FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.

Registered office: VIA BERLINO 39 VERDELLINO (BG)
Registered in the BERGAMO Companies Register
Tax code and company reference number: 09320600969
Registered in the BERGAMO REA no. 454184
Subscribed share capital € 22,590,304 Fully paid up
VAT number: 09320600969

Draft Financial Statements

as at 31 December 2019

31 March 2020 Board of Directors

Table of contents

Corporate positions	page	3
Report on Operations	“	4
Balance Sheet	“	17
Income Statement	“	20
Cash Flow Statement	“	22
Explanatory Notes	“	24

CORPORATE POSITIONS

Board of Directors

Chairman and CEO

Marco Francesco Eigenmann

CEO

Giorgio Ferraris

Directors

Federico Oriani

Adriano Pala Ciurlo

Fulvio Conti

Marco Costaguta

Paolo Ferrario

Board of Statutory Auditors

Chairman

Paolo Villa

Statutory Auditors

Marco Antonio Manzoni

Paolo Prandi

Auditing Company

Deloitte &Touche S.p.A.

Management Report on the 31 December 2019 Financial Statements

Dear Shareholders, Financial Statements for the year ended 31 December 2019 are being submitted to you for approval. Production value increased to € 163,203,914, the difference between the production value and cost amounted to € 6,933,728, and net profit for the year reached € 6,069,585.

	Values expressed in €	31/12/2019	31/12/2018
Balance sheet			
Assets			
A	Receivables from shareholders for unpaid called up share capital	-	-
B	Fixed assets	92,782,221	82,854,498
C	Current assets	113,453,959	123,901,574
D	Accruals and deferrals	163,417	94,349
	Total assets	206,399,597	206,850,421
Liabilities			
A	Shareholders' equity	148,290,589	149,165,394
B	Provisions for risks and charges	-	-
C	Employee severance indemnity	972,595	1,021,636
D	Payables	57,096,347	56,619,802
E	Accruals and deferrals	40,066	43,589
	Total liabilities	206,399,597	206,850,421
Income Statement			
A	Production value	163,203,914	143,887,174
B	Total production costs	156,270,186	133,704,062
	Difference between production value and costs	6,933,728	10,183,112
C	Financial income (charges)	790,945	248,166
D	Adjustments to the value of assets:	-	-
	Earnings before taxes	7,724,673	10,431,278
22	Financial year income taxes	1,745,209	1,865,477
	Deferred (prepaid) taxes	(90,121)	(120,485)
23	Profit (loss) for the financial year	6,069,585	8,686,286

In the Explanatory Notes, you have been provided with the information on the presentation of the 31/12/2019 Financial Statements; in this document, under art. 2428 of the Civil Code, we provide you with information relating to your Company's situation and the progress of operations. This Report, prepared with values expressed in Euro, accompanies the Financial Statements to provide Company's income, assets, financial and management information, and, where possible, historical elements and future assessments.

Company Information

Fine Foods & Pharmaceuticals N.T.M. S.p.A., operating since 1984, is the leading independent Italian Company in the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries. The Company is recognised on the market for its high-quality products and has long-term relationships with most of its customers (more than one hundred). It has a constantly growing turnover which reached 160 million in 2019.

Fine Foods & Pharmaceuticals N.T.M. S.p.A. is a company listed on the Alternative Investment Market (hereafter AIM Italia), managed by Borsa Italiana S.p.A. since 1 October 2018, that focuses on small and medium-sized Italian companies with high growth potential, which receive strategic financial support to implement their development and internationalisation plans.

Significant events

In 2019, the Company completed the important Zingonia-Verdellino and Brembate production sites expansion works, which started in the first half of 2016, and cover 28,700 and 12,700 square metres.
At the end of the work, the Zingonia-Verdellino and Brembate investments were € 19.7 million and € 15.2 million respectively. This allowed Fine Foods to increase the surface area of its plants (80 per cent increase in Zingonia-Verdellino and 120 per cent in Brembate), to meet the growing demand for additional volumes by new and existing customers. This involved the installation of additional production lines during 2019, and helped a turnover growth of 14.5% in 2019.
After its production sites expansion in Zingonia-Verdellino and Brembate, the Company has mostly completed the activation of the new production lines, with a consequent impact on current financial year costs. The most heavily affected expense items relate to direct labour, which includes company employees, non-recurring costs for temporary work, transportation and third-party storage costs.
During 2019, the Nembro plant production activity was mothballed (only two rented sheds continue to be used as warehouses), to focus pharmaceutical activities at the more modern Brembate plant - one of the two expansion works just completed. In the above period, in addition to machinery, all production and related complementary activities (e.g. laboratory analyses) were transferred from Nembro to Brembate with a temporary increase in costs that will be offset in the future with synergy and efficiency improvements. The transfer described above required a series of regulatory activities including analytical and process validations and the preparation of the related document reports.

General economic performance

Italian economic activity, which grew slightly in the third quarter of last year, remained static in the fourth quarter, continuing to suffer from the manufacturing sector's weakness.

Recent periods have been characterised by extreme volatility as the Covid-19 virus spreads in more countries which are gradually starting lock-down policies for citizens and businesses.
Despite recent monetary and tax incentives, markets cannot stabilise, and are driven by growing fears of a global recession.

Management Performance

The 2019 financial year confirmed the recent expansion trend, particularly for revenues, where a flattering result was recorded: item A1 of the Income Statement (Revenues from sales and services) rose from Euro 139.4 million in 2018 to Euro 159.7 million in 2019, an increase of 14.5%. This growth is generated by the turnover of the two sectors where the

Company operates. The revenues of the "Food" Business Unit amounted to € 119.2 million in 2019 compared to € 105.6 in 2018 and showed an increase of 13 per cent. The "Pharma" segment sales in 2019 reached € 40.5 million with an increase of 20 per cent compared to € 33.7 million in 2018.

Business outlook

After January 2020, the national and international scenario was influenced by the spread of the Coronavirus and the consequent restrictive measures for its containment, implemented by the public authorities of the countries concerned. According to the latest legislative provisions, Fine Foods is among the companies that can continue to carry out its activities, producing medicines and food supplements, as it is considered essential for the community.
There were no problems in the production and shipping of products to customers when drafting the Financial Statements. There were no difficulties in the procurement of raw and packaging materials. However, the potential impact of this phenomenon on future financial statements cannot be determined at this time and will be monitored during the 2020 financial year.

Significant events occurred after the year-end

On 9 January 2020, under art. 6.4 (d) (ii) (B) of the Fine Foods Articles of Association, 50,000 Special Shares were converted into a ratio of six Ordinary Shares for every single Special Share held. This means 300,000 new Fine Foods Ordinary Shares being issued without changing the share capital total amount. It should be noted that, during February 2020, 262,611 Ordinary Shares were issued, with a consequent increase in Share Capital of € 26,261.10, following the exercise of 1,201,906 warrants.
The Share Capital resulting from the above transactions was € 22,590,304 and consisted of 23,455,540 shares.
As part of the treasury share buyback programme announced to the market on 14 December 2018 and launched on 19 December 2018 implementing the 14 December 2018 Shareholders' Meeting resolution, on 20 March 2020, Fine Foods purchased on the AIM Italia, managed by Borsa Italiana S.p.A., 625,810 treasury shares, equal to 2.6681% of the Share Capital, at the weighted average price of € 10.7758, for a total value of € 6,743,615.

Management and coordination activities

Under paragraph 5 of art. 2497-bis of the Civil Code, we state that the Company is not subject to external management and coordination.

