line with mandatory regulations, in 2024 the updating of the **Risk Assessments** (General and Specific) continued. In relation to the harmonization between the 3 sites, a management software is being implemented for all HSE activities, first by harmonizing the assessment methodologies applied and then by implementing some of the system's potential, such as: data sharing, the possibility of creating dashboards for managers, digitization of some services currently managed manually, integration with management systems. To date, 2 Electronic DVRs (DVR-e) have been issued at the Montecchio and Lonigo sites, while the DVR-e in Termoli is being implemented. During 2025, other modules will be implemented for the management of related HSE activities: activation of the supplier portal, training modules, health surveillance and ISO management.

With reference to the management of **Major Accident Risks** (Legislative Decree 105/2015 "Seveso"), the assessment of the Non-Aggravation of Risk (NAR) of the newly introduced or modified summaries and the installation/start-up of new equipment and/or departments for the 3 sites continues punctually and systematically.

The issue of **Environmental Management** is a central element in FIS's sustainable development strategy in the area in which the company operates.

For the AIA theme, the 3 sites moved as follows:

<u>*Montecchio Maggiore*</u>: On 12/04/2023 an application was sent for the renewal of the IEA of the incinerator with a request for authorization for the incineration of liquid waste from the Lonigo site. On this occasion, a single integrated IEA will be released for activities 4.1 and 5.2.

Currently, the authorities are viewing the documentation both because F.I.S. had asked for priority to be given to the AIA of Lonigo, and because in the meantime in the Province the Environment sector suffers from a lack of staff. This meant that F.I.S. had to send the provincial office a request for a non-substantial modification of the IEA to obtain authorization for the start-up of the *Zero Liquid Discharge* plant (Communication sent to the Province of Vicenza on 28/02/2024 with prot. no. DS/SSA/gm-021-24) to which the province did not respond within 60 days, so the authorization automatically became effective (the principle of silence/consent applies). The Province of Vicenza, with prot. GE72024/0041183 of 06/09/2024, approved the update of the

Monitoring and Control Plan (PMC), transmitted by F.I.S. in June 2024, subject to three requested changes.

Lonigo: On 15/12/2021, the Province of Vicenza with resolution no. 1733/2021 issued the Integrated Environmental Authorization no. 15/2021 to the plant.

IEA Review Application for the new liquid waste incineration furnace submitted on 7 August 2023 via certified email to the province of Vicenza and the competent bodies.

On 15/12/2023 with prot. No. GE 2023/0054608 the Province of Vicenza has communicated the acknowledgment of what has been presented by FIS, sharing the qualification of "non-substantial modification" for the modified interventions communicated (including the construction of the new incinerator).

On 24/07/2024 with prot. GE 2024/0034809 the province of Vicenza, after the positive opinion of ARPAV communicated on 26/06/2024 with prot. n.0059965 ARPAV, has given a favourable opinion for the authorization to align the ranges of the characteristics of liquid waste entering the incinerator (CER 070701* and CER 070704*) for the Montecchio and Lonigo plants.

The AIA inspection by ARPAV has been concluded (4 meetings on 11 April, 14 May, 12 June and 16 September) and after the submission of the required integration documentation following the last inspection on 16 September. Received on 9 December the final report of the inspection where 4 proposals for adaptation are requested for the criticalities or discrepancies identified during the inspection.

Termoli: F.I.S. Termoli submitted an application to the Molise Region for **PAUR** (Single Regional Authorization Measure, or *Provvedimento Autorizzativo Unico Regionale*) at the end of July 2024, relating to the activities "general changes to the plant and local *dispensing*.

On 25 October, the Region sent a request for supplementary documentation, which was sent on 22 November.

At the same time. an application was sent to the Municipality for the closure of the reclamation measure in progress. The Municipality has called an asynchronous Services Conference, asking the Bodies in the address to express themselves within 90 days (deadline exceeded).

On 12 and 14 November 2024, an inspection was carried out by ARPA and on 13 January 2025 the Inspection Report was received, which reports the failure to comply with the following prescription given by AIA provision no. 211/2013: "prescription referred to in par. 8.7 – page. 54 – of the Preliminary Report attached to D.D. no. 211/2013".

"Management of Underground and Above-Ground Tank Fleets" according to which "the identification plate of the product or substance contained in the tank and in the pipes that lead to it must be clearly visible...".

This failure to comply is a violation of art. 29-quattordecies, paragraph 2, of Title III bis of Part Two of Legislative Decree 152/06 as amended, which provides for the application of an administrative sanction.

Linked to all the above-mentioned aspects, as every year, the surveillance activities of the certification of **the Environmental and Safety Management Systems (EMS and SGS)** continued, according to the recognized standards (ISO 14001 Environment and ISO 45001 Health and Safety). In 2023, the integration of the systems with the Quality system (ISO 9001) was carried out and in 2024 the integrated surveillance activity conducted from 3 to 7 June 2024 was carried out. The Surveillance ended with 13 recommendations and 0 non-conformities.

Finally, there are no disputes in progress with control bodies in the field of Safety and Health.

Plants and projects

Starting from the accident indices, as commented on at length above, and in relation to the values at the end of 2024, the frequency index recorded improved values in Montecchio and Termoli, while it increased in Lonigo, while the severity index was stable in Montecchio and improved in Lonigo and Termoli. The overall F.I.S. indexes both showed improvement.

In terms of production rates, the three sites were very busy but, ultimately, not as regular as the previous year at the Montecchio and Lonigo sites, both due to some production problems with some of the sites' traditional products and, above all, due to slowdowns in the weeks corresponding to the inspections by the regulatory bodies (FDA and AIFA) and in the immediately preceding preparatory weeks.

However, more consolidated management of production program planning and procurement, and the implementation of an improved S&OP management process, have made it possible to limit the effects of the above and achieve most of the objectives for the most important productions, in particular those relating to Custom products.

In Montecchio and Lonigo, net of the aforementioned slowdowns, production activity levels were high throughout the year and the introduction of new processes for development, regulatory validation and pilot and industrial scale production campaigns was also particularly intense.

At the Termoli site, production activity was high and mostly regular throughout 2024, allowing the budgeted objectives to be met, so that the service indices benefited, resulting in an improvement compared to the previous year.

The total expenditure of the three plants was €97 million less than budgeted, coming in at €86.8 million, due to a final price for utilities that was lower than that assumed in the budget phase and a lower number of batches produced than initially expected. Net of the price effect of utilities, equal to €6.6 million, the final value was still lower than the budget value, and equal to €93.4 million.

Net of the price effect of the utilities, the expenses of the Montecchio site were lower than budgeted, also due to a lower number of batches produced than budgeted. A similar trend was recorded in Lonigo, albeit to a lesser extent. In Termoli, the expense value, which was still slightly below budget, was in line with expectations, as was the number of batches produced.

The total maintenance costs for the three sites were higher than budgeted (+6.5%), in this case the extra was almost exclusively for the Lonigo site where, in the second part of the year, housekeeping, revamping and particularly intense extraordinary maintenance activities were carried out.

The costs of utilities, on the other hand, were much lower than budget (-22.7%) and in any case lower than estimated, even net of the price effect, due to the lower number of batches produced and the energy efficiency initiatives implemented.

Ecological costs were significantly lower than budget (-16.4%); this reduction mainly concerned the Montecchio and Lonigo sites and was due both to the lower than expected quantity produced, as in Montecchio, and to the exceptionally positive ramp-up of the Lonigo incinerator following its revamping, which allowed for higher than expected savings.

The executive output of investments in 2024 amounted to €57.6 million, lower than the budgeted value of €67 million and that of the previous year, due to the postponement of some investment initiatives to the following year and an increase in the number and complexity of investment initiatives.

The planned, and partly realized, further expansion of the Engineering and Technical Services staff was, on the other hand, affected by a rather significant rate of staff turnover, which, as in 2023, also occurred in 2024. Nevertheless, the overall efficiency of the management processes has made it possible to carry out all the main investment initiatives within the planned time frame and budget:

Montecchio Maggiore

- increase in the capacity of the second *Spray Drying* line: installation and qualification of a second drying equipment of the industrial line of the *Spray Drying department*;
- optimization of consumption and performance of the ZLD plant, which treats plant wastewater allowing its internal reuse and drastically reducing discharge to the municipal sewer;
- *set-up* of the line to produce an important new product.

Lonigo

- *overhead piping* for high-load lines: continuation of activities aimed at improving wastewater management in production areas (phase 2);
- continuation of the completion of department 3C: installation and preparation of drying systems and resumption of activities to complete the automatic warehouse;
- completion of the preliminary activities for the construction of the new production department called 3D;
- setting up activities for important service areas such as new refrigerated warehouses and warehouse areas for sampling and *dispensing*.

Termoli

- equipment for increasing production: new enamelled reactor in department A;
- upgrade of the Quality Control laboratory;
- expansion and renovation of the site's parking lots.

Finally, it is worth mentioning the mapping and identification activity in the three plants, of all the interventions on the plants, aimed at increasing both the protection and segregation of products, and the containment of highly active substances and the start of the related implementations in accordance with the new defined standards.

In the field of technological innovation, important goals have been reached in initiatives started in previous years: the release of the ERM (Enterprise Recipe Management) system, which introduces a tool for the rationalization and standardization of the writing of MBRs (Master Batch Records); the completion of the extension of TCBM (Tracking Packages on the Machine) to the three company sites which guarantees rigorous monitoring of the solid loading phases and improves the safety profile, and finally the implementation of the Historian system in strategic departments at the Montecchio site, which allows for the archiving, processing and real-time monitoring of production data, with consequent improvements in the data analysis capabilities to support company decisions and quality aspects.

At the same time, new projects have been set up to support the company's digital transformation roadmap: the MES (Manufacturing Execution System), designed to digitize and optimize the management of production operations, guaranteeing real-time control of processes and end-to-end traceability of batches, with benefits in terms of efficiency, quality and regulatory compliance; the Digitalization Modules system, an initiative aimed at dematerializing and optimizing the management of critical documentation and the CVM (Cleaning Validation Manager), designed to optimize the planning of GMP cleaning activities and make the related validation processes more efficient.

Montecchio

In 2024, the site produced approximately 837 tons of finished products and approximately 2,140 tons of intermediates, pouring a total of 5,370 batches, some of these intended for use at the Termoli site.

2024, renewing the already marked trend of previous years, presented a high rate of introduction of new processes, also confirming orders and partnerships with leading international customers.

Labor absorption was high, with a KPI that averaged above 87% in the full months.

Compared to 2024, service KPIs were affected by some production slowdowns due to some critical issues on some specific production processes and the necessary activities in conjunction with regulatory inspections.

For the above, the *Planning Adherence* stood at an average value of 65% while the OTIF closed at 90%, both values subdued compared to 2023.

The average absenteeism rate in the production departments was around 6%, remaining above the pre-pandemic values of 4% in 2024 as well.

During the year, two important regulatory inspections took place:

- FDA-API (13-17 May), which ended very positively and without observations;
- AIFA-API (15-24 July), a follow-up to the 2023 general inspection, with a positive outcome.

During 2024, 48,861 tons of special waste (91% liquid and 9% solid) were produced, substantially in line with 2023, and a total of 24,658 tons of waste were incinerated internally in Montecchio (-4.7% compared to 2023), all produced in Montecchio.

Also in 2024, the Montecchio site sent waste for internal incineration to the Lonigo site.

The site's ecological costs were significantly lower than those of the budget (-20%) due, above all, to a lower-than-expected final production output.

The total expenses of the plant on the production perimeter were much lower than the budget values (-13%), for the reasons mentioned above.

Site maintenance costs were in line with the latest budget review, despite significant extraordinary housekeeping activities.

The ability to execute investments on the site has proven to be effective, achieving a balance for the year of a total of €24.8 million (excluding internal labor). During 2024, the new plant called *Zero Liquid Discharge* (ZLD) was exercised and put into operation for the quality refinement and internal reuse of industrial wastewater, an objective also stated in *the sustainability framework* linked to the *bond* issued in 2022 by the Company.

On the production side, the other investment concerning the *revamping* of the equipment in department G dedicated to an important generic API and the consequent request for substantial modification sent to AIFA at the end of 2024, preparatory to production in the new plants starting from the first months of 2025, was also concluded.

The continuous upgrading of the installations and the regular dialogue with the Public Administration and the Control Bodies in both the fire protection and environmental protection sectors are confirmed in *2024*. Finally, regarding the application for renewal of the Integrated Environmental Authorization (IEA) submitted in April 2023, we are waiting for feedback from the Province of Vicenza.

Lonigo

The production of the quantities foreseen in the budget was effectively achieved, despite some critical issues related to the management of the new personnel hired to cope with the increase in production in the 3C department. In 2024, the site produced 734 tons of finished product and 1283 tons of intermediates, some of which were destined for use at the Montecchio site.

The labor absorption was high with average values around 85% in the full months and full saturation in the peak months. Maintaining the operational intensity was a challenge in 2024, as the high turnover of production personnel had to be taken into account, and therefore a significant number of new hires.

The number of machine hours worked during 2024 was down (-8%) compared to the 2023 value, explained by the decline in volumes relating to historical products such as Acetylcysteine and Fosfomycin, not yet fully offset by the inclusion of new processes in the 3C department.

2024 was a positive year in terms of the value of service KPIs such as OTIF (97%) and PA (Planning Adherence 85%). The quality KPIs (complaints and rejects) were good in terms of complaints (2), while rejects worsened (2.8% vs. 1.48% the previous year).

The values of the above indexes should be appreciated in the context of a year characterized by some critical production issues on specific historical products, which slowed down the proven production flow and, in some cases, required troubleshooting activities.

22,360 tons of waste were incinerated, an increase of 39% compared to 2023. Despite this, methane consumption has decreased significantly (-72%) thanks to the positive contribution of the renovated incinerator and the availability of solvents useful for combustion, also coming from other sites.

Plant expenses were lower than budgeted and lower than in 2023, mainly due to the reduction in utility costs, both because of the lower-than-budgeted price effect and because they benefited from the savings due to the new incinerator and trigenerator coming into operation.

Ecological costs also decreased, mainly due to a different production mix compared to the previous year.

Maintenance costs, on the other hand, increased, particularly due to the decision to carry out more significant housekeeping activities than budgeted for in the second half of the year.

In terms of new products, the first industrial campaigns for an important veterinary product and a human product were completed, while the validation activities for two new custom products continued.

Investments in the past year continued according to plan and are certainly worth mentioning:

- the continuation of projects related to the improvement of safety and the environment with phase 2 of the overhead wastewater collection lines, the fire-fighting revamping of the MMP, the seismic improvement of the finishing building and the insertion of a well water filtration unit;
- the equipping of the new 3C department with a new centrifuge, a new dryer and a new reactor;
- the strengthening of department 3B with a new filter dryer and a new reactor;
- the completion of the preliminary activities for the construction of the new production department called 3D.

Finally, the following are worth mentioning:

- the AIFA inspection in November 2024, with a substantially positive outcome;
- the presentation of the new safety report and the related inspection process with the public bodies concluded without new requirements;
- the successful audits related to the AIA surveillance.

Termoli

As far as production output is concerned, the budgeted quantities were respected, and the plant was also able to cope with the increase in demand (20 out of 177 tons budgeted) for one of the site's highest volume products. In total, 718 tons of finished product were sold.

Labor absorption was 91.1% year-on-year, higher than the 90.2% recorded in 2023), while machine absorption recorded values in line with those of 2023 and around 80%.

As regards the main KPIs, the PA (*Planning Adherence*) recorded a value of 77%, a figure influenced by the exceptionally low value in June as a result of the high absenteeism due to trade union tensions that occurred during that month.

OTIF recorded a value of 99% compared to 92% last year, a marked improvement.

Plant expenses were lower than budgeted, the price effect of utilities contributed to the result, net of this contribution the value was in line with the budget.

Following the completed investments, a NAR (Non-Aggravation of Risk) was submitted to the CTR (Regional Technical Commission) in accordance with decree 105/15.

Following the SGS-RIR 2023 inspection and the related CTR report of 22/11/2023, the site complied with the requests with the closure of the prescription and recommendations, highlighting them to the Authorities.

On 12 and 14/11/24 the scheduled inspection was carried out pursuant to Legislative Decree no. 152/06 art. 29-Decies paragraph 3 following which we received the final report which reports a prescription that is in the process of closing.

F.I.S. Termoli submitted to the Molise Region an application for PAUR (SINGLE REGIONAL AUTHORIZATION MEASURE) at the end of July 2024, relating to the activities "general changes of establishment + local dispensing". On 25 October, the Region sent a request for supplementary documentation, which was sent on 22 November.

At the same time an application was sent to the Municipality for the closure of the reclamation measure in progress. The Municipality has called an asynchronous Services Conference, asking the Bodies in the address to rule within 90 days (deadline expired in December 2024). Awaiting outcome.

Labor relations

During the year 2024, labor relations were characterized not only by the meetings and institutions provided for in the Level II Contract (for example, the Business Observatory, periodic plant meetings, the Canteen Commission), but also by Level II bargaining between Company Management and the Coordination of the RSUs of the three plants.

This negotiation focused in a differentiated manner on the constituent components of the Participation Bonus, as described below:

1. the redefinition of the threshold parameters and the payout curves relating to the parameter that represents the company's economic performance, i.e. the gross operating margin (GOM);
2. the possibility of changing the payment methods for the component regarding production programs (RPP), allowing employees to choose between a monthly payment or an annual payment with tax advantages;
3. the definition of reference values in relation to the quality component of the PdP.

Similarly to what has been done for the year 2024, the Company confirms its willingness to recognize welfare benefits for the years 2025 and 2026, made available through the Welfare4you. platform. This platform will also remain available to the worker, if the normal conditions are met, to convert part of the accrued participation bonus into vouchers and services.

Staff

In 2024, the implementation of the people review process was confirmed: the detailed analysis of performance evaluations went hand in hand with the examination of proposals relating to the meritocratic plan. The objective was to maintain consistency with a salary dynamic that takes into account the reference labor market data, the internal salary structure and the need to attract new profiles from the market. The same tools as the previous year were used to concretely visualize the positioning of resources in the "performance-potential" matrix, favoring constructive dialogue between managers and collaborators, with a view to supporting organizational development.

A second edition of the Cuoa Development Program for F.I.S. has been launched, an executive course dedicated to potential resources that represent the company's wealth of expertise; the talent program represents a real internal business school, offering participants a solid knowledge base in the field of general management. With this project, participants receive some important tools that support them in understanding the organizational variables of a constantly evolving business context.

Smart Working maintains its definition and regularization through individual contracts, in a structured and differentiated way for employees, according to a specific functional and operational logic. This represents a further element of attractiveness for the personnel who, having a wide range of geographical origins, are better able to reconcile work, travel and private life, for a better work-life-balance.

Headcount and personnel costs

The final figure shows a value of 2,149 HC (2,136.97 FTE) at the end of the financial year, an increase compared to the previous year, which counted 2,068 HC (2,057.19 FTE). The final figure is higher than the forecast figure in order to meet the growing business and production needs and to strengthen the support functions in view of the implementation of the new strategic development plan 2025-2028.

It is worth noting the decrease in temporary staff, which went from 142 to 108, following actions to stabilize employment relationships.

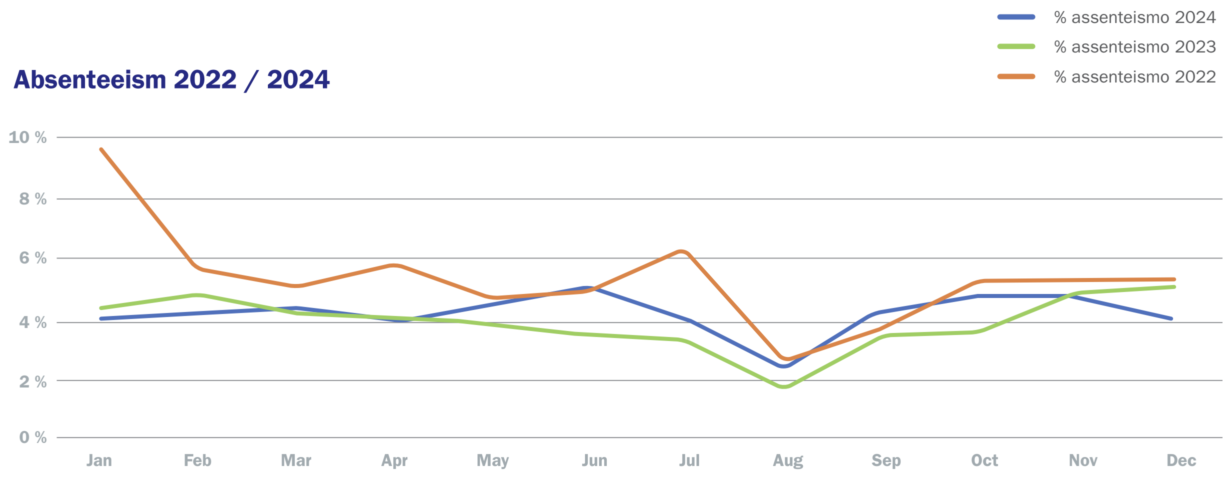
A systematic training program on safety, quality, GMP regulations, health and production process technologies is always guaranteed for all workers, both temporary and permanent.

It should be noted that the rate of absenteeism due to illness has been reduced to an average of 4.15%, in line with the trend of previous years.

The increase in production demands not foreseen in the planning at the beginning of the year, and the organizational efforts to deal with the visits of the FDA and AIFA to the various production sites, have contributed to the failure to reach the objective originally set in the vacation utilization budget, equivalent to about 10% of the previous year's residual. It should be noted that only the Termoli site managed to take their vacation as planned, thanks to the company closures.

As for the impact of overtime on personnel costs, there are no particular periods to report: it has always been well below the established target of 1% (0.57%) of workable hours.

Absenteeism 2022 / 2024



The graph above compares the absenteeism trend during 2024 with the previous two years: the lines and the peak of January 2022 coinciding with the pandemic and epidemic waves, and it is easy to see the return to an absenteeism rate of around 4%, the limit of "normality" set by the target in our dedicated KPIs.

Staff turnover

With regard to the analysis of staff turnover, it is worth noting the negative turnover rate of 5.56% for the year 2024, which reveals a slight increase compared to the figure for 2023 (4.84%) and in any case lower than 2022 (6.39%).

The negative turnover rate in 2024 was more than compensated by the positive turnover rate, which reached 11.58%. This was also possible thanks to the talent acquisition process: in the field of personnel research and selection, the company continued along the path established in previous years, using a series of tests that improve the screening and talent evaluation phase. In 2024 we developed a strategy for talent attraction and talent retention, using a series of tools that were appropriately calibrated and refined (Talent Program, strengthening of relationships with universities and schools, enhancement of the Welfare platform, Open Day and Recruiting Day, and use of specialized external personnel selection companies – Head Hunting).

Formation

The year 2024 began as usual with the implementation of the training and education activities connected to the identification of training needs, which began at the end of 2023. These activities are necessary for maintaining core competencies and for preparing the skills of personnel to implement the industrial plan.

During the year, the usual new employee sessions were held, and in line with 2023, "peer to peer" induction sessions were planned for newly hired senior (and executive) personnel to improve integration through understanding of functions and processes and to contribute to an initial knowledge of the work group. Obviously there was no lack of technical training, updates and specific training for laboratory personnel, language training and focused courses.

Training on Health, Safety and Environment issues is always present and has been ongoing throughout the year (i.e. ASR, Legislative Decree 105/15), also continuing with new qualifications with a view to expanding the available staff to ensure greater flexibility and operational continuity.

