



**BOARD OF DIRECTORS EXPLANATORY REPORT
ON THE AGENDA PROPOSALS**

Ordinary Shareholders' Meeting

30 April 2020 - first call

15 April 2020

**FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.
Via Berlino, no. 39 – 24040 Zingonia-Verdellino (BG),
Tax code and VAT no. 09320600969**

EXPLANATORY REPORT ON THE AGENDA PROPOSALS OF THE SHAREHOLDERS' MEETING OF FINE FOODS & PHARMACEUTICALS N.T.M. S.P.A. CONVENED ON 30 APRIL 2020 ON THE FIRST CALL

Dear Shareholders,

the Ordinary Shareholders' Meeting, convened on **30 April 2020 at 10 am on the first call**, will take place at the company's registered office in Zingonia-Verdellino (BG), Via Berlino 39, with the following items on the agenda:

AGENDA

- 1) Meeting regulations proposal.
- 2) 31 December 2019 Financial Statements, related and consequent resolutions:
 - approval of the 31 December 2019 Financial Statements, accompanied by the Directors' Annual Report; Report of the Board of Statutory Auditors and of the Auditing Company;
 - allocation of net profit and dividend distribution.
- 3) Proposal to authorise the buyback and disposal of treasury shares under articles 2357 and 2357-ter of the Civil Code, subject to the revocation of the unexecuted part of a previous Shareholders' Meeting authorisation dated 14 December 2018. Related and consequent resolutions.
- 4) Proposal to revoke for "just cause" the Deloitte & Touche S.p.A. audit assignment and simultaneously confer a nine-year appointment for the 2020-2028 period and determination of the related compensation. Related and consequent resolutions.

As per the notice of call published on 15 April 2020, as a result of the measures adopted by the relevant authorities to contain, combat and manage the epidemiological emergency caused by the Covid-19 virus, under art. 106, paragraph 4, of Decree-Law no. 18 of 17 March 2020, **participation in the Shareholders' Meeting will take place exclusively through the Designated Representative (in this case Computershare S.p.A.)** under art. 135-undecies of Legislative Decree no. 58 of 24 February 1998.

The physical participation of individual shareholders or their delegates other than the Designated Representative is precluded.

For details concerning the manner in which proxies are granted to the Designated Representative, please refer to the notice of call published on 15 April 2020, available on the Company's website (www.finefoods.it) in the "Investor Relations – Shareholders' Meetings" section.

1) Meeting regulations proposal.

Dear Shareholders,

regarding this agenda item, the Board of Directors submits to the Shareholders' Meeting of FINE FOODS N.T.M. S.p.A. (hereafter "**Fine Foods**" or the "**Company**") the approval of the Shareholders' Meetings regulations under Article 2364, paragraph 1, no. 6 of the Civil Code, which sets procedures to be followed for the meeting's orderly and functional conduct. The regulations submitted for approval to the Shareholders' Meeting are attached to this report.

The Board points out that adopting the regulations will guarantee correct and efficient Shareholders' Meeting decision-making. If approved, these regulations will be immediately implemented and made available on the company's website.

* * *

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

- RESOLUTION PROPOSAL -

"The Ordinary Shareholders' Meeting of FINE FOODS N.T.M. S.p.A.,

- *having seen the Board of Directors report;*
- *having examined the proposed regulations for the Shareholders' Meeting conduct;*

RESOLVED

to immediately adopt the meeting regulations attached to the Board of Directors report."

Attachment: Shareholders' Meeting Regulations

2) 31 December 2019 Financial Statements, related and consequent resolutions:

- **approval of the 31 December 2019 Financial Statements, accompanied by the Directors' Annual Report; Report of the Board of Statutory Auditors and of the Auditing Company; related and consequent resolutions;**
- **allocation of net profit and dividend distribution.**

Dear Shareholders,

with reference to this agenda item, you have been called to the ordinary Shareholders' Meeting of FINE FOODS N.T.M. S.p.A. (Hereafter "**Fine Foods**" or the "**Company**"), to

approve the 31 December 2019 Financial Statements, approved by the Board of Directors on 31 March 2020.