Balance sheet and financial position

For a better understanding of the Company's balance sheet and financial position, a reclassified Balance Sheet is provided below.

Balance Sheet Assets

Item	2019 financial year	%	2018 financial year	%	Absolute variation	% Variation
WORKING CAPITAL	**113,617,375**	**55.05%**	**123,995,924**	**59.94%**	**(10,378,549)**	**(8.37)%**
Immediate Liquidity	**2,671,684**	**1.29%**	**74,771,628**	**36.15%**	**(72,099,944)**	**(96.43)%**
Liquid assets	2,671,684	1.29%	74,771,628	36.15%	(72,099,944)	(96.43)%
Deferred liquidity	110,945,691	**53.75%**	49,224,296	**23.80%**	**61,721,395**	**125.39%**
Short-term receivables under Current Assets	19,956,886	9.67%	27,142,527	13.12%	(7,185,642)	(26.47)%
Financial assets	68,337,564	33.11%			68,337,564	
Accrued income and prepaid expenses	163,417	0.08%	94,349	0.05%	69,068	73.20%
Inventories	22,487,824	10.90%	21,987,419	10.63%	500,405	2.28%
FIXED ASSETS	**92,782,221**	**44.95%**	**82,854,497**	**40.06%**	**9,927,724**	**11.98%**
Intangible fixed assets	3,449,609	1.67%	4,278,744	2.07%	(829,135)	(19.38)%
Tangible fixed assets	89,332,612	43.28%	78,575,753	37.99%	10,756,860	13.69%
TOTAL APPLICATION OF FUNDS (Total Assets)	**206,399,596**	**100%**	**206,850,421**	**100%**	**(450,825)**	**(0.22)%**

Balance Sheet Liabilities

Item	2019 financial year	%	2018 financial year	%	Absolute variation	% Variation
THIRD-PARTY CAPITAL	**58,109,007**	**28.15%**	**57,685,026**	**27.89%**	**423,981**	**0.73%**
Current liabilities	**36,516,868**	**17.69%**	**34,060,538**	**16.47%**	**2,456,330**	**7.21%**
Short-term payables	36,476,802	17.67%	34,016,949	16.45%	2,459,853	7.23%
Accrued expenses and deferred income	40,066	0.02%	43,589	0.02%	(3,523)	(8.08)%
Consolidated liabilities	**21,592,139**	**10.46%**	**23,624,488**	**11.42%**	**(2,032,349)**	**(8.60)%**
Medium/long term payables	20,619,544	9.99%	22,602,852	10.93%	(1,983,308)	(8.77)%
Severance Indemnity	972,595	0.47%	1,021,636	0.49%	(49,041)	(4.80)%
OWNERS' EQUITY	**148,290,589**	**71.85%**	**149,165,395**	**72.11%**	**(874,806)**	**(0.59)%**
Share Capital	22,564,043	10.93%	22,563,970	10.91%	73	0.00%
Reserves	119,656,961	57.97%	118,297,101	57.19%	1,359,861	1.15%
Profits (losses) carried forward			(381,962)	(0.18)%	381,962	100%
Profit (loss) for the financial year	6,069,585	2.94%	8,686,286	4.20%	(2,616,701)	(30.12)%
TOTAL SOURCES (Total Liabilities)	**206,399,596**	**100%**	**206,850,421**	**100%**	**(450,825)**	**(0.22)%**

Balance sheet and financial position main indicators

Based on the previous reclassification, the following Financial Statement indicators are calculated:

INDEX	2019 financial year	2018 financial year	% Changes
Fixed asset coverage			
= A) Shareholders' equity / B) Fixed assets	159.83%	180.03%	(11.22)%
The index assesses the balance between the owners' equity and the company's fixed assets investments			
Amounts payable to banks to working capital ratio			
= D.4) Bank Borrowing / C) Current assets	18.80%	14.73%	27.65%
This index measures working capital obtained using bank financing			
Debt ratio			
= [TOTAL LIABILITIES - A) Shareholders' equity] / A) Shareholders' equity	0.39	0.39	1.33%
This index expresses the ratio between third-party capital and equity			
Financial debt ratio			
= [D.1) Bonds payable + D.2) Convertible bonds payable + D.3) Payables to shareholders for loans + D.4) Payables to banks + D.5) Payables to other lenders + D.8) Payables represented by debt securities + D.9) Payables to subsidiaries + D.10) Payables to associated companies + D.11) Payables to parent companies + D.11-bis) Payables to companies controlled by the parent companies] / A) Shareholders' equity	0.21	0.19	11.75%
The index measures the ratio between the use of third-party financing capital (third-party paid capital and subject to repayment) and the use of the Company's own resources			
Equity on invested capital			
= A) Shareholders' equity / TOT. ASSETS	71.85%	72.11%	(0.37)%
The index measures the company capitalisation degree and its financial independence from third-party financing			
Financial charges on turnover			
= C.17) Interest and other financial charges (ordinary portion) / A.1) Revenues from sales and services (ordinary portion)	0.49%	0.37%	30.34%
The index expresses the ratio between financial charges and the Company's turnover			
Current Ratio			

INDEX	2019 financial year	2018 financial year	% Changes
= [A) Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + C.I) Inventories + Tangible fixed assets held for sale + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash) + D) Accruals and deferrals] / [D) Payables (within 12 months) + E) Accruals and deferrals]	310.89%	364.05%	(14.60)%
The index measures the Company's ability to broadly deal with current payables and all current receivables (including inventories)			
Capital structure primary margin			
= [A) Shareholders' equity - (B) Fixed assets - B.III.2) Receivables (within 12 months))]	55,508,364	66,310,898	(16.29)%
It is the difference between the Shareholders' equity and Net Fixed Assets. It expresses, in absolute values, the Company’s ability to cover its fixed asset investments with its own resources.			
Capital structure primary ratio			
= [A) Shareholders' equity] / [B) Fixed assets - B.III.2) Receivables (within 12 months)]	1.60	1.80	(11.22)%
It is the ratio between Shareholders' equity and Net Fixed Assets. It expresses, in relative values, the portion of fixed assets covered by own resources.			
Capital structure secondary margin			
= [A) Shareholders' equity + B) Provisions for risks and charges + C) Employee severance indemnity + D) Payables (after 12 months)] - [B) Fixed assets - B.III.2) Receivables (within 12 months)]	77,100,507	89,935,386	(14,27)%
It is the difference between the Consolidated Long Term Capital (Shareholders' equity plus Long-term payables) and Net Fixed Assets. It expresses, in absolute values, the Company's ability to cover fixed asset investments with consolidated resources.			
Capital structure secondary ratio			
= [A) Shareholders' equity + B) Provisions for risks and charges + C) Employee severance indemnity + D) Payables (after 12 months)]/ [B) Fixed assets - B.III.2) Receivables (within 12 months)]	1.83	2.09	(12.20)%
It is the ratio between the Consolidated Long Term Capital and the Net Fixed Assets. It expresses, in relative values, the portion of fixed assets covered with consolidated resources.			
Net Working Capital			

INDEX	2019 financial year	2018 financial year	% Changes
= [A) Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + C.I) Inventories + Tangible fixed assets held for sale + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash) + D) Accruals and deferrals] - [D) Payables (within 12 months) + E) Accruals and deferrals]	77,100,507	89,935,386	(14,27)%
It is the difference between gross Working Capital and current liabilities. It expresses in absolute values, the ability of the company to face short-term commitments with existing resources			
Primary treasury margin			
= [A) Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + Tangible fixed assets held for sale + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash) + D) Accruals and deferrals] - [D) Payables (within 12 months) + E) Accruals and deferrals]	54,612,683	67,947,967	(19.63)%
It is the difference, in absolute values, between immediate and deferred liquidity and current liabilities. It expresses the Company's ability to meet current commitments using its own liquidity			
Primary treasury index			
= [A) Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + Tangible fixed assets held for sale + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash) + D) Accruals and deferrals] / [D) Payables (within 12 months) + E) Accruals and deferrals]	249.55%	299.49%	(16.67)%
The index measures the Company's ability to deal with current payables with liquid monetary resources or short-term receivables			

The Net Financial Position was positive, with about € 39.8 million, compared to € 46.7 million in 2018. The excellent cash generation deriving mainly from operations fully supported the new investments made. The change from the previous financial year is due to the ongoing buy-back programme and the distribution of dividends.