To comply with the regulations, the issue mentioned in Legislative Decree 231/01 has also been developed, relating to the correct behavior to be adopted for an integrated administrative responsibility management system, as well as training relating to the Business Continuity Plan and refresher training on privacy and data security with sessions customized for specific groups. Particular attention was paid to Cyber Awareness with training courses and activities dedicated to keeping attention high with regard to cyber threats.

The company has extended the training day method to all plants with regard to HSE training and has also introduced experiential training methods to address issues regulated by Legislative Decree 81/08.

In the area of Quality, training initiatives are being strengthened, also with a view to cultural enhancement towards Quality and Compliance within all company functions.

In addition to technical/scientific training activities, various team building initiatives have been organized for different company departments (top management, engineering, finance, procurement, legal and internal audit, etc.) customized to the needs of each team with information, training, discussion and engagement sessions, developing the concepts of communication, collaboration and interdepartmental synergy.

Skills are also being extended with a view to Continuous Improvement, with 10 additional twelve-month Green Belt Lean Six Sigma certification courses being activated in various company departments aimed at strengthening data analysis and development tools for the solid and continuous improvement of company processes.

With regard to personnel development, the mapping of potential continued throughout 2024, in order to allow for the correct placement of resources, both in production and specialist roles, and in positions of greater managerial responsibility. Following this activity, coherent development plans were defined for the identified resources to support the results of the individual analysis.

The company is therefore continuing its commitment to strengthening soft skills, and continuing to activate individual development paths, such as coaching and master's degrees, with a view to strengthening skills and future career development. In addition, an open training platform (Skilla) has been made available as a pilot project to the entire population for a better training experience on a wide range of topics, always available.

The management training activity is proceeding and coming to an end, involving middle management for a total of about 228 people responsible for a group and who therefore deal with People Management on a daily basis. Specifically, the course is giving everyone the opportunity to acquire greater awareness of their skills, new content and food for thought to find the most effective and efficient way of managing activities and people.

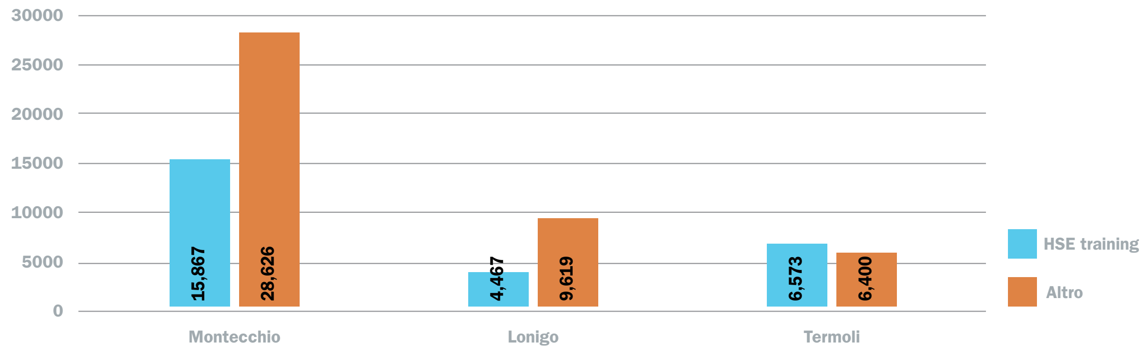
The CUOA Development Program for F.I.S. is also continuing, aimed at 25 people with potential at F.I.S. to provide a wealth of general management knowledge with an interdisciplinary approach, effectively training organizational and relational skills.

In line with the business direction and company developments, numerous development courses were then held for chemical-technical hard skills (e.g. Analytical Quality by Design, Secrets of Batch Scale-up), or certifications for Supply Chain personnel (Purchasing Certification L1).

Individual master's courses have also been activated, with a view to enhancing skills and future career development. A total of 71,551 training hours were provided in the three plants, equivalent to 4 days of annual training per capita.

The company is committed to protecting people's well-being, providing a space for discussion and support, within the Mindfulness Desk. This service has been designed as a listening space, available in person and online, for F.I.S. employees in order to promote well-being and support people in managing moments of stress, both professional and personal.

Training provided 2024



Information Technology

During 2024, the IT department accelerated the implementation plan for new company projects with a particular focus on the renewal of infrastructural and application solutions and process efficiency. The IT team has also defined new governance rules for the management of the project portfolio, defining the methodological approach and implementing tools to support the demand and project management processes. With particular attention to the safeguarding of company information, the IT department has redefined and accelerated the cybersecurity plan.

Cybersecurity

The Company's attention to cyber security has progressively intensified, in response to the increasing complexity and frequency with which cyber-attacks are carried out against companies of national and international strategic importance and to the evolution of the regulatory framework.

The sophistication of cyber security threats, made possible by the increasingly aggressive operations of organized international groups, makes it necessary to constantly adapt company defences and processes to safeguard IT assets, as a further element of protection of the Company's industrial know-how and market competitiveness.

A mature approach to cyber security is also essential to support the strategic development of the Company, which is characterized by increasing technological complexity.

F.I.S. has taken measures to contain these risks, drawing on best practices in governance systems and continuously monitoring the management of infrastructure and applications.

For these reasons, in 2024, further impetus was given to the development of F.I.S. cyber security, through:

- the maintenance of the UNI EN ISO 27001 certification and the conduct of specific UNI EN ISO 27001 audits;
- a pervasive technological update program, with a reduction in obsolete systems that support business activities;
- *the strengthening of cyber safeguards* on the IT and OT infrastructure, including an *anti-ransomware* protection solution for backups;
- the enhancement of *vulnerability and penetration tests*;
- the strengthening of a cyber risk insurance policy;
- the execution of assessments for company sites in order to assess the robustness, reliability and resilience of the physical architecture of the OT system;
- the strengthening of a committee relating to the distributed control system (DCS) and automation aimed at monitoring emerging risks and ensuring actions and constant interventions necessary to reduce the risks resulting from technological obsolescence;
- the conduct of annual *Disaster Recovery Tests*, both in the IT and OT fields;
- specifically aimed to simulate the organization's response to different relevant threat scenarios - and in particular to the management of cyber crises;
- conducting *cyber awareness* activities to reduce risks related to the "human factor", including the execution of a *table-top-exercise* with the ExCo, phishing simulation campaigns and basic cybersecurity training for personnel with key IT and OT roles.

Projects

During 2024, the ERP upgrade was completed, realizing all the benefits envisaged by the project both on the technological side of Digital Evolution and user experience and on the compliance side thanks to the complete assessment of the System Validation documentation. The project, which involved all company departments, made it possible to increase the security level of the operating systems and all the technological components of the ERP system.

At the beginning of 2024, IT supported the Finance department in the transition to the IFRS accounting management model by revising and adapting the chart of accounts and implementing a structured reporting system to support it.

The 2024 application roadmap included numerous System Obsolescence Remediation initiatives aimed at updating the software and related operating systems to the most recent versions to guarantee high standards of security and operational management. These included updating the software for managing the telephone switchboards, the Jasper Business Intelligence system and the BioTrend and Labware laboratory tools.

In collaboration with the Supply Chain area, the Maestro software (initially called Rapid Response) has been adopted for production planning. The new tool offers advanced planning algorithms and allows for end-to-end process support and is integrated within the Sales & Operational Planning cycle. Within the same area, and in collaboration with Quality and Operations, the functionalities of JD Edwards have been extended to support the handling of raw materials to external storage warehouses in an integrated manner with third-party systems, in order to allow greater flexibility to the plants in the management of storage spaces.

The IT project portfolio also included and managed the introduction of the Enterprise Risk Management (ERM) digitization tool for the Internal Audit function and the adoption of the ESG (Environmental, Social, Governance) KPI Monitoring software with the corporate Sustainability function.

In the Health Safety and Environment (HSE) area, a management system for the digitization of Risk Assessment Documents (RAD) has been adopted in all plants, and the foundations have been laid for the extension of the software's functionality over the next year.

Continuous collaboration with the DIT (Technological Innovation Department) has allowed F.I.S. to implement the Historian software to transform industrial data into useful information for making informed decisions. Fully interfaced with JD Edwards, LIMS and DELTA V, Historian enables permanent and long-term monitoring of production data in order to optimize processes, improve quality, reduce costs and strengthen regulatory compliance. The adoption of the system is in progress.

The Quality department has completed the technological upgrade project of the laboratory information management system (LIMS) to guarantee business continuity. During 2024, the Nugenesis laboratory system, the digital repository of chromatographic data for GMP information retention, was also updated. Furthermore, with a view to harmonizing processes between all the plants, the functionalities of the Empower system have also been extended to the Lonigo site, replacing the old Chromeleon system.

With the collaboration of the R&D laboratory, the Fusion QBD tool was implemented to support the development of analytical methods; with an innovative approach, considerably reducing manual management, greater robustness of data and processes was guaranteed.

All project initiatives were introduced, shared and approved thanks to the introduction of a new project approval and project governance process for project portfolio management. All project initiatives have been introduced, shared and approved thanks to the introduction of a new project approval and project governance process for the management of the *project portfolio*.

Organization

During 2024, the IT organization saw the redefinition of the role and the placement of some technical figures in order to ensure greater operational efficiency and more effectively support the technological evolution roadmap defined in the IT strategy.

Internal Control System (ICS) & Internal Audit

RISK MANAGEMENT

F.I.S. attributes great importance to risk management and control, as a condition for guaranteeing reliable and sustainable value generation in a context of controlled risk, protecting the Company's financial solidity and reputation and allowing a transparent representation of corporate risk.

In this regard, in October 2021, with the appointment of the Head of Internal Audit, the creation of the Internal Auditing function and the constant strengthening of the department's staff, a project was launched aimed at strengthening corporate control and the integrated measurement of corporate risks, which is instrumental in homogenizing the organizational culture and control of the company and, more generally, in improving corporate governance.

The project adopted an approach focused on integrated risk mapping, qualitative assessment, and the creation of a database for monitoring, updating and managing risks.

Risk management, depending on the respective nature, frequency and potential impact, is entrusted to a constant combination of mitigation/immunization actions and interventions, control procedures/processes and asset protection as a last resort.

To ensure sound and prudent management, F.I.S. combines company profitability with informed risk-taking and operational conduct based on criteria of correctness. To this end, it has adopted an internal control system, which is constantly evolving and being strengthened, suitable for continuously detecting, measuring and verifying the typical risks of the company's activities.

Overall, the Internal Control System (ICS) of F.I.S. is based on a set of rules, procedures and organizational structures that aim to ensure compliance with company strategies and the achievement of the following objectives:

- effectiveness and efficiency of business processes;
- safeguarding the value of assets and protection against losses;
- reliability and integrity of accounting and management information;
- compliance of operations with the law;
- compliance with internal policies, plans, and procedures;
- *business continuity* (BC).

The Internal Control System is outlined by a documentary system that allows for an organic and codified retracing of the guidelines, procedures, organizational structures, the risks and controls present in the company, incorporating not only company policies and the indications of the Supervisory Bodies, but also the provisions of the Law, including the principles dictated by Legislative Decree 231/2001.

The Company has structured itself with specific governance documents that oversee company operations, including the Articles of Association, the Standard of Business Conduct, the Policies, the Guidelines, the Company Organization Charts, the 231 Organizational Model and more strictly operational documents that regulate company processes, individual activities and related controls.

Specifically, the company rules adopted and/or in the process of being adopted allow for the design of organizational solutions that:

- ensure sufficient separation between operational and control functions and avoid situations of conflict of interest in the allocation of responsibilities (*Segregation of Duties* – SoD);
- are able to identify, measure and adequately monitor the main risks assumed in the various operating segments;
- allow, with an adequate level of detail, the recording of each management fact and, in particular, of each transaction, ensuring its correct attribution in terms of time;
- ensure reliable information systems and suitable *reporting procedures* at the various management levels, to which governance and control functions are assigned;
- they ensure that the anomalies detected by the operating units, as well as by the control functions, are promptly brought to the attention of appropriate levels of the company and managed immediately.

Furthermore, the company's organizational solutions allow for the unambiguous and formalized identification of responsibilities, in particular in the tasks of control and correction of any irregularities found.

From an operational point of view, F.I.S. has identified the following macro-types of control:

- line controls, aimed at ensuring the correct performance of daily operations and individual transactions. As a rule, these controls are carried out by the production structures (*business* or support) or incorporated into IT procedures;
- risk management controls, which aim to contribute to the definition of risk measurement methodologies, to verify compliance with the limits assigned to the various operating functions and to check the consistency of the operations of the individual production facilities with the assigned risk objectives;
- compliance controls, consisting of policies and procedures capable of identifying, assessing, controlling and managing the risk resulting from non-compliance with laws and regulations;
- *internal audit*, aimed at identifying anomalous trends, violations of procedures and regulations, as well as assessing the functionality of the overall internal control system. It is conducted by structures that are different and independent of the productive ones.

The internal control system is periodically subject to review and adjustment in relation to the evolution of company operations and the reference context.

In this regard, F.I.S. has set up a streamlined control structure; in fact, alongside a complex system of line controls involving all department managers and personnel as a whole, a risk management area has been set up, which currently coincides with the internal Audit and the Supervisory Body, together with the Board of Directors, which carries out functions of direction, management and overall risk control.

The risk management process

Risk management is a continuous and recurring process, widespread within the organization, which involves a systematic and repeated identification, assessment, treatment and monitoring of risks.

IDENTIFICATION

The identification of possible existing risks, in relation to the defined strategic objectives, is carried out periodically, in line with the time horizon of the company's strategic plan, or whenever internal or external environmental factors make it necessary.

The F.I.S. risk catalogue (so-called Risk Model) was completely revised during 2022, 2023 and 2024 with a view to integrating sustainability, business and compliance aspects.

In this regard, the F.I.S. Risk Model includes 55 risks, divided into 5 macro-categories, of which 22 are ESG (Environmental, Social and Governance) risks, which have been identified and assessed in terms of probability and impact by F.I.S. middle and top management.

It should be noted that in 2024, F.I. S. conducted an annual review of the Enterprise Risk Mapping process, analysing the business context in which the organization operates through an analysis of the business and the company (strategic guidelines, financial statements, sustainability reports), aimed at defining a Risk Model derived from the typical one for the chemical-pharmaceutical sector and customized for F.I. S., focused on identifying and managing risks in a standardized way within the Company.

The risk management process is carried out through a continuous approach involving different organizational structures, with different roles and responsibilities.

Internal Audit is not responsible for managing specific risks, which is the role of management, but it is responsible for implementing an integrated risk management process and providing high-level support in spreading a risk culture.

Management is responsible for implementing Enterprise Risk Mapping within the scope of the company processes under its responsibility, identifying, assessing and managing the risks that may impact the defined objectives.

In this regard, it should be noted that during the annual review in 2024, interviews were conducted with the heads of all the main company departments, as well as with the company responsible for the statutory audit of the accounts and with the members of the Supervisory Body, in order to identify, map and prioritize the risks to which the organization is exposed.

The interviewees were then involved in the back office for the final validation of the work carried out and the formalized risk sheets.

The evidence collected during the interview was used to formalize the risk sheets, in which all the essential information was reported, including the existing control actions (control measures), with an evaluation of the relative level of control, and those planned / hypothesized (mitigation actions).

The identified risks, divided into top risks (high severity) and non-top risks, were then represented using a heat map and other representations depending on the risk profile, with details by value driver, business process and risk model.

EVALUATION

Each risk identified was assessed according to the parameters of probability of occurrence over the plan horizon and its impact.

The impact assessment was divided into three types:

- scale of economic and financial impact (quantitative), defined on the basis of the impact on EBITDA and FREE CASH FLOW (FCF) over the plan period and shared with the *Chief Financial Officer;*
- reputational impact scale;
- ESG impact scale, defined on the basis of the F.I.S. materiality matrix.

As part of the assessment, each *Risk Owner* identified the main prevention/mitigation measures in place, assessing their level of adequacy.

The combination of probability of occurrence and impact determined the risk rating, allowing the comparison of the risks being assessed and the representation of the overall exposure of FIS, so as to identify the priorities for action for subsequent risk response strategies.

RISK RESPONSE

On the basis of the risk assessment, the risk management strategy was defined. The *Risk Owner*, for the risks under his or her responsibility, is responsible for identifying the risk response plans identified as *Top*.

In this phase, if necessary, the *Risk Owner* is urged to identify and plan specific prevention/mitigation initiatives in addition to the existing ones, in order to bring the risks back to an acceptable level.

MONITORING

The internal and external context is subject to possible changes, and therefore periodic monitoring of the risk portfolio is necessary in order to assess its dynamics and verify the operational effectiveness of the response strategies defined. The activity of monitoring risks and their management is developed, at least annually, through the repetition of the steps described above and, during the year, with specific verification and/or analysis activities, on:

- existence, traceability and risk mitigation capacity of the controls declared in place during the *risk assessment*;
- additional controls to be adopted and their implementation status;
- any changes in the risk profile as a result of macro-changes in the scenario.

REPORTING

After the process of evaluating and consolidating the results is completed, appropriate reports are prepared and addressed to the various players in the Internal Control System, Chief Executive Officer, Board of Directors, Board of Auditors, Supervisory Board, Audit & Controls Committee (A&CC).

The results of the process are used:

- by the Corporate Bodies regarding the identification of the main corporate risks, as well as the reasonable certainty that they are managed in accordance with the limits defined for the creation of value;
- by the Board of Directors;
- Internal *Audit* as information elements aimed at the preparation of specific *risk-based audit plans*.

NEW ENTERPRISE RISK MANAGEMENT TOOL

In 2024, the new PRO-ERM Tool was adopted in the field of Enterprise Risk Management, an IT solution aimed at digitizing the process of identifying, assessing, evolving and managing risks that can affect operations and the achievement of company objectives, allowing a complete view of the risks to which the company is exposed and the implementation of strategies and controls to mitigate them. In this regard, it should be emphasized that the new Business Continuity Plan (BCP) impact indicator has been included for each risk form, and links to the controls and mitigation actions related to the company's Business Continuity strategies have been incorporated into the system itself.

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

With the 2024 review, the Company began the process of incorporating the dictates of the Corporate Sustainability Reporting Directive (CSRD) into the Enterprise Risk Management process, together with the PRO ERM tool itself.

In this regard, with the support of a leading external consulting firm, F.I.S. has strengthened and, at the same time, evolved its risk management model, paying particular attention to the integration of ESG risks within the methodological framework of reference.

In this context, the Company has implemented the required measures to establish a CSRD/ESRS adaptation strategy ensuring full regulatory compliance as of fiscal year 2025, as provided by the Directive endorsed in November 2022, which requires its own application for prominent European enterprises (Companies and Groups that meet at least two of the following criteria: i) net revenues over €50 million; ii) balance sheet assets over €25 million; iii) average employees in the year above 250) starting from 1 January 2025.

Therefore, the ERM methodology was revised in order to better support the identification and assessment of ESG risks, also taking into account the requirements introduced by the Corporate Sustainability Reporting Directive (CSRD) in terms of impact assessment, opportunities and time horizons of analysis (short, medium and long term) through:

- integration of the Risk Model with ESG risk areas and examples, taking into account the ESG areas relevant to FIS;
- revision of the Assessment Scale of social and environmental impacts according to the *assessment drivers* provided for by the CSRD (scope, magnitude, irremediability);
- possible identification of a list of potential ESG opportunities and definition of the related evaluation scale, taking into account the Strategic Plan and the reference sector;
- identification of a list of potential long-term ESG *trends / risks* considering the Strategic Plan and the reference sector.

INTERNAL AUDITING

The mission of the Internal Auditing Department is to monitor the adequacy of the Company's Internal Auditing System, ensuring the continuous improvement of its effectiveness and efficiency through the performance of independent, autonomous and objective verification, validation and consultancy activities.

With regard to Internal Control activities, the Internal Auditing Department, reporting directly to the Board of Directors, is responsible for ensuring constant and independent surveillance of the regular progress of operations and company processes, in order to prevent or detect the onset of anomalous and risky behaviours or situations, evaluating the functionality of the overall internal control system and its suitability to guarantee the effectiveness and efficiency of company processes, the safeguarding of the value of activities and protection from losses, the reliability and integrity of accounting and management information, the compliance of operations with both the policies established by the company's governing bodies and internal and external regulations.

Furthermore, the Head of Internal Audit provides advice to the various company departments, also through participation in projects, with the aim of creating added value and improving the effectiveness of the organization's control, risk management and governance processes.

In relation to the assigned tasks, the Head of Internal Audit is not responsible for any operational area and does not report to any area manager; has constant and unconditional access to all information, data, people, archives and company assets useful for the performance of his/her duties; reports on his/her work to the Board of Directors, constantly reporting to the CEO and the Board of Statutory Auditors and, in the performance of its duties, interacting with the Supervisory Board and the Legal Department; if necessary, it relies on external consulting firms, completely independent from the Company, to provide specific technical expertise not available within the department.

Over the years, the internal auditing function has been strengthened through the gradual hiring of new personnel.

The control model has been structured in line with the organizational structure of F.I.S. In order to allow for Risk-Based Auditing, the Internal Audit Department first completed, for the third year, during 2024, a process of integrated mapping of company risks, following which an audit plan was developed, to be carried out during the 2025 financial year, specifically for areas at greater risk.

In carrying out its duties, the department used preliminary analysis methods to assess the risks inherent in the various areas; based on the evaluations that emerged and the priorities that will result from them, an Audit Plan will be prepared for 2025 and submitted for prior review by the Audit & Controls Committee (currently composed of the CEO, Head of Internal Audit, Chief HR Officer, CFO and General Counsel) and the Board of Statutory Auditors, and then an Intervention Plan is discussed with the Directors.

During 2024, the department conducted audits on the Information Technology Area, Human Resources, F.I.S. North America, Travel & Expense Process, as well as Agreed Upon Procedures (AUP) carried out on ad-hoc processes, upon specific request by the Company. The relative results (findings) were formalized in Audit Reports, shared with the Company Management and the control bodies, and the relative corrective actions are being adopted.

From targeted audit actions, based on a process of analysis and prioritization of the main risks, weaknesses emerge, systematically detected and reported to the company departments concerned for prompt improvement action, towards which a follow-up activity is carried out.

In this regard, with a view to greater effectiveness and efficiency in the management of the audit process and follow-up on corrective actions, the Company has finalized the adoption and use, after careful and in-depth analysis, of a tool for managing audit programs, documentation and follow-ups developed by a leading company in the sector, adopted in the 2023 financial year.

The assessments of the Internal Control System, derived from the investigations carried out, are periodically brought to the attention of the Audit & Controls Committee, the Board of Statutory Auditors and the Directors, who request timely updates also on the status of the solutions in progress to mitigate the weaknesses; the most significant events are also subject to timely and accurate reporting to the Audit & Controls Committee.

Periodic meetings and a similar approach are also used with the Supervisory Body and the Legal Department of F.I.S.

VERIFICATION PLANS AND INSPECTIONS - INSPECTIONS AND AUDITS AT PRODUCTION SITES

In order to guarantee the quality and safety of its products and verify that its suppliers comply with laws and regulations regarding quality, the environment, health and safety, F.I.S. policies include periodic verification plans, as well as continuous inspections by the competent regulatory authorities and self-inspections within its production facilities.

The production sites are regularly subject to audits, both internal and external, by companies that are clients of F.I.S., or to inspections by the competent authorities, to certify compliance with regulations on product quality.

The production plants operate in accordance with Good Manufacturing Practices (GMP) guidelines, which are regularly verified through inspections by the competent national and international authorities.