The Fine Foods 31 December 2019 Financial Statements report is legally available to the public, at the Company's registered office and website. This contains a presentation of draft financial statements, together with the Directors' Annual Report.

The Report of the Board of Statutory Auditors and of the Auditing Company are made public together with the 2019 Financial Statements.

Please refer to these documents.

The year ended 31 December 2019 closed with a net profit of € 6,069,585, and given that the legal reserve is already fully made up, the Board of Directors proposed to allocate it as follows:

- to allocate a dividend of Euro 0.12, gross of withholding taxes, for each eligible share (excluding treasury shares in the Company's portfolio and special shares);
- to allocate the remainder to the Extraordinary Reserve. The exact amount of profit to be allocated to the extraordinary reserve can only be determined based on the definitive number of shares entitled to receive a dividend on the date on which it accrues.

Please note that special shares do not have voting rights or profits allocated by the Company and that other Company shares - ordinary, redeemable and multiple-voting - have the same right to receive the allocated profits, under the Company's Articles of Association.

Dividend distribution may take place according to the following schedule, under the Alternative Investment Market (AIM), organised and managed by Borsa Italiana S.p.A.: ex-dividend date (coupon no. 3 and no. 2) on 11 May 2020, record date (i.e. the accounting day at the end of which the evidence in the accounts is valid for dividend payment right purposes) on 12 May 2020 and dividend payment date on 13 May 2020.

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Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

- RESOLUTION PROPOSAL -

"The Ordinary Shareholders' Meeting of FINE FOODS N.T.M. S.p.A.,

- *having heard the Chairman's presentation;*
- *having examined the 31 December 2019 Financial Statements, which show a net profit of Euro 6,069,585, and the Directors' Annual Report;*
- *having acknowledged the explanatory notes and proposals;*
- *having acknowledged the Report of the Board of Statutory Auditors and of the Auditing Company;*

RESOLVED

1. *to approve the Fine Foods 31 December 2019 Financial Statements;*
2. *to allocate the 2019 net profit of Euro 6,069,585, as follows:*
 - *to allocate a dividend of Euro 0.12, gross of withholding taxes, for each eligible share (excluding treasury shares in the Company's portfolio and special shares);*
 - *to allocate the remainder to the extraordinary reserve. This amount will be determined based on the definitive number of shares entitled to receive a dividend on the date on which it accrues;*
3. *to grant the Board of Directors, and, on its behalf, the Chairman and the CEO, several powers to ascertain the exact portion of profit to be allocated to the extraordinary reserve, based on the definitive number of shares entitled to receive the dividend;*
4. *to grant the Board of Directors, and, on its behalf, the Chairman and the CEO, several powers to implement this resolution, even by granting powers of attorney, and filing it with the Companies Register, accepting and introducing formal and non-substantial amendments, additions or deletions, if required by relevant Authorities."*

3) Proposal to authorise the buyback and disposal of treasury shares under articles 2357 and 2357-ter of the Civil Code, subject to the revocation of the unexecuted part of a previous Shareholders' Meeting authorisation dated 14 December 2018. Related and consequent resolutions.

Dear Shareholders,

with reference to the third item on the agenda, a discussion will be held at the Fine Foods ordinary Shareholders' Meeting, to resolve on the revocation of the unexecuted part of the authorisation to purchase treasury shares which was approved by the Shareholders' Meeting on 14 December 2018 and to provide the Board of Directors with a new authorisation to purchase and dispose of treasury shares under articles 2357 and 2357-ter of the Civil Code.

On 14 December 2018, the Company Shareholders' Meeting authorised the buyback and disposal of up to 20 per cent of the Company share capital ordinary treasury shares under articles 2357 and 2357-ter of the Civil Code. This can be carried out several times over 18 months for a maximum amount of Euro 40,000,000.

To carry out the above resolution, the Company purchased and holds 625,810 ordinary treasury shares (equal to 2.6681% of the share capital), as at 20 March 2020 valued at Euro 6,743,615. As reported on 20 December 2019, the Company completed the buyback of treasury shares to service the "2018-2021 FINE FOODS N.T.M. S.p.A. stock grant incentive plan" set at 440,000 ordinary shares and continued to purchase treasury shares within the limits and conditions approved by the Board of Directors at the 19 December 2018 meeting and reported to the market on the same date.