Financial situation

To better understand the Company's operating results, a reclassification of the Income Statement is provided below.

Income Statement

Item	2019 financial year	%	2018 financial year	%	Variation Absolute	Variation
Revenues from sales and services	**159,658,112**	**100%**	**139,386,516**	**100%**	**20,271,596**	**14.54%**
+ Change in inventories	1,376,342	0.86%	5,591,339	4.01%	(4,214,997)	(75.38) %
- Raw materials	97,139,809	60.84%	87,399,687	62.70%	9,740,122	11.14%
VALUE ADDED	**63,894,645**	**40.02%**	**57,578,167**	**41.31%**	**6,316,478**	**10.97%**
+ Other revenues	2,435,252	1.53%	1,816,897	1.30%	618,355	34.03%
- Overheads	17,609,718	11.03%	14,672,992	10.53%	2,936,726	20.01%
- Personnel cost	28,667,544	17.96%	24,900,384	17.86%	3,767,160	15.13%
- Other operating charges	2,032,158	1.27%	1,142,694	0.82%	889,464	77.84%
EBITDA	**18,020,477**	**11.29%**	**18,678,993**	**13.40%**	**(658,516)**	**(3.53) %**
ADJUSTED EBITDA	**20,793,035**	**13.02%**	**18,678,993**	**13.40%**	**2,114,042**	**11.32%**
- Amortisation, depreciation, and write-downs	11,086,748	6.94%	8,495,881	6.10%	2,590,867	30.50%
EBIT	**6,933,729**	**4.34%**	**10,183,112**	**7.31%**	**(3,249,383)**	(31.91) %
ADJUSTED EBIT	**9,706,287**	**6.08%**	**10,183,112**	**7.31%**	**(476,825)**	(4.68) %
+ Financial income	1,595,446	1.00%	751,981	0.54%	843,465	112.17%
- Financial charges	774,529	0.49%	518,778	0.37%	255,751	49.30%
+ Foreign currency conversion gains and losses	(29,972)	(0.02)%	14,962	0.01%	44,934	(300.32) %
INCOME BEFORE TAXES	**7,724,674**	**4.84%**	**10.431.277**	**7.48%**	**(2,706,603)**	**(25.95) %**
ADJUSTED INCOME BEFORE TAXES	**10,497,232**	**6.57%**	**10.431.277**	**7.48%**	**65,955**	**0.63%**
- Financial year income taxes	1,655,089	1.04%	1,744,992	1.25%	(89,903)	(5.15) %
NET INCOME	**6,069,585**	**3.80%**	**8,686,285**	**6.23%**	**(2,616,700)**	**(30.12) %**
ADJUSTED NET INCOME	**8,248,095**	**5.17%**	**8,686,285**	**6.23%**	**(438,190)**	**(5.04) %**

During 2019, there were non-recurring costs for the closure of the Nembro plant and the consequent transfer of production and related regulatory activities to Brembate, and costs for the start-up of the two new expansions at Zingonia and Brembate and extraordinary consultancy costs.
The costs related to these events were € 2.8 million gross of the related tax effect. Particularly, € 1,290,000 for personnel costs, € 600,000 for rent and transport, € 547,000 for validations and reprocessing, € 290,000 for extraordinary consultancy and € 46,000 for cleaning.

Key economic indicators

Based on the previous reclassification, the following Financial Statement indicators are calculated:

INDEX	2019 financial year	2018 financial year	% Changes
ROE			

INDEX	2019 financial year	2018 financial year	% Changes
= 23) Profit (loss) for the year / A) Shareholders' equity	4.09%	5.82%	(29.71)%
The index measures the return on equity invested in the company			
ROI			
= [A) Production value (ordinary portion) - A.5) Other revenues and income (ordinary portion) - B) Production costs (ordinary portion) + B.14) Other operating expenses (ordinary portion)] / TOT. ASSETS	3.16%	4.60%	(31.17)%
The index measures the profitability and the efficiency of the invested capital for company ordinary operations			
ROS			
= [A) Production value (ordinary portion) - B) Production costs (ordinary portion)] / A.1) Revenues from sales and services (ordinary portion)	4.34%	7.31%	(40.55)%
The index measures the Company's ability to generate profits from sales or the operating income for each unit of revenue			
ROA			
= [A) Production value (ordinary portion) - B) Production costs (ordinary portion)] / TOT. ASSETS	3.36%	4.92%	(31.76)%
The index measures the return on investment with reference to the result before financial management			

Information under Article 2428 of the Civil Code

Below we analyse the information as requested by art. 2428 of the Civil Code.

Main risks and uncertainties for the Company

Under the first paragraph of art. 2428 of the Civil Code, the main risks, and uncertainties for the Company are described below. The Board of Directors must diligently monitor and implement risk containment policies:

- the price risk is managed using a solid cost accounting procedure which can identify the production cost, through which remunerative and competitive prices can be offered to the customer;
- the exchange rate risk, although not significant for the Company, is kept under control by avoiding exposures over time in currencies other than the Euro;
- the liquidity risk is mitigated by adopting policies and procedures which maximise the efficiency of financial resource management. This is carried out through the centralised management of incoming and outgoing flows, assessment of prospective liquidity conditions, obtaining adequate credit lines, and preserving an

adequate cash and cash equivalent level. Current liquidity and credit lines are enough to meet future financial needs, along with resources generated by operating and financing activities;

- the product risk is spread over a large portfolio of products that annually pass through plants. This ensures that the Company is not dependant on a single product. A competent and timely Quality Assurance service safeguards product quality;

- the risk of changes in cash flows is not considered significant in view of the Company's balance sheet. It is considered that the risks to which the business activity is exposed are not higher than those physiologically connected to the overall business risk;

- the credit risk represents the Company's exposure to potential losses deriving from the non-fulfilment of the obligations assumed by counterparties. Experience has proved that this risk never significantly occurred for Fine Foods. However, the Company would implement the appropriate hedging if necessary.

Key non-financial indicators

Under the second paragraph of art. 2428 of the Civil Code, we provide the following company business non-financial indicators for a better understanding of the Company situation, operating trend and result:

- Fine Foods maintains consolidated and continuous relationships with more than 100 customers;
- The Company can count on 97 production lines located in the various plants;
- Fine Foods produces more than 1,300 Stock-Keeping Units (SKUs);
- The Company has more than 570 employees, of which about 10 per cent are dedicated to quality control activities.

Environmental information

The environmental objectives and policies, including the measures adopted and the improvements made to the business activity that had the greatest impact on the environment, can be summarised as follows:

In May 2019, the Company underwent an environmental certification audit under the UNI EN ISO 14001:2015 standard, which certifies the presence of a management system to prevent air and water environmental issues.
The next maintenance visit is planned for mid-May 2020.