The Quality Control department is responsible for checking incoming raw materials and outgoing finished products, in accordance with established procedures.

With reference to HSE, there is an annual harmonized audit plan for the 3 sites that covers all points relating to ISO 45001 (Occupational Health and Safety Management System Certification) and ISO 14001 (Environmental Management System Certification). The plan is approved annually during the management review, which takes place in the first quarter of the coming year.

In fact, as evidence of its commitment to environmental protection and its approach to continuous improvement, the Company operates according to an ISO 14001 certified environmental management system. This certification demonstrates that the production sites have an adequate system to manage and mitigate the environmental impacts of their activities and the search for improvement in a continuous, coherent, efficient and above all sustainable way.

Furthermore, F.I.S. considers it of fundamental importance and encourages the participation of employees in the identification and declaration of any issues relating to health and safety in the workplace or possible dangerous situations to which employees may be exposed. With this in mind, it operates according to an ISO 45001 occupational health and safety management system.

The control and monitoring of what is implemented by each production site also takes place through inspections and audits, both carried out internally and by external companies.

VERIFICATION PLANS AND INSPECTIONS - VERIFICATION PLANS FOR SUPPLIERS

One of the main elements of supply chain control is the verification plans that F.I.S. implements for its suppliers.

In addition to the evaluation for approval during the qualification phase, the use of suppliers is also subject to the timely verification of the quality of all supplies, in order to constantly verify the level of quality and compliance with previously agreed specifications.

In accordance with the current versions of the qualification procedures, all suppliers, particularly those of active ingredients and packaging materials, are subject to periodic audits. During the year 2024, 63 audits were conducted at suppliers' premises.

LEGALITY, INTEGRITY AND PREVENTION OF CORRUPTION

F.I.S. believes that success can only be lasting with responsible and ethical business management; the Company's actions are constantly carried out with integrity, honesty and passion and are based on mutual trust, so that growth is also guided by the principle of shared value.

F.I.S. carries out its activities in compliance with the law, internal regulations and professional ethics. The corporate strategy, in this regard, is mainly divided into the following areas:

- Organizational Model 231;
- Letter of attestation (so-called "Letter of Attestation"). *Representation Letter*);
- Anti-corruption and *Whistleblowing Policy*;
- Gifts, Hospitality and Entertainment Policy;
- Conflict of Interest (COI) Policy and Position of Director Member;
- Staff training and awareness;
- M.A.R. – *Market Abuse Regulation*.

During the year 2024, the following Administrative Policies & Procedures were approved, among others:

- New Standard of Business Conduct
- New Organisation, Management and Control Model (so-called Model 231)
- P.A. 1002 – Whistleblowing Policy (update)
- P.A. 1006 - Conflict of Interest Policy (COI) & Position of Director (update)
- P.A. 1010 - Guidelines for the insurance and administrative management of claims
- P.A. 1011 - Trade Associations, Industry Groups and Conferences (TAIG) Policy
- P.A. 1012 - Guidelines on Interactions with Public Officials
- P.A. 1013 - Policy on the use of corporate e-mail – Netiquette
- P.A. 1014 - Short-term incentive policy - MBO Plan
- P.A. 1015 - Anti-corruption Policy
- P.A. 1016 - Generics Sales Manual
- P.A. 1017 - Antitrust and Fair Competition Policy
- P.A. 1018 - Treasury Policy
- P.A. 1019 - Petty Cash Procedure
- P.A. 1020 - Procedure for the use of company credit cards
- P.A. 1021 - Corporate Procurement Manual (CPM)
- P.A. 1022 – Custom Sales Manual (CSM)
- P.A. 1023 - Third Party Due Diligence Policy

ADMINISTRATIVE LIABILITY OF ENTITIES - ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Company has adopted its own Organization, Management and Control Model pursuant to Legislative Decree 231/2001 (Organizational Model), the latest version of which was approved by the Board of Directors on 19 December 2024.

In this regard, the Model review was conducted during the year 2024, with the support of external lawyers, with the dual objective, on the one hand, of optimizing, standardizing and streamlining the current text and structure, also with a view to greater clarity and usability, making it more in line with current company activities and incorporating the details of new procedures approved over time and, on the other hand, to update it to incorporate recent legislative changes and/or changes that have affected the subject and the Company's areas of operation over time.

The Document consists of a general part, which illustrates the principles, functions and essential components of the Organizational Model, and special parts.

In detail:

- **general part:** it has the function of outlining the Company's *compliance system* as a whole, describing in particular the regulatory context of reference, for the benefit of all recipients, the methodology followed for the construction of the New Model 231, the establishment and operation of the Supervisory Body, the system of information flows to and from the Supervisory Body, the channels for reporting potential conduct that does not comply with the New Model 231 (so-called "Criminal Report"). *whistleblowing*), the methods of communication of the New Model 231 and of training recipients on its content and the sanctioning system in the event of violations of the provisions of the Model;

- **special part:** whose preventive protocols contain, for each homogeneous family of relevant crimes, the description of the types of crime, the identification of the company activities potentially at risk, the description of the business processes applied for each activity at risk, including the protocols put in place to mitigate the risk of committing the crimes (so-called specific safeguards) and the control system defined by the Company;

- **attachments by thematic area, specifically:**

  - **Annex 1 (*Risk Assessment*),** including the assessment of the processes at risk and containing a summary list of the activities at risk identified, grouped by business area of reference and with an indication, for each activity, of the corporate functions involved and the crimes that could potentially be associated;

  - **Annex 2,** which includes the list and description of predicate crimes;

  - **Annex 3,** which contains specific exemplary tables of the penalty system; and

  - **Annex 4,** dedicated to the description, content and periodicity of the information flows intended for the Supervisory Body.

With appointment made by resolution of the Board of Directors on 19 December 2024, the Head of Internal Audit was and is, currently reconfirmed, an internal member of the Supervisory Body of F.I.S.

In this regard, the members of the Supervisory Body in office until 31 December 2027 are as follows:

- Fabio Sergi – Chairman and External Member
- Eng. Alberto Cotta Ramusino – External Member
- Dr. Stefano Fulgi – F.I.S. Head of Internal Audit and Internal Member

The Company also carried out, during the year 2024, training activities for employees and managers in order to ensure the dissemination of the Model and knowledge of the Model itself, the Code of Conduct and the risks of crime pursuant to Legislative Decree 231/01.

In this regard, classroom training sessions were completed with managerial staff, with the staff most exposed to interaction with public officials – identified on the basis of an internal *assessment* – as well as with staff who reported situations of potential conflict of interest. In addition, online training sessions were organized for the remaining staff.

For the first time, face-to-face sessions were also organized at the F.I.S. site in Termoli.

Letter of Attestation

Starting from the 2022 financial year, F.I.S. has introduced a new certification process involving the *CEO*, the RSPP and the entire first line of management.

Specifically, the latter, on an annual basis, are required to sign a letter of attestation to guarantee the decision-making process taken in their department, as well as the reporting of any cases of violations and fraud.

With the year 2023, the signing of the document has been extended to all the Company's Executive staff, to the RSPP, as well as to all staff - managerial and non-executive - of foreign affiliates and *Rep. Offices*.

Anti-Corruption and Whistleblowing Policy

Considering the broad geographical context in which it operates, the Company has adopted various internal regulatory instruments aimed at identifying and applying an anti-corruption policy that defines expectations for the conduct of business.

A special role is played by the Supervisory Body, whose activity includes the periodic collection of sensitive information in order to identify potentially risky behaviour, with reference to crimes of corruption against both Italian and foreign Public Administrations and private individuals.

The organization, management and control model pursuant to Legislative Decree 231/2001 and the company regulatory framework are subject to a process of continuous updating, in order to adapt them to organizational and legislative changes and to respond adequately to the possible risks of crimes being committed.

Among the tools for preventing the risk of corruption, the Company has adopted a new system for reporting violations to the Internal Audit and the Supervisory Body (so-called whistleblowing), which allows employees and third parties to report issues related to non-compliance with the provisions of the Code of

Conduct, the Organizational Model, company procedures or legal regulations. In December 2022, a new whistleblowing IT system was launched, which uses an independent platform for sending reports and represents an evolution in terms of suitability for ensuring the confidentiality of sources and information communicated (as required by Law no. 179 of November 30, 2017).

During the year 2024, following the introduction of the software for the management of reports and the related procedure, as well as the dissemination of information to company personnel, the SB received 14 reports, relevant for whistleblowing purposes, in addition to the 2 reports received and registered during the year 2023 and 2 in the year 2022.

In this regard, all reports received were appropriately analysed, evaluated, investigated, and discussed in the relevant Reporting Committees and the respective analysis results were recorded and shared with the competent functions, as per the existing procedure.

Gifts, Hospitality and Entertainment Policy

F.I.S. has adopted a policy on gifts, hospitality, and entertainment, requiring its employees to act with honesty and integrity at all times. The Company recognizes that the giving and receiving of gifts, hospitality and entertainment may occur during customary business practices and recognizes that such practices may vary significantly depending on the geographic area in which F.I.S. operates. However, regardless of local laws and customs, certain gifts, hospitality, and entertainment may be interpreted as actions taken or accepted by F.I.S. for the purpose of exerting inappropriate influence or may indicate the presence of a conflict of interest. In certain circumstances, the offering and/or receiving of gifts, hospitality and entertainment can be considered an act of corruption/inducement and therefore be illegal and damaging to the reputation of F.I.S., to the extent that the individuals involved, and the Company could be subject to criminal prosecution.

F.I.S. and its employees are therefore absolutely prohibited from giving, promising, offering, requesting, or receiving any gift, hospitality or entertainment whose nature or value could be considered even potentially excessive or unusual. This principle aims to ensure that no gift, hospitality or entertainment received or given legitimately can be considered a crime of corruption or inducement aimed at creating an undue commercial advantage for F.I.S.

The F.I.S. policy on gifts, hospitality and entertainment indicates, in fact, the fundamental principles that F.I.S. employees are required to respect S. are required to respect if, in the exercise of their duties, they find themselves giving or receiving gifts, hospitality or entertainment of various kinds, also providing indications of behaviour, and identifying the responsibilities of each person.

Conflict of Interest (COI) Policy and Position of Director

During the year 2023 F.I.S. adopted the new Conflict of Interest (COI) & Board Position Policy.

F.I.S. has a policy that all personnel have to avoid any situation of conflict, whether real or apparent, between personal interests and those of the Company. A conflict of interest arises when personal, social, financial, or political interests are placed before the interests of the company.

Employees may participate in lawful financial, commercial, charitable, and other activities outside their position at F.I.S.; however, any actual, potential or perceived conflict of interest raised by such activities must be immediately communicated to Management and periodically updated. Furthermore, although the Company encourages and incentivizes Employee participation in charitable activities, for appointment to the board of directors or as legal representative in charitable, educational, non-profit and non-commercial organizations (e.g. sports clubs, charities), the prior approval of the Management is required, in order to verify that the acceptance of such roles does not give rise to possible conflicts with the current job at F.I.S.

By promptly reporting these situations, F.I.S. wants to ensure that any potential conflict can be transparently identified and appropriately managed, identifying the operational solution suitable to safeguard, in the specific case, transparency and correct behaviour in the performance of activities.

Staff training and awareness

With specific reference to Legislative Decree 231/01 and anti-corruption issues, during the year 2024 the Company carried out a 231 and anti-corruption training course for all company employees, using the IT platform, with a final test.

In addition, specific face-to-face training was provided to the Company's executives, with a final test, with the support of an external criminal lawyer. In this regard, classroom training sessions were completed with management personnel, with personnel most exposed to interaction with public officials, identified on the basis of an internal assessment, as well as with personnel who reported situations of potential conflict of interest.

Finally, for the first time, during the year 2024, the training was also provided in person at the F.I.S. site in Termoli, with specific reference to the managers working at the plant and personnel most exposed to interaction with public officials.

M.A.R. – Market Abuse Regulation

The procedures relating to Market Abuse are aimed at protecting the transparency and integrity of financial markets.

On 10 February 2022, the Company issued and placed a sustainability-linked senior secured bond with institutional investors on the international market, called "€350,000,000 5.625% Sustainability-Linked Senior Secured Notes due 2027" for the refinancing and rationalization of the financial structure of the Company and some of its subsidiaries, and to obtain the financial resources necessary to support working capital requirements and the development of the business.

The Bonds are listed, from the issuance date, on the multilateral trading facility (MTF) called the "Euro MTF Market" managed by the Luxembourg Stock Exchange (Luxembourg Stock Exchange) and, therefore, the Company, as an issuer with financial instruments listed on an MTF, is required (like issuers with financial instruments listed on regulated markets) to comply with EU regulations on market abuse as per Regulation (EU) no. 596/2014 (market abuse regulation or "M.A.R.").

In this regard, as part of the continuous improvement and strengthening of the Company's internal compliance measures and in order to ensure timely compliance with the aforementioned regulatory framework, F.I.S. has worked closely with its legal advisors to formalize and implement certain measures to ensure, also for future years, full compliance with the obligations under current legislation, including, in particular, the obligation to publicly disclose privileged (so-called price sensitive) information relating to the Company and the bonds, the obligation to create and maintain a list of people with access to such privileged information about the Company (so-called "Insider Register"), the obligations to publicly disclose transactions involving the Bonds carried out by persons who perform administration, control and management functions in the Company (so-called "Relevant Persons") and persons closely associated with them (so-called "internal dealing") and the prohibition for Relevant Persons from carrying out transactions on the Company's financial instruments in the 30 days prior to the announcement of an interim financial report or an end-of-year report that the Company is required to make public in accordance with current legislation (so-called "closed periods").

As part of this compliance activity, the Company has adopted, with the support of legal advisors, an internal procedure for the management and processing of inside information and for the external communication of documents and information, as well as a procedure regarding internal dealing, approved by the Company's Board of Directors.

Furthermore, during 2024 the Company adopted all appropriate measures to ensure compliance with the obligations established by the regulations and approved by the Board of Directors of F.I.S. on November 8, 2022, with reference to:

- obligation to disclose inside information to the public (so-called "inside information"). *price sensitive*);
- obligation to establish and maintain lists of persons with access to such inside information of the Company (so-called " *Insider Register*");
- appointment of the *ComputerShare Provider* as the entity responsible for maintaining and updating the *Company's* Insider Register;
- appointment of the *Investor Relator*;
- minutes of the meetings of the Functions in charge of any decisions to delay the disclosure of inside information;
- public disclosure of inside information through the established channels.

Business Continuity (BC)

Among the expected consequences of climate change are more frequent extreme weather events. These phenomena, no longer isolated, could compromise the operation of the business, causing interruptions to activities and damage to strategic assets, including supply chain activities, affecting product delivery dates, and resulting in possible penalties for F.I.S.

The possibility of events occurring that can cause the interruption of work activities, the current complexity of the business that requires adequate technological and operational support, and last but not least, the aspects related to events that have occurred in recent years, have made a decisive contribution to the start of a process of verification and adaptation of existing countermeasures related to Business Continuity.

The business success of F.I.S. depends, in fact, also on the maintenance of its critical business activities and essential functions used to provide key products and services.

In this regard, operational continuity is part of the overall company security policy and considers existing vulnerabilities and preventive measures put in place to ensure the achievement of company objectives.

Specifically, the role of operational continuity is to arrange the organizational safeguards, human resources, communication structures and technological infrastructures to minimize the damage caused by any calamitous events, guaranteeing the reactivation of processes within a defined timeframe, and coordinating activities until full functionality is restored.

With the support of the Internal Audit, F.I.S. is committed to developing a structured Business Continuity Management (BCM) process, to ensure the operational continuity of essential processes.

The document has been developed in line with the requirements of the UNI EN ISO 22301:2019 standard, recognized as the standard for the certification of Business Continuity Management Systems.

Among the actions identified and adopted with reference to the Supply Chain, the Company has adopted activities for the identification and analysis of new, potential, and alternative suppliers, focused on critical areas.

In addition, a Crisis Committee has been set up, made up of the Company's senior management and chaired by the CEO, which, in the event of activation of the Business Continuity Plan (BCP), meets periodically to extensively discuss events and/or occurrences that may impact the continuity of the business and identify appropriate actions to be taken.

During 2023 and 2024, the new Business Continuity Management (BCM) procedures were drawn up and approved, as well as the Departmental BCP Activation and Operational procedures, the latter in the case of critical processes identified during the Business Impact Analysis (BIA) and Risk Assessment (RA) activities. In addition, a broad-spectrum face-to-face classroom training plan has been completed at all F.I.S. sites and online courses for personnel involved in Business Continuity activities and specifically identified according to the role they would cover in the event of activation of the Business Continuity Plan. Specific actions to mitigate possible related risks were also identified and assigned, to be implemented to improve the company's resilience.

In this regard, constant monitoring and adoption of mitigation actions associated with the company's Business Continuity Plan continued throughout the year, with significant and constant investments planned and realized.

In addition, Business Continuity Meeting Rooms have been identified and set up for each production site, with the aim of speeding up the meeting of the personnel involved in the event of a significant event; a BCP quick-guide has also been created and shared, aimed at speeding up and making the decision-making process more efficient in the event of a significant event, and in September 2024 a table-top exercise was carried out, supported by independent external consultants with adequate expertise and with the involvement of senior company management, aimed at testing the activation of the IT Disaster Recovery and the Business Continuity Plan following a cyber-attack.

Furthermore, in 2024 the new PRO-ERM Tool was adopted in the Enterprise Risk Management area, an IT solution aimed at digitizing the process of identifying, assessing, evolving and managing risks that can affect operations and the achievement of company objectives, allowing a complete view of the risks to which the company is exposed and the implementation of strategies and controls to mitigate them. In this regard, it should be noted that the new BCP impact indicator has been included for each risk sheet, and links to the controls and mitigation actions related to the company's Business Continuity strategies have been incorporated into the system itself.

Finally, the review of the Business Impact Analysis (BIA), which began in 2024, is being finalized through interviews with company departments and updates to related documents.

Social Media

Communication is fundamental to create culture and awareness in all areas and to create a trustful relationship with stakeholders, both external and internal. In particular, communication related to sustainability is fundamental to create culture and awareness, both inside and outside the Company, and it stimulates the involvement of its stakeholders.

In this regard, F.I.S. encourages its employees to use social media consciously, in compliance with the Code of Ethics and, in general, using common sense to exploit its potential but, at the same time, limit the risks.

F.I.S. has therefore adopted the new Social Media Policy, whose main objective is to protect all interlocutors and stakeholders, in the awareness that in the use of the web there is no separation between public and private.

Investor Relations

Due to the issuance of the Bonds and in line with market *best practices*, the Company has deemed it appropriate to appoint a professionally qualified person to manage relations with shareholders and investors (the "*Investor Relator*"), in the person of the *Chief Financial Officer*, Mr. Manuel Barreca.

Compliance with laws and regulations

The Company operates in compliance with laws and regulations in different areas through dedicated and qualified personnel.

As stated in the Standard of Business Conduct, compliance with the law and applicable ethical standards is a mandatory requirement for F.I.S. and all its collaborators, in each country in which it operates.

The main F.I.S. company figures operating in this regard include the Quality Assurance, Regulatory Affairs, Qualified Person managers, the Health, Safety and Environment Manager and the Compliance Officer.

Activities to verify compliance with laws and regulations are conducted in accordance with international best practices and are constantly subject to examination during inspections by commercial partners, authorities or certification bodies.

In this regard, F.I.S. complies with the regulations issued by the sector certification bodies and is regularly inspected by the Italian Medicines Agency (AIFA) and, where required, by the Food and Drug Administration (FDA).

The Company relies on the support of the Legal Department for the management of the company's civil, criminal, and administrative litigation, as well as for the care and protection of the Company's rights and interests in all venues.

Specifically:

- assists F.I.S. in court through reports in both active and passive cases and the defence, through the representation of external lawyers, directors and employees in civil and/or administrative and/or accounting proceedings for facts and causes relating to the performance of their mandate or service, if the interested parties request it and there is no conflict of interest, even potential, with the Company;
- provides legal advice to the functions with the formulation of opinions, including on promotion, abandonment, renunciation or settlement of judgments;
- prepares judicial or extrajudicial settlements, in agreement and with the collaboration of the departments concerned, or expresses opinions on settlement documents;
- suggests the adoption of measures or provides the text of responses concerning complaints, complaints, warnings or other facts that may lead to the emergence of a dispute;
- supports the other departments in relation to the revision of contractual clauses and "in itinere" management of contracts in the event of application of penalties, contract termination, etc.

New Standard of Business Conduct:

F.I.S. is committed to always operating in compliance with the highest laws, regulations and ethical standards, ensuring that every activity is conducted with the utmost integrity and transparency.

In this regard, on 19 December 2024, the Board of Directors of F.I.S. approved the new "Standard of Business Conduct" - a natural evolution of the Code of Ethics - establishing the fundamental principles and values that guide the conduct of all employees, suppliers, collaborators, consultants and business partners.

Through the adoption of the Standard of Business Conduct, F.I.S. is committed to promoting a corporate culture based on mutual respect, social responsibility and sustainability.

F.I.S. believes that adherence to these ethical standards is essential to maintaining the trust of our customers, partners, shareholders and the community at large.

Adherence to the principles, values and rules of conduct reflected in the Code of Ethics represent a strength and a fundamental element both for the prospective development of the Company and for the continuous maintenance of its solid reputation.

Also, in order to be able to share the Code of Ethics and the principles reflected therein also with non-Italian operators, the Code of Ethics has also been prepared in English and also made available on the Company's website.

Antitrust and Fair Competition Policy

F.I.S. is aware of the negative effects that anticompetitive practices (antitrust) can have on economic and social development in the areas in which it operates and is committed to preventing and countering the occurrence of anti-competitive conduct in the performance of its activities on the basis of applicable national and international regulations.

The prevention of anti-competitive practices, as well as compliance with the general legislative and regulatory framework, represents for the Company one of the principles on which the actions of F.I.S. are based, as an expression of the general principle of legality enshrined in its Standard of Business Conduct, which defines the values that inspire the Company to achieve its objectives and the relevant principles in the conduct of its activities.

In this regard, Antitrust Law has now taken on a central role in regulating the activity of companies active in various sectors. Precisely for this reason, with a view to full compliance, the need to adopt a Policy aimed at disseminating the *antitrust* culture at the corporate level is also due to the fact that the *antitrust authorities* carefully monitor through inspection activities (so-called dawn raids) and take severe repressive actions (so-called public enforcement) in the event of non-compliance with competition regulations. In the event of violation of the regulations in question, there is, therefore, the risk of suffering particularly significant sanctions for the Company (e.g. up to 10% of the company's turnover - understood as group - according to European legislation) or claims for compensation by the parties damaged by anti-competitive practices (so-called private enforcement).

Therefore, during the year 2024, F.I.S. approved the new Antitrust and Fair Competition Policy with the aim of defining the guidelines of conduct that all employees of F.I.S. and its subsidiaries must comply with to ensure compliance with the principles dictated by the applicable Antitrust legislation.

The Policy is part of the initiatives dedicated to promoting the development of corporate culture in the field of competition protection and to putting in place procedures and systems suitable for minimizing the risk of violations of Antitrust legislation, in the broader context of compliance initiatives (231, fight against corruption, business ethics, etc.) promoted by F.I.S.

Finally, the Company has carried out a face-to-face training course for company executives and personnel most exposed to anti-trust risks, with the support of a leading law firm.

