

1H22 results: first take

September, the 29th 2022 at 9:00



1H results: a new record high

The Group released 1H22 results today beating its 1H21 record in Cosmetics sold volumes, turnover, EBITDA margin and net income. Sales rose by 25.5% yoy to €2.1m in 1H22 vs €1.7m a year earlier. Growth was entirely driven by the selling of cosmetic ingredients which turnover increased by 28% to €1.8m from €1.4m a year earlier. In the 1H22 volumes peaked at 7,470kgs compared to previous record at 5,913kgs in 1H21 (+25% yoy) with an average price of €246 (€241 in 1H21).

Total revenue, including research contracts and research grants, rose by 34% yoy to €2.8m.

EBITDA surged from €641k in 1H21 to €1.2m in 1H22 with margin improving 130bps to 44%. Net income increased to 25% of Total Revenue from 19% a year earlier.

Net cash at the end of June 2022 was €4.9m from €4.1m at the end of December 2021.

Estimates revision: 2022E-2024E following 1H22 results above our projections

According to management, 1H22 revenue trend is confirmed by current orders intake.

Our previous FY22 cosmetic turnover forecast was €3.7m (+14% yoy), which looks conservative amid 1H22 strong growth.

We project a 40% EBITDA margin in 2022; our forecast looks prudent on the back of the 44% EBITDA margin reached in the first semester. Finally, we expect €4.9m net cash at the end of December, including €600k capex and some €200k change in NWC.

We will then revise our 2022-2024 estimates to include higher growth and marginality.

[Please refer to our Company Update on February, the 4th 2022]

Main risk to our estimates remains Arterra's effective capacity to diversify into new end-markets, within the planned time to market; yet it has been showing its capability to strongly grow in Cosmetics even beyond Intercos, via Vitalab, which was our additional concern.

Valuation: BUY confirmed; 12-month target price UNDER REVIEW

Regarding the relative valuation, market multiples have significantly decreased since our last report. [Please refer to our Company Update on February, the 4th 2022] The sample of listed international peers now trades at an average of 4.6x EV/SALES and of 12.3x EV/EBITDA 2022-2023 vs previous 6.6x and 15.2x respectively.

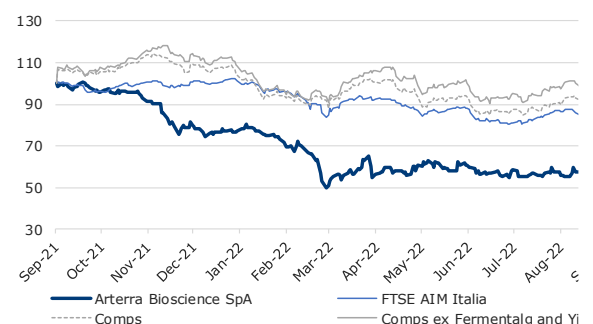
Arterra trades well below its best peers at 1.5x the average EV/SALES 2022-2023 and at 3.4x the average EV/EBITDA 2022-2023, despite significantly higher margins.

We confirm our BUY recommendation but put our 12-month target price under review to finalize estimates revision and include our view on the interest rates path in our DCF model.

Target Price	5.2 €	Under review
Recommendation	BUY	Confirmed
Company Profile		
Ticker	ABS IM (BBG)	ABS-IT (Factset)
Reference Industry		Health Care - Biotech
Stock Exchange	Italian Stock Exchange - Euronext Growth	
Reference Index		FTSE Italia Small Cap
Market Data		
Price as of	27/09/2022	19
Number of shares (mln)		6.7
Market capitalization (€mln)		12.8
Max / Min		5.2/18
Average daily volumes		10,541

€'000	1H 20	2020	1H 21	2021	1H 22
Turnover	1,507.0	2,821.5	1,694.9	3,825.4	2,126.4
yoy (%)	-2%	4%	2%	36%	25%
VoP	2,074.2	4,308.5	2,066.4	4,608.2	2,766.5
yoy (%)	-2%	19%	2%	7%	34%
EBITDA	616.0	2,127.1	641.0	2,053.1	1,204.6
margin (%)	30%	49%	31%	45%	44%
EBIT	434.6	1,726.7	422.0	1,565.8	936.9
margin (%)	21%	40%	20%	34%	34%
Net Income	344.3	1,633.9	390.6	1,428.2	678.6
margin (%)	17%	38%	19%	31%	25%
adj. Net Debt	(3,075)	(4,066)	(3,796)	(4,199)	(4,919)
Equity	7,341.5	8,180.9	8,571.7	9,472.7	1,856.3
Capex	185.6	382.6	304.6	609.1	n.a.
FCFs	188.1	841.0	322.8	561.0	n.a.

1Y normalized performance



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SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Outstanding R&D and high qualified Technology Team • A global market reach with limited sales force investments thanks to the partnership with Intercos and the equity stakes in Vitalab and ADL • Scalable business model as products and the in-house developed IPs can be applied simultaneously to different end-markets • Profitable business model, since its set up, for a very low cost of raw materials and an efficient and light organizational structure 	<ul style="list-style-type: none"> • Small size of the business • End-markets concentration
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Bioscience great momentum as product sustainability has become the key mission of many industries • Significant growth potential and resilience of main end-market, the cosmetic industry • Rich opportunities in Nutraceutical and Agri-food 	<ul style="list-style-type: none"> • Effective end-markets diversification within the planned time frame • Potential difficulty in maintaining the independence from global multinational brands

Industry analysis

Arterra competitive arena: strategic positioning and competitive advantages

European and US listed biotech companies

The competitive scenario comprises European and US listed biotech companies active in the research and development of natural substances for industrial green applications.

A profitable business model is the difference between Arterra and its international listed competitors

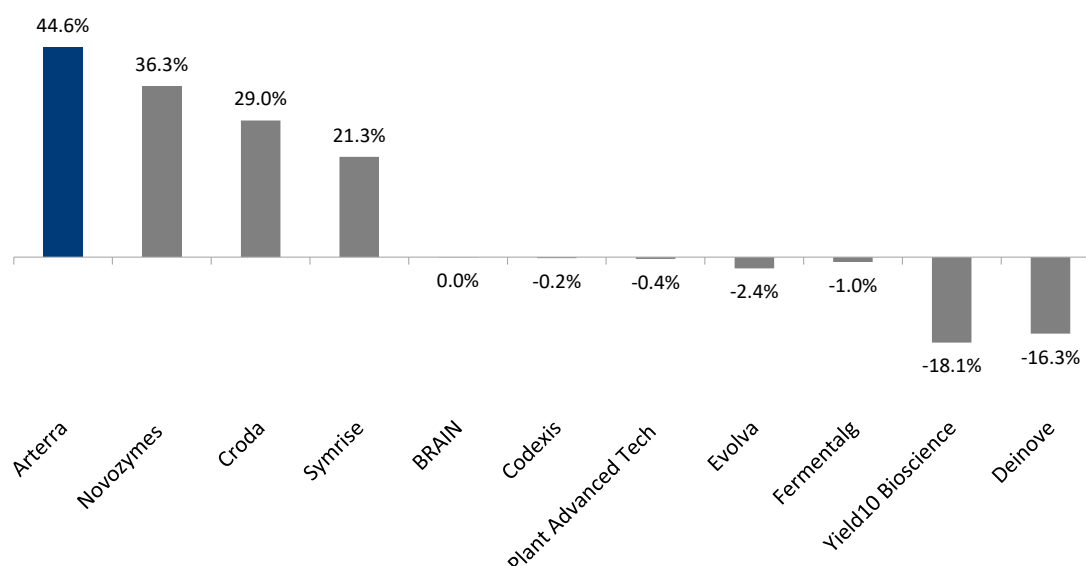
Main difference between Arterra and its comparables is profitability. Furthermore, Arterra has funded its research, investments and growth through research grants (at the beginning) with no additional either funds or venture capital needed.