A management system illustrates how to intervene if harmful events occur.
During 2019, there were no events that caused damage to the environment which the Company was found guilty for, nor were sanctions or penalties imposed for environmental crimes or damages.
To protect the environment and follow the provisions of current legislation, the Company gives all the types of waste that are generated by the Zingonia - Verdellino and Brembate sites to authorised third parties.

Work Risk Assessment Document

Under Legislative Decree no. 81 of 09/04/2008 of Legislative Decree 106/09 and subsequent amendments, which contain reference standards for workplace health and safety, the Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised on 1 December 2019, version no. 10.
The Company holds the OHSAS 18001:2007 certification, which is the international standard for a safety and health management system for workers.
Next April, the Company will be audited for UNI EN ISO 45001:2018 certification, which will replace the old OHSAS 18001:2007. With the publication of the new international standard (ISO 45001 - "Occupational Health and Safety

Management Systems - Requirements with guidance for use") in March 2018, BS OHSAS 18001 will be withdrawn. The deadline for the changeover to the new rules is 11 March 2021.

Personnel Management Information

To better understand the Company situation and management performance, some information relating to personnel management is provided.
Attention was paid to the professional growth of personnel, in 2019 144 training courses and seminars were held, adding 836 presences at all levels leading to 2199 training hours, to increase technical skills and maintain an adequate level of quality, safety, hygiene and environment updating.

Plant	Number of courses	Number of participants	Total hours
ZINGONIA	80	433	1370
BREMBATE	64	403	829
TOTAL	**144**	**836**	**2199**

During the year there were no serious accidents at work that resulted in serious injuries to personnel enrolled in the employee register for which corporate responsibility was ascertained or charges relating to occupational illnesses on employees or former employees and mobbing cases.

Research and development

Fine Foods works in the contract development and manufacturing of solid oral forms for the pharmaceutical and nutraceutical industries. The research and development work stems from a structured collaboration with customers aimed at providing them with new formulations for their products, guaranteeing their effectiveness, quality and innovation.
The costs incurred for product research and development are not capitalised but are included in operating costs and charged to the income statement.

Relationships with subsidiary, associated, parent companies and companies controlled by the parent companies

Under point 2 of the third paragraph of art. 2428 of the Civil Code, during 2019 the Company distributed a profit of € 0.10 per share to the parent company Eigenfin S.r.l. as per the shareholders' resolution approving the 2018 financial statements.

Treasury shares

The table below summarises the situation regarding treasury shares as at 31/12/2019 and the movements during the year.

	Number	Total nominal value	%	Fees Euro
Initial balance	-	-	-	-
Purchased shares	450,591	-	1.9640	4,712,245

Shares allocated free of charge	-	-	-	-
Shares sold	-	-	-	-
Shares cancelled due to excess capital	-	-	-	-
Shares cancelled to cover losses	-	-	-	-
Final balance	**450,591**	**0**	**1.9640**	**4,712,245**

Under art. 2357-ter of the Civil Code, the purchase of treasury shares involved booking a "Negative reserve for treasury shares in the portfolio" in balance sheet liabilities. The number of treasury shares held by the company having recourse to the risk capital market does not exceed one-fifth of the share capital, as required by art. 2357 of the Civil Code.

The purchase of treasury shares provides the Company with a useful strategic investment opportunity for any purpose permitted by current regulations.

Parent Company shares

Under art. 2435-bis and art. 2428, paragraph 3, nos. 3 and 4 of the Civil Code, the Company, during the year, did not hold parent Company shares.

Use of financial instruments significant to the assessment of the financial position and net result for the year

Under point 6-bis) of the third paragraph of art. 2428 of the Civil Code, we certify that the Company has not undertaken any financial risk management policies, as it is considered irrelevant for our company.

Branch offices

In compliance with art. 2428 of the Civil Code, the Company's branch operating offices are shown below:

Address	Location
VIA GRIGNANO 43	BREMBATE
VIA LOMBARDIA 8/B/C	NEMBRO

GDPR Privacy Policy

Under EU Regulation 2016/679, General Data Protection Regulation ("GDPR"), the Company has implemented a corporate organisation system for the protection of personal data to comply with the EU regulatory framework, which strengthens Privacy and the individuals' data protection rights.

Conclusions

Dear Shareholders, in light of the previous paragraphs and the Explanatory Notes, we invite you to:

- approve the Financial Statements for the year ended 31/12/2019 along with the Explanatory Notes and this Report;
- allocate the operating result in line with the proposal formulated in the Explanatory Notes.

Verdellino, 31/03/2020

for the Board of Directors
Chairman

Marco Francesco Eigenmann

31/12/2019 Balance Sheet

Ordinary Balance Sheet

	31/12/2019	31/12/2018
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
3) industrial patent and intellectual property rights	1,273,296	1,059,699
5) goodwill	-	194,150
7) other	2,176,313	3,024,895
Total intangible fixed assets	*3,449,609*	*4,278,744*
II - Tangible fixed assets	-	-
1) land and buildings	37,314,959	18,439,641
2) plant and machinery	45,314,549	20,291,785
3) industrial and commercial equipment	2,040,227	1,585,805
4) other tangible assets	2,830,441	1,857,879
5) fixed assets under construction and payments on account	1,832,437	36,400,643
Total tangible fixed assets	*89,332,613*	*78,575,753*
Total fixed assets (B)	*92,782,222*	*82,854,497*
C) Current assets		
I – Inventories	-	-
1) raw materials, ancillary materials, and consumables	12,297,677	12,907,823
2) work in progress and semi-finished products	3,030,866	3,839,982
4) finished products and goods	7,159,281	5,239,614
Total inventories	*22,487,824*	*21,987,419*
II – Receivables	-	-
1) from customers	17,093,400	21,546,545
due within 12 months	17,093,400	21,546,545
5-bis) tax receivables	2,150,075	4,892,644
due within 12 months	2,150,075	4,892,644
5-ter) deferred tax assets	488,138	398,017

	31/12/2019	31/12/2018
5-quater) from others	225,273	305,322
due within 12 months	225,273	305,322
Total receivables	*19,956,886*	*27,142,528*
III - Current financial assets	-	-
6) other securities	68,337,564	-
Current financial assets	*68,337,564*	-
IV - Liquid assets	-	-
1) bank and postal deposits	2,664,126	74,764,972
3) cash and cash equivalents on hand	7,558	6,656
Total liquid assets	*2,671,684*	*74,771,628*
Total current assets (C)	*113,453,958*	*123,901,575*
D) Accruals and deferrals	**163,417**	**94,349**
Total assets	*206,399,597*	*206,850,421*
Liabilities		
A) Shareholders' equity	**148,290,590**	**149,165,395**
I– Share Capital	22,564,043	22,563,970
II - Share premium reserve	86,743,750	86,743,750
IV - Legal reserve	5,000,000	5,000,000
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	6,072,106	-
Merger surplus reserve	26,553,351	26,553,351
Total other reserves	*32,625,457*	*26,553,351*
VIII - Profits (losses) carried forward	-	(381,962)
IX - Profit (loss) for the year	6,069,585	8,686,286
X - Negative reserve for treasury shares in the portfolio	(4,712,245)	-
Total Shareholders' Equity	148,290,590	149,165,395
C) Employee severance indemnity	**972,595**	**1,021,636**
D) Payables		
1) bonds	9,896,567	9,859,540
due after 12 months	9,896,567	9,859,540
4) Bank Borrowing	21,334,924	18,252,486
due within 12 months	10,611,947	5,509,174
due after 12 months	10,722,977	12,743,312