For the reasons indicated below, it was considered appropriate that the Shareholders' Meeting should revoke the unexecuted part of the resolution authorising the buyback of treasury shares taken on 14 December 2018 (without prejudice to the permanent validity of the related authorisation for the future disposal of treasury shares already purchased by the

Company). Further, the Company, and the Board of Directors on its behalf, should be granted the power to purchase and dispose of further ordinary treasury shares for the purposes set out in the following paragraph and under terms and conditions described below.

Reasons to authorise the buyback and disposal of treasury shares

The purpose of the authorisation request to purchase and dispose of ordinary treasury shares is to provide the Company with a strategic investment opportunity for purposes permitted by legal provisions, including, (i) those in Article 5 of Regulation (EU) no. 596/2014 (Market Abuse Regulation, hereafter "**MAR**"), including *"to meet obligations arising from share option programmes, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer"*, (ii) stabilising, supporting liquidity and market efficiency, (iii) obtaining the availability of a portfolio of securities (so-called "securities stock") to be used for extraordinary transactions, including exchange of shareholdings, with other parties, and the use of bonds convertible into Company shares or bonds with warrants, dividends in shares, within the terms, purposes and in the manner that may be decided by the relevant corporate bodies; and (iv) any other purpose contemplated by market practices admitted by the supervisory authority under art. 13 MAR, within the limits provided for by current regulations and within the terms, purposes and in the manner decided by the relevant corporate bodies.

Maximum number, category and nominal value of the shares to which the authorisation refers

The proposal is to authorise the Board of Directors to purchase Company ordinary (fully paid-up) shares, without a nominal value, in one or more tranches, in an amount freely determinable by the Board of Directors up to 20 per cent of the Company share capital. This must consider the portfolio of Company (treasury) shares held by the company and any subsidiaries.

The buyback of treasury shares must take place within the limits of the distributable profits and available reserves resulting from the latest financial statements (including interim financial statements) approved at the time the transaction was carried out. The necessary accounting entries will be made under legal provisions and applicable accounting principles when the treasury shares are purchased and sold.

As of 31 March 2020, the FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A. share capital amounts to Euro 22,590,304.

The following table shows the breakdown of the Company's share capital into shares as of today's date.

	Share Capital			Voting rights
	Euro	Number of shares	Nominal Value	
Total of which:	22,590,304	23,455,540	Without nominal value	29,954,949
Ordinary shares (regular dividend rights)	18,015,523.6	18,705,540	Without nominal value	18,254,949
Redeemable shares* (regular dividend rights)	1,557,734	1,200,000	Without nominal value	1,200,000
Multiple-voting shares** (regular dividend rights)	3,370,890.8	3,500,000	Without nominal value	10,500,000
Special shares***	48,155.6	50,000	Without nominal value	No voting rights

*not admitted to trading. Each redeemable share gives the right to one vote in the same way as the ordinary shares.

**not admitted to trading. Each multiple-voting share gives the right to three votes.

***not admitted to trading. Special shares have no voting and profit rights, under Article 6.4 of the Company's Articles of Association, "Special Shares [...] (a) without prejudice to the provisions of letter (b) below, they have no voting rights during ordinary and extraordinary Company Shareholders' Meetings; (b) until the 31 December 2020 Financial Statements approval date or, if earlier, on the date on which all Special Shares are converted into ordinary shares [...], they jointly grant their holders the right to appoint 3 (three) Directors; (c) are excluded from the right to receive the profits which the Company approves to distribute from these Articles of Association effective date up to the 36th (thirty-sixth) month following the effective date [of the merger by incorporation of Fine Foods (formerly Innova Italy 1 S.p.A.), resolved by the extraordinary Shareholders' Meeting on 10 July 2018], while they grant their holders the right to receive distributed reserves."

As of 20 March 2020, the Company holds 625,810 ordinary treasury shares and has no subsidiaries.

It is proposed to grant a mandate to the Board of Directors to identify the number of ordinary shares to be purchased prior to the start of each individual buyback programme, under the maximum limit mentioned above and the applicable *pro tempore* regulations.