In 2021 Arterra showed the highest EBITDA margin among peers

Since its foundation, in 2004, Arterra has been showing positive EBITDA, whereas its peers show either negative marginality or much lower profitability than Arterra. We set a sample of listed peers which includes the German Brain and Symrise, the British Croda, the French Fermentalg and Plant Advanced Technology, the Swiss Evolva, the Danish Novozymes and the US Codexis and Yield 10 Bioscience. Moreover, we added more mature specialty chemicals companies that have little operations in Natural Resources, such as Clariant, Evonik, Lonza and Ashland.

In 2020, Arterra reported 45% EBITDA margin, confirming as the highest among peers' sample.

Figure 1: Main international listed players in the Industry – EBITDA margin in 2021



Source: Banca Profilo elaborations on Company data, Factset

The negative EBITDA margin has been divided by 100 in order to make a graphic representation of the competitive arena

B.R.A.I.N. (DE)
€41mIn turnover -
€2mIn EBITDA

Biotechnology Research and Information Network AG, is a German industrial biotech company active in both BioSciences, for research and development, and BioIndustrial, for the development, of own products addressed to companies or end consumers. Main products are enzymes, biocatalysts, strains and bioactive natural substances. The Company discovers and develops biotech compounds and microbial producer strains. Its end markets are mainly: Chemicals, Cosmetics, Food and Medical technology, as well as Energy companies, Consumer goods manufacturers and the green Mining sector.

Croda (UK)
GBP 1.9bn turnover
29% EBITDA margin

Croda International Plc, is an English holding of a group of companies that develop specialty chemicals, including oleochemicals (derived from natural oils) and industrial chemicals. Its main end markets are: Consumer Care (35%), including Personal care (natural ingredients for hair, skin especially anti-aging, sun care), Life science (health care and Agriculture with ingredients and formulation to pharma and nutritional markets such as dermatology and animal health and to agrochemical companies); Performance Technologies (34%), to which it delivers high-added value additives such as lubricants for the Automotive and Industrial sectors, coatings and polymers serving Oil & Gas,

Water treatment, Packaging sector and Home care ingredients serving Households product manufacturers; Industrial Chemicals (11%) including process additives (fatty acids, glycerin...) to Textiles and other Industrials such as Engineering and Automotive. It is mostly exposed in Western Europe (40%), North America and Asia Pacific.

Symrise (DE)
€3.8bn turnover
21% EBITDA margin

Symrise AG, is a German developer of fragrance bases, perfume oils, cosmetic raw materials and active ingredients, plant extracts, aroma chemicals, flavorings, fruit powders and seasonings, mostly based on natural raw materials. It addresses mainly to: Cosmetics, Personal care, Household care, Food & Beverage and Pharmaceuticals. Half of its sales come from Europe.

Deinove (FR)
€400k turnover
€-6mIn EBITDA

Deinove SA, is a French company that develops compounds originated from bacteria. Its main clients are active in: Health Care, Nutrition and Cosmetics. Among its products there are: bio actives or active ingredients of natural origin to invent the new generation of sustainable Cosmetics (mostly anti-aging) and to new products for the nutrition and health care products; organic acids, anti-infective molecules responding to the global challenge and major health threat of antibiotic resistance (mostly severe gastrointestinal infections), ethanol and biofuels.

Evolva (CH)
CHF 10mIn turnover
CHF -24mIn EBITDA

Evolva Holding SA is a Swiss biotech firm that manufactures sustainable ingredients for use in Food, Nutrition, Personal Care and Agriculture. Mostly uses biosynthetic and evolutionary technologies to create and optimize small molecule compounds and their production routes. Main products/ingredients: stevia sweeteners, nootkatone and resveratrol. Their processes start from plants (sugar from wheat or maize) and use yeast through fermentation.

Fermentalg (FR)
€5.6mIn turnover
€ -6mIn EBITDA

Fermentalg SA, is a French industrial biotechnology company that obtain active ingredients from micro algae. It is an expert in microalgae culture and their industrial fermentation processes. Its main products are molecule including Omega 3 fatty acids, natural pigments antioxidants, proteins and biopolymers. It addresses its production to the following end-markets: Agri-food, Healthcare, Nutrition (human and animal) and Petrochemical industries.

Plant Advanced Technologies (FR)
€2.3mIn turnover
€ -0.9mIn EBITDA

Plant Advanced Technologies SA is a French plant biotechnology firm manufacturing rare new actives for Cosmetics, Pharmaceutical and Agriculture. Its main products are proteins from the liquid of carnivorous plants and other actives from the roots of various plants.

Novozymes (DK)
DKK 15bn turnover
36% EBITDA margin

Novozymes, a Danish biotech-based company that research, develops and obtain enzymes for Industrial usage and addresses them to the technical enzyme market, the food enzyme market and the animal feed enzyme market.

Codexis (USA)
USD 105mIn turnover
USD -19mIn EBITDA

Codexis Inc. is an American developer of protein and biocatalysts through an easy-on-the-environment technology that allows to scale-up and implement biocatalytic solutions for chemical processing. Relevant end-markets include Pharmaceuticals and Chemicals. It has a research agreement with Shell (half of Codexis' sales) to develop new ways of converting biomass into biofuel. It is also working to use its technology to manage carbon emissions from coal-fired power and treat wastewater. Some of its biocatalysts and enzymes are used to produce cholesterol-fighting drugs, allergy drugs and antidepressants. Americas represent almost 60% of Codexis' sales.