Financial Management

The Company's financial structure saw a consolidation of the same combined with a strengthening that took place at the end of 2023 at the same time as the closing of the transaction with Bain Capital Private Equity. Indeed, in the face of maintaining the previous long-term instrument (350 million euro sustainability-linked senior secured bond), and thanks to compliance with its portability parameters, the Company also acquired:

- an increase in the long-term financing structure, by means of a Private Tap to the existing bond, with maturity characteristics similar to that of the original bond; this instrument was subscribed for a value of €50 million by a leading international financial institution;
- an increase in the RCF (*Revolving Credit Facility*) of €30 million; the *committed* facility is now equal to €80 million, fully available at the balance sheet date.

During 2024, despite the seasonal nature of working capital, which weighed on cash generation in the first half of the year, the Company consistently maintained a more than adequate average liquidity stock, with positive cash flows for the year of just under €40 million.

This situation has therefore allowed for a process of optimization of the economic-financial conditions on the liquidity reserves, as well as a process of defining the short-term use of liquidity, in order to maximize its yield, with instruments similar to liquidity (cash deposits and money market funds).

There were no changes in the strategy adopted for hedging exchange rate risk, which is based on criteria of prudence and implemented, as required by company policy, through a combination of several transactions entered at different times of the year and not a single transaction. This approach has guaranteed the company adequate coverage which, once again, has allowed it to perform better than the market average.

From the point of view of process improvements, the company has consolidated its short-term planning to 13 rolling weeks, aimed at more accurate cash flow forecasting and more efficient management of existing liquidity.

ECONOMIC AND FINANCIAL PERFORMANCE FOR THE YEAR

Reclassified profit and loss statement - €'000	**2024**	**2023**
Production revenues	812,115	744,002
Cost of Sales*	(602,343)	(591,022)
Gross profit	**209,772**	**152,980**
Marketing and selling expenses*	(9,737)	(9,687)
Administrative expenses*	(53,069)	(33,170)
Research and development costs*	(2,579)	(2,878)
Other operating income	1,266	1,472
EBITDA [pre-non-underlying charges]	**145,653**	**108,717**
Non-underlying charges	(45,094)	(44,322)
EBITDA [Post non-underlying charges]	**100,559**	**64,395**
Depreciation and amortisation	(26,270)	(60,931)
EBIT [operating profit]	**74,289**	**3,464**
Net financial charges	(33,828)	(33,074)
Fair value gains on revaluation of derivatives	3,970	213
Other gains and losses	3,536	(357)
Pre-tax profit	**47,967**	**(29,754)**
Income taxes	(20,822)	12,591
PROFIT FOR THE YEAR	**27,145**	**(17,163)**

** These amounts are shown net of amortisation/depreciation.*

The revenues overall performance continues to show a trend of constant growth, both thanks to the development of product sales and the increase in sales of Research and Development services.

The combination of the two aforementioned variables showed a growth of about 10% compared to the previous financial year, while overall sales, including items not strictly related to products and services, grew by approximately €68 million (+9%), in line with the growth recorded during 2023, which is in addition to what the Company expressed in the previous 2 years (+20% in 2022 and +14% in 2021).

The extremely positive performance in 2024 is the result of the continuous development of the top line, mainly due to the development of the portfolio of new molecules and the management of the existing product portfolio.

Custom (+19%) and Animal Health (+40%) are the growth drivers also for 2024, while for generics the portfolio optimization process continued, with a further strong increase in margins.

Revenues from the sale of R&D services, aimed at both the optimization of synthesis processes and large-scale production, increased compared to the previous year, for approximately €21.5 million, with a growth of approximately 11% compared to the previous year. At the date of preparation of this financial statement, the pipeline presents a significant number of projects, supporting the further business development expected in the coming years.

The trend in the cost of goods sold shows an increase of about €10 million, not proportional to the growth in revenues. This trend is the result of numerous factors, both internal and external. While it is true that some cost of sales factors have recorded trends in line with the previous year or slightly deflationary, on the other hand the process carried out by the Company to increase purchasing and sourcing costs efficiency, together with a constantly improving product portfolio, has contributed to a progressive increase in margins.

The result is a significant increase in the gross margin, which grew by about €58 million (+38%).

Reported EBITDA and EBIT were influenced by non-recurring items or items not related to normal operations, as fully described in the Explanatory Notes to the Financial Statements. Adjusted EBITDA, net of the above-mentioned non-recurring items, amounted to €145.7 million, an increase of approximately €37 million (+34%), reflecting the Company's growing performance in recent years.

Net financial expenses include interest on loans and financing, which represent interest on financial liabilities held at amortised cost, as well as charges relating to factoring. Financial income mainly includes interest income deriving from the use of liquidity on cash equivalent instruments (time deposits and money market and fund).

From a tax burden point of view, the Company has capitalized what is established by the law in terms of super and hyper-amortisation for relevant projects in the Industry 4.0 context.

Finally, it should be noted that, in the context of the acquisition by Bain Capital, the independent technical appraisal issued for the purposes of the "Purchase Price Allocation" valued the tangible fixed assets existing as of 31 December 2023; at the same time, their useful lives were redefined and extended. In view of this revision, for purchases during the year the new rates assigned to the reference asset class were applied in accordance with the provisions of the appraisal itself, while for assets existing at the opening date of the financial year, depreciation was calculated on the residual value to be depreciated considering the new useful life assigned. Consequently, for depreciable assets at the opening date of the financial year, the annual depreciation value has a lower effective rate if re-parameterized on the historical cost of the asset compared to that assigned to the respective asset class of reference. This method led to a decrease in the value of the depreciation calculated for 2024 equal to approximately €42 million compared to a simulate calculation made in continuity with the previous year. Net of the related tax effect, in continuity of depreciation calculation, the Company's net result for 2024 would have been negative for approximately €3 million.

Reclassified balance sheet - €'000	**2024**	**2023**
Net working capital	183,985	201,237
Tangible fixed assets	370,210	336,553
Intangible fixed assets	34,871	31,297
RoU assets	13,663	4,833
Financial fixed assets	8,106	4,136
Other non-current assets	39,403	52,154
Provisions and other non-current payables	(14,952)	(6,581)
Net invested capital	**635,286**	**623,629**

Net short-term financial position (debt)	(137,318)	(100,248)
Net medium to long-term financial position	414,386	393,979
Convertible bonds	52,806	51,594
Net equity	305,411	278,304
Sources of funds	**635,285**	**623,629**

Net invested capital shows a slight increase compared to the previous financial year (+€11 million), the main driver is linked to the increase in the value of tangible assets, resulting both from the increased value of the investments and a revision of asset useful lives, which have been assigned based on the findings of the independent technical appraisal. This increase compensated for the further decrease in net working capital, which went from €201 million to €184 million.

Current net financial indebtedness was positively influenced by cash and cash equivalents at the end of the financial year, amounting to approximately €158 million, compared to €119 million at the end of 2023, as a result of a positive cash flow for the financial year which, together with a positive impact on working capital, allowed the Company to allocate approximately €60 million in investments and increase cash and cash equivalents at the end of the year by approximately €39 million, having also paid the financial flow deriving from interest on outstanding financial instruments.

The non-current net financial indebtedness now includes, in addition to the €350 million of senior secured notes and the €50 million of private tap, also €10 million of an 18-month loan with a local credit institution, with which a short-term uncommitted line was previously in place.

The convertible bonds were issued by the Company in 2019. The increase of €1.2 million at 31 December 2024 compared to 31 December 2023 is attributable to the net interest accrued during the year, due to the application of the amortized cost method.

The sources of financing have a medium/long-term horizon, with €400 million in notes maturing in August 2027, and with a committed RCF line until February 2027. Relations with the main banking institutions are maintained and indeed remain particularly important, but they are focused on more operational management, on working capital dynamics and on short-term liquidity management, rather than on activities of a financial nature.

Net Financial Indebtedness is a measure used by management to assess the financial position and liquidity of the business. The Company does not include convertible loan notes in Net Financial Indebtedness. Management believes convertible loan notes will not represent future cash outflows, since they could be converted into equity prior to their maturity date.

Net financial position - €'000	**2024**	**2023**
Cash and cash equivalents	157,899	119,069
A. Liquidity	**157,899**	**119,069**
Current loans and borrowings*	(17,893)	(17,123)
Current lease liabilities	(2,689)	(1,698)
B. Current financial indebtedness	**(20,582)**	**(18,821)**
Non-current loans and borrowings**	(410,013)	(400,000)
Non-current lease liabilities	(11,225)	(3,180)
C. Non-current financial indebtedness	**(421,238)**	**(403,180)**
D. Net Financial Position (A+B+C)	**(283,921)**	**(302,932)**

(*) Current financial liabilities include €8,203 thousand of interest accrued in relation to senior secured instruments as of 31 December 2024 (€8,436 thousand as of 31 December 2023).
(**) Nominal amounts of senior secured instruments. In the IFRS Financial Statements of F.I.S., these instruments are recognized at amortized cost, classified as non-current financial liabilities for €393,148 thousand as of 31 December 2024 (€390,799 thousand as of 31 December 2023); please refer to note 22 "Financial liabilities".

	2024	**2023**
Net Financial Position (NFP)*/Adjusted EBITDA	1.95	2.79
Net Financial Position (NFP)*/Reported EBITDA	2.82	4.70

(*) Net financial indebtedness calculated considering the nominal amounts of senior secured instruments.

Reclassified cash flow - €'000	**2024**	**2023**
Opening net financial debt	**(293,731)**	**(360,874)**
Operating cash flow	**102,850**	**96,114**
Changes in working capital	8,920	23,850
Changes in net investments	(60,547)	(69,929)
Changes in financing activities	(34,210)	17,993
Total changes	**17,013**	**68,028**
Effect of foreign exchange rate changes	(350)	(885)
Closing net financial debt	**(277,068)**	**(293,731)**

The operating cash flow generated cash inflows of approximately €103 million, an increase of approximately €7 million compared to the previous year.

Despite the release of the advance payment received from a top tier customer during 2023, the Company was able to manage working capital, which generated approximately €9 million, despite an increasing need linked to the increase in business volumes. This, together with the generation of operating cash flow, made it possible to manage approximately €61 million of cash CapEx, as well as the coverage deriving from the payment of interest and financial charges, and further improving the final net financial indebtedness, which amounted to approximately €277 million at the end of 2024.

Outlook

2025 will certainly be a year dedicated to the consolidation of transformation activities and projects, aimed at supporting F.I.S. in its growth path both from an economic-financial and a management point of view, thus laying the foundations for a further and accelerated development phase in the coming years, as hypothesized in the Strategic Plan.

The management team will therefore be summoned to guide the Company in this fundamental phase of transformation, while remaining focused on the day-to-day management of the business.

From the point of view of procurement processes, the de-risking activities that have been implemented or are under implementation should mitigate the risk of inefficiencies in the supply chain, but above all continue the process of increasing the efficiency of purchase costs and payment terms.

In order to guarantee production continuity for itself and its customers, even in the face of ongoing geopolitical stress, the Company has also defined for 2025, with some of its customers, the decision to build safety stocks of raw and intermediate materials, largely financed by the customers themselves. In this way, it is possible to mitigate the risk of shortages in supplies, while at the same time reducing the financial impact for the Company.

A focus dedicated to the development of the top line, with underlying sustainable growth also from a financial point of view and balanced from the point of view of mix and diversification in terms of customers, products and therapeutic areas will certainly be given by the transformation projects in the field of commercial development.

Supporting the development of the product top line will be the R&D project activity, which already has a significant project pipeline at the beginning of the year, as well as the launch of some fundamental projects for the development of new technologies and new skills.

2025 will also be a year dedicated to the development and improvement of strategically important processes and tools, aimed at greater transparency of company data, to support a decision-making process based on objective and shared data. To this end, the development of adequate Data Governance processes and systems will also be fundamental.

All the projects and activities mentioned in the previous paragraphs have a continuous investment in the development of F.I.S. people as a common and essential element; and in this sense, in 2025 we will see the fruits of fundamental activities developed in the Human Resources area, but pervasive throughout the Company, aimed at enhancing human capital, one of the founding values of F.I.S.

FIS' attention to ESG issues remains strong, with dedicated activities and investments, and not only regarding the KPIs linked to the sustainability-linked bond.

Finally, also during 2024, the Company's efforts will be aimed, as anticipated, at guaranteeing sustainable growth also from the point of view of economic and financial results, with particular attention to cash generation and working capital management, in order to guarantee the Company results that will allow it to sustain growth.

Main risks

Information on the main risks to which the Company is exposed

The risk in the custom manufacturing sector is linked to the risks of our customers, where the progress of clinical trials of a new drug affects the needs for API (Active Pharmaceutical Ingredients). Sometimes, however, a change in top management leads to a consequent change in outsourcing strategies, which affects the so-called CMO (Custom Manufacturing Organizations) companies, such as F.I.S.

The strategy therefore consists of cultivating a dynamic portfolio of new projects to be consolidated into products within the clinical-pharmaceutical development of our clients.

And, in this regard, the generic sector is recognized as a stabilizing element to be closely monitored, with particular emphasis on new products and the most profitable niche productions.

To avoid the risk that strict Italian patent regulations prevent the development of an expansion of the line of generics, F.I.S. is continuing its long-standing collaboration with partner companies in territories where these patents have already expired, thus allowing the production and sale of APIs for the launch phase of new generic products. When these patents expire in Italy as well, F.I.S. will be able to take over as second supplier, or main supplier, depending on market demand and the necessary production capacity. In any case, maintaining and continuing the development of a portfolio of new generic APIs is fundamental for the success of this strategic sector for F.I.S.

At the end of the financial year just closed, the risk of a significant inflationary trend began to materialize, not only in the costs of certain raw materials and related transportation costs, as well as the aforementioned trend in the costs of precious metals, but also in a trend that has not been experienced for years in the costs of supplying energy factors, such as electricity and natural gas. In this context, the Company's ability to maintain and consolidate the process of passthrough of these extra costs to customers becomes fundamental, mitigating, in whole or in part, the impact on its products' profitability.

Climate risk

Climate changes' effects expose the Company to a range of risks, particularly:

- transition risks, including the adoption of new regulatory requirements, could lead to further adjustment of our investments in technologies aimed at reducing energy, water consumption and greenhouse gas emissions and/or result in an increase in our direct operating costs or be transferred through the impact on our supply chain;
- physical risks, such as heat, water scarcity, rising sea levels and flooding caused by extreme weather events, are having an ever-increasing impact in different countries. Furthermore, the increase in the frequency and severity of extreme weather conditions and natural disasters could cause material damage and interruptions to our production operations and distribution channels or to the operations of our suppliers. The company's facilities, however, are not particularly exposed to risk, as they are not located in coastal areas exposed to the risk of rising sea levels and the surrounding areas are not subject to particular risks of flooding.

Although the possibility of such extreme events is low, the company has analysed potential impact scenarios on the Business Continuity (BC) model. Details of these analyses can be found in the dedicated section of the Management Report.

Information on financial risk factors

In accordance with the provisions of Article 2428, paragraph II, no. 6-bis, of the Italian Civil Code, it is specified that the main risks identified and managed by F.I.S. are related to its operations and in particular:

- **market risk:** (mainly interest rate risk): derives from exposure to fluctuations in interest rates;
- **credit risk**: highlights the possibility of default of a counterparty or any deterioration in the assigned creditworthiness;
- **liquidity risks**: express the possibility that the available financial resources may be insufficient to meet their payment commitments;
- **Foreign Exchange Risk**: identifies the risk associated with foreign currency commercial transactions.

F.I.S. constantly monitors the financial risks to which it is exposed, in order to assess the potential negative effects well in advance and take the consequent corrective actions.

The main financial instruments used by F.I.S. include a *high-yield sustainability-linked bond*, bank loans, demand and short-term bank deposits. These instruments have the main objective of financing the company's operational activities. F.I.S. also has the possibility to activate and access other financial instruments, leveraging trade payables and receivables deriving from operating activities.

Interest rate risk

Interest rate risk identifies the unexpected change in the future trend of interest rates, which could lead to higher financial costs for the company.

As at 31 December 2024 outstanding financial debts, consisting of short-term advances, medium-term floating rate bank loans and a *high-yield sustainability-linked bond*, only partially expose F.I.S. to the risk that any future increases in reference rates could significantly increase financial costs, as the main debt instrument (*high-yield sustainability-linked bond)* it is at a fixed rate (5.625%) for its entire duration (August 2027).

The transactions currently in place and their effects are detailed in the Notes to the Financial Statements.

Credit risk

As far as trade receivables are concerned, F.I.S. does not present areas of risk of particular importance, since the customers are mainly made up of multinationals in the pharmaceutical sector, of high *standing* and, consequently, with low risk of insolvency. In previous years, the value of uncollected receivables is insignificant compared to the volume of turnover generated.

Liquidity risk

The objective of F.I.S. is to maintain a balance between the certainty of having the necessary liquidity and flexibility, through the use of bank loans and other forms of financial funding. The main factors influencing FIS's liquidity situation are the resources generated or absorbed by operating and investment activities, the credit capacity and the maturity and renewal characteristics of financial debt.

With reference to ordinary activities, F.I.S. adopts a series of policies and processes aimed at optimizing the management of financial resources:

- maintaining an adequate level of available liquidity;
- diversification of tools for finding financial needs;
- obtaining adequate short-term credit lines and medium-term financing from the banking system;
- monitoring of prospective liquidity conditions, in relation to the business planning process.

Exchange rate risk

Foreign exchange trade transactions were predominantly conducted in USD. The management of exchange rate risk hedging operations pursues the objective of mitigating the economic and financial effects deriving from exchange rate fluctuations and is based on a forecast of net future flows in foreign currency (collection flows minus payment flows).

During the year, the Company carried out various hedging transactions in order to mitigate the effect of the risks associated with the fluctuation of the EUR/USD exchange rate.

Control reports

F.I.S. Fabbrica Italiana Sintetici S.p.A. is controlled by Molecule (BC) Bidco S.p.A., based in Milan (Italy), which holds 100% of the Company's share capital.

F.I.S. Fabbrica Italiana Sintetici S.p.A. is subject to the management and coordination of its indirect parent company Molecule (BC) Holdco S.p.A., which, at the date of approval of these financial statements, had filed its financial statements for the year 2023 as set out in section 1.2 Control relationships in the Explanatory Notes to the Financial Statements.

Transactions with the parent company and other companies in the parent company's group are described in detail in the Explanatory Notes to the Financial Statements in the section "Transactions with Related Parties".

Own Shares

The Company does not hold its own shares, nor has it carried out transactions involving them, either directly or through trust companies or intermediaries.

Secondary locations

The company carries out its activities not only at its main headquarters in Montecchio Maggiore (VI), Viale Milano 26, but also at its secondary offices in Termoli (CB), Via Massimo D'Antona 13, and in Lonigo (VI), Via Dovaro.

Montecchio Maggiore – March 18th, 2025

Representing the Board of Directors

Manuel Barreca

2 Financial Statements

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

€	Note	1 January - 31 December 2024	1 January - 31 December 2023
Revenue	5	812,114,920	744,001,845
Cost of sales	7	(624,710,970)	(649,987,108)
Gross profit		**187,403,950**	**94,014,737**
Marketing and selling expenses	7	(9,790,693)	(9,716,207)
Administrative expenses	7	(56,340,507)	(34,894,623)
Research and development costs	7	(3,156,196)	(3,089,985)
Other operating income	9	1,265,956	1,471,930
Other operating expenses (including non-underlying charges)	10	(45,094,276)	(44,322,181)
Other gains and losses	11	7,506,499	(143,988)
Finance income		2,125,605	250,447
Finance costs	12	(35,953,412)	(33,323,524)
Profit / (Loss) before tax		**47,966,926**	**(29,753,394)**
Income tax (expense)/benefit	13	(20,822,173)	12,590,846
Profit / (Loss) for the year		**27,144,753**	**(17,162,548)**
Other comprehensive income / (expense) **Items that are or may be reclassified subsequently to profit or loss**			
Remeasurement of defined benefit plan		(49,513)	77,513
Related tax effect		11,883	(18,603)
Total items that will not be reclassified subsequently to profit or loss			
Other comprehensive income/(loss) for the year net of tax		**(37,630)**	**58,910**
Total comprehensive income/(loss)		**27,107,123**	**(17,103,638)**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

€	Note	1 January - 31 December 2024	1 January - 31 December 2023
Non-current assets			
Goodwill	14	14,812,123	14,812,123
Other intangible assets	14	20,058,943	16,485,750
Property, plant and equipment	15	370,210,198	336,552,117
Right-of-use assets	16	13,663,354	4,832,957
Investments	17	1,989,422	1,989,422
Derivative financial assets	30	6,116,763	2,147,188
Deferred tax asset	18	35,065,017	42,928,078
Trade and other receivables	20	4,337,774	9,224,508
Total non-current assets		**466,253,594**	**428,972,143**
Current assets			
Inventories	19	365,213,366	349,037,260
Trade and other receivables	20	97,321,469	137,342,308
Contract assets		1,395,519	717,601
Cash and cash equivalents	21	157,899,266	119,068,884
Total current assets		**621,829,620**	**606,166,053**
Total assets		**1,088,083,214**	**1,035,138,196**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

€	Note	1 January - 31 December 2024	1 January - 31 December 2023
Equity and liabilities			
Share capital	29	10,000,000	10,000,000
Revaluation reserve	29	94,800,620	94,800,620
Other reserves	29	56,732,789	56,770,419
Retained earnings		143,877,973	116,733,220
Total equity		**305,411,382**	**278,304,259**
Non-current liabilities			
Borrowings	22	403,161,217	390,799,153
Convertible loan notes	23	52,805,546	51,594,228
Retirement benefit obligations	24	4,450,400	4,659,177
Lease liabilities	25	11,224,974	3,180,400
Provisions	26	10,246,962	1,682,634
Other non-current liabilities	27	254,900	239,314
Total non-current liabilities		**482,143,999**	**452,154,907**
Current liabilities			
Trade and other payables	27	204,188,754	203,167,321
Lease liabilities	25	2,689,287	1,697,485
Borrowings	22	17,892,641	17,123,267
Contract liabilities	28	74,958,927	82,599,279
Tax payable		798,224	91,678
Total current liabilities		**300,527,833**	**304,679,030**
Total liabilities		**782,671,832**	**756,833,937**
Total equity and liabilities		**1,088,083,214**	**1,035,138,196**