Authorisation duration

Authorisation to purchase treasury shares is requested for the maximum duration allowed by the applicable *pro tempore* regulations, under Article 2357, paragraph 2, of the Civil Code, over a period of 18 (eighteen) months, starting from the date of any resolution approving this proposal by the Shareholders' Meeting.

Within the granted authorisation period and under applicable regulations, the Board of Directors may purchase ordinary shares several times, for purposes identified by the Board of Directors, to a freely determined extent and period. This will be carried out gradually as deemed appropriate in the Company's interest.

The authorisation to dispose of any purchased treasury share is requested without time limits, because there are no legal time limits and it will provide the Board of Directors with the maximum time flexibility to carry out the share disposal.

Minimum and maximum prices

The buyback price of shares will be set on a case-by-case basis, based upon current regulations and the chosen methods. The unit price shall be neither lower nor higher by more than 15 per cent than the official stock exchange price of shares recorded by Borsa Italiana S.p.A. in the session preceding each individual transaction, and for a maximum of Euro 26,000,000.

For the disposal or use of treasury shares, the Board will set the criteria for determining the price, methods, terms and conditions of use of the treasury shares in portfolio. This will consider legal provisions and regulations, accepted practices, practical methods and the share price trend in the period before the transaction, and the Company's best interests. If there are (i) transactions for which it is appropriate to exchange or transfer shareholdings which can be carried out by means of exchange or contribution or during capital transactions involving the assignment or disposal of treasury shares (such as, mergers, demergers, issuance of convertible bonds or warrants using treasury shares or share dividends); and (ii) stock incentive plans, including free-of-charge stock grants reserved for directors, employees or partners belonging to the Company or other companies controlled by the Company or its parent, different criteria may be used, under the company objectives and current legislation.

Under article 2357-*ter* of the Civil Code, the Board of Directors proposed to be authorised to sell, dispose of or use (in any capacity and at any time, in whole or in part, in one or more tranches) treasury shares purchased as part of any authorisation granted by the Shareholders' Meeting for the above mentioned purposes. This is under the procedures, terms and conditions established by the Board of Directors, best practice, the Company's share price trend and its best interests. The proceeds of any treasury shares disposal may be used for further buyback of shares, until the expiry of the shareholders' meeting authorisation, within the limits set by the latter and current regulations.

Transaction procedures

The Board of Directors proposed that the authorisation is granted for the buyback of treasury shares, which can be done through intermediaries. This buyback is conducted under the applicable regulations and on the AIM Italia multilateral trading system to ensure equal treatment between shareholders. On AIM Italia multilateral trading system this provision does not apply to purchases of treasury shares or parent company shares held by employees of the issuing company, subsidiaries or parent company shares and shares assigned or subscribed under articles 2349 and 2441, paragraph 8, of the Civil Code, or resulting from remuneration plans approved by the ordinary Shareholders' Meeting.

The Board of Directors proposed that the authorisation involving the disposal or use of treasury shares should allow for the adoption of any appropriate method. This includes the use of treasury shares to service stock incentive plans, including stock grants, which can be carried out using intermediaries, under applicable laws and regulations.

For example, the disposal operating methods could include selling them on or off the market, accelerated bookbuilding, exchange or contribution or for capital transactions or free-of-charge assignment, as part of share incentive plans or the transfer of related personal rights (for example, securities lending) granting the Board of Directors (or those delegated) the power to establish the terms, methods and conditions of the disposal or use of treasury shares that are most appropriate in the Company's interest and under legal provisions and regulations.

The transactions for the buyback and disposal of treasury shares for which authorisation is requested shall be carried out under applicable legislation and national and EU laws and regulations, including those related to market abuse.

This is without prejudice to the power of the Board of Directors to establish any method under market practices accepted by the supervisory authority under art. 13 MAR and conditions established by Delegated Regulation (EU) no. 1052 of 8 March 2016, where applicable.

Adequate communication of any buyback and disposal of treasury shares will be provided under the applicable information requirements.

Buyback exploitation to reduce the share capital

This buyback proposal is not aimed at reducing share capital. Should the Shareholders' Meeting resolve to reduce the share capital in the future, the Company reserves the right to implement it by cancelling the treasury shares purchased and held in its portfolio.