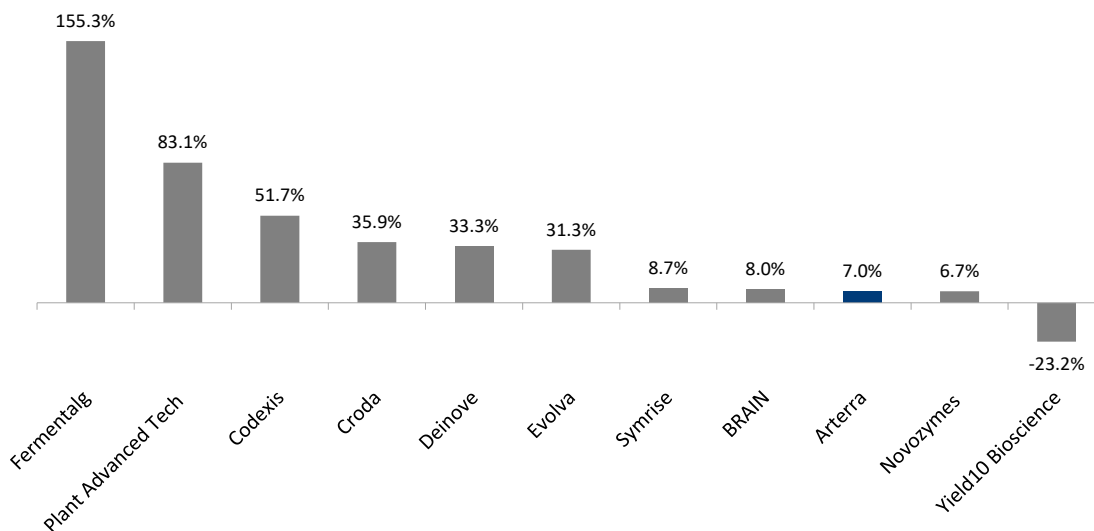
Yield10 Bioscience
USD 600k turnover
USD -11mIn EBITDA

Yield10 Bioscience Inc. is an American agricultural bioscience company which focuses on the development of disruptive plant biotechnologies to improve crop productivity and seed yield and enhance global food security. The goal is to improve fundamental elements of plant metabolism through enhanced photosynthetic efficiency and directed carbon utilization. Most of its treatments are applied to canola, soybean, and corn to increase tolerance to drought, flooding and heat and thus raise their food productivity.

In 2021 Arterra showed slower growth than peers

In 2021, Arterra reported 7% yoy total revenue growth, which compares to the peers' sample average of 36%.

Figure 2: Main international listed players in the Industry – yoy growth in 2021



Source: Banca Profilo elaborations on Company data, Factset

Market multiples

EV/SALES and EV/EBITDA used to assess the market multiples valuation of Arterra according to two selected sub-samples

To assess a relative valuation of Arterra through the market multiples approach, we divided our panel of comparables in to two set of peers:

- a first sub-sample of Arterra's peers, mostly by business and potential growth, but with negative EBITDA margin, including BRAIN, Evolva, Fermentalg, Plant Advanced Technologies, Codexis and Yield10 Bioscience;
- a second sub-sample of Aterra's peers, mainly by margins and cash flow generation, including Croda, Symrise, Novozymes, Lonza, Ashland, OCI and Wacker Chemie.

Table 1: Sample benchmarking on revenue growth and EBITDA margin

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
06/09/2022				2018	2019	2020	2021	2022E	2023E	2018	2019	2020	2021E	2022E	2023E
BRAIN	EUR	145	148	22.6%	24.8%	-0.5%	8.0%	26.5%	16.7%	-16.7%	-7.3%	-9.1%	-5.0%	-1.1%	4.9%
Croda	GBP	9,252	10,088	1.0%	-0.7%	0.9%	35.9%	0.7%	-5.3%	28.5%	28.8%	27.9%	29.0%	30.9%	31.5%
Symrise	EUR	14,543	15,939	5.3%	8.0%	3.3%	8.7%	17.0%	6.6%	20.0%	20.3%	21.1%	21.3%	20.9%	20.9%
Evolva	CHF	105	100	30.9%	32.3%	-36.1%	31.3%	52.0%	57.9%	-260.4%	-103.4%	-222.3%	-240.9%	-96.2%	-42.2%
Fermentalg	EUR	105	89	-46.6%	n.m.	16.3%	155.3%	93.4%	74.5%	-3002.0%	-501.9%	-306.3%	-103.6%	-44.5%	-19.6%
Plant Advanced Technologies	EUR	19	23	37.5%	9.1%	4.7%	83.1%	30.4%	35.0%	-218.2%	-91.7%	-47.8%	-37.0%	0.0%	22.2%
Novozymes	DKK	93,721	99,320	-1.0%	-0.1%	-2.5%	6.7%	16.2%	4.1%	35.8%	36.7%	35.1%	36.3%	35.3%	35.2%
Codexis	USD	430	361	21.1%	13.0%	0.9%	51.7%	30.8%	-35.8%	-3.8%	-10.8%	-31.8%	-18.6%	-19.8%	-80.2%
Yield10 Bioscience	USD	14	1	-38.2%	45.0%	-0.9%	-23.2%	-18.2%	696.8%	-1508.0%	-1026.8%	-1175.5%	-1811.6%	-2678.7%	-338.9%
Lonza Group	CH	38,202	41,310	8.6%	6.8%	4.5%	-12.5%	14.7%	11.7%	27.3%	26.8%	22.7%	30.8%	31.7%	32.5%
Ashland	USA	5,376	6,800	1.4%	-28.4%	-4.6%	n.a.	n.a.	n.a.	18.8%	21.6%	22.2%	21.8%	24.8%	25.2%
OCI NV	NL	7,843	13,149	56.3%	-2.6%	1.8%	95.2%	70.9%	-17.7%	28.6%	22.8%	24.0%	40.1%	41.9%	33.6%
Wacker Chemie AG	DE	7,257	8,107	1.2%	-1.0%	-4.8%	32.3%	32.0%	-11.3%	18.7%	15.8%	14.2%	24.8%	25.7%	18.4%
Median best peers				21.9%	24.8%	0.2%	41.5%	30.6%	46.5%	27.3%	22.8%	22.7%	29.0%	30.9%	31.5%
Arterra	ITA	13.4	9.8	8.4%	21.8%	18.8%	7.0%	18.4%	20.7%	38.3%	34.1%	37.2%	37.7%	44.6%	48.2%

Source: Banca Profilo estimates and elaborations on Factset

EV/SALES: 7.7x
EV/EBITDA: 15.8x

Consistently with our sample split up, we use EV/SALES 2022-23E at 4.6x, well below than in our previous Company Update at 7.7x [Please refer to our Company Update on February, the 4th 2022] of the first sub-sample and EV/EBITDA 2022-23E at 12.3x, again lower than in our previous research at 15.8x [Please refer to our Company Update on February, the 4th 2022]. Arterra currently trades more than 65% below the first sub-sample mean and some 70% discount on the second sub-sample, despite it shows the highest EBITDA margin in 2021, to be confirmed in the following years.