	31/12/2019	31/12/2018
7) trade payables	20,608,429	23,871,811
due within 12 months	20,608,429	23,871,811
12) taxes payable	907,303	837,220
due within 12 months	907,303	837,220
13) payables due to pension and social security institutions	1,851,465	1,673,423
due within 12 months	1,851,465	1,673,423
14) other payables	2,497,658	2,125,321
due within 12 months	2,497,658	2,125,321
Total payables	*57,096,346*	*56,619,801*
E) Accruals and deferrals	**40,066**	**43,589**
Total liabilities	*206,399,597*	*206,850,421*

Ordinary Income Statement

	31/12/2019	31/12/2018
A) Production value		
1) revenues from sales and services	159,658,112	139,386,516
2) changes in inventories of work in progress, semi-finished and finished products	1,110,550	2,683,761
5) other revenues and income	-	-
Other	2,435,252	1,816,897
Total other revenues and income	*2,435,252*	*1,816,897*
Total production value	*163,203,914*	*143,887,174*
B) Production costs		
6) raw materials, ancillary materials, consumables, and goods	97,139,809	87,399,687
7) services	16,717,482	13,621,312
8) use of third-party assets	892,236	1,051,680
9) personnel	-	-
a) wages and salaries	21,314,115	18,380,087
b) social security contributions	6,150,495	5,452,949
c) severance indemnity	1,199,034	1,067,348
e) other costs	3,900	-
Total personnel costs	*28,667,544*	*24,900,384*
10) amortisation, depreciation, and write-downs	-	-
a) amortisation of intangible assets	1,550,587	1,391,088
b) depreciation of tangible assets	8,579,989	6,344,688
d) write-downs of receivables included in current assets and liquid assets	80,234	110,105
Total amortisation, depreciation, and write-downs	*10,210,810*	*7,845,881*
11) changes in inventories of raw materials, ancillary materials, consumables, and goods	610,146	(2,257,578)
14) other operating charges	2,032,158	1,142,695
Total production costs	*156,270,185*	*133,704,061*
Difference between value and production costs (A - B)	**6,933,729**	**10,183,113**
C) Financial income and charges		
16) other financial income	-	-
c) from securities included in current assets other than equity investments	1,589,120	-

	31/12/2019	31/12/2018
d) income other than the above	-	-
Other	6,325	751,981
Total income other than the above	*6,325*	*751,981*
Total other financial income	*1,595,445*	*751,981*
17) interest and other financial charges	-	-
Other	774,528	518,778
Total interest and other financial charges	*774,528*	*518,778*
17-bis) foreign exchange gains and losses	(29,972)	14,962
Total financial income and charges (15 + 16-17 + -17-bis)	*790,945*	*248,165*
Earnings before taxes (A-B + -C +-D)	**7,724,674**	**10,431,278**
20) Current, deferred, and prepaid income taxes for the year		
current taxes	1,745,210	1,865,477
deferred and prepaid taxes	(90,121)	(120,485)
Total current, deferred, and prepaid income taxes for the year	*1,655,089*	*1,744,992*
21) Profit (loss) for the year	**6,069,585**	**8,686,286**

Cash Flow Statement, indirect method

	Amount as at 31/12/2019	Amount as at 31/12/2018
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the financial year	6,069,585	8,686,286
Income taxes	1,655,089	1,744,992
Interest expenses (Income)	(820,917)	(233,203)
(Gains)/Losses deriving from asset disposals	(915,412)	(11,136)
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals	*5,988,345*	*10,186,939*
Adjustments for non-monetary items with no impact ont the net working capital		
Allocation to Provisions	18,677	1,021,636
Depreciation of fixed assets	10,130,576	7,735,776
Total adjustments for non-monetary items with no impact on the net working capital	*10,149,253*	*8,757,412*
2) Cash flow before changes in net working capital	*16,137,598*	*18,944,351*
Changes in net working capital		
Decrease/(Increase) in inventories	(500,405)	(21,987,419)
Decrease/(Increase) in trade receivables	4,453,145	(21,546,545)
Increase/(Decrease) in trade payables	(3,263,382)	23,713,361
Decrease/(Increase) in accrued income and prepaid expenses	(69,068)	203,408
Increase/(Decrease) in accrued expenses and deferred income	(3,523)	43,589
Other decreases/(increases) of net working capital	3,352,959	(835,769)
Total changes in net working capital	*3,969,726*	*(20,409,375)*
3) Cash flow after changes in net working capital	*20,107,324*	*(1,465,024)*
Other adjustments		
Interest received/(paid)	820,917	233,203
(Income taxes paid)	(1,655,089)	(1,744,992)
(Use of provisions)	(67,719)	
Total other adjustments	*(901,891)*	*(1,511,789)*
Cash flow from operating activities (A)	***19,205,433***	***(2,976,813)***
B) Cash flows deriving from investments		
Tangible fixed assets		
(Investments)	(19,409,161)	(84,964,299)
Disposals	95,245	54,994

	Amount as at 31/12/2019	Amount as at 31/12/2018
Intangible fixed assets		
(Investments)	(721,452)	(5,248,969)
Current financial assets		
(Investments)	(68,337,564)	
Disposals	892,480	
Cash flow from investments (B)	***(87,480,452)***	***(90,158,274)***
C) Cash flows deriving from financing		
Third-party financing		
Increase/(Decrease) of short-term payables to banks	5,102,773	5,507,604
New financing	1,500,000	22,602,852
(Funding repayment)	(3,483,308)	
Equity		
Paid increase in share capital	73	38,861,071
Sale/(purchase) of treasury shares	(4,712,245)	
(Dividends and advances on paid dividends)	(2,232,218)	
Cash flow from financing (C)	***(3,824,925)***	***66,971,527***
Increase (decrease) in liquid assets (A ± B ± C)	***(72,099,944)***	***(26,163,560)***
Liquid assets at the beginning of the financial year		
Bank and postal deposits	74,764,972	100,935,188
Cash and cash equivalents on hand	6,656	
Total liquid assets at the beginning of the financial year	74,771,628	100,935,188
Liquid assets at the end of the financial year		
Bank and postal deposits	2,664,126	74,764,972
Cash and cash equivalents on hand	7,558	6,656
Total liquid assets at the end of the financial year	2,671,684	74,771,628

Explanatory Notes, first part

Dear Shareholders, these Explanatory Notes are an integral part of the Financial Statements as at 31/12/2019.
The Financial Statements comply with articles 2423 et seq. of the Civil Code and national accounting principles as published by the Italian Accounting Body. The Financial Statements present a true and fair representation of the Company's balance sheet and financial position and of its result for the year.
The Balance Sheet and Income Statement content is that provided for under Articles 2424 and 2425 of the Civil Code; the Cash Flow Statement has been prepared under art. 2425-ter.
The Explanatory Notes, prepared under art. 2427 of the Civil Code, contain all the information needed to provide a correct interpretation of the Financial Statements.
These Financial Statements, submitted for your examination and approval, show a profit of € 6,069,585, after depreciation and amortisation of € 10,130,576 and income taxes of € 1,655,089.
Based on the economic performance and the sound financial position, the Directors believe that the Company can continue its operations and have prepared the 31 December 2019 Financial Statements based on the going concern principle.

Performed activity

Fine Foods & Pharmaceuticals N.T.M. S.p.A., operating since 1984, is the leading independent Italian Company in the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries. The Company is recognised on the market for its high-quality products and has long-term relationships with most of its customers (more than one hundred). It has a constantly growing turnover which reached 160 million in 2019.
Fine Foods & Pharmaceuticals N.T.M. S.p.A. is a company listed on the Alternative Investment Market (hereafter AIM Italia), managed by Borsa Italiana S.p.A. since 1 October 2018.