* * *

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

-RESOLUTION PROPOSAL -

"The Ordinary Shareholders' Meeting of FINE FOODS N.T.M. S.p.A,

- having heard the Chairman's presentation;*
- having acknowledged the explanatory report and proposals;*

RESOLVED

- (A) to revoke the previous resolution authorising the buyback of treasury shares taken on 14 December 2018, for the unexecuted part, without prejudice to the permanent validity of the authorisation for the future disposal of treasury shares already purchased by the Company.*
- (B) to authorise the buyback and disposal of ordinary treasury shares for the purposes indicated in the explanatory report attached to these minutes, and:
 - 1) to authorise, under art. 2357 of the Civil Code, the purchase of FINE FOODS & PHARMACEUTICALS N.T.M S.p.A. ordinary shares in several tranches over 18 months starting from the effective date of this resolution. These shares (without a nominal value being declared) shall hold a value up to 20 per cent of the**

Company's share capital after considering Company ordinary shares held in the portfolio and any held by subsidiaries. This is carried out by giving the Board of Directors a mandate to identify the number of shares to be purchased for the above purposes, at a price that is not higher than the highest price between the price of the last independent transaction and the price of the highest independent current offer in the trading venues where the purchase was made. The unit price may not be more than 15 per cent lower or higher than the official stock exchange share price recorded by Borsa Italiana S.p.A. in the session preceding each individual transaction, and for a maximum of Euro 26,000,000;

2) to grant a mandate to the Board of Directors, its Chairman and each Managing Director, each with powers to sub-delegate, identify the number of ordinary shares involved in each buyback programme, under the above purposes, before the programme's start, and to purchase ordinary shares according to legal provisions and regulations. This shall be gradually carried out, granting them powers to sub-delegate, and the widest purchasing powers under this resolution, including assigning tasks to legally authorised intermediaries and appointing special attorneys;

3) to authorise the Board of Directors, its Chairman and each Managing Director, each with several power to sub-delegate. Under art. 2357-ter of the Civil Code, they may dispose (at any time, in whole or in part, in one or more tranches) of the ordinary treasury shares purchased under this resolution, or shares in the Company's portfolio, by selling them on the AIM Italia multilateral trading system or outside this system, assigning them as part of free-of-charge share incentive plans, accelerated bookbuilding, exchange or contribution or during capital transactions, transfer of share real or personal rights, including securities lending, under applicable legal provisions and pro tempore regulations for the purposes set forth in this resolution, and according to the terms, methods and conditions of the disposal of treasury shares that are most appropriate in the Company's interest. They are granted the widest several powers to carry out disposals under this resolution including assigning tasks to legally authorised intermediaries and appointing special attorneys. Disposal of ordinary treasury shares in the portfolio will be carried out under applicable laws and regulations on negotiation of securities admitted to the AIM Italia multilateral trading system and may be carried out in several tranches and gradually in the Company's interest, with the power to establish any method which complies with market practices accepted by the supervisory authority under art. 13 MAR. The authorisation referred to in this point (B).3) is granted without time limits;

(C) that, under the law, purchases referred to in this authorisation must be within the limits of distributable profits and available reserves based on the latest financial statements (including interim statements) approved when the transaction is carried out. The necessary accounting entries must be made at the time of buyback and sale of ordinary treasury shares under legal provisions and the applicable accounting principles."

4) Proposal to revoke for "just cause" the Deloitte & Touche S.p.A. audit assignment and simultaneously confer a nine-year appointment for the 2020-2028 period and determination of the related compensation. Related and consequent resolutions.

Dear Shareholders,

about the proposal to revoke the Fine Foods audit assignment, carried out by the auditing company Deloitte & Touche S.p.A., conferred by the Company Shareholders' Meeting on 19 September 2018 for the financial years 2018-2020 and the proposal for a new appointment for a nine-year period under art. 13, paragraph 3, of Legislative Decree no. 39/2010, as subsequently amended by Legislative Decree no. 135/2016 (the "**Decree**"), it should be noted that the revocation may be resolved by the Shareholders' Meeting for "just cause."