Table 2: Market multiples

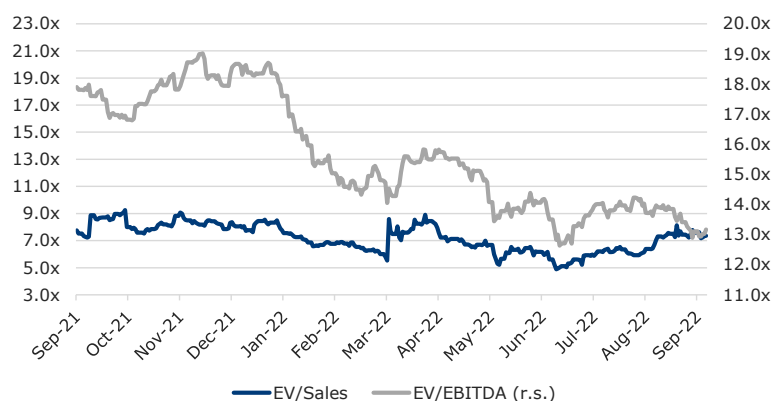
Company	EV / Sales		EV / EBITDA	
	2022E	2023E	2022E	2023E
21/09/2022				
BRAIN	2.4x	2.1x	n.m.	n.m.
Croda	5.2x	5.6x	17.0x	17.8x
Symrise	3.5x	3.3x	16.8x	15.8x
Evolva	6.4x	4.1x	n.m.	n.m.
Fermentalg	7.0x	4.0x	n.m.	n.m.
Plant Advanced Technologies	7.4x	5.5x	n.m.	n.m.
Novozymes	5.4x	5.1x	15.1x	14.8x
Codexis	2.7x	4.2x	n.m.	n.m.
Yield10 Bioscience	6.7x	0.8x	n.m.	n.m.
Lonza Group			19.1x	16.7x
Ashland			11.2x	10.6x
OCI NV			3.3x	4.7x
Wacker Chemie AG			3.6x	5.5x
Mean best peers	5.2x	4.0x	12.3x	12.3x
Arterra	1.7x	1.4x	3.8x	2.9x
<i>premium (discount) on best peers</i>	<i>-67%</i>	<i>-65%</i>	<i>-69%</i>	<i>-76%</i>

Source: Banca Profilo estimates and elaborations, Factset

Market multiples
derating

The sample market multiples have gone down in the past months.

Figure 3: Sample market multiples evolution (one year analysis)



Source: Banca Profilo elaborations, Bloomberg

APPENDIX

Arterra's reference Industry: biotech serving the irreversible trend of product sustainability

Product environmental sustainability has become the mission of any industry

Biotechnology is living a great momentum to find solutions to green products

Arterra: know-how in biological science to develop active innovative compounds for green processes and eco-friendly products

Nature contains a treasure trove of ingredients that can improve health, wellness and nutrition. Plants, animals and human cells that make these ingredients are often too rare, too hard to grow or do not reproduce enough to allow sustainable sourcing at the right quality and price. The plant kingdom is recognized as one of the most diverse and abundant sources of potentially active compounds.

Bioscience studies and screens to discover active molecules in nature and Biotechnology finds methods to make them reproduce to become an enough sustainable resource for specific applications.

Arterra Bioscience is an Italian, innovative SME, research-based biotech company with a strong know-how in biological science and an extensive experience in screening for the discovery of new active compounds with potential multiple industrial applications, such in Cosmetics, Nutraceutical, Agriculture and Agri-food. By studying signal transduction mechanisms in plants, animals and human cells, Arterra uses its technological platforms to verify the existence of molecular activity in various type of natural resources, which might have simultaneous industrial applications.

Figure 4: Biotech sources of research and fields of application



Source: Company data

Arterra: strong know-how and experience for simplifying needs of many industries in the persisting search for clean substitutes to chemicals

Arterra's research activity is focused on the so-called Green Biotech (from plants and agricultural processes to innovative active ingredients) and White Biotech (from raw materials to valuable compounds). Other Biotech source of research are: the sea and its organism (Blue Biotech) and genetics (Red Biotech). Arterra also uses algae and microalgae in the Blue Biotech, whereas from Red Biotech it acquires data on genetics and drug discovery and uses them for potential innovation and discovery addressable to other needing sectors. Arterra's main areas of activity are: technological screening platforms; plants and cellular farming to brew or modify in order to obtain rich molecules; process innovation mostly in the extraction phases.

Arterra's bio factories and biomass production have applications in various fields simultaneously: the Company's core and current end market is Cosmetics, whereas new and potential sectors are Nutraceuticals, functional food and Agri-food processing.

Arterra: ready to serve the most active sectors in the global trend to sustainability. Ongoing research projects on rich biomolecules for application in: Medical Devices Nutraceutical Agriculture Agri-food

The global industry is in an irreversible trend of finding ways to sustainable products and processes. Arterra is ready to serve the most active sectors in this global trend, through both its innovative technologies and its range of bio-sustainable active ingredients that can be applied not only to various end-markets but also to different segments in the same sector (from mass green to prestige luxury products, mostly in Skincare).

The most active market is Cosmetics, Arterra's core end-market, followed by Pharmaceutical, Nutraceutical, Agriculture and Agri-food.

The Pharmaceutical industry is investing in new applications using natural ingredients which are easier to be absorbed by the organism. Arterra has several ongoing research projects to find ways to add natural ingredients in the recipes of different Medical Devices (as any product that acts physically and mechanically, not biologically), mostly treatments addressed to the gastrointestinal, respiratory, and nervous systems.

The Nutraceutical industry is experiencing a growing demand of food supplements to add to one's diet, when lacking some key nutrients. Arterra is developing methods to enhance quality and concentration of natural ingredients to be added to food supplements based on solid research, effective screening, and robust tests.

Agriculture is gradually shifting towards sustainability as consumers are increasing their attention towards organic food and key players are introducing sustainable techniques for producing and protecting crops in place of chemical pesticides and fertilizers. Arterra is developing tools to enhance the use of bio solutions for pest control, for protecting the plants from climate stress, for quality improvement.

In the Agri-food industry there is a strong and increasing interest for natural food preservatives and additives as consumers' attention on both the production and conservation of food has been significantly increasing. Main players have begun investing in biological molecules that can act as natural preservatives or colouring. Arterra is working on various active ingredients acting as antioxidant to be used for natural preservation of fresh food.

A focus on Arterra's core end-market: Cosmetics (85% of 2021 revenue)

Cosmetics is Arterra's core end-market, reached both through a partnership agreement with Intercos, which buys Arterra's active compounds and put them into its formulas, (mostly sold to make-up and skincare global brands of various positioning, from mass, to private label to prestige brands), and an equity co-participation in the joint venture Vitalab (25% Arterra and 75% Intercos), which distributes Arterra's active ingredients mostly to skincare multinational global and luxury global brands. In 2021, the turnover coming from Cosmetics (skincare) was 85% of revenue, the remaining coming from Research contracts and other Services.

High productivity and quick time to market of the active compounds in skincare

The productivity of the active compounds used in Skincare is particularly high: 1kg of active compound produces from 200kg (in the suggested formulas) to 1000kg of final product (if used for mass market/marketing purposes). The time to market in Cosmetics is shorter than in other end markets: from 3 to 6 new active ingredients have been released every year, which compares to 3 to 5 years in Agriculture, as an example.

Finally, whatever the direction the final demand takes in a scenario of global change of customers' perceptions and lifestyle, especially post Covid-19 outbreak, Arterra will promptly respond since its active compounds are able to serve from the luxury to the mass market.