Significant events occurred during the year

In 2019, the Company completed the important Zingonia-Verdellino and Brembate production sites expansion works, which started in the first half of 2016, and cover 28,700 and 12,700 square metres. At the end of the work, the Zingonia-Verdellino and Brembate investments were € 19.7 million and € 15.2 million respectively. This allowed Fine Foods to increase the surface area of its plants (80 per cent increase in Zingonia-Verdellino and 120 per cent in Brembate), to meet the growing demand for additional volumes by new and existing customers. This involved the installation of additional production lines during 2019, and helped a turnover growth of 14.5% in 2019. After its production sites expansion in Zingonia-Verdellino and Brembate, the Company has mostly completed the activation of the new production lines, with a consequent impact on current financial year costs. The most heavily affected expense items relate to direct labour, which includes company employees, non-recurring costs for temporary work, transportation and third-party storage costs.
During 2019, the Nembro plant production activity was mothballed (only two rented sheds continue to be used as warehouses), to focus pharmaceutical activities at the more modern Brembate plant - one of the two expansion works just completed. In the above period, in addition to machinery, all production and related complementary activities (e.g. laboratory analyses) were transferred from Nembro to Brembate with a temporary increase in costs that will be offset in the future with synergy and efficiency improvements. The transfer described above required a series of regulatory activities including analytical and process validations and the preparation of the related document reports.

Significant events occurred after the year-end

On 9 January 2020, under art. 6.4 (d) (ii) (B) of the Fine Foods Articles of Association, 50,000 Special Shares were converted into a ratio of six Ordinary Shares for every single Special Share held. This means 300,000 new Fine Foods Ordinary Shares being issued without changing the share capital total amount. It should be noted that, during February 2020, 262,611 Ordinary Shares were issued, with a consequent increase in Share Capital of € 26,261.10, following the exercise of 1,201,906 warrants.
The Share Capital resulting from the above transactions was € 22,590,304 and consisted of 23,455,540 shares.
As part of the treasury share buyback programme announced to the market on 14 December 2018 and launched on 19 December 2018 implementing the 14 December 2018 Shareholders' Meeting resolution, on 20 March 2020, Fine Foods purchased on the AIM Italia, managed by Borsa Italiana S.p.A., 625,810 treasury shares, equal to 2.6681% of the Share Capital, at the weighted average price of € 10.7758, for a total value of € 6,743,615.

Since February, Italy was affected by the epidemic caused by the COVID 19 virus that started in China at the end of 2019. Our region has been particularly affected by this worldwide pandemic and this is having an impact in terms of human lives. Directors have promptly applied the precautions imposed by the situation to employees and continue to develop prevention and containment measures. At the moment, it is impossible to calculate the impact, or determine accurate forecasts for 2020. Your Directors are engaged in monitoring the company's financial and balance sheet position and confirm that the company's management is based on the going concern principle.

Criteria followed when preparing the Financial Statements

Preparation of the Financial Statements

The information contained in this document is presented in the order in which the related items are shown in the Balance Sheet and Income Statement.
In the Explanatory Notes introduction, we certify that, under art. 2423, paragraph 3 of the Civil Code, if the legally required information is insufficient to give a true and correct representation of the business situation, additional information necessary would be provided.
The Financial Statements and these Explanatory Notes have been prepared in Euro.

Principles followed when preparing the Financial Statements

The Financial Statement items were valued following the principles of prudence, relevance, and "ongoing concern." Under art. 2423-bis c.1 point 1-bis of the Civil Code, the recording and presentation of the items is carried out considering the substance of the transaction or contract. While preparing the Financial Statements, income and expenses were entered on an accrual basis, regardless of their collection and expenditure date and only profits realised at the end of the year were reported. The risks and losses pertaining to the year have been considered, even if only known after the year-end.

Financial Statements structure and content

The Balance Sheet, Income Statement, Cash Flow Statement, and the accounting information contained in these Explanatory Notes follow the accounting journal entries, from which they derive.
No groupings of items preceded by Arabic numerals have been made in the presentation of the Balance Sheet and Income Statement, as optionally provided for by art. 2423 ter of the Civil Code.
Under art. 2424 of the Civil Code there are no assets or liabilities that fall under more than one item in the Financial Statements.

Exceptional cases under art. 2423, fifth paragraph of the Civil Code

No cases occurred, which made it necessary to resort to exceptions under art. 2423, paragraphs 4 and 5 of the Civil Code.

Changes in accounting principles

No cases occurred, which made it necessary to resort to exceptions under art. 2423-bis, par. 2 of the Civil Code.

Comparability and Adaptation

Under art. 2423-ter, paragraph 5, of the Civil Code, for each item in the Balance Sheet and Income Statement the corresponding item amount of the previous year is shown. Where items are not comparable, those of the previous year are appropriately adjusted and the non-comparability and the adjustment or impossibility to adjust are reported and commented in these Explanatory Notes.

Evaluation criteria applied

The criteria applied in the valuation of the Financial Statements' items and the value adjustments follow the provisions of the Civil Code and the standards issued by the Italian Accounting Body. Criteria have not changed compared to the previous year.
Under article 2427 par. 1 no. 1 of the Civil Code, the most significant valuation criteria adopted in compliance with art. 2426 of the Civil Code are shown, with reference to Financial Statements items for which the legislator uses different valuation and adjustment criteria or when no criteria are envisaged.
The book values expressed in foreign currency have been entered, after conversion into Euro according to the exchange rate at the time of their recording, or at the exchange rate at the end of the financial year according to the OIC 26 accounting standard.

Intangible fixed assets

Intangible fixed assets, based on the assumptions provided for by the accounting standards, are booked in the Balance Sheet assets at purchase or production cost and are amortised on a straight-line basis according to their future usefulness.
The value of fixed assets is shown net of accumulated amortisation and write-downs.
The amortisation criterion for intangible assets has been applied systematically to each financial year, for the residual possibility of economic use of each individual asset or expense.
Under article 10 of Law 19 March 1983, no. 72, and as mentioned by the subsequent monetary revaluation laws, no monetary revaluation has been carried out on balance sheet intangible assets.
It was unnecessary to write-down these fixed costs under art. 2426, paragraph 1, no. 3 of the Civil Code, as required by the OIC 9 accounting principle, no indicators of potential permanent losses in the value of intangible assets were found.

Industrial patent and intellectual property rights

Industrial patent and intellectual property rights are amortised at an annual rate of 20 per cent.

Goodwill

Based on the accounting standards assumption, goodwill was booked in the Balance Sheet assets with the consent of the Board of Statutory Auditors as it was acquired against payment.
For this item, it was impossible to estimate the useful life; consequently, goodwill was amortised within the ten-year limit prescribed by art. 2426, paragraph 1, no. 6 of the Civil Code. The amortisation process was completed in 2019.

Intangible assets

Intangible assets are booked at purchase cost, including ancillary costs, and are amortised within the legal or contractual limit set for them.