In Ministerial Decree no. 261/2012 (the "**Ministerial Regulations**"), which implements art. 13, paragraph 4, of the Decree, articles 3 and 4 specifies cases that constitute a "just cause." Art. 4, paragraph 1, letter g) of the above mentioned provision includes "*the acquisition or loss of the status of public interest entity.*"

As of 1 January 2020, the Company was included in the list of publicly-traded Companies under Article 116 of Legislative Decree no. 58/1998 (Consolidated Law on Finance). Under art. 19-*ter* of the Decree, "entities subject to intermediate regime" - which include companies with a widespread shareholder base - are subject to the obligations regarding the auditing company appointment duration under art. 17 of the same Legislative Decree.

Art. 13 of the Decree requires that the Shareholders' Meeting expresses its opinion on the revocation and simultaneously grant a new auditing appointment, determining the related fee for the entire duration and criteria for adjusting this fee during its execution.

Procedurally, the Shareholders' Meeting resolved on revocation for the reasons provided by the Board of Directors and shown in this report. This took place after obtaining the observations of the revoked auditing company and hearing the Board of Statutory Auditors as indicated in art. 3 of the Ministerial Regulations. The Shareholders' Meeting resolved on a new appointment based on a Board of Statutory Auditors proposal under art. 13, paragraph 1, of the Decree. Under art. 13, paragraph 7, of the Decree, the Company shall promptly inform the Auditing Company and the Ministry of Economy and Finance about the contract withdrawal, providing its reasons. Consob must also be informed for the audit of public interest entities and entities subject to the intermediate regime.

The proposal to revoke the contract was not based on differences of opinion on the accounting of balance sheet items or audit procedures. The Company had no reason for any complaint about Deloitte & Touche S.p.A. work or its independence and confirmed that the fiduciary relationship underlying the audit assignment conferred at the time never ceased to exist.

The Board of Directors submitted to the Shareholders' Meeting the proposal made by the Board of Statutory Auditors under Article 13, paragraph 1, of the Decree concerning the assignment of the audit for the financial years from 2020 to 2028, which will be made available as soon as it has been prepared by the Board of Statutory Auditors.

Given the above and as for this item of the agenda, the Board of Directors submits the following for your approval:

-RESOLUTION PROPOSAL -

"The Ordinary Shareholders' Meeting of FINE FOODS N.T.M. S.p.A.,

- having heard the Chairman's presentation;*
- having acknowledged the explanatory report and proposals;*
- having examined the observations made by Deloitte & Touche S.p.A. on the proposal to revoke its appointment;*
- having consulted the Board of Statutory Auditors on the revocation of the Deloitte & Touche S.p.A. audit assignment;*
- considering that, under art. 13, paragraph 3 of the Decree, the audit assignment may be revoked by the Shareholders' Meeting when a just cause arises;*
- having ascertained that the circumstance mentioned in the Board of Directors report, i.e. the assumption by Fine Foods of the publicly-traded Company status, constitutes a just cause for revocation of the audit assignment, under to art. 13, paragraph 3, of the Decree and art. 4, paragraph 1, letter g), of the Ministerial Regulations;*
- having examined the reasoned proposal of the Board of Statutory Auditors, concerning the assignment of the audit for the financial years from 2020 to 2028, prepared under applicable regulations;*

RESOLVED

- (A) to revoke for just cause, under art. 13, paragraph 3, of the Decree and art. 4, paragraph 1, letter g) of the Ministerial Regulations, the 19 September 2018 appointment of the auditing company Deloitte & Touche S.p.A.;*
- (B) to approve the proposal of the Board of Statutory Auditors regarding the appointment of an auditing company for the financial years from 2020 to 2028, and confer such appointment to the identified auditing company, under the terms and conditions of this reasoned proposal;*
- (C) to grant a mandate to the Board of Directors, its Chairman and each Managing Director on its behalf, with several power to sub-delegate, to implement the passed resolutions, and fulfil the relevant and necessary formalities with the relevant bodies or offices, with the any power to introduce any non-substantial amendments that may be required for this purpose, under legal provisions.*

Zingonia-Verdellino, 15 April 2020

for the Board of Directors

Chairman

Marco Francesco Eigenmann

This Board of Directors' Explanatory Report on the Agenda Proposals has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.