Arterra overview and business model

Company overview and activities

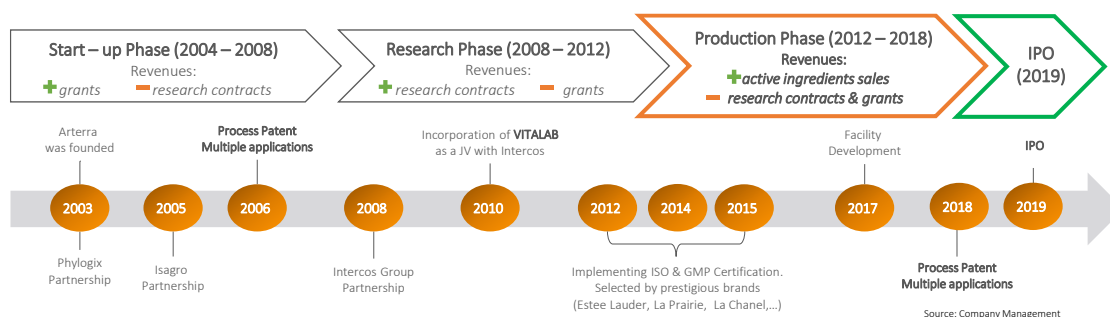
Founded in 2004 by Gabriella Colucci in Naples, as a spin-off of Arena Pharma Biology division (San Diego, USA). A key partner for bio innovation to various end-markets.

Arterra Bioscience was founded in 2004 in Naples by Gabriella Colucci, an Italian Scientist who returned to Italy after more than four years as Senior Research Scientist at Arena Pharmaceuticals (a listed company on NASDAQ), leading the Plant Biology Team. Arterra is a spin-off of Arena Pharmaceuticals from which it took the biotechnology developed by Ms. Colucci during the years spent in the US Company. Arterra has started bio research for industrial applications more than 15 years ago, anticipating an urgent need, a mandatory and irreversible global trend today. Other than being Ms. Colucci native city, Naples has been chosen as Arterra's headquarter for: i) its competitive R&D costs (including labour, leasing, transportation, and utilities); ii) being in the South and thus having an easier access to substantial support by the EU funds for Bioscience research; iii) the local presence of accredited universities and Research Centers from which highly qualified scientists come out.

From a small research group to a profitable biotech company.

At the beginning of its activity, in 2004, Arterra's main sources of revenue were the research grants from public institutions (Regione Campania, MISE, MIUR and the European Union). In 2005, Isagro invested a 22% stake in Arterra and became financing the bio research for innovation in Agriculture. Arterra's first patent was in this field, but immediately the Company discovered its perfect fit and application to Cosmetics. In 2007, research grants contributed for about 55% and research contracts for less than 20% of total revenue. Starting from 2008, both the agreement with Intercos for developing new active compounds for skincare green products and the setting up of the joint venture, Vitalab, for the distribution to clients different from Intercos', marked the shifting of revenue from mainly public research grants to research contracts.

Figure 5: from a research group to a profitable biotech company



In 2021, turnover for the selling of active compounds contributed for more than 70% of Total Revenue, that for research contracts weighed 12% and public grants reduced their contribution to sales to 17%. Starting from 2017, the bio facility was extended and further developed and Arterra started the production of new active bio ingredients for different end-markets, thanks to a new process patent with multiple industrial applications. Starting from the second half of 2019, a first round of significant investments, using IPO proceeds, have been made for doubling production capacity and optimizing production processes. Moreover, the organizational structure has been strengthened appointing: an R&D coordinator (V. Fogliano), a Chief Operating Officer (G. Ferrante), a Grant & IP Director (M. Bimonte), a Cell & Molecular Biology Director (A.Tito) and a business developer (B. Cicatiello).

Arterra: research and technology to get valuable molecules from nature and active ingredients from food and agriculture waste.

Supported by an excellent research and tech team (most of them hold a Phd in Biology, Biotech, LifeScience or Genetics) and by the long experience and endless passion of Gabriella Colucci, Arterra uses cells from plants or algae as bio-factories to extract and produce, through sustainable procedures, active and valuable molecules (Plants Extraction production process). Typically, from 1kg of raw materials the transformation process can obtain more than 5kgs of finished product. Moreover, Arterra uses waste

Plant extraction and Agri-food by-products in-house transformation processed to get active ingredients for multiple industrial applications. From 1kg of raw materials to >5kgs of active ingredients and up to 1000kgs of skincare finished goods.

from food and agriculture to search for and develop new active ingredients (Agri-food by-products production process). The Agri-food by-products in-house transformation and production process to get to active compounds from food and agriculture waste includes: Agri-food-by-products, washing and freezing phases, extraction, lyophilisation, and dissolution in glycerol. Typically, from 1kg of raw materials the transformation process can obtain about 10kgs of finished product in the so-called upcycling process (creating value from food waste, much more than simply recycling food waste). Rich molecules and active compounds have various and simultaneous industrial applications in Cosmetics, Food supplements, Agriculture and Medical Devices. Furthermore, depending on the quantity of active compounds used in the products formulas (skincare products, in Cosmetics, for example), 1kg of active compounds can obtain from 200kgs (luxury, prestige skincare product) up to 1000kgs of finished goods (mass market, marketing-based skincare product).

Profitability and production capacity are main reasons to choose between product Production or IP Licencing

To summarize, Arterra's revenue come from different sources: research grants, research contracts, product selling and licencing royalties. Active compounds might be either produced and sold or their related in-house Intellectual Property (IP) might be licenced out. The decision depends on end-market applications. Typically, Cosmetics is a high-tech industry, made of small volumes, but very high margins; thus, it can be well served with Arterra's ingredients. Opposite, Agriculture is typically made of large volumes, low margins, and a very long time to market; it can be well served by Arterra's Ips licencing. Moreover, in terms of time to market, in Cosmetics this is much quicker than in any other industry: 3 to 6 new active compounds are introduced every year in Cosmetics, whereas in Agriculture the time for a new active ingredient to land on the market can range from 3 to 5 years.

Figure 6: Arterra's reach of global brands in Cosmetics



Source: Company data

Key partnerships: Isagro and Intercos

In Agriculture, Arterra has been selected by Isagro, that in 2005, invested directly a 22% stake, which went down to 16.5% after the IPO. Isagro has become the right channel for the licencing of Arterra's patented technology in Agrochemical. However, so far, no significant bio-solutions have been applied to Agriculture. In 2020 Isagro was acquired by Gowan, a worldwide provider of agricultural products and in Aplir 2022 Isagro disposed the whole stake increasing Arterra floating shares. In Cosmetics, Arterra has been selected by Intercos as its research partner and preferred supplier of innovative active ingredients to be applied especially in skincare. According to their agreement, Arterra has a research contract with Vitalab worth more than €500k to develop three active ingredients every year; in the first year Intercos has the exclusive right to use the active ingredient in its products; starting from the second year the active compound is commercialized through Vitalab. Intercos owns an 8.7% of Arterra.

The distribution in Cosmetics is demanded to Intercos and Vitalab. Clients range from multinational to SME, from mass to prestige skincare or make up brands

Intercos and Arterra founded the commercial joint venture, Vitalab, with the purpose to distribute Arterra's active compounds into the global cosmetic market. Arterra owns 25% of Vitalab with a call option up to 40%, whereas Intercos owns the remaining 75%. According to their agreement, Arterra's ingredients for Cosmetics products are sold through either Intercos or Vitalab, which interact directly with global brands. Thanks to this agreement, Arterra can reach multinational global and prestige brands, make-up and skincare brands having a mass to private labelled to luxury positioning thanks to multiple and democratic applications of Arterra's valuable molecules. In 2019, Arterra core Cosmetics end-market weighted 60% of total turnover and Intercos' contribution was over 80%. Vitalab significantly increased its contribution from €1.3mIn in 2019 to almost €3mIn in 2021.