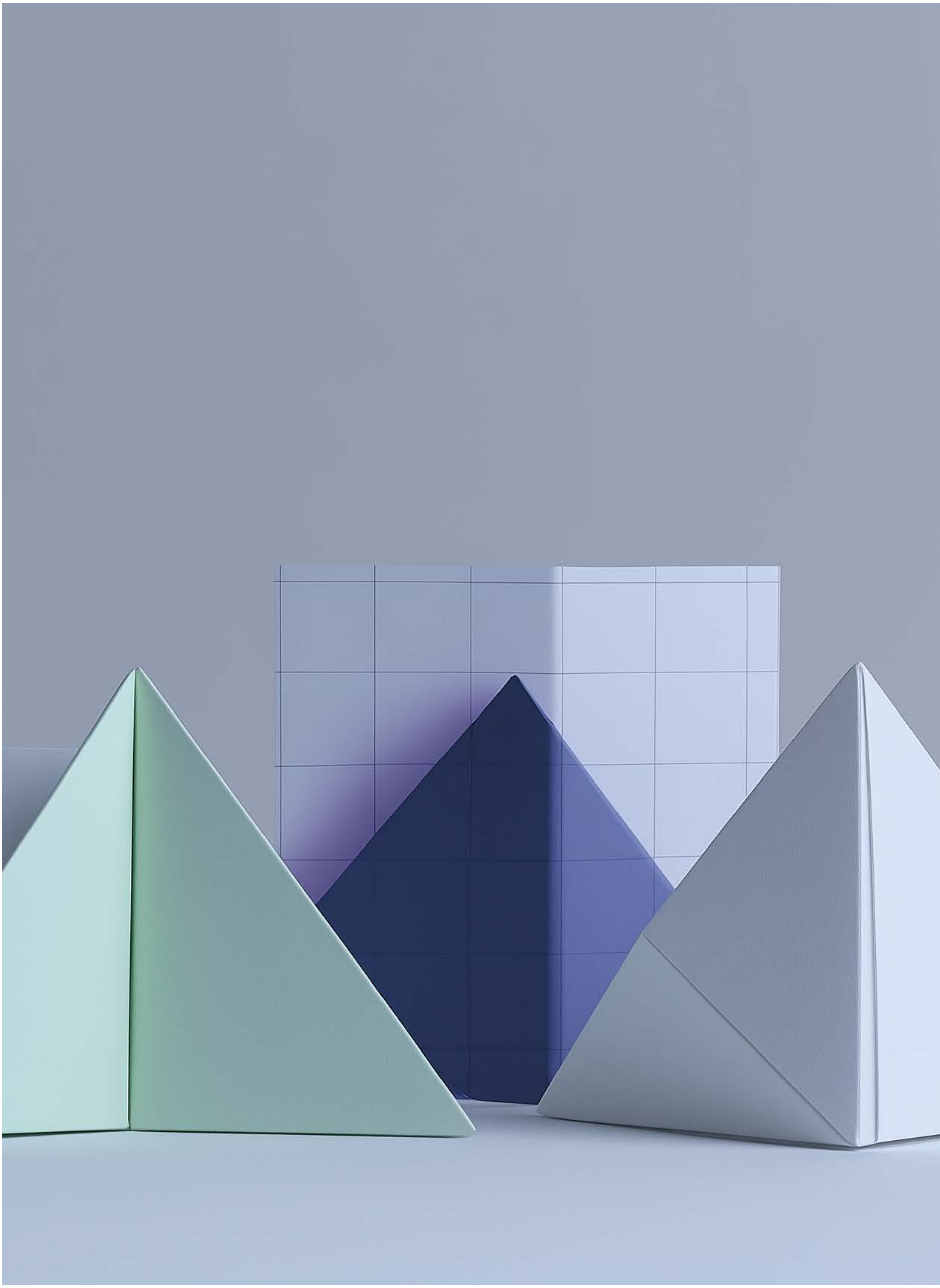
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

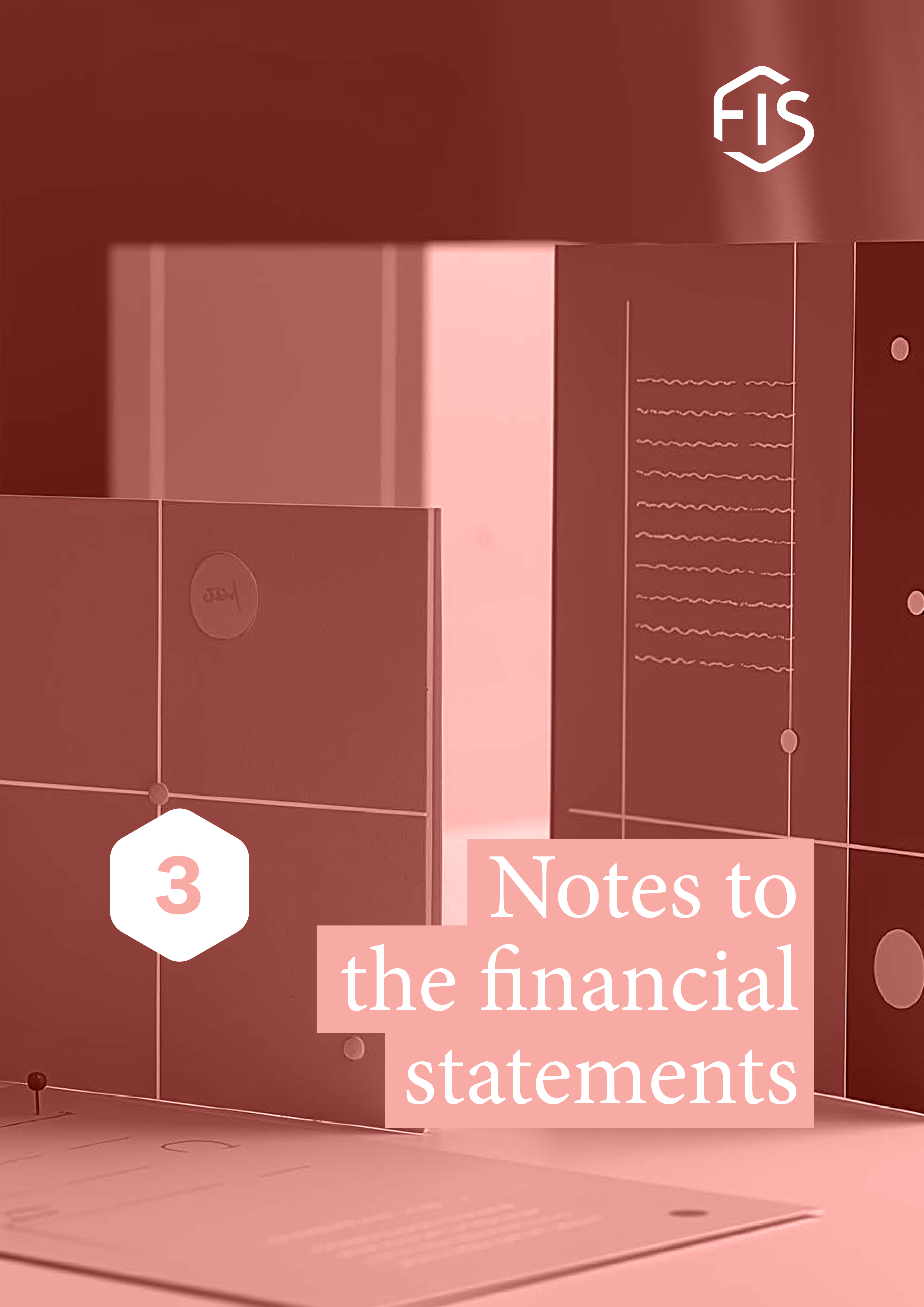
€	Share capital	Revaluation reserve	Other reserves	Retained Earnings	Total
Balance at 1 January 2023	**10,000,000**	**94,800,620**	**3,901,945**	**135,895,768**	**244,598,333**
Profit / (Loss) for the year	-	-	-	(17,162,548)	(17,162,548)
Other comprehensive income for the year	-	-	58,910	-	58,910
Total comprehensive income/(loss) for the year			**58,910**	**(17,162,548)**	**(17,103,638)**
Dividends paid [1]	-	-	-	(2,000,000)	(2,000,000)
Reserve for capital contribution (Note 29)	-	-	52,809,564	-	52,809,564
Balance at 31 December 2023	**10,000,000**	**94,800,620**	**56,770,419**	**116,733,220**	**278,304,259**
Profit for the year	-	-	-	27,144,753	27,144,753
Other comprehensive income/(loss) for the year	-	-	(37,630)	-	(37,630)
Total comprehensive income/(loss) for the year	**-**	**-**	**(37,630)**	**27,144,753**	**27,107,123**
Balance at 31 December 2024	**10,000,000**	**94,800,620**	**56,732,789**	**143,877,973**	**305,411,382**

1 Dividends per share is €1 for 2023.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2024

€	Note	1 January - 31 December 2024	1 January - 31 December 2023
Profit / (Loss) for the year		27,144,753	(17,162,548)
Adjustments for:			
Finance (income) / cost		33,827,807	33,073,077
Income tax expense / (benefit)		20,822,173	(12,590,846)
Depreciation and amortisation		23,488,293	59,014,686
Depreciation of right-of-use assets		2,789,561	1,916,257
Loss / (Gain) on disposal of property, plant and equipment		(172,675)	1,008,918
Inventory write-off / (release)		7,696,700	29,981,827
Provisions for inventory disposal obligations / (release)		(423,382)	1,682,634
Other provision / (release)		2,551,074	
Impairment of trade receivable		-	184,139
Other gains and losses		(3,619,739)	672,553
Provision for retirement benefit obligations		154,868	146,558
Operating cash flows before movements in working capital		**114,259,433**	**97,927,255**
Decrease/(increase) in Inventories	19	(23,872,806)	(18,690,400)
Decrease/(increase) in Trade and Other receivables	20	44,907,333	14,406,503
Increase/(decrease) in Trade and Other payables	27	(3,796,106)	(23,496,647)
Decrease/(increase) in Contract Assets		(677,918)	120,305
Increase/(decrease) in Contract Liabilities	28	(7,640,352)	51,510,006
Cash generated by operations		**123,179,584**	**121,777,022**
Retirement benefits paid	24	(401,275)	(294,697)
Interest collected		2,125,605	250,446
Taxes paid		(982,567)	-
Net cash from operating activities		**123,921,346**	**121,732,771**
Investing activities			
Purchases of property, plant and equipment	15	(54,554,963)	(66,326,021)
Acquisition of intangible assets	14	(6,417,303)	(4,179,919)
Proceeds from disposal of property, plant and equipment	15	425,374	576,938
Net cash (used in)/from investing activities		**(60,546,892)**	**(69,929,002)**
Financing activities			
Dividends paid		-	(2,000,000)
Interest paid		(32,038,662)	(30,982,226)
Repayments of loans and borrowings		-	(57,065,178)
Repayment of lease liabilities	22	(3,116,290)	(2,040,990)
Proceeds from loans and borrowings	22	10,030,690	48,045,575
Net increase (decrease) in other borrowings	22	930,025	(8,554,815)
Proceeds from capital contribution	29	-	52,809,562
Net cash (used in)/from financing activities		**(24,194,237)**	**211,928**
Net increase/(decrease) in cash and cash equivalents		**39,180,218**	**52,015,697**
Cash and cash equivalents at beginning of year		**119,068,884**	**67,938,317**
Effect of foreign exchange rate changes		(349,836)	(885,130)
Cash and cash equivalents at end of year		**157,899,266**	**119,068,884**





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Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

F.I.S. Fabbrica Italiana Sintetici S.p.A. (“F.I.S.”, the “Company”) is a joint stock company (società per azioni) incorporated and registered in Italy, Viale Milano 26, 36075 Montecchio Maggiore (VI), with its administrative headquarter in Montecchio Maggiore (VI).

The Company specialises in the production of chemical products for the pharmaceutical industry. It has operated on the international markets since its incorporation in 1957. Its core businesses are:

- custom synthesis, or the exclusive production of intermediates, advanced intermediates and main active ingredients for pharmaceutical companies that own the patents;
- the market of generics for which it develops and sells active ingredients such as tranquilisers, anxiolytics, antibacterial, anticonvulsants, anti-inflammatories, diuretics, analgesics and cardiovascular drugs;
- the veterinary market, be that for generic or custom products.

With the support of roughly 245 R&D experts, F.I.S. also provides a series of integrated services that range from the optimisation of the synthesis process to large-scale commercial production.

The Company is a wholly owned subsidiary of Molecule (BC) Bidco S.p.A and is indirectly owned by Molecule (BC) Holdco S.p.A., which prepares consolidated financial statements. F.I.S.’ ultimate controlling party is the fund managed by Bain Capital Holding LP.

F.I.S. holds 100% of the equity shares of F.I.S. North America Inc. and F.I.S. Japan KK. However, F.I.S. has not prepared consolidated financial statements due to the immaterial impact of these two subsidiaries on the Company’s statement of financial position and statement of profit or loss and other comprehensive income.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. The term “IFRS” also encompasses all the International Accounting Standards (“IAS”) and all interpretations published by the International Financial Reporting Interpretations Committee (“IFRIC”), the former Standing Interpretations Committee (“SIC”).

F.I.S. adopted IFRS on 1 January 2022. The accounting policies applied in these financial statements are consistent and comparable with the previous financial year.

The figures included in the financial statements are expressed in Euro (€), which is the currency of the primary economic environment where the Company operates, while the figures reported in the notes to the financial statements are rounded to the nearest thousands of Euro (€‘000).

1.1 NAME AND REGISTERED OFFICE OF THE COMPANY THAT PREPARE CONSOLIDATED FINANCIAL STATEMENTS OF THE LARGEST AND SMALLEST GROUP OF COMPANIES WHICH F.I.S. IS PART OF

Name	**Molecule (BC) HoldCo S.p.A.**
City (if in Italy) or foreign country Tax code (for Italian companies) Place of filing of consolidated financial statements	Milano (Italia) 12882870962 Italia

1.2 MEMBERSHIP OF A GROUP

On 12 December 2023, Molecule (BC) Bidco S.p.A., a wholly owned subsidiary of Molecule (BC) Holdco S.p.A. obtained control of the Company through the acquisition of shares from Nine Trees Group S.p.A. As at the issuance date of these financial statements, Molecule (BC) Bidco S.p.A. does not have a set of consolidated financial statements approved by its directors. The non-preparation of the consolidated financial statements is in accordance with IFRS 10:4, which states that an entity is exempt if its ultimate parent produces financial statements that are available for public use and comply with IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with the same IFRS.

The consolidated financial statements are prepared by the parent company Molecule (BC) HoldCo S.p.A. with registered office located at Via Vittor Pisani, 20, Milano.

As required by article 2497-bis of the Italian Civil Code, a table with the key figures from Molecule (BC) Holdco S.p.A.'s most recently approved financial statements is included. Molecule (BC) Holdco S.p.A. carries out management and coordination activities. The numbers included are presented in Euro (€), which is the currency of the primary economic environment where the Company operates and are rounded to the nearest thousands of Euro (€'000).

Balance Sheet	**31 December 2023**
Investments	607,547
Total fixed asset	**607,547**
Trade and other receivables	19
Cash and cash equivalents	1,255
Total current assets	**1,274**
Total assets	**608,821**
Share capital	60,926
Reserves	547,887
Profit / (loss) of the year	(58)
Total net equity	**608,755**
Payables	66
Total payables	**66**
Total liabilities	**608,821**

Profit and loss	**31 December 2023**
Production cost	**77**
Difference between production revenues and production costs (A-B)	**(77)**
Finance income / cost	**2**
Profit / (Loss) before tax	**(76)**
Deferred tax	(18)
Total income tax	**(18)**
Profit / (loss) of the year	**(58)**

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 NEW AND AMENDED IFRS ACCOUNTING STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for the accounting period that begins on or after 1 January 2024.

Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	The adoption of this amendments did not have any impact on the company's financial statements.
Amendments to IAS 1 - Presentation of Financial Statements: Non-current Liabilities with Covenants	The adoption of this amendments did not have any impact on the company's financial statements.
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	The adoption of these amendments has led to changes in the disclosures on the company's financial statements.
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	The adoption of this amendments did not have any impact on the company's financial statements.

2.2 NEW AND REVISED IFRS ACCOUNTING STANDARDS ENDORSED BY EU BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. The directors will apply the standards starting from their effective date, without early application:

Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Effective from 1 January 2025

The Company does not expect any material impact from adoption of the amendments to IAS 21.

2.3 NEW AND REVISED IFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET APPROVED BY EU

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective, because they are still pending EU approval. The directors will apply these standards as they become effective, without early application:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	Effective from 1 January 2026
Amendment to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	Effective from 1 January 2027
Annual Improvements - Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Effective from 1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	Replacement of IAS 1	Effective from 1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Issue of a new standard	Effective from 1 January 2027

The Company does not expect any significant impacts from the application of the new standards and amendments.

3. ACCOUNTING POLICIES

3.1 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards) and they include the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements. The Company presents its statement of profit or loss and other comprehensive income using a classification method based on the function of expense, as it provides relevant information to its investors.

The Company reports current and non-current assets and liabilities as separate classifications in its financial statements. Current items are those expected to be realised within 12 months from the reporting date or to be sold or consumed in the normal operating cycle of the Company.

The Company presents the Statement of cash flows using the “indirect method”, as permitted by IAS 7 — *Statement of Cash Flows* (“IAS 7”), and presents cash flows by operating, investing and financing activities.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if also market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Further details on the accounting policies adopted are set out below.

3.2 GOING CONCERN

The Company made a profit for the year ended 31 December 2024 of €27.1 million (for the year ended 31 December 2023 a net loss of €17.1 million). The net cash flows generated from / (used in) operating, investing and financing activities, for the year were €124 million, (€61) million and (€24) million, respectively (€122 million, (€70) million and €0.2 million for year ended 31 December 2023). The Company’s ratio of current assets to current liabilities is 2.07:1 indicating a strong balance sheet position. In addition, the Company has €80 million of unused committed and €13 million of unused uncommitted lines of credit.

Considering the above factors, the directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3 GOODWILL

Goodwill on the statement of financial position represents the excess of the sum of the consideration paid over the acquisition date amounts of the identifiable assets acquired and liabilities assumed from the Company’s business acquisitions in 2016 and 2017.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company’s cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.4 REVENUE RECOGNITION

The Company recognises revenue from the following material streams:

- Custom – Production and sale of custom synthesis, or the exclusive production of intermediates, advanced intermediates and main active ingredients for pharmaceutical companies that own the patents;
- Generic – Production and sale of generic active ingredients such as tranquilisers, anxiolytics, antibacterials, anticonvulsants, anti-inflammatories, diuretics, analgesics and cardiovascular drugs to pharma companies. This includes products which are not patented or where the patent period is complete;

- Vet – Production and sale of APIs for the veterinary market, be that for generic or custom products;
- Research and development (R&D) – Provision of research and development activities to its customers.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue from the sale of custom, generic and veterinary products at a point in time when it transfers control of a product or service to a customer which typically coincides with dispatch of products to the customer.

Revenue relating to the provision of R&D services is recognised over time corresponding to the service provided to the customer based on the hours incurred by R&D employees in provision of such services multiplied by the hourly rate agreed with each customer.

3.5 LEASES

(I) THE COMPANY AS A LESSEE

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, other than short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under €5,000. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company has not recognised any adjustments to be made to the value of these right-of-use asset during the reported periods.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient in relation to vehicles.

3.6 FOREIGN CURRENCIES

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3.7 GOVERNMENT GRANTS

F.I.S. receives government grants in relation to its investments in eligible assets, costs incurred for research and development activities as well as use of certain utilities, specifically to compensate the impacts of energy crisis in the recent years. Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable and they are presented net off the initial charges.

3.8 RETIREMENT AND TERMINATION BENEFIT COSTS

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans relate to the Italian employee service indemnity (TFR) and the integration provided to Lonigo employees. The amount of TFR to which each employee is entitled must be paid when the employee leaves the Company and is calculated based on the period of employment and the taxable earnings of each employee. Under certain conditions the entitlement may be partially advanced to an employee during their working life.

The legislation regarding this scheme was amended by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the first part of 2007. Under these amendments, companies with at least 50 employees are obliged to transfer the TFR to the "Treasury fund" managed by the Italian state-owned social security body (INPS) or to supplementary pension funds. Prior to the amendments, accruing TFR for employees of all Italian companies could be managed by the company itself. Consequently, the Italian companies' obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19, of defined contribution plans whereas the amounts recorded in the provision for employee severance pay retain the nature of defined benefit plans.

Accordingly, the provision for employee severance indemnity in Italy consists of the residual obligation for TFR until 31 December 2006. This is an unfunded defined benefit plan as the benefits have already been entirely earned, with the sole exception of future revaluations. Since 2007, the scheme has been classified as a defined contribution plan and F.I.S. recognises the associated cost over the period in which the employee renders service.

The integration provided to Lonigo employees relates to deferred payments that employees negotiated in the context of the acquisition of the plant. These payments are based on the length of service as of the acquisition date and are to be paid upon their retirement.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Company recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs arising from TFR are split into three categories:

- service costs, which includes past service cost and gains and losses on curtailments and settlements;
- net interest expense or income;
- remeasurements.

Net interest expense or income is recognised within finance costs (see note 12).

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.9 SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

3.10 TAXATION

The income tax expense represents the sum of current and deferred income tax expense.

(I) CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by applying:

- the ordinary IRES rate of 24% to the taxable profit.
- the IRAP (tax on production activities) rate of 3.90% for the taxable profit earned in the Veneto region and 4.97% for that earned in the Molise region.

(II) DEFERRED TAX

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax liabilities arising from taxable temporary differences relating to investments in subsidiaries and transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met.

Deferred taxes related to transactions that directly affect equity are not recognised in the profit and loss statement but are initially recognised by reducing the related equity account.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted or substantively enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when the Company is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are recognised at purchase or production cost, or where the asset was revalued under previous GAAP, at a cost equal to such previous revalued amount, adjusted by accumulated depreciation and write-downs. The purchase cost is the cost actually incurred to purchase the asset and includes the related transaction costs. The production cost includes all directly attributable charges and the reasonably attributable portion of other costs incurred from production up to when the asset is available for use.

Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis, using rates which reflect the asset's estimated useful life.

Depreciation begins when the asset becomes available for use. Temporarily unused assets are also depreciated.

Land is not depreciated, except when its useful life is finite. If the carrying amount of a building also includes the underlying land, the carrying amount of the building is separated, if unknown, based on estimates, for depreciation purposes.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life, which is estimated when the depreciation plan is prepared and periodically revised to verify that the initial estimate is still valid.

When is verified that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

Within Bain Capital's acquisition, as part of the independent technical appraisal issued for the purposes of the Purchase Price Allocation, the tangible fixed assets as at 31 December 2023 have been valuated. At the same time, management redefined asset useful lives.

As a result of the revaluation, new depreciation rates have been applied to assets purchased during the year, accordingly to the appraisal. On the other hand, amortisation of assets held at the beginning of the financial year was determined with reference to the residual value to be amortised, as adjusted for the new estimated useful life. Therefore, for amortisable assets at the opening date of the financial year, annual depreciation has a lower effective rate if restated on the historical cost of the asset compared to that assigned to the respective asset class.

For depreciable assets held at the beginning of the financial year, changes in useful life during the period resulted in a net decrease in depreciation expenses equal to €38,794 thousands.

The depreciation rates applied are as follows:

Asset category	Rate
Land and buildings	2.00%
Plants	5.56%; 6.25%; 10.00%
Vehicles and internal means of transport	14.29%
Furniture and equipment	11.11%
Electronic machines	20%

3.12 INTANGIBLE ASSETS

Assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 14. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.13 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

3.14 INVENTORY

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and net realisable value.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Production costs include all direct costs and the reasonably attributable portion of indirect costs incurred from the point of production up to when the asset is available for use, based on normal production capacity. Production costs exclude general and administrative costs, distribution costs and research and development costs.

Cost for raw materials, semi-finished products and finished products is calculated using the FIFO (First In First Out) cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

3.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks and on hand, time deposits with banks and short-term, highly liquid investments with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS AND LIABILITIES

Financial assets primarily include trade receivables, derivative financial instruments, prepayments and accrued income, cash and cash equivalents.

Financial liabilities primarily consist of debt, derivative financial instruments, accrued expenses and deferred income, trade payables and other liabilities.

Classification and measurement

The classification of a financial asset is dependent on the Company's business model for managing such financial assets and their contractual cash flows. The Company considers whether the contractual cash flows represent solely payments of principal and interest that are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss ("FVTPL"). Where the financial asset is held within a business model whose objective is both collecting contractual assets and selling the financial asset, and the cash flows are solely payments of principal and interest, the related financial assets and the related remeasurement in fair value are classified and measured at fair value through other comprehensive income ("FVOCI").