Tangible fixed assets

The assets belonging to tangible fixed assets are booked on the date on which the transfer of the risks and benefits connected to the acquired asset took place. They are booked in the Financial Statements at purchase cost, increased by any additional charges incurred until the assets are ready for use and within the limits of their recoverable value.
These assets are shown in the Balance Sheet assets net of accumulated depreciation and write-downs.
The assets book value, grouped into similar classes based on their nature and year of acquisition, is broken down for the years during which they will be used. This procedure is achieved by systematically allocating to the Income Statement any depreciation charges corresponding to pre-established plans, defined when the asset is available and its presumed residual useful life. These plans, which are subject to annual verification, are drawn up for the assets' gross value and assuming that the realisable value afterwards is zero.
Any disposal of assets (sales, scrapping, etc.) that occurred during the financial year resulted in the cancellation of their residual value. Any difference between the book value and the disposal value was recorded in the Income Statement.
The above rates have been reduced by half for fixed assets acquired during the year because the depreciation does not differ significantly from the amount calculated from the time the asset is available.
The depreciation criteria for tangible fixed assets have not changed compared to those applied in the previous year.
Assets with a unit cost of up to € 516.46 that can be used independently, have been booked in the Income Statement under line B 6) as it is considered that their usefulness is exhausted during the year. The total amount of these assets is low in absolute terms.

Any write-down was unnecessary under art. 2426, paragraph 1, no. 3 of the Civil Code, as required by the OIC 9 accounting principle, no indicators of potential permanent losses in the value of tangible assets were found.

Land and buildings

After 2006, the governing body, in line with the accounting principles, does not depreciate the value of the land on which the buildings are located.
Decree-Law 223/2006 requires to carry out the accounting separation of land from the buildings above for tax purposes, as only the depreciation of buildings is deductible. This is due to the lining up between tax provisions and accounting principles.
The Decree dictated rules for estimating land values, thus resolving any uncertainty: the values determined were deemed adequate for Financial Statements purposes. Particularly:

- where the land was paid for separately from the buildings, the price was shown;
- for the areas purchased with the building and for which a price has not been shown, 20 per cent was broken down from the purchase price, for warehouses and 30 per cent for production properties. These percentages were applied to the asset's original cost, net of any revaluations and incremental expenses.

Financial or monetary revaluations

Under art. 2427 paragraph 2, the tangible fixed assets in the Company's Financial Statements subject to monetary or financial revaluation or exceptions to the statutory valuation criteria have been highlighted in the paragraph concerning tangible assets.
The measures used are the following:

- Law 266/2005;
- paragraphs 16 to 23 of article 15 of Decree-Law 29 November 2008, no. 185, converted with amendments by Law no. 2 of 28 January 2009.

The amounts resulting from the revaluation procedure were shown separately.
The revalued properties are not booked in the financial statements for a value higher than that attributable to them based on appraisals.

Fixed assets under construction and payments on account

Advances to suppliers for the purchase of tangible fixed assets recorded under item B.II.5 are initially recorded on the date when the obligation to pay these amounts arises. As a result, advances are not subject to depreciation. Tangible fixed assets under construction, recorded under item B.II.5, are initially recorded at the date when the first costs are incurred for the construction of the asset and include the internal and external costs incurred for its construction. These costs are booked under "assets under construction" until the project is completed and are not depreciated until that time.

Inventories

Raw materials and packaging products are booked at the lower of purchase or manufacturing cost and market-based realisable value, using the weighted average cost method. Work in progress, semi-finished and finished products are valued at cost, calculated based on the use of production factors (always valued at weighted average cost) and excluding general administrative, commercial, and financial charges. Under art. 2426 paragraph 10 of the Civil Code, the values booked in the valuation of fungible assets do not differ from current costs of the same asset categories.
Inventories are adjusted by an obsolescence provision, if necessary.

Receivables booked in current assets

The receivables under current assets have been booked in the Financial Statements according to the amortised cost method, as defined by art. 2426 par. 2 of the Civil Code, considering the time factor and the estimated realisable value, under art. 2426, paragraph 1, no. 8 of the Civil Code.
The presumable realisable value adjustment was carried out through the allocation of a bad debt provision.
For those receivables for which the application of the amortised cost or discounting method was irrelevant, the recording has been maintained using the presumed realisable value to represent the company's equity and financial situation correctly. This happened for receivables due within 12 months or, using the amortised cost method, when the transaction costs, commissions or any other difference between the initial value and the due date value were insignificant or, in the case of discounting, when there was an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.

Based on the provisions of article 12, paragraph 2 of Legislative Decree 139/2015, the Company did not apply the amortised cost criterion to receivables booked as current assets in the Financial Statements for the year ended before 1 January 2016.

Current financial assets

Other securities

Current securities were valued at the lower between the initial book value and realisable value based on market trends. For the valuation of the initial book value, the specific cost method has been adopted, which requires the identification and allocation of costs incurred for individual securities purchase.
The company used the exemption provided for by Article 20 quarter of Decree-Law 119 of 23 October 2018, converted by Law 136 of 17 December 2018, and extended for the 2019 financial year by Ministry of the Economy and Finance decree of 15 July 2019. This Decree allowed parties that do not adopt international accounting standards to value securities that are not intended to remain in their assets on a long-term basis according to their book value, except for long-term losses.

Liquid assets

Liquid assets are valued according to the following criteria:

- cash, at nominal value;
- bank deposits and cheques, at estimated realisable value. In this case, the realisable value coincides with the nominal value.

Accrued income and prepaid expenses

Accruals and deferrals have been calculated on an accrual basis, by allocating revenues and costs common to several years.

Shareholders' equity

The items are shown in the Financial Statements at their book value according to the indications contained in the OIC 28 accounting principle. Treasury shares are booked in the Financial Statements at a value corresponding to their purchase cost by booking a "Negative reserve for treasury shares in the portfolio" which, under art. 2424 of the Civil Code, is included in shareholders' equity. The creation of this reserve is simultaneous with the purchase of shares. The "Negative reserve for treasury shares in the portfolio" item includes the purchase cost of treasury shares as a deduction from shareholders' equity under art. 2357-ter of the Civil Code.

Employee severance indemnity

The severance indemnity has been calculated under art. 2120 of the Civil Code, considering the legal provisions, contract specifications and professional categories. It includes the accrued annual instalments and the revaluations made using ISTAT coefficients.
The provision amount is booked net of the advances paid and the quotas used for the employment termination during the year and represents the amount owed to employees at the Financial Statements closing date.

Payables

Payables have been booked in the Financial Statements according to the amortised cost method, as defined by art. 2426 par. 2 of the Civil Code, considering the time factor, according to art. 2426, paragraph 1, no. 8 of the Civil Code. For those payables for which the application of the amortised cost or discounting method was irrelevant, the recording has been maintained using the nominal value to represent the company's equity and financial situation correctly. This happened for payables due within 12 months or, using the amortised cost method, when the transaction costs, commissions or any other difference between the initial value and the due date value were insignificant or, in the case of discounting, when there was an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.
Based on the provisions of article 12, paragraph 2 of Legislative Decree 139/2015, the Company did not apply the amortised cost criterion to payables booked in the Financial Statements which ended before 1 January 2016.
Payables are classified among the various debt items based on their nature (or origin) for ordinary operations regardless of the time when liabilities are to be settled.

Accrued expenses and deferred income

Accruals and deferrals have been calculated on an accrual basis, by allocating cost and revenues common to several years.

Booking Revenue

Revenues from sales of goods are booked upon transfer of ownership, which is normally identified with the delivery or shipment of goods.
Revenues of a financial nature and those deriving from the provision of services are booked using an accrual basis.

Costs

Costs are accounted for on an accrual basis, regardless of the collection and payment date, net of returns, discounts, rebates and premiums.

Financial income and charges

Financial income and charges are booked using an accrual basis. The costs relating to the sale of receivables (with and without recourse) and of any nature (commercial, financial, other) are booked in the relevant year.

Income taxes

Taxes are accrued on an accruals basis, applying the rates in force for IRES and IRAP to the presumed tax income. Where appropriate, any temporary taxation differences have been considered. The Company does not use the "tax consolidation" procedure.