Figure 7: Arterra key partnerships and distribution agreements



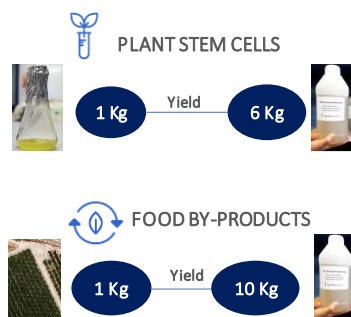
Source: Company data

A scalable and profitable business model

Biomass production is a replicable and a low cost process allowing outstanding yields

Arterra's business model is scalable: R&D activity is for either production and sales of active ingredients (through Intercos and Vitalab) or for licensing to third parties in-house developed Intellectual Property (IP) to be applied simultaneously to different end markets and positioning (cross sector, cross technology and from mass to luxury products). Applications vary from the anti-age compounds in Cosmetics, to natural pesticides in Agriculture to natural preservatives in fresh Food to a bio gastrointestinal defender in Medical Devices. The business model is profitable as biomass production to get innovative active ingredients is a very low-cost process. Bio-factories allow for outstanding yields with relatively limited expenses and investments. Typically, from 1kg of plant stem cells, Arterra's bio farms produce more than 5kgs of active compound, via cells reproduction, that can be sold in a range of 4x to 10x the cost of raw materials. In the same way, from 1kg of Agri-food by-products Arterra's bio farms can typically develop about 10kgs of active ingredients that can be sold between 20x and 50x the cost of raw materials.

Figure 8: Profitable and scalable business model (p17)



Source: Company data

In addition, the distribution phase of the value chain and the reach of global brands, mainly in Cosmetics, is set on a win-win partnership with Intercos and through an equity participation (together with Intercos) in the commercial joint venture Vitalab. No investment in sales force is made with the focus on research and tech scientists.

Shareholders' structure, Management and Human Resources: long experience and sound know-how

Listed on the AIM on October 28th at €2.6

The Company was listed on the Euronext Growth segment of the Italian Stock Exchange on October the 28th 2019 at €2.6/share. The share capital is represented by 6.6mln shares.

€6.6mln shares
49% floating following the exit of Isagro

The Company is owned by:

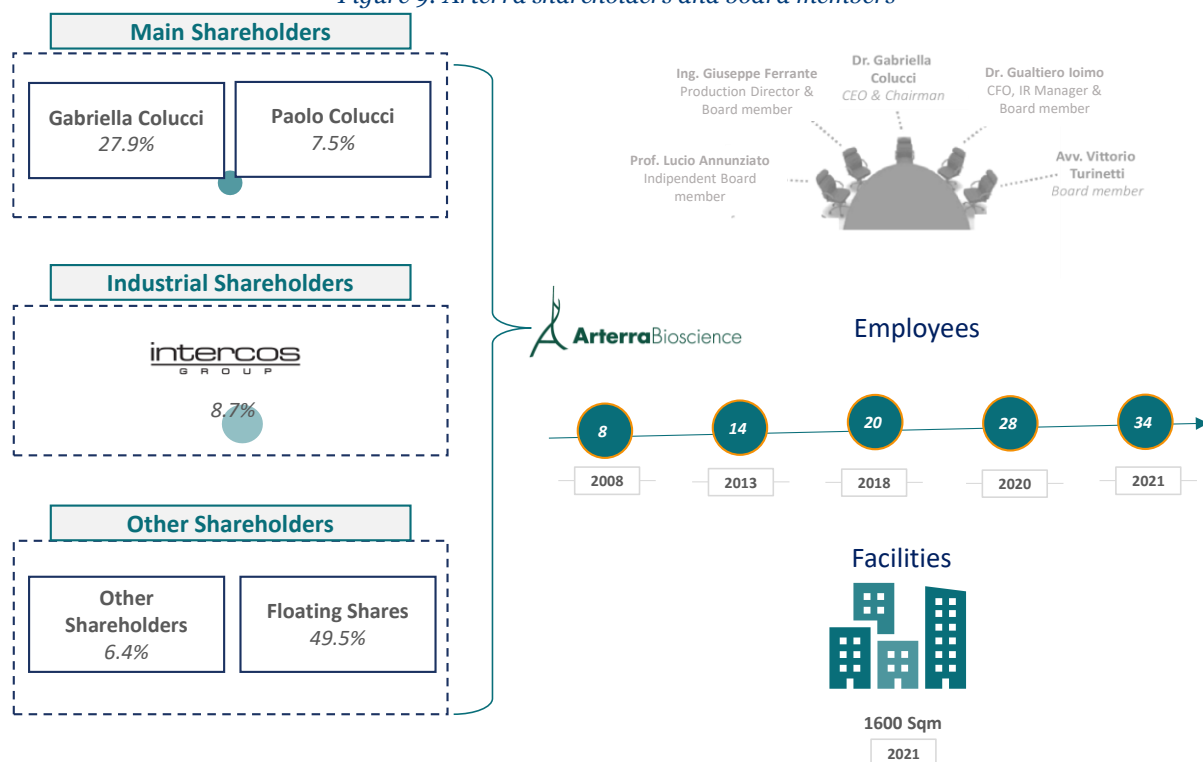
- executive shareholders, the founder Gabriella Colucci with 27.9%,
- industrial shareholders, Isagro sold its 16.5% stake in April 2022, but it remained co-owner in ADL (Arterra with 6.81%; G.Basile with 34.63%), Intercos with 8.7%, partner in Cosmetics and co-owner in Vitalab;
- other shareholders, Gabriella Colucci's brother Paolo Colucci with 7.5%;
- other shareholders with a total stake lower than 6.4%.

Floating shares are then 49.5% of the total.

Gabriella Colucci:
Founder, Chairman and CEO
A rare mastermind leaving US and returning to Italy

Arterra's founder, Gabriella Colucci built more than 30 years of Academic research experience in Italy, Nigeria, USA and Australia. She is the author of more than 40 scientific publications and 18 patents. She worked for more than 4 years in San Diego as Senior Research Scientist at Arena Pharmaceuticals, leading the Plant Biology group. In 2003, she left San Diego and returned to its native Naples, where she founded Arterra Bioscience, as a spin-off of Arena Pharmaceuticals. She won the Marisa Bellisario Prize, the EU Prize for Women Innovations in 2018 and the Rising Star in Cosmetics Global in 2019.