Financial asset cash flow business model	Initial measurement	Measurement category
Solely to collect the contractual cash flows (Held to Collect)	Fair Value including transaction costs	Amortised Cost
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair Value including transaction costs	FVOCI
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	FVTPL

Factors considered by the Company in determining the business model in which financial assets are held include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key the Company personnel.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Cash and cash equivalents include cash at banks and on hand. Cash and cash equivalents are subject to an insignificant risk of changes in value and are measured at amortised cost.

Impairment of financial assets

The Company's credit risk is related to trade receivables arising from the sale of products, for which the Company is mostly exposed to the direct risk of counterparty default. These risks are mitigated by the fact that collection exposure is spread across a large number of counterparties.

The IFRS 9 impairment requirements are based on a forward-looking expected credit loss ("ECL") model. ECL is a probability-weighted estimate of the present value of cash shortfalls. The Company applies the simplified impairment model to its trade receivables as set out in IFRS 9. Impairment losses on financial assets are recognised in profit and loss.

The simplified approach for determining the lifetime ECL allowance involves a process where all trade receivables that are in default are individually assessed for impairment and provided for.

Financial assets write off

The Company writes off financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset to another entity. On write off of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognised in profit or loss. Specifically, a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is writed-off (e.g. removed from the Company's statement of financial position) for the first time when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them entirely and without delay and:
  1. has transferred substantially all the risks and rewards relating to the financial asset; or
  2. has neither transferred nor substantially retained all the risks and rewards of the asset but has transferred control of the asset itself.

In cases where the Company has transferred the rights to receive the cash flows of an asset or has entered into an arrangement under which the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assess whether and to what extent it has retained the risks and rewards associated to ownership. If it has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, nor lost control of the asset, the asset continues to be recognized to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are valued in such a way as to reflect the rights and obligations that remain the Company's responsibility.

FINANCIAL LIABILITIES AND EQUITY

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the parent company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In the event that the change has no material effect, the difference between: (1) carrying amount of the liability prior to the change; and (2) the present value of cash flows after the change, is recorded in the income statement as a gain or loss within 'Other gains and losses'.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.17 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3.18 OTHER OPERATING EXPENSES / NON-UNDERLYING CHARGES

Other operating expenses (including non-underlying charges) are those which in the opinion of management, should be disclosed separately on the basis that they are material, either by their nature or their size and significantly distort the comparability of financial performance between periods. Therefore, they are presented separately from other key balances in the income statement. The classification of these items requires management judgement with regards to the nature and intentions of a transaction.

Items of income or expense that are considered by management for designation as [non-underlying charges] include such items as significant restructuring costs, expenses incurred in relation to one-off transformation projects, write-downs or impairments of assets including unusual inventory obsolescence, costs or bonuses relating to business acquisitions or divestitures and gains or losses on disposals of businesses or investments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of revenue, costs, assets and liabilities and the related disclosures. Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events that are considered reasonable in the circumstances. Actual results may differ from those estimated. The judgements made by management may or may not also require the use of assumptions and other sources of estimation uncertainty. All judgements that management consider have the most significant effect on the financial statements are discussed below.

CRITICAL ACCOUNTING JUDGEMENTS

Reverse factoring

Trade payables include liabilities that are assigned to financial institutions as part of direct or reverse factoring by the supplier. These transactions may occur with or without notification to the Company. The Company considers these liabilities to have the characteristics of trade payables when their characteristics have not been substantially modified. This includes maintaining their contractual terms, including debt maturity.

However, if there has been a substantial modification, such as an extension of debt maturity, the related liabilities are not considered to meet the definition of trade and other payables and are instead presented as financial liabilities. The Company can control the extension of debt maturity until the expiration of the original terms. Therefore, the liabilities presented as financial liabilities only include transactions for which the original terms have already expired as of the reporting date and an extension of debt maturity has been requested by the Company.

Research and development costs

The Company recognises internally generated intangible assets arising from the development of production processes for generic API. The amount recognised in the statement of financial position for internally generated intangible assets is the sum of the expenditure incurred, mainly consisting of the payroll expenses of the staff working on the development project. The Company applies judgement in determining the point in time when the intangible asset first meets the recognition criteria required under IFRS.

Treatment of convertible bonds

In 2019, the Company issued a convertible bond which includes a protective condition that can be triggered by the bondholders. The condition intends to safeguard the convertible debt holders from adverse movements in the share value. Directors are of the opinion that the condition does not result in a transfer of value (in relative terms) from ordinary shareholders to convertible debt holders. Therefore, the convertible bond has been accounted for as a compound instrument where a liability and equity components are recognised separately.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Inventory obsolescence

Impairment allowances are raised against inventory when the amount realisable from the sale of such inventory is considered to be less than its carrying amount. The methodology used to calculate the provision for inventory obsolescence considers turnover, ageing of stock, quality issues, possibility of reuse/sale, and the market trend.

In the previous year, in the context of Bain Capital's acquisition of F.I.S., management undertook a comprehensive inventory measurement and recoverability review of unsellable, slow-moving, and obsolete stock involving all of the relevant departments (manufacturing, finance, planning, and procurement). This cross-functional process enabled management to identify additional information on unsellable, slow-moving, and obsolete stock which have a production date spanning over 7 years from 2016 to 2023.

Consistent with company policy adopted in 2023, in FY24 the company conservatively set an obsolescence provision for a total of €29 million and at the same time utilized €21.3 million of the disposal provision.

Management considers that the recognized provision is based on a prudent approach and does not expect any future losses of this magnitude.

Climate change related risk

Climate changes' related effects expose the Company to a range of emerging risks, particularly:

- transition risks, including the adoption of new regulatory requirements, could lead to further adjustment of investments in technologies aimed at reducing energy, water consumption and greenhouse gas emissions and/or result in an increase in direct operating costs or be transferred through impact on supply chain;
- physical risks, such as heat, water scarcity, rising sea levels and flooding caused by extreme weather events, are having an ever-increasing impact in different countries. Furthermore, the increase in the frequency and severity of extreme weather conditions and natural disasters could cause material damage and interruptions to production operations and distribution channels or to suppliers' operations. The company's facilities, however, are not particularly exposed to risk, as they are not located in coastal areas exposed to the risk of rising sea levels and the surrounding areas are not subject to particular risks of flooding.

Given the limited possibility of extreme climate change-related events and risks, the Company has deemed the impact of such risks on the financial statement items and related information reported below to be immaterial.

Useful life of assets with a finite useful life

Useful life is determined at the time it is recorded in the financial statements and evaluated at each reporting date. Estimates of useful life are based on historical experience, market conditions and expectations of future events that may affect the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

5. REVENUE

The Company derives its revenues from contracts with customers for the transfer of goods and services.

€/000	31 December 2024	31 December 2023
Revenue from sale of products	781,015	701,110
Research and development services	21,424	19,305
Revenue from operations	**802,439**	**720,415**
Other revenue	9,676	23,587
Total	**812,115**	**744,002**

Details of the Company's trade receivables and amounts to be billed to customers are disclosed in Note 20.

Compliant with the provisions of IFRS 15 regarding revenue recognition and the presentation of the transaction price allocated to performance obligations, the Company applies the practical expedient provided in paragraph 121a for uncompleted or partially completed contracts whose duration is limited to one year or less.

6. SEGMENT INFORMATION

Management has identified a single operating segment, in line with the management and control model used. In particular, the articulation of the information corresponds to the reporting structure periodically analysed by the Board of Directors for the purposes of business management. As required by IFRS 8, although there is only one operating segment, information on the geographical distribution of revenue is provided below.

The table below shows the Company's revenue mainly from the sale of products and the provision of R&D services disaggregated by principal geography:

€/000	31 December 2024	31 December 2023
Italy	65,646	75,690
EU Countries	599,560	412,323
North America	69,013	112,424
South America	4,959	10,773
Asia	70,530	127,279
Other countries	2,407	5,513
Total	**812,115**	**744,002**

The following tables summarise non-current assets (other than financial instruments and deferred tax assets) by geography.

€/000	31 December 2024	31 December 2023
Italy	423,036	381,862
North America	1,945	1,945
Asia	90	90
Total	**425,071**	**383,897**

INFORMATION ABOUT MAJOR CUSTOMERS

Revenues arising from sales of products to the Company's largest customer amount to €118 million (€123 million in 2023).

The two largest customers of the company have respectively contributed 14,9% and 13,2% to the Company's revenue from sale of products in 2024 (17,6% and 14,1% in 2023).

7. COST OF SALES, MARKETING AND SELLING, ADMINISTRATIVE AND RESEARCH AND DEVELOPMEN COSTS

€'000	Note	31 December 2024	31 December 2023
Cost of sales	7.1	624,711	649,987
Marketing and selling expenses	7.2	9,791	9,716
Administrative expenses	7.3	56,341	34,895
Research and development costs	7.4	3,156	3,090
Total		**693,999**	**697,688**

7.1 Cost of Sales			
Purchases of Raw materials		377,472	371,621
Employee Expenses		128,327	120,906
Depreciation and amortization		20,464	58,966
Other expenses		98,448	98,494
Total		**624,711**	**649,987**

7.2 Marketing and selling expenses			
Employee expenses		2,945	2,910
Depreciation and amortization		54	29
Other marketing expenses		6,792	6,778
Total		**9,791**	**9,717**

7.3 Administrative expenses			
Employee expenses		16,666	13,932
Depreciation and amortization		3,271	1,724
Maintenance, insurance and consultancy expenses		15,955	7,004
Other miscellaneous expenses		20,449	12,235
Total		**56,341**	**34,895**

7.4 Research and development costs			
Employee expenses		2,108	2,570
Depreciation and amortization		577	212
Other miscellaneous expenses		471	308
Total		**3,156**	**3,090**

Employee expenses, depreciation and amortization included in profit or loss, are the following:

€/000	31 December 2024	31 December 2023
Employee expenses	149,796	147,584
Depreciation and amortization	24,366	60,930

'Employee expenses' in the above table differs from sum of the 'Employee expenses' items in other tables in note 7, due to the fact that some employee expenses are included in other gains and losses, which are not disclosed in note 7.

8. EMPLOYEE COSTS

The average number of employees for the years ended 31 December 2024 and December 2023, on a full-time equivalent basis, were:

Number	31 December 2024	31 December 2023
Managers	35	37
Middle managers	227	216
White collars employees	724	712
Blue collars employees	1,011	965
Total	**1,997**	**1,930**

Employee costs incurred during the year were:

€'000	31 December 2024	31 December 2023
Wages and salaries	105,594	102,317
Social security costs	33,086	30,952
Other pension costs	6,770	6,276
Other employees costs	4,346	8,039
Total	**149,796**	**147,584**

9. OTHER OPERATING INCOME

€/000	31 December 2024	31 December 2023
Tax credits on investments	659	1,359
Net gain/(loss) on disposal of property, plant and equipment	173	4
Other miscellaneous income	434	109
Total	**1,266**	**1,472**

10. OTHER OPERATING EXPENSES (INCLUDING NON-UNDERLYING CHARGES)

Other operating expenses includes the following non-recurring or exceptional items.

€/000	31 December 2024	31 December 2023
Inventory write-downs		29,982
Transaction related expenses		10,571
Transformation cost	45,094	1,013
Disposal investments		1,073
Provision inventory disposal		1,683
Total	**45,094**	**44,322**

During the year, the Company incurred €45.1 million in non-recurring expenses or expenses not related to normal operations (€44.3 million in 2023). Below are the details:

Inventory write-downs recorded in the year ended 31 December 2023 amounting to €30.0 million, represent a one-off write-down of obsolete inventory recorded as a result a comprehensive inventory measurement and recoverability review performed at the time of the Bain Acquisition and involving all relevant departments, including manufacturing, finance, planning and procurement which highlighted additional information on unsellable, slow-moving and obsolete inventory produced mainly from 2016 to 2023.

Transaction related expenses of €10.6 million recorded in the year ended 31 December 2023 represent transaction related fees and bonuses, incurred in connection with the Bain Acquisition.

Transformation costs recorded in the year ended 31 December 2023 relate to certain expenses, of €1.0 million, incurred in connection with the centralization or reorganization of our procurement and management control roles. Transformation costs recorded in the year ended 31 December 2024 of €45.1 million mostly relate to consultancy fees incurred in connection with a number of cost saving and process reorganization initiatives launched with the aim to increase production efficiencies, reducing overall procurement costs and improving margins while implementing additional monitoring mechanisms. Below are the details:

I. €9.2 million for pricing initiatives and commercial excellence;

II. €8.6 million for procurement excellence and saving initiatives;

III. €6.6 million for the design and rollout of a new sales and operation planning process;

IV. €5.9 million for strategic consultancy services relating to post-acquisition-support;

V. €5.2 million for the development of our strategic plan;

VI. €2.8 million for the design of IT and cybersecurity roadmap;

VII. €2.1 million for operations efficiency projects;

VIII. €1.4 million for GAAP conversion of the Issuer's financial statements;

IX. €0.8 million for payroll restructuring costs;

X. the remaining 2.5 million for other projects including the implementation of a cash flow planning model and saving and pricing initiative tracking model.

Disposal investments recorded in the year ended 31 December 2023 represent a loss of €1.1 million incurred in connection with the sale of a portion of a building and land at our Lonigo site, occurred in May 2023, for a total value of €0.5 million.

Provision for inventory disposal recorded in the year ended 31 December 2023 amounting to €1.7 million was accrued in connection with the aforementioned inventory write-down.

11. OTHER GAINS / (LOSSES)

During FY2024, the company adjusted the fair value of the embedded derivative in the Sustainability-Linked Senior Secured Notes for €4 million (€0.2 in 2023). Exchange rate differences were positive for a total of €2.2 million (negative for €1.3 in 2023), and additional gains were €1.3 million (losses for €0.9 in 2023).

€/000	31 December 2024	31 December 2023
Derivative fair value adjustment	3,970	213
Net foreign exchange gains/(losses)	2,234	(1,251)
Other items	1,302	894
Total	**7,506**	**(144)**

12. FINANCE COSTS

€/000	31 December 2024	31 December 2023
Finance costs:		
Interest on borrowings[1]	29,117	27,038
Interest on lease liabilities (note 25)	533	130
Interest on factoring	5,634	4,842
Penalty on early repayment of loans	-	-
Interest on retirement benefit obligations	143	165
Other finance cost	526	1,148
Total	**35,953**	**33,324**

1 Interest on borrowings represents interest on financial liabilities held at amortised cost.

13. INCOME TAX EXPENSE/(BENEFIT)

The taxation benefit which arises in the Company comprises:

€/000	31 December 2024	31 December 2023
Current tax		
Adjustment in respect of prior periods	1,190	27
Provision for tax expenses	6,437	-
Income taxes for the year - IRAP	3,681	567
Income taxes for the year - IRES	1,640	
Other current tax	-	(54)
Deferred tax		
Current year movement	7,875	(12,864)
Income / (losses) from the tax consolidation scheme		(267)
Total	**20,823**	**(12,591)**

It should be noted that the item “Adjustment in respect of prior periods” includes the costs incurred during the financial year by the Company to achieve a legal settlement of the tax cases in progress with the Italian Revenue Agency. In particular, €1.02 million (plus penalties and interest) were paid as taxes for the settlement of lawsuits relating to the years 2015 to 2018 that concerned research and development costs and the amortization of goodwill recorded following the acquisition of the PHF business unit.

The income taxes for the year can be reconciled to the profit before tax as follows:

€/000	Year ended 31 December 2024		Year ended 31 December 2023	
	Taxable income	Tax	Taxable income	Tax
Theoretical taxable income and tax charges for the year[1]	**41,530**	**9,967**	**(29,753)**	**-**
Tax effect of expenses that are not deductible in determining taxable profit	1,806	434	7,337	1,761
Tax effect of income not taxable in determining taxable profit	(6,365)	(1,528)	(31,501)	(7,560)
Temporary differences related to costs and revenues	19,665	4,720	32,290	7,749
Utilisation of previous tax losses	(43,880)	(10,531)	-	-
Utilisation of ACE surplus	(4,138)	(993)	-	-
Change in unrecognised deferred tax assets	(1,786)	(429)	(469)	(113)
Effective taxable income and tax charges for the year[1]	**6,832**	**1,640**	**(22,096)**	**-**
IRAP	89,652	3,681	-	567
Other current taxes	-	-	-	(54)
Adjustment in respect of prior periods	-	1,190	-	27
Deferred tax charge/(credit) to profit or loss	-	7,875	-	(12,864)
Income from the tax consolidation scheme	-	-	-	(267)
Total Income tax expense/(benefit)	**-**	**14,386**	**-**	**(12,591)**

(1) The income before taxes shown in this table also includes provisions for tax charges, which are included in the income tax item in the Profit and Loss statement of the financial statements.
(2) Corporation tax (IRES) at the Italy rate of 24% (2023: 24%). In case of a negative tax base, no tax is due.

The impact deriving from the Italian regional production tax (IRAP) rate and other taxes was determined separately as these taxes are not calculated based on the profit before tax.

OECD Pillar Two Model Rules

On 23 May 2023, IASB made amendments to IAS 12 - Income Taxes, which were adopted with Regulation 8.11.2023 No. 2023/2468/EU published in the EU on 9.11.2023 L Series, in order to explain the application and disclosure regarding the introduction of the Pillar Two Model Rules of the OECD/G20 Inclusive Framework on Base Erosion And Profit Shifting (BEPS) Pillar Two model rules, under which large multinational or national groups (with consolidated annual revenues of €750 million or more in at least two of the four financial years immediately preceding the one reported) should be required to apply a global minimum tax rate of 15% in every jurisdiction they operate in.

This tax scheme was adopted in Europe with Directive (EU) 2022/2523 of 14 December 2022 and in Italy with Legislative Decree 209 of 27 December 2023, in order to ensure a minimum global tax rate for multinational and national groups operating on a large scale in the European Union.

Regarding all the companies in the Group and all the jointly controlled entities located in each individual jurisdiction, income tax exposure arises from their effective tax rate and, within each jurisdiction, several related factors such as the income produced, nominal tax rate, tax rules for determining taxable income, provision, nature and utilization of incentives or any other tax benefits.

Regarding this, it should be noted that the Company became part of the Group headed by Molecule (BC) Holdco S.p.A. starting from 12 December 2023 and the parent company was incorporated in the same financial year.

With regard to the specific case in which the group is made up of newly established companies and does not dispose of consolidated financial statements relating to previous financial years, art. 10 of Legislative Decree 209 of 27.12.2023 establishes that the aforementioned regulation shall apply starting from the third financial year if the threshold of consolidated revenues equal to at least €750 million has been reached in the two previous financial years.

Given that regulations for newly incorporated companies require at least two years of records, this tax regime is not applicable for 2024 and the Group will have to assess whether to apply the tax regime starting from 2025.

Accordingly, as at 31 December 2024, the Company did not record any income tax arising from the application of the Pillar Two Model Rules.

14. INTANGIBLE ASSETS

€/000	Goodwill	Patents and trademarks	Concessions, licenses, trademarks and similar rights	Other assets	Assets under development	Total
Cost						
At 1 January 2023	35,113	21,326	16,616	1,294	4,959	79,308
Additions	-	403	2,493	-	3,156	6,052
Transfers from assets under development	-	0	-	-	(86)	(86)
Disposals	-	(1)	-	-	-	(1)
Reclassifications	-	-	1,290	-	(1,290)	-
At 31 December 2023	35,113	21,728	20,399	1,294	6,739	85,273
Additions	-	1,101	312	-	5,005	6,418
Transfers from assets under development	-	-	8,537	-	(8,537)	-
Disposals	-	-	-	-	-	-
At 31 December 2024	35,113	22,829	29,248	1,294	3,207	91,691
Amortisation and Impairment						
At 1 January 2023	(20,301)	(15,459)	(13,406)	(1,294)	-	(50,460)
Amortisation charge for the year	-	(1,572)	(1,944)	-	-	(3,516)
Impairment charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2023	(20,301)	(17,031)	(15,350)	(1,294)	-	(53,976)
Amortisation charge for the year	-	(994)	(1,850)	-	-	(2,844)
Impairment charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2024	(20,301)	(18,025)	(17,200)	(1,294)	-	(56,820)
Carrying value						
At 31 December 2024	**14,812**	**4,804**	**12,048**	**-**	**3,207**	**34,871**
At 31 December 2023	**14,812**	**4,697**	**5,049**	**-**	**6,739**	**31,297**

Intangible assets (patent rights, intellectual property rights, concessions, licenses and trademarks, know-how) are amortized over the shorter of their legal or contractual duration and their remaining useful life. The estimated useful life of trademarks does not exceed 10 years. Concessions, licenses, trademarks, and similar rights, amounting to €12 million on 31 December 2024 (2023: €5 million), include the cost of software licenses, amortized systematically over three years. It should be noted that the "Warehouse Management System" project was completed during 2022, whereby the Company equipped itself with an automated system for the physical management of stock. The capitalised value is equal to €4.5 million and, unlike other software, is amortized over 10 years.

Assets impairment losses

Goodwill is related to the acquisition of business units occurred in 2016 and 2017.

Goodwill is recognized in the financial statements at the time of a business combination and is allocated to the cash-generating units ("CGUs") expected to benefit from the combination.

Regarding F.I.S., management has determined that the Company consists of a single CGU, to which goodwill is allocated. In accordance with IAS 36, the recoverability of the goodwill recognized in the financial statements of F.I.S. has been assessed through an impairment test. The assessment was performed with the objective to determine whether the carrying amount of the assets of the CGU is recognized in the financial statements at a value that does not exceed its recoverable amount.

The recoverable amount, determined on its value in use, is based on cash flow projections included in the financial budgets, which are approved by management and cover a four-year period (2025–2028). When calculating the value in use, the terminal value is also considered: it is the present value of expected future cash flows beyond the explicit budget horizon (2025-2028). The value in use is equal to the sum of (i) the operating value, determined on the basis of the operating cash flows that the company will be able to generate in the future, discounted at a discount rate equal to the weighted average cost of capital (WACC), and (ii) the market value of any surplus assets not related to the company's core business or not considered in the cash flows.

The main assumptions used to calculate the value in use of the CGU are:

- terminal value: represents the current value of the cash flows that the company will be able to generate after the explicit budget period.
- long-term growth rate (g-rate): this is the average growth rate weighted on inflation of the countries where the company operates and is used to extrapolate cash flows beyond the explicit budget period;
- discount rate (WACC: Weighted Average Cost of Capital): reflect specific risks related to the relevant segments and countries in which the CGU operates;
- tax rate: theoretical taxes, estimated by applying the theoretical rate of 27.9%.

The calculation of CGU value in use is most sensitive to the following assumptions:

2024	FIS CGU
Long-term growth rate (g-rate) (%)	1.48
Discount rate (WACC) (%)	8.5

The impairment test did not reveal any impairment loss, with the recoverable value of the identified CGU being higher than the carrying value.

Significant estimate: impact of possible changes in key assumptions

Management have considered and reasonably assessed possible changes in the key assumptions and has not identified any instances that could lead to the recoverable value of the CGU being lower than its carrying value.