Figure 9: Arterra shareholders and board members



Source: Company data

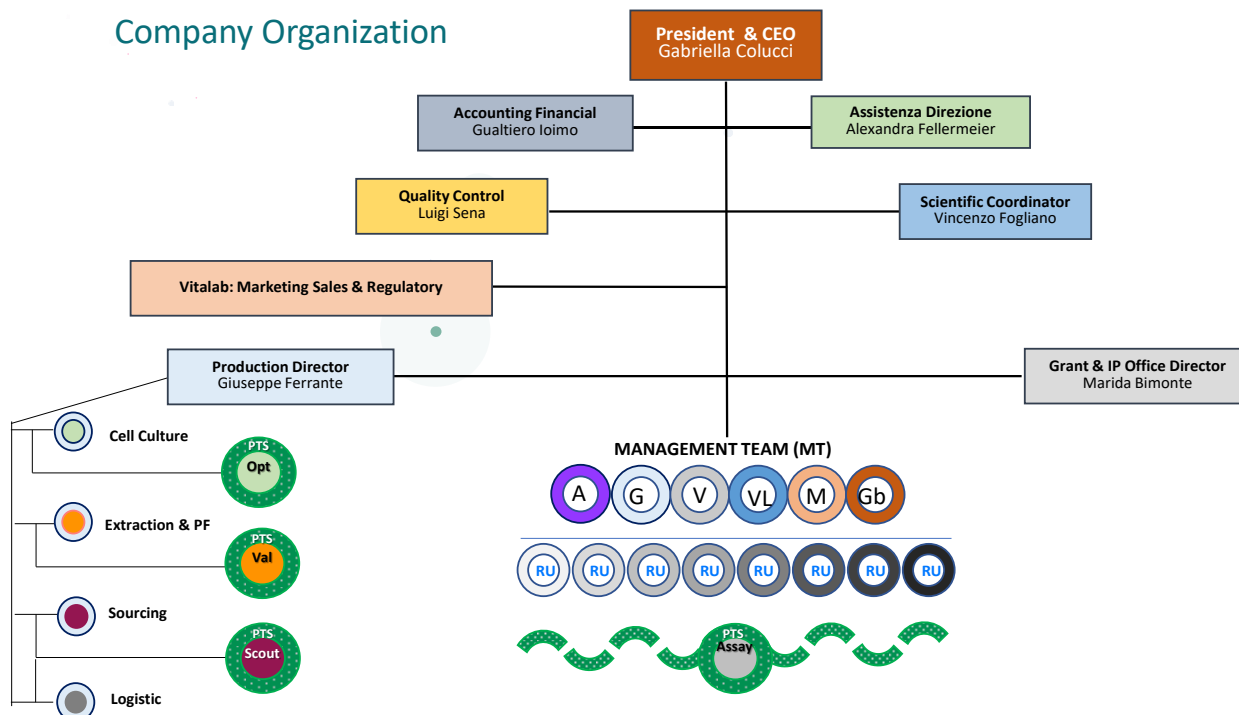
The Board of Directors

Gabriella Colucci (founder, Chair and CEO), Gualtiero Ioiomo (CFO, IR Manager) and Giuseppe Ferrante (Production Director) sit in the Board of Directors of Arterra which also includes the lawyer Vittorio Turinetti and Prof. Lucio Annunziato, as independent board members.

*Key partnerships:
Isagro, Intercos and
Vitalab*

In 2005, Isagro acquired a 22% of Arterra to partner for research-based bio innovation in Agriculture. In 2008, Arterra signed an agreement with Intercos and became its biotech research arm in Cosmetics. Arterra develops 3 active compounds every year in either Skincare or Make up. The active ingredients are bought by Intercos that has the exclusive use for the first year; thereafter, the same ingredients are distributed globally through the joint venture Vitalab (25% owned by Arterra - with an option to go up to 40% and with the right to receive 40% of Vitalab's distributed income - and the remaining by Intercos). In 2019, through the IPO process, Intercos became a shareholder in Arterra.

Figure 10: Arterra organization



Source: Company data

*An outstanding R&D
and highly qualified
Tech Team*

Gabriella Colucci set up an outstanding R&D team supported by a Scientific Advisory Board which meets every two months, and it is coordinated by Vincenzo Fogliano. Among 34 employees, there are 11 PhDs, 7 with a Master of Science and the remaining with either a bachelor's degree in Science or a Tech Diploma. The Research Team has been divided by the R&D phases, but all units are market oriented so that each new project must release either a product or a technology to be brought forward.

*COO appointed for
production scale up
and process
optimization*

In line with Company guidance, on top of expanding its R&D team, Arterra hired a Chief Operating Officer, with solid experience in key industrial groups and manufacturing sectors, to manage production growth. He managed production scale up and process optimization: since the IPO, production capacity went from 9kgs/day to more than 20kgs/day and raw materials costs have been significantly reduced by reducing outsourcing with further positive effect on raw materials effectiveness and production quality.

*Business Developer for
end markets
diversification*

Furthermore, the Company signed a one-year collaboration contract with a Business Developer, Ing. Bruno Cicatiello, for end-markets diversification. In fact, he has experience in food transformation and will focus on developing and diversifying Arterra's business into Nutraceutical, Agri-food and Agri-pharma.

Strategy update

Corporate strategies well on track: production scaled up, organization strengthened and first steps into Medical Devices

Arterra keeps working hard toward its strategic targets: to grow in Cosmetics and beyond Cosmetics

During its IPO process, Arterra declared the following corporate strategy:

- To expand its research activity attracting specialised resources, from scientists in the reference end-markets, to business developers to better reach new industries, to production specialists and technicians to adopt smarter, more effective and automatized production processes;
- To extend the application of its technological platforms and active ingredients to end markets, the most active in bio innovation such as Nutraceutical/medical devices and agri-food;
- To invest in new production equipment to scale up the production capacity and develop its valuable molecules production well over its current capacity of some 10,000kgs/year;
- To grow externally through the acquisition of bio technologies, mainly in delivery systems (for example for the gradual release of the active ingredient) to enhance the value of Arterra's active compounds and its competitive advantage in various sectors.

Most of R&D expansion and production scale up has been done

Arterra is very well on track to the above-mentioned goals:

- Research activity has been expanded attracting new specialized resources, including prof. V.Fogliano as Scientific Coordinator, appointing Ms. M.Bimonte as Grant & IP Director and Ms. A.Tito as Cell & Molecular Biology Director. The organization has been strengthened and now it can count on 34 employees;
- Research activity has been expanded in Cosmetics, active ingredients and technological platforms have been addressed towards new end-markets applications, mostly Nutraceutical/Medical devices, and Agri-food. In Cosmetics, sold volumes increased from just above 9,000kgs in 2019 to more than 13,000kgs in 2021.
- Production capacity has been doubled, outsourcing reduced and productivity has been significantly increased from 9kgs/day to 21kgs/day with consequent positive effects in terms of costs and effectiveness, releasing quality, of raw materials. In fact, raw materials incidence on Cosmetics turnover decreased from more than 20% in 2019 to less than 10% in 2021.

Focus now stays on: end market diversification and processes optimization

Thus, now focus is mostly on: i) developing new natural compounds addressable to Cosmetics, diversifying in new markets, mainly medical devices, especially through partnerships with companies having already the sector's regulatory expertise, and agri-food; ii) production processes optimization; iii) external growth through M&A

Focus on: research and production process optimization

Over €2mln capex since 2019 to enhance research capabilities, scale up production and increase productivity

Since 2019, Arterra increased its production capacity and research activity investing over €2mln. In 2021, The Company extended further its production plant, bought additional equipment, and invested in technology to enhance cellular growth. Among relevant investments: i) equipment for "ex vivo" tests on skin and human tissues for innovation in Nutraceutical and medical devices; ii) new lyophilizers; iii) expanding chemical laboratories for cellular growth. These investments will lead to an increase in productivity from 21kgs/day in 2021 to 50kgs/day in FY22.