15. PROPERTY, PLANT AND EQUIPMENT

€/000	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2023	177,386	668,266	14,019	65,850	57,020	982,541
Additions	60	348	462	1,766	63,690	66,326
Transfers	8,780	36,849	148	1,822	(47,599)	-
Disposals	(825)	(1,200)	(1)	(1)	-	(2,027)
At 31 December 2023	185,401	704,263	14,628	69,437	73,111	1,046,840
Additions	462	730	363	1,858	50,935	54,557
Transfers	4,541	71,948	117	4,488	(81,094)	-
Disposals	(124)	(18,905)	(581)	(1,177)	-	(20,188)
At 31 December 2024	190,280	758,844	14,527	74,606	42,952	1,081,209
Accumulated Depreciation						
At 1 January 2023	(74,610)	(508,949)	(13,299)	(57,878)	-	(654,736)
Depreciation charge	(7,408)	(44,612)	(554)	(3,506)	-	(56,080)
Disposals	-	526	1	1	-	528
At 31 December 2023	(82,018)	(553,035)	(13,852)	(61,383)	-	(710,288)
Depreciation charge	(1,864)	(12,869)	(126)	(3,881)	-	(18,740)
Impairment charge	-	(1,904)	-	-	-	(1,904)
Disposals	124	18,095	581	1,595	-	19,814
Additions	(462)	-	-	-	-	119
At 31 December 2024	(84,220)	(549,713)	(13,397)	(63,669)	-	(710,999)
Net book value						
At 31 December 2024	**106,060**	**209,130**	**1,130**	**10,937**	**42,952**	**370,210**
At 31 December 2023	**103,383**	**151,228**	**776**	**8,054**	**73,111**	**336,552**

Land and buildings worth €106 million on 31 December 2024 (€103.4 million on 31 December 2023) include all industrial and office buildings in Lonigo and Termoli, as well as Montecchio Maggiore's headquarters.

At 31 December 2024 and 2023, assets under construction mainly refer to investments in various areas of production, including work on infrastructure, plant and other company resources.

As of 31 December 2024, fixed assets belonging to the sterile department have been written down by €1.9 million, reflecting the department's uncertain outlook.

No capital assets were acquired free of charge or by way of exchange.

No public grants were accounted for by direct allocation to historical purchase cost.

16. RIGHT - OF - USE ASSETS

€/000	Buildings	Vehicles	Equipment	Total
Cost				
At 1 January 2023	507	1,125	5,097	6,729
Additions	86	970	586	1,642
Re-measurements	-	-	-	-
Disposals	-	-	-	-
At 31 December 2023	593	2,095	5,683	8,371
Additions	183	398	11,089	11,670
Re-measurements	-	46	-	46
Disposals	(90)	-	(7)	(97)
At 31 December 2024	686	2,539	16,765	19,990
Depreciation and impairment				
At 1 January 2023	(129)	(346)	(1,147)	(1,622)
Depreciation charge	(185)	(455)	(1,276)	(1,916)
Impairment charge	-	-	-	-
Disposals	-	-	-	-
At 31 December 2023	(314)	(801)	(2,423)	(3,538)
Depreciation charge	(140)	(459)	(2,190)	(2,789)
Impairment charge	-	-	-	-
Disposals	-	-	-	-
At 31 December 2024	(454)	(1,260)	(4,613)	(6,327)
Net book value				
At 31 December 2024	**232**	**1,279**	**12,152**	**13,663**
At 31 December 2023	**279**	**1,294**	**3,260**	**4,833**

The Company leases several assets including buildings, vehicles and equipment. Lease arrangements typically include extension and termination options which are exercised in line with business requirements. The maturity analysis (contractual undiscounted lease payments) of lease liabilities is presented in note 25.

Amounts recognised in the statement of profit or loss consist of:

€/000	31 December 2024	31 December 2023
Depreciation of right-of-use assets	2,789	1,916
Interest on lease liabilities	532	130
Foreign exchange (gains)/losses	-	(4)
Costs relating to short-term leases[1]	317	295
Costs relating to low-value asset leases[1]	-	1

(1) These amounts are included in 'Cost of Sales' in the statement of profit or loss

The total cash outflow for leases consists of fixed payments of €3.1 million in 2024 (€2.0 million in 2023).

17. INVESTMENTS

The Company's investments as at 31 December 2024 are listed below:

€/000				Carrying amount of investment	
Legal entity	**Country of incorporation**	**Percentage owned by the Company**	**Principal activity**	**31 December 2024**	**31 December 2023**
F.I.S. North America Inc.	United States - New Jersey	100%	Agent for North America region	1,945	1,945
F.I.S. Japan KK	Japan	100%	Agent for Asia region	40	40
Total				**1,985**	**1,985**

The Company also has minority investments in a number of entities. The total value of the investment in associates amount to €4,478 as at 31 December 2024 (2023: €4,478).

18. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

€/000	31 December 2024	31 December 2023
Write-down of inventory	13,326	11,479
Provision for charges/contingencies	914	404
Write-down of PPE	457	-
Goodwill	958	1,429
Depreciation of buildings	310	331
Temporary differences on asset depreciation	292	-
Unrealised exchange rate losses	-	773
Unpaid directors' fees	90	-
Tax losses	19,130	29,685
Lease liabilities	627	986
Retirement benefit obligations	144	118
Intangible assets - Start-up and capital costs	74	125
Loans and borrowings	129	173
Total deferred tax assets	**36,453**	**45,502**
Unrealised exchange rate gains	-	(730)
Accelerated amortisation and depreciation	(55)	(97)
Right-of-use assets	(623)	(978)
Retirement benefit obligations	(187)	(187)
Intangible assets - Development expenses	(59)	(118)
Derivative financial assets	(464)	(464)
Total deferred tax liabilities	**(1,388)**	**(2,574)**

The recognition of deferred tax assets is supported by the four-year strategic plan approved by the Company that ensures sufficient taxable income to cover all the deferred tax assets. Therefore, based on these reliable estimates, there is reasonable assurance that the entire amount will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

€/000	31 December 2024	31 December 2023
Deferred tax liabilities	(1,388)	(2,574)
Deferred tax assets	36,453	45,502
Total	**35,065**	**42,928**
Change year over year	***(7,863)***	***37,228***
Of which:		
Charge/(credit) to profit or loss	(7,875)	12,864
Charge to other comprehensive income	12	(19)
Charge direct to equity	-	-
Reclassifications	-	24,382

In 2022, the Company participated in a domestic tax consolidation scheme with its former prior parent. During 2023, the Company terminated the tax consolidation scheme and therefore recognised in deferred tax assets €24,382 thousand of accumulated tax losses from prior years, which were previously included in trade receivables from the former parent company.

19. INVENTORIES

€/000	31 December 2024	31 December 2023
Raw materials, consumables, and supplies	143,208	144,288
Work in progress and semi-finished products	148,690	126,528
Finished goods	73,315	78,122
Prepayments	-	99
Total	**365,213**	**349,037**

Prepayments mainly relate to the advances paid to suppliers for future supplies of raw materials and finished goods.

Cost of sales recognized during the financial year and related to continuing operations amounted to €624.7 million (2023: €649.9 million).

During the reporting period, the Company recognised net provisions for inventory obsolescence of €29 million (2023: €36.1 million) relating to the write-down of inventories to net realisable value. In addition, the provision decreased by €21.3 million (2023: €6.1 million) due to utilisations for disposals operations carried out during the year.

20. TRADE AND OTHER RECEIVABLES

€/000	31 December 2024	31 December 2023
Current		
Trade receivables	75,655	124,433
Factor receivables	11,560	-
Prepayments and accrued income	4,228	2,378
Other receivables	1,060	2,021
Receivable from related parties	213	-
Loans to employees	418	455
Tax credits and tax related receivables	2,852	4,954
VAT receivables	1,335	3,101
Total	**97,321**	**137,342**

The financial assets listed in the table above have a carrying amount that is close to their fair value, considering their short-term nature.

Non-current		
Tax credits and tax related receivables	2,588	6,992
Prepayments and Accrued income	552	530
Other receivables	1,198	1,703
Total	**4,338**	**9,225**

TRADE RECEIVABLES

The average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables. Ageing of trade receivables are as follows:

€/000	31 December 2024	31 December 2023
Not overdue / overdue within 30 days	72,800	120,835
31-60 days	2,166	1,244
61-120 days	265	110
More than 120 days	424	2,243
Total	**75,655**	**124,432**

The Company writes off a trade receivable when there is information indicating that the debtor is in financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For the financial year 2024, the Company has not recognized any impairment provision.

As part of the normal course of business the Company enters into arrangements for factoring of receivables. All of the factoring arrangements entered were without recourse.

21. CASH AND CASH EQUIVALENTS

Below the breakdown of the item "Cash and cash equivalents":

€/000	31 December 2024	31 December 2023
Bank accounts	58,217	82,856
Money market funds[1]	29,663	-
Time deposit	70,013	36,199
Cash at hand	6	14
Total	**157,899**	**119,069**

[1] *Rating: S&P AAAm; Moody's Aaa-mf; Fitch AAA/mmf*

22. BORROWINGS

The borrowings of the Company can be analysed as follows:

€/000	31 December 2024	31 December 2023
Unsecured borrowings		
Bank loans	10,013	-
Other borrowings	9,612	8,650
Secured borrowings		
Bank loans	78	37
Bonds	401,351	399,235
Total	**421,054**	**407,922**
Current	17,893	17,123
Non-current	403,161	390,799
Total	**421,054**	**407,922**

The principal features of the Company's secured bonds are as follows:

- the issuance on 10 February 2022 of the sustainability-linked senior secured loan with a nominal value of €350 million (the "2022 Bond"), which was taken out by major international institutional investors, is measured at amortised cost. Maturity is on 1 August 2027. The 2022 Bond accrues interest at fixed rate amounting to 5.625%, and payments are made semi-annually in arrears. Should certain sustainability performance targets (including CO_2 emissions reduction and water consumption) fail to be met, the Company is required to pay an additional fee of up to 0.6%. As of today, the Company is expected to meet such targets;
- the issuance on 12 December 2023 of institutional, privately placed, Sustainability-Linked Senior Secured Floating Rate Notes with an aggregate principal amount of €50 million, due August 2027 (the "New Notes"). The Company issued the New Notes pursuant to the indenture of the 2022 Bond mentioned above. The New Notes are valued at amortised cost, and accrue interest at variable rate amounting to Euribor 3m + 5.5%.

The 2022 Bond and the New Notes are secured by security interests:

- over 100% of the share capital of the Company;
- over the bank account(s) of the Company where the proceeds of the 2022 Bond and the New Notes were credited and on potential credit accounts of the Revolving Credit Facility;
- over the intercompany receivables owed by the Company to Molecule (BC) Bidco S.p.A. under or in connection with the F.I.S. Convertible Bond.

On 10 February 2022, F.I.S. entered into a €50 million revolving credit facility (RCF) agreement with a pool of banks. On 12 December 2023, the total commitment of the RCF was increased by €30 million, from €50 million to €80 million.

The cost of the revolving credit facility is equal to EURIBOR + variable spread depending on the NFP/EBITDA ratio.

Bank loans as at 31 December 2024 consist of a €10 million term loan, maturing in June 2026.

Other borrowings relate to the assignment of receivables to factors which the Company collects directly and transfers to the factors.

Within its ordinary business operations, the Company enters into factoring agreements. As of 31 December 2024, the outstanding amount with factors due to factored trade receivables was €133.6 million, including €9.6 million in factored receivables collected but not yet reimbursed (2023: €40.6 million). No recourse was granted in any of the factoring contracts.

The following table shows the detail of the changes in Borrowings:

€/000	For the year ended 31 December 2024	For the year ended 31 December 2023
Balance as of 1 January	407,922	423,662
Financing cash flows		
+ Proceeds	10,000	48,046
- Repayments	-	(57,065)
+/- Change in payable to factors	929	(8,555)
Other movements		
+/- Net interest accrued (paid)	(178)	1,834
+/- Other [1]	2,380	-
+/- Foreign currency exchange	-	-
Balance as of 31 December	**421,054**	**407,922**

1 Other in 2024 mainly refers to the change in the amortised cost relating to Bonds.

23. CONVERTIBLE LOANS NOTES

In 2019, the Company issued 5,310 convertible bonds with a nominal amount of €53.1 million, paying 2% interest rate paid semi-annually (originally redeemable in 2024, extended to 2027 during 2022). Starting from the 2022 amendment, interest is due on the maturity date. On the maturity date or in the event of early conversion, the increase in share capital will be €10 for each bond converted up to a maximum of €53,100. Following the acquisition of F.I.S. by Bain Capital, the controlling shareholder of the Company now fully owns the convertible loan note.

The net proceeds received from the issue of the convertible loan notes have been split between a financial liability element and an equity component.

The equity component of €1.9 million has been credited to a non-distributable reserve under shareholders' equity.

The interest expense for the year is calculated by applying an effective interest rate to the liability component which is measured at amortised cost (2.88% at 31 December 2024).

Current and non-current split of unsecured convertible loan notes carried at amortised cost is as follows:

€/000	31 December 2024	31 December 2023
Current	-	-
Non-current	52,806	51,594
Total	**52,806**	**51,594**

The following table shows the detail of the changes in Convertible loan notes:

€/000	For the year ended 31 December 2024	For the year ended 31 December 2023
Opening balance as of 1 January	**51,594**	**51,213**
Financing cash flows		
+ Proceeds	-	-
- Repayments	-	-
Other movements		
+/- Net interest accrued (paid)	1,212	381
+/- Other	-	-
+/- Foreign currency exchange	-	-
Balance as of 31 December	**52,806**	**51,594**

24. RETIREMENT BENEFIT OBLIGATION

TFR

The Italian post-employment benefits plan ("TFR") is considered a defined benefit plan and is measured in accordance with the "Projected Unit Credit Method".

The liability recognised for TFR refers exclusively to the post-employment benefit earned by employees up to 31 December 2006 which, following the introduction of Law 296 of 27 December 2006, continues to constitute an obligation of the Company. Since 2007 the scheme has been classified as a defined contribution plan and the Company recognises the associated cost over the period in which the employee renders service. Consequently, the measurement of the defined benefit liability (for the residual amount of TFR accrued until 31 December 2006) does not take into consideration service costs components and does not include future salary increase as part of the actuarial assumptions.

Additionally, there is an integration provided to Lonigo employees related to deferred payments that employees negotiated in the context of the acquisition of the plant. These payments are based on the length of service as of the acquisition date and are to be paid upon their retirement.

TFR – DEFINED CONTRIBUTION SCHEME

The total expense recognised in profit or loss of €6.7 million (2023: €6.2 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31 December 2024, there are no contributions due in respect of the current reporting period which had not been paid over to the plans.

Amounts recognised in the statement of profit or loss in respect of the TFR defined benefit scheme are as follows:

€/000	31 December 2024	31 December 2023
Contributions to defined contribution schemes included in:		
Employee costs[1]	6,672	6,263
Total	**6,672**	**6,263**

1 Employee costs are recorded in cost of sales, marketing and selling, administrative or Research and development costs depending on the function of the personnel.

TFR – DEFINED BENEFIT SCHEME

TFR – DEFINED BENEFIT SCHEME RISKS

The defined benefit scheme exposes the Company to risks such as interest rate risk and longevity risk.

INTEREST RATE RISK

The present value of the scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in the bond interest rate will increase the scheme's liability.

LONGEVITY RISK

The present value of the scheme's liability is calculated by reference to the best estimate of the mortality of the scheme's participants during their employment. An increase in the life expectancy of the scheme's participants will increase the scheme's liability.

SCHEME OBLIGATIONS

Amounts recognised in the statement of financial position in respect of the TFR defined benefit scheme are as follows:

€/000	31 December 2024	31 December 2023
TFR	4,127	4,340
Integration provided to Lonigo employees	323	319
Total	**4,450**	**4,659**

The changes in defined benefit obligations were as follows:

€/000	31 December 2024			31 December 2023		
	TFR	Integration provided to Lonigo employees	Total	TFR	Integration provided to Lonigo employees	Total
Present value of defined benefit obligations on 1 January	4,340	319	4,659	4,520	346	4,866
Current service cost	-	-	-	-	-	-
Interest cost	133	10	143	154	11	165
Re-measurement (gains)/losses:						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	74	5	79	76	4	80
Experience adjustments on defined benefit obligations	(33)	4	(29)	(150)	(7)	(157)
Past service cost (including curtailments)	-	-	-	-	-	-
Benefits paid	(387)	(15)	(402)	(260)	(35)	(295)
Present value of defined benefit obligation at 31 December	**4,127**	**323**	**4,450**	**4,340**	**319**	**4,659**

MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATION

The average duration of the scheme at the end of the reporting period is as follows.

€/000	31 December 2024		31 December 2023	
	TFR	Integration provided to Lonigo employees	TFR	Integration provided to Lonigo employees
Duration	6.41	6.06	6.68	7.00

ASSUMPTIONS

The principal assumptions used for the purposes of the key scheme's actuarial valuations are as follows:

Percentage	31 December 2024	31 December 2023
Discount rate (EUR CORPORATE AA+)	2.85% (TFR) 3.05% (Integration provided to Lonigo employees)	3.2% (TFR) 3.3% (Integration provided to Lonigo employees)
Inflation (IPCA)	2024: 1.1%	2023: 5.6%
	2025: 1.8%	2024: 2.3%
	2026 onwards: 1.8%	2025 onwards: 2.0%
Turnover rate	5%	5%
Probability of advance payment	1%	1%

SENSITIVITY ANALYSIS FOR EACH SIGNIFICANT ACTUARIAL ASSUMPTION

The analysis below shows the sensitivity of the scheme’s defined benefit obligation to reasonably possible changes in discount rate, inflation rate and life expectancy assumptions occurring at the statement of financial position date, while holding all other assumptions constant.

Assumptions	Change in Assumption	Italian post-employment benefits €’000	Integration provided to Lonigo employees €’000
Discount rate	Increase by 0.5%	4,002	314
	Decrease by 0.5%	4,259	333
Inflation rate	Increase by 0.5%	4,209	323
	Decrease by 0.5%	4,048	323
Turnover	Increase by 0.5%	4,139	331
	Decrease by 0.5%	4,112	313

25. LEASE LIABILITIES

Maturity analysis of contractual undiscounted cash flows is as follows:

€/000	31 December 2024	31 December 2023
Less than one year	3,369	1,808
One to five years	8,414	3,297
More than five years	5,333	42
Total	**17,116**	**5,147**

The Company does not face a significant liquidity risk with regards to its lease liabilities. Refer to note 30 for the impact of liquidity risk on the Company.

Lease liabilities included in the Statement of Financial Position		
€/000	**31 December 2024**	**31 December 2023**
Current	2,689	1,698
Non-current	11,225	3,180
Total	**13,914**	**4,878**

Amounts recognised in the profit or (loss)		
€/000	**31 December 2024**	**31 December 2023**
Interest on lease liabilities	533	130
Foreign exchange (gains) and losses	-	(4)
Expense relating to short term leases	317	295
Cost relating to low-value asset leases[1]	-	1
Total	**850**	**422**

1 These amounts are included in 'Cost of Sales' in the statement of profit or loss

Amounts recognised in the statement of cash flows		
€/000	**31 December 2024**	**31 December 2023**
Cash outflow for lease payments made	3,116	2,041
Totale	**3,116**	**2,041**

26. PROVISIONS

€/000	Provision for future expenses	Provision for risks
Carrying amount at 1 January 2023	-	-
Amount provisioned for the year	1,683	-
Amounts used during the year	-	-
Carrying amount at 31 December 2023	**1,683**	**-**
Amount provisioned for the year	3,152	5,830
Amounts used during the year	(418)	-
Carrying amount at 31 December 2024	**4,417**	**5,830**

€/000	Provision for future expenses		Provision for risks	
	2024	**2023**	**2024**	**2023**
Current	-	-	-	-
Non-current	4,417	1,683	5,830	-
Total	**4,417**	**1,683**	**5,830**	**-**

Provision for risks includes an accrual to mitigate future tax risks.

Provision for future expenses covers costs that will be incurred in future years, in detail:

- costs to cover the disposal of obsolete materials in inventory, similarly with the previous year;
- costs related to taxes assessed on previous years but not yet settled to the tax authorities;
- costs arising from prior contractual agreements that arose from the sale of the Canadian subsidiary in the previous year.

27. TRADE AND OTHER PAYABLES

€/000	31 December 2024	31 December 2023
Current		
Trade payables	149,616	152,590
Other taxation and social security	13,665	14,508
VAT payables	-	104
Other payables	196	2,019
Accruals and deferred income	14,063	12,699
Payable to employees	24,197	20,253
Payable to related parties (Note 32)	2,452	995
Total	**204,189**	**203,168**
Non-current		
Other taxation and social security	-	-
Payable to related parties (Note 32)	-	-
Other payables	255	239
Total	**255**	**239**

The carrying amount of the financial liabilities in the table above approximates their fair value.

REVERSE FACTORING

It should be noted that the entity agrees with several suppliers on reverse factor agreements, the typical structure and conditions applicable to all the arrangements are shown in the table below:

Structure of the arrangements	F.I.S. initiates a reverse factoring arrangement by notifying selected suppliers about a potential receivable purchase program, which is then negotiated and agreed between the Factor and the supplier. The agreement can be structured with or without recourse, based on the supplier's preference.
Timing of payment to the supplier	The supplier has the option to be paid in advance or according to the original payment terms. F.I.S. is not involved in this decision.
Selection of payables	Once suppliers enter the agreement, F.I.S. has to confirm to the Factor the acceptance of the specific payables (e.g. F.I.S. can elect not to accept the receivables related to shipments that had quality issues).
Terms of F.I.S. payment	F.I.S. has the option to extend payment terms by an additional 30 to 60 days beyond the original terms with Factors[1]. Factoring fees are incurred by supplier, the factors charge F.I.S. interest costs for the extended payment terms, when F.I.S. takes advantage of the extension option.

[1] As of 31 December 2024 the company has not extended any payment terms with Factors.

Management considered that trade payables resulting from commercial transactions and settled in the normal operating cycle are classified as current payables. They include payables that the supplier may have assigned, with or without notification, to financial institutions as part of a reverse factoring. F.I.S. considers these liabilities to have the characteristics of trade payables, in particular due to the ongoing commercial relationships with the involved suppliers and the payment schedules ultimately consistent with the operating cycle of a manufacturing company.

Below table summarizes the effects of the reverse factoring arrangements:

€/000	31 December 2024
Carrying amount of liabilities	
Presented within trade and other payables	6,900
For which extension to original payment terms have been agreed	-

Payment terms (avg. number of days)	31 December 2024
Liabilities that are part of the reverse factoring arrangements	82
Trade payables that are not part of the arrangement	73

28. CONTRACT LIABILITIES

Contract liabilities include advances and security deposits received from customers.

€'000	31 December 2024	31 December 2023
Contract liabilities		
Amounts received in advance and security deposits	74,959	82,599
Total	**74,959**	**82,599**

29. EQUITY

AUTHORISED SHARE CAPITAL

The company's share capital is €10,000,000.00, divided into 2,000,000 ordinary shares with a par value of €5 each. The articles of association allow for the issuance of category A, B, C, or D shares with different rights. No category A, B, C or D shares are currently outstanding.

In addition, the extraordinary shareholders' meeting on 27 June 2019, approved the issuance of a bond convertible into company shares and an increase in the share capital. The company will issue A, B, C, or ordinary shares for a maximum nominal amount of €53,100 as necessary to satisfy the Exchange Ratio indicated in the Bond Regulation.

ISSUED SHARE CAPITAL

€/000	
Issued and fully paid up:	
At 1 January 2024 - 2 million ordinary shares of €5 each	10,000
Issued during the year	-
At 31 December 2024 - 2 million ordinary shares of €5 each	**10,000**

REVALUATION RESERVE

This reserve remained unchanged from 31 December 2023.

€/000	
Law no. 342 of 21 November 2000	25,992
Law no. 350 of 24 December 2003	12,498
Decree law no. 185 of 29 November 2008	17,026
Article 110 of Decree law no. 104 of 14 August 2020	39,285
Total	**94,801**

OTHER RESERVES

€/000	2024	2023
Legal reserve	2,395	2,395
Equity component for convertible bonds	1,969	1,969
Reserve for remeasurement of defined benefit plans	553	591
FTA Reserve	(994)	(994)
Reserve for capital contribution	52,810	52,810
Total	**56,733**	**56,771**

The legal reserve relates to amounts reserved in accordance with the requirements of article 2430 of the Italian Civil Code and article 41.2 of the Company's by-laws.

As a result of the issuance of the convertible loan notes in 2019, subscribed by the sole shareholder, the Company recognised a specific non-distributable reserve of €1.9 million for the related derivatives, i.e. the option to convert the notes into equity instruments in accordance with IAS 32 and IFRS 9.

The reserve for capital contribution relates to cash amounts received by Bain Capital as a capital contribution on the acquisition date.

Origin, possible use and distribution of net equity items						
€/000	**Amount**	**Possible uses [1]**	**Available portion**	**Non distributable portion**	**Distributable**	**Use in the previous three financial years**
Share capital	10,000	-	-	-	-	-
Revaluation reserve	94,801	A - B - C	94,801	-	94,801	-
Legal reserve	2,395	B	2,395	2,395	-	-
Reserve for capital contribution	52,810	A - B - C	52,810	-	52,810	-
Equity component for convertible bonds	1,969	-	-	-	-	-
Reserve for remeasurement of defined benefit plans	553	-	-	-	-	-
FTA reserve	(994)	-	-	-	-	-
Extraordinary reserve	93,002	A - B - C	93,002	-	93,002	-
Undistributed net profits reserve	20,271	A - B - C	20,271	-	20,271	20,500
Negative goodwill	2,415	A - B - C	2,415	-	2,415	-
Reserve for state and regional aid	1,045	A - B - C	1,045	-	1,045	-
Profit / (Loss) for the year	27,145	-	27,145	-	27,145	-
Total	**305,412**		**293,884**	**2,395**	**291,489**	**20,500**

(1) A – Share capital increases, B – To cover losses, C – Dividends

30. FINANCIAL INSTRUMENTS

FINANCIAL RISK POLICIES AND STRATEGIES

The main risks identified and managed by the Company relating to its business operations are as follows:

- market risk (mainly interest rate risk): the risk of changes in the interest rates;
- credit risk: possibility of default of a counterparty or deterioration in its credit rating;
- liquidity risk: the risk of insufficiency of the Company's financial resources and the risk of not being able to meet its payment commitments; and
- currency risk: the risk related to the fluctuations in the foreign currency exchange rates.

The key financial instruments of the Company are a high-yield sustainability-linked senior secured bond, bank financing and demand and short-term bank deposits. Their principal purpose is to fund the Company's operations and to collect interest from the use of excess liquidity, respectively. The Company also has access to other financial instruments, leveraging trade receivables and payables arising from operations. Directors monitor the financial risks to which it is exposed regularly so as to anticipate any potential negative effects and take the necessary remedial actions.

FINANCIAL INSTRUMENTS

The principal financial instruments held, other than the prepayment derivative embedded in the 2022 ESG bond, are trade and other receivables, cash and cash equivalents, trade and other payables, bonds and borrowings. The table below summarises such financial assets and liabilities by category. The carrying amounts of the financial instruments are as follows:

31 December 2024					Carrying value
€/000	**Assets at amortised cost**	**FVTPL**	**FVTOCI**	**Liabilities at amortised cost**	**Fair Value**
Assets					
Trade and other receivables[1]	88,693	-	-	-	-
Cash and cash equivalents	157,899	-	-	-	-
Derivative financial instruments	-	6,117	-	-	6,117
Other non-current assets[2]	4,338	-	-	-	-
Liabilities					
Trade and other payables[3]	-	-	-	176,461	-
Loans and borrowings	-	-	-	421,054	-
Convertible loan notes	-	-	-	52,806	-
Lease liabilities	-	-	-	13,914	-
Other non-current liabilities	-	-	-	255	-

(1) Trade and other receivables in the statement of financial position include prepayments and corporation tax, which are not financial assets and hence excluded from the tables above.
(2) Other non-current assets include investments and debt instruments and excludes prepayments, which are not financial assets.
(3) Trade and other payables in the statement of financial position include progress billings, corporation tax, social security and other taxes and certain accruals which are not financial liabilities and hence excluded from the tables above.

31 December 2023					Carrying value
€/000	**Assets at amortised cost**	**FVTPL**	**FVTOCI**	**Liabilities at amortised cost**	**Fair Value**
Assets					
Trade and other receivables[1]	126,909	-	-	-	-
Cash and cash equivalents	119,069	-	-	-	-
Derivative financial instruments	-	2,147	-	-	2,147
Other non-current assets[2]	9,225	-	-	-	-
Liabilities					
Trade and other payables[3]	-	-	-	175,857	-
Loans and borrowings	-	-	-	407,922	-
Convertible loan notes	-	-	-	51,594	-
Lease liabilities	-	-	-	4,878	-
Other liabilities	-	-	-	239	-

(1) Trade and other receivables in the statement of financial position include prepayments and corporation tax, which are not financial assets and hence excluded from the tables above.
(2) Other non-current assets include investments and debt instruments and excludes prepayments, which are not financial assets.
(3) Trade and other payables in the statement of financial position include progress billings, corporation tax, social security and other taxes and certain accruals which are not financial liabilities and hence excluded from the tables above.

FAIR VALUE MEASUREMENT

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table shows the fair value hierarchy for financial assets and liabilities for which fair value was disclosed.

31 December 2024			Carrying value
€/000	**Level 1**	**Level 2**	**Level 3**
Assets	-	-	-
Derivative financial assets	-	6,117	-

31 December 2023			Carrying value
€/000	**Level 1**	**Level 2**	**Level 3**
Assets	-	-	-
Derivative financial assets	-	2,147	-

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/Financial liabilities	Valuation techniques and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to FV
Prepayment derivative embedded in the 2022 Bond. Level 2 fair value measurement.	The fair value of the derivative was estimated by comparing the fair value of a Plain Vanilla bond with the same terms of the 2022 Bond and the fair value of the structured 2022 Bond. The fair value of the bonds was estimated by actualising future cash flows at the risk free rate plus g-spread/option adjusted spread.	N/A	N/A

There were no transfers between Level 1 and 2 during the current or prior year.

INTEREST RATE RISK

This risk relates to unforeseeable changes in interest rates that could generate higher financial charges for the Company. At year end, the outstanding loans and borrowings only partially expose the Company to the risk that future hikes in interest rates could significantly increase its financial charges, since the convertible loan notes, with a nominal value of €53.1 million, have a fixed rate (2.0%), as well as the €350 million out of €400 million of the nominal main debt instrument (high-yield sustainability-linked bond) that have a fixed rate of 5,625%. Therefore, the main exposure to interest rate risk in relation to the outstanding loans and borrowings as at 31 December 2024 is related to the Notes issued with a nominal value of €50 million, which accrues interest at variable rate amounting to Euribor 3m + 5.5% and the loan of €10 million accruing floating rate interest equal to 3m Euribor + spread.

The following table shows the sensitivity on the Company's profit before tax for the year ended 31 December 2024 to a 1% change in interest rates, with all other variables held constant, based on year-end balances and rates.

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates changes as the Company's portfolio of debt and cash changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

€/000	Movement in basis points	31 December 2024	31 December 2023
	100	(600)	(500)

CREDIT RISK

The Company is not particularly exposed to credit risk on its trade receivables as its customers are mostly high standing multinational pharma companies with low insolvency risks. Bad debts of previous years were immaterial compared to the Company's turnover levels.

The Company's principal financial assets are bank balances, short term time deposits, cash and trade and other receivables which represent the Company's maximum exposure to credit risk in relation to financial assets. The following table is a summary of the Company's maximum exposure to credit risk:

€/000	31 December 2024	31 December 2023
Total trade and other receivables	101,659	146,567
Cash and cash equivalents	157,899	119,069
Total	**259,558**	**265,636**

LIQUIDITY RISK

The Company aims to maintain a balance between its need for cash and flexibility by using bank financing and other sources of funds. The main factors that affect its liquidity are the funds generated or used by operating and investing activities, its credit standing and the repayment and renewal conditions of its bank debt. With respect to its ordinary operating activities, F.I.S. has put in place the following policies and processes to optimise its financial resources:

- maintenance of a sufficient level of available liquidity;
- diversification of its sources of funds;
- agreement of adequate short-term lines of credit and medium-term financing with its banks; and
- monitoring its future liquidity requirements in line with its business plans.

As of 31 December 2024, the company had the following ratings: i) Fitch "B+" with a Positive Outlook; ii) S&P "B" with a Stable Outlook.

In February 2025, Moody's upgraded the Outlook from Stable to Positive while confirming the rating at "B3". both the Outlook at stable and the rating at "B".

CONTRACT MATURITY

The following tables detail the Company's remaining contractual maturity for its financial liabilities with regard to the repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest until maturity and principal cash flows.

31 December 2024 **€/000**	**Gross Contractual cash flows**	**Within one year**	**2-5 years**	**5-10 years**
Non-derivative financial liabilities				
Trade payables	149,616	149,616	-	-
Other payables	451	253	169	29
Lease liabilities	17,116	3,369	8,414	5,333
Loans and borrowings	490,812	33,800	457,012	-
Convertible loan notes	57,796	-	57,796	-
Total	**715,791**	**187,038**	**523,391**	**5,362**

31 December 2023 **€/000**	**Gross Contractual cash flows**	**Within one year**	**2-5 years**	**5-10 years**
Non-derivative financial liabilities				
Trade payables	152,590	152,590	-	-
Other payables	2,258	2,019	206	34
Lease liabilities	5,147	1,808	3,297	42
Loans and borrowings	504,631	33,388	471,242	-
Convertible loan notes	57,796	-	57,796	-
Total	**722,422**	**189,805**	**532,541**	**76**

FOREIGN CURRENCY RISK

The Company's foreign currency trade transactions mostly take place in US dollars and Canadian dollars. The Company has implemented a foreign exchange risk management policy related to the "on-book" exposure, with the aim of minimizing the impact of such risk.

The following table is a summary of the Company's net foreign currency-denominated monetary assets/(liabilities):

€/000	**31 December 2024**	**31 December 2023**
US Dollar	27,272	41,390
Canadian Dollar	-	(5,352)
Total	**27,272**	**36,038**

FOREIGN CURRENCY SENSITIVITY ANALYSIS

Presented below is the sensitivity of the Company's foreign currency exposure to reasonably possible changes in foreign currency rates based on the Company's historical experience and the current economic outlook. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items (including derivative instruments) in US dollars and Canadian dollars.

If the rates moved by +/- 10% the effect on profit and loss would be +/- 2.73 million.

CAPITAL MANAGEMENT

Company capital management aims to ensure sufficient capital indicators to support investment plans, complying with contractual obligations agreed with investors.

The Company makes sure it holds the required funds to finance its business development and operational needs. To guarantee a balanced financial structure and minimise the overall cost of capital, the sources of financing are a balanced mix of risk capital and debt capital, thus creating advantages for all stakeholders.

The return on risk capital is analysed according to market trends and business performance, having satisfied all other obligations, such as debt settlement. Consequently, to ensure appropriate capital returns, safeguard business continuity as well as business development, the Company closely monitors its debt-to-equity ratio, business performance and expected cash flow in the short and medium/long term.

31. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The contingent liabilities of the Company include securities provided to financial institutions forthe loans and borrowings used and the details are as follows:

31 December 2024					
Issuer	**Type**	**Risk**	**Amount**	**Start date**	**Maturity date**
Coface	Surety	Lonigo waste-to-energy plant	841,74	15/12/21	15/11/27
Cassa di risparmio Veneto	Surety	Vicenza provincial authorities - Storage of waste	12,24	2006	without repayment date
Cassa di risparmio Veneto	Surety	Molise region	8,745	2006	without repayment date
Zurich	Surety	Amm.ne Prov.Vicenza waste storage	55,777	28/12/99	30/04/25
Coface	Surety	Vicenza Customs Agency, Excise Electricity	7,32	16/09/16	16/09/25
Coface	Surety	AIA Montecchio in favour of Provincla Vicenza	775	07/07/15	31/12/26
Liberty Mutual Insurance Europe	Surety	New Viale Europa car park	68,2	03/03/21	03/03/25
Generali	Surety	VAT Reimbursement	1,535,465	13/05/24	13/05/28
S2C Spa Compagnia di Ass.ni di Credito e Cauzioni	Surety	VAT Reimbursement	676,436	18/09/24	18/09/27
Coface	Surety	Vicenza Customs for the deposit of customs duties	6,494,960	09/03/21	28/06/25
S2C Spa Compagnia di Ass.ni di Credito e Cauzioni	Surety	VAT Reimbursement	1,010,805	15/07/24	15/07/27

31 December 2023					
Issuer	**Type**	**Risk**	**Amount**	**Start date**	**Maturity date**
Coface	Surety	Lonigo waste-to-energy plant	841,74	15/12/21	15/11/27
Cassa di risparmio Veneto	Surety	Vicenza provincial authorities - Storage of waste	12,24	2006	without repayment date
Cassa di risparmio Veneto	Surety	Molise region	8,745	2006	without repayment date
Zurich	Surety	Amm.ne Prov.Vicenza waste storage	55,777	28/12/99	30/04/24
Coface	Surety	Vicenza Customs Agency, Excise Electricity	7,32	16/09/16	16/09/24
Coface	Surety	AIA Montecchio in favour of Provincla Vicenza	775	07/07/15	31/12/26
Liberty Mutual Insurance Europe	Surety	New Viale Europa car park	68,2	03/03/21	03/03/24
Coface	Surety	Vicenza Customs for the deposit of customs duties	6,494,960	09/03/21	28/06/24

In addition, the Company is a party to several litigations arising from legal disputes and tax matters. Contingent liabilities arising from legal disputes mainly relate to possible obligations under fiscal law and to possible obligations under labour law.

In addition, the Company is involved in several lawsuits related to legal disputes and tax issues.

OTHER COMMITMENTS

The Company has purchase commitments of €16.7 million for fixed assets at 31 December 2024 (2023: €13.3 million).

32. RELATED PARTY TRANSACTIONS

During the year, the Company engaged in trade and financial transactions with group companies and other related parties. These transactions are part of the Company's normal business activities and take place at the contractually established conditions, on an arm's length basis.

TRADING TRANSACTIONS

During the year, the Company entered the following transactions with related parties:

	Financing transactions		Trading transactions	
€/000	**31 December 2024**	**31 December 2023**	**31 December 2024**	**31 December 2023**
Parent Companies	-	-	(12)	-
Other related parties	-	-	5,847	-
Subsidiaries	-	-	2,421	4,771
Total	**-**	**-**	**8,256**	**4,771**

Trading transactions refer to commission costs, paid to subsidiaries upon the sale of products in the period, and strategic consultancy costs for post-acquisition services, paid to companies that are part of the Bain Group. The following amounts were outstanding at the reporting date:

	Amounts owed by related parties		Amounts owed to related parties	
€/000	**31 December 2024**	**31 December 2023**	**31 December 2024**	**31 December 2023**
Parent Companies	12	-	0	0
Other related parties	-	-	3,347	0
Subsidiaries	-	-	811	995
Total	**12**	**-**	**4,158**	**995**

The outstanding amounts are unsecured and will be settled through cash and cash equivalents. No provisions have been made for doubtful debts regarding amounts owed by related parties.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the key management personnels which are the leadership team of the company, is set out below as required under IAS 24 *Related Party Disclosures*.

€/000	31 December 2024	31 December 2023
Short-term employee benefits	4,716	4,180
Total	**4,716**	**4,180**

Following Bain Capital Acquisition, Molecule (BC) Holdco S.p.A implemented a management co-investment plan for certain members of F.I.S. senior management team and certain members of the board of directors

33. DIRECTORS REMUNERATION AND FEES PAID TO STATUTORY AND INDIPENDENT AUDITORS

The following table shows the remuneration of the Directors, the Board of Statutory Auditors and the fee for the independent statutory audit.

€/000	31 December 2024	31 December 2023
Remuneration of Directors	1,544	743
Remuneration of the Statutory Auditors	67	56
Fees of the Independent Auditors	75	95
Fees of the Independent Auditors' network companies for services provided during the year	84	53
Total	**1,771**	**947**

34. INFORMATION PURSUANT TO ARTICLE 1, PARAGRAPH 125, OF LAW NO. 124 OF 4 AUGUST 2017

Pursuant to the requirements of article 1.125 of Law no. 124/2017 about the disclosure of grants, subsidies, paid positions and financial benefits of any kind received during the year from the public administrations or parties as per article 1.125 and the provisions of article 1.127, reference should be made to the note to Other operating income, Note 9.

Paying entity	Grant date	Measurement	Instrument	Amount	Status as of 31 December 2024
Regione Veneto - Direzione Formazione e Istruzione	03/07/2023	“Programma Regionale del Fondo Sociale Europeo Plus” Veneto 2021-2027	Subsidy/grant on account of interest	2,967	Fully paid
Invitalia - Agenzia nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa S.p.A.	29/12/2023	Development contracts per article 43 of the legislative decree of 25 June 2008, n. 112, converted by law 6 August 2008, n. 133	Subsidy/grant on account of interest	19,985,000	Not paid
Invitalia - Agenzia nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa S.p.A.	29/12/2023	COVID-19: Investments for sustainable recovery – Development contracts	Subsidy/grant on account of interest	1,744,229	Not paid
Invitalia - Agenzia nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa S.p.A.	29/12/2023	COVID-19: Investments for sustainable recovery – Development contracts	Subsidy/grant on account of interest	8,255,771	Not paid
INPS	24/01/2024	Partial exemption from the payment of social security contribution in disadvantaged areas affected by the Russian aggression against Ukraine	Subsidy/grant on account of interest	754,093	Fully paid

35. APPROVAL OF FINANCIAL STATEMENTS

The proposed financial statements were approved by the board of directors and authorised for issue on 18 March 2025.

36. ALLOCATION OF NET PROFIT FOR THE YEAR

Pursuant to article 2427.1.22-septies of the Italian Civil Code, it is proposed that the net profit for the year of €27.144.752,64 to be carried forward as retained earnings.

37. FUTURE EVENTS

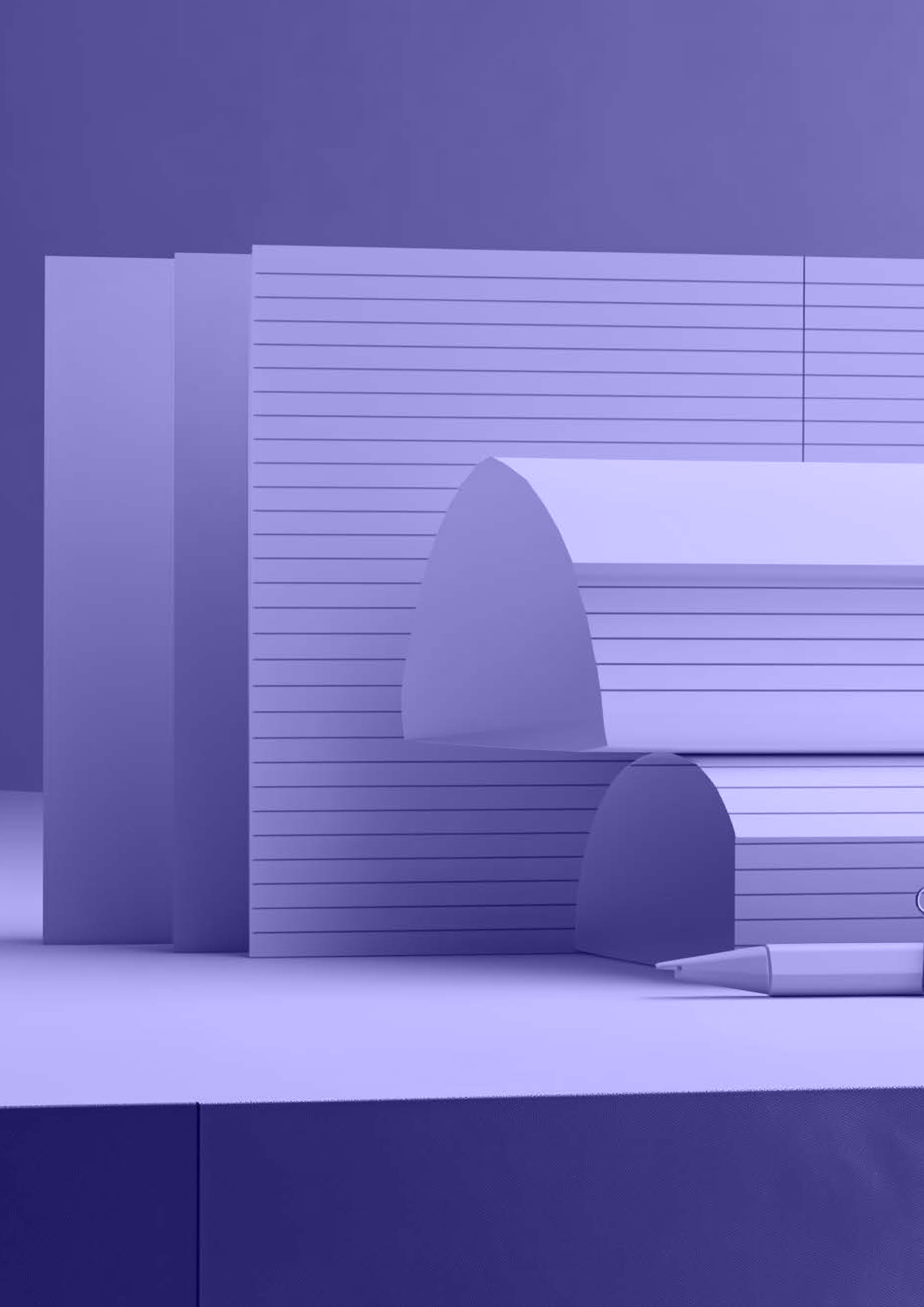
No significant events have occurred after the end of the financial year that would necessitate the inclusion of specific disclosures in these financial statements.

Regarding the possibility of the United States applying customs duties, the Company currently deems not possible to reliably estimate their potential effect on its performance.

Montecchio Maggiore – March 18th, 2025

Representing the Board of Directors

Manuel Barreca



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Independent auditor's report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholder of F.I.S. Fabbrica Italiana Sintetici SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of F.I.S. Fabbrica Italiana Sintetici SpA (the Company), which comprise the statement of financial position as of 31 December 2024, the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2024, and of the result of its operations and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards

Board and adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

pwc

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as require by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinions and statement in accordance with article 14, paragraph 2, letters e), e-bis) and e-ter) of Legislative Decree No. 39/10

The directors of F.I.S. Fabbrica Italiana Sintetici SpA are responsible for preparing a report on operations of F.I.S. Fabbrica Italiana Sintetici SpA as of 31 December 2024, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order t

- express an opinion on the consistency of the report on operations with the financial statements;
- express an opinion on the compliance with the law of the report on operations;
- issue a statement on material misstatements, if any, in the report on operations.

In our opinion, the report on operations is consistent with the financial statements of F.I.S. Fabbrica Italiana Sintetici SpA as of 31 December 2024.

Moreover, in our opinion, the report on operation is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e-ter), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, 31 March 2025

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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