Simplifying and streamlining research and production processes

In 2020 and 2021 Arterra strengthened its organization by appointing a COO, an R&D Coordinator, a Grant & IP Director and a Cell & Molecular Biology Director. Moreover, the Company simplified and streamlined research and production processes. Within this new organization, research ideas arise from multidisciplinary research units with all processes managed by an internal technical-scientific Committee.

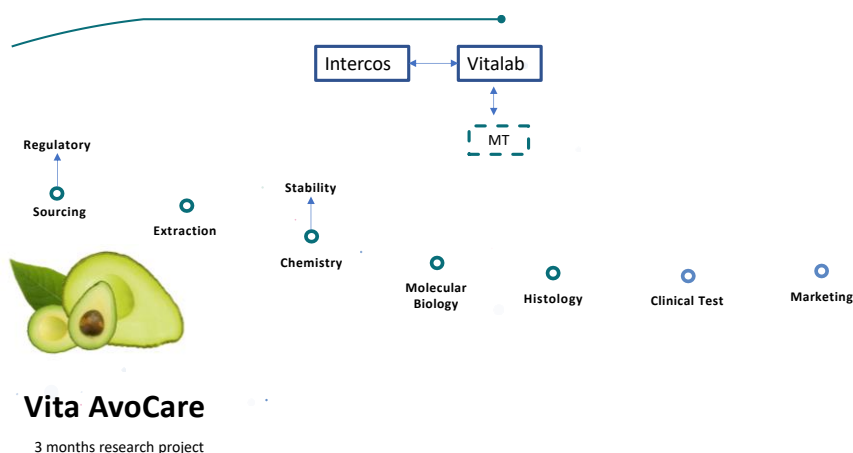
Once an idea has been validated, the Research Unit:

- starts with the sourcing of raw materials;
- proceeds with chemical extraction;
- analyse and tests on molecular and cellular for scientific validation;
- sends samples for clinical testing;
- studies preliminary data;
- compares ingredients with market benchmarks;
- launches the product on the market

This process is constantly on track to catch new opportunities. Every 15 days, the Company takes part to the seminar "Science for Breakfast" on new topics, with the aim to find hints and ideas for the next project.

Each research unit is market oriented, and the scientific idea must bring to a product or a technology to be either approved or rejected. In Cosmetics, the time to market is between 3-4 months.

Figure 11: Arterra research process – the Vita AvoCare case study



Source: Company data

Focus on: diversifying in Medical Devices and Agri-Food; expanding in Cosmetics via Vitalab

Appointed a Business Developer for end-markets diversification

Regarding end-market diversification, in the 1H22, Arterra signed a one-year collaboration with a Business Developer, Ing. Bruno Cicatiello, who will focus on developing into Nutraceutical, Agri-food and Agri-pharma

First steps into Medical Devices:

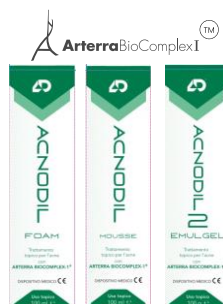
5-year production

licence with ADL

Arterra owning 6.8% of ADL

Furthermore, in April 2021, Arterra signed its first agreement in Medical Devices with ADL Farmaceutici for a 5-year production and licence of mix of four active compounds named "ArterraBio Complex I" against skin acne. This is only the beginning of a potentially larger partnership with ADL, which is skilled and experienced in Nutraceutical, that might lead to new active compounds. In fact, in June 2021 Arterra subscribed the capital increase by ADL acquiring a 6.81% stake.

Figure 12: Arterra's first product in Medical Device



Source: Company data

Following the entrance in Medical Devices with ADL more has to come:

ADL and Arterra will also work together for the development of a product for the treatment of atopic dermatitis, both through topical and oral use. As regards to the topical use, Arterra is evaluating with specialists in dermatology which kind of clinical

*Arterra-ADL
collaboration on the
natural treatment of
atopic dermatitis*

test should be carried out to have sufficient data for a new dermatological product that can be launched by the end of 2023. As regards to the oral use, time to market could be longer as Arterra must be accredited as a producer of raw materials for ingested products, register the product and finally proceed with a clinical trial for oral use.

*Arterra-MATERIAS
partner in projects for
Medical Devices and
Agriculture*

In addition, Arterra partners with MATERIAS on two projects. The first project concerns the validation of the use of a synthetic peptide with strong bactericidal abilities to treat acne, as a potential substitute for benzoyl peroxide in anti-acne products in Medical Device. The second project concerns the possibility of expressing in a bacterial system, other than E.coli, a peptide with bio stimulating activity for plants to be used in Agriculture. The peptide has been chemically synthesized and it has increased the defence response of plants to biotic stress.

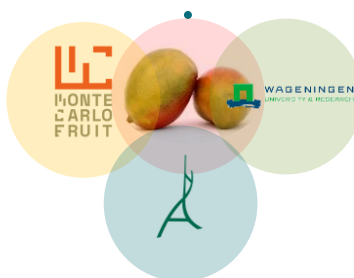
*Patents in Medical
Devices*

In 2020-2021, two extracts have been patented: olive and prickly pear leaf extract for preventing and treating atopic dermatitis; Punica granatum peels extract for treating viral infections.

*Arterra-
MONTECARLOFRUIT
Research addressed to
agri-food*

Moreover, Arterra's research is continuing in Agri-food. In June 2021, Arterra and Montecarlofruit signed a research agreement for the up cycling of the mango waste. Montecarlofruit is active in the production of aseptic mango fruit puree for baby food, in Mali. In 2021, a research unit (RU) within Arterra was launched and named "Beat the best": about 80 extracts have been analysed to identify those that exceeded a selected benchmark in effectiveness. As estimated, a new fat-soluble active from avocado waste was selected. Fruits that are grown in Sicily and do not have the right size for being put into the market, will be used. Furthermore, an ethanolic extract from Jasminum officinale cells was fully characterized for its anti-glycation, antiox and anti-inflammatory activities through cell and skin explant assays.

Figure 13: Research agreement Arterra-Montecarlofruit



Source: Company data

*Consolidating in
Cosmetics*

As regards to Cosmetics, Arterra innovated with 4 patents in 2020-2021: extracts deriving from Oenothera Biennis cell cultures for Cosmetics use; extracts coming from Portulaca grandiflora stem cells for treating skin signs due to skin ageing; essence from Pelargonium capitatum stem cells for Cosmetics use; extract derived from Cannabis Sativa cell culture for use in Cosmetics, Pharma, and Nutraceutical.

*Expanding even
through suggestions
driven by Vitalab-
Intercos co-working*

Since 2021, Research has been also driven by specific suggestions provided by Vitalab thanks to continuous inputs received from Intercos. In 2022 Arterra will develop new active ingredients to support specific activities driven by its partners.

Figure 14: Cosmetics – new products

New Products on the Market



Source: Company data

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