Other information

Repurchase transactions

Under article 2427 no. 6-ter, the Company certifies that during the year it did not carry out any repurchase transaction.

Explanatory Notes, assets

The movements of the individual items in the Financial Statements are detailed below, under current legislation.

Fixed assets

Intangible fixed assets

Under article 10 of Law 19 March 1983, no. 72, and as mentioned by the subsequent monetary revaluation laws, no monetary revaluation has been carried out on balance sheet intangible assets.
It was unnecessary to write-down these fixed costs under art. 2426, paragraph 1, no. 3 of the Civil Code, as required by the OIC 9 accounting principle, no indicators of potential permanent losses in the value of intangible assets were found.

Movements in intangible fixed assets

After booking the amortisation of € 1,550,587 for the year in the Income Statement, the intangible assets were € 3,449,609.
The table shows the movements in fixed assets.

	Industrial patent and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the financial year				
Cost	2,064,962	1,164,897	4,716,743	7,946,602
Amortisation (Accumulated Amortisation)	1,005,263	970,747	1,691,848	3,667,858
Book value	1,059,699	194,150	3,024,895	4,278,744
Changes during the financial year				
Increases resulting from acquisitions	721,452	-	-	721,452
Depreciation for the year	507,855	194,150	848,582	1,550,587
Total changes	*213,597*	*(194,150)*	*(848,582)*	*(829,135)*
Year-end value				
Cost	2,786,414	1,164,897	4,716,743	8,668,054
Depreciation (Accumulated Depreciation)	1,513,118	1,164,897	2,540,430	5,218,445
Book value	1,273,296	-	2,176,313	3,449,609

Industrial patent and intellectual property rights
The "Industrial patents and intellectual property rights" item mainly refers to the purchase of software licenses to develop projects for the "Microsoft Dynamics AX" ERP information system and MES software for a better production control and management.

Goodwill
Goodwill arose in 2010 following the incorporation of Omicron Pharma S.r.l. into the acquired Fine Foods. The merger deed was signed on 13/04/2010 by a deed of notary Ezilda Mariconda index no. 17511/7756. This goodwill was booked in consideration of the prospective income capacity of the acquired Company's activities. Considering the market in which it operates, it was considered appropriate to amortise the goodwill over ten years in compliance with art. 2426 no. 6 of the Civil Code and OIC 24. The above-mentioned regulatory references recognise a possibility to derogate from the basic criterion if there are conditions that dictate a utility spread over a longer period. Based on art. 172 paragraph 6 referred to in art. 176 paragraph 2 of the Consolidated Law on Income Tax (TUIR), during the 2010 tax return, the substitute tax was paid on the amount added to the balance sheet, thus aligning tax with the statutory value.
Goodwill was fully amortised on 31 December 2019.

Other intangible fixed assets
The "Other intangible fixed assets" item includes the costs incurred during 2018 by Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A. for the implementation of the Business Combination. These are costs for legal, notary, tax, corporate and financial assistance relating to the transaction.

Tangible fixed assets

The assets belonging to tangible fixed assets are booked on the date on which the transfer of the risks and benefits connected to the acquired asset took place. They are booked in the Financial Statements at purchase cost, increased by any additional charges incurred until the assets are ready for use and within the limits of their recoverable value.
These assets are shown in the Balance Sheet assets net of accumulated depreciation.
The depreciation of tangible fixed assets, the use of which is limited in time, was carried out using the following rates:

Table of depreciation rates		
	Food	Pharma
Industrial buildings based on their type	3%	5.5%
Light construction	10%	10%
Generic plant, based on their type	7.5%	10%
Specific plant and machinery, based on their type	14%	12%
Industrial and commercial equipment, based on their type	20%	40%
Other assets: Furniture and furnishings	12%	
Other assets: Electronic office machines	20%	
Other assets: Transport vehicles	20%	
Other assets: Cars	25%	

Any disposal of assets (sales, scrapping, etc.) that occurred during the financial year resulted in the cancellation of their residual value. Any difference between the book value and the disposal value was recorded in the Income Statement.
Any write-down was unnecessary under art. 2426, paragraph 1, no. 3 of the Civil Code, as required by the OIC 9 accounting principle, no indicators of potential permanent losses in the value of tangible assets were found.

Movements in tangible fixed assets

Property, plant, and equipment, including the related accumulated depreciation, are € 163,873,811; the accumulated depreciation is € 74,541,198.
The table below shows the movements in fixed assets.
The same movements include the reclassification in the tangible fixed assets under construction and payments on account (item B.II.5) of € 43,336,376, for assets previously booked under this item and which have now become available and ready for use.

	Land and buildings	**Plant and machinery**	**Industrial and commercial equipment**	**Other tangible fixed assets**	**Tangible fixed assets under construction and payments on account**	**Total tangible fixed assets**
Value at the beginning of the financial year						
Cost	34,058,371	62,487,765	6,413,360	5,423,300	36,400,643	144,783,440
Depreciation (Accumulated Depreciation)	15,618,730	42,195,980	4,827,555	3,565,421	-	66,207,687
Book value	18,439,641	20,291,785	1,585,805	1,857,879	36,400,643	78,575,753
Changes during the financial year						
Increases resulting from acquisitions	1,437,085	7,009,697	773,075	1,421,135	8,786,545	19,427,537
Reclassifications (of the net book value)	18,972,761	23,474,640	556,744	332,231	(43,336,376)	-

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under construction and payments on account	Total tangible fixed assets
Decreases deriving from disposals and divestments (of the book value)	28,000	42,837	679	247,274	-	318,790
Depreciation for the year	1,534,528	5,444,173	875,329	725,959	-	8,579,989
Other changes	28,000	25,437	611	192,429	(18,375)	228,102
Total changes	*18,875,318*	*25,022,764*	*454,422*	*972,562*	*(34,568,206)*	*10,756,860*
Year-end value						
Cost	54,440,217	92,929,265	7,742,500	6,929,392	1,832,437	163,873,811
Depreciation (Accumulated Depreciation)	17,125,258	47,614,716	5,702,273	4,098,951	-	74,541,198
Book value	37,314,959	45,314,549	2,040,227	2,830,441	1,832,437	89,332,613

Below are further tables on tangible fixed asset movements.

Fixed assets category	Initial situation					
	Original cost	Revaluation Law 266/2005	Revaluation Decree-Law 185/2008	Financial revaluation	Accumulated depreciation	Balance 31/12/2018
Industrial buildings	24,869,863	3,127,545	2,240,000	158,660	(15,618,730)	14,777,338
Land	2,462,303		1,200,000		0	3,662,303
Plant and machinery	62,487,765				(42,195,980)	20,291,785
Industrial and commercial equipment	6,413,360				(4,827,555)	1,585,805
Other tangible fixed assets	5,423,300				(3,565,421)	1,857,879
Tangible fixed assets under construction and payments on account	36,400,643					36,400,643
Total	**138,057,234**	**3,127,545**	**3,440,000**	**158,660**	**(66,207,686)**	**78,575,753**

Fixed assets category	Movements during the year					
	Investments	Reclassifications	Disposals	Amortisation, depreciation, and write-downs	Depreciation of disposed assets	Other changes
Industrial buildings	1,437,085	18,972,761	(28,000)	(1,534,528)	28,000	
Land						
Plant and machinery	7,009,697	23,474,640	(42,837)	(5,444,173)	25,437	
Industrial and commercial equipment	773,075	556,744	(679)	(875,330)	611	
Other tangible fixed assets	1,421,135	332,231	(247,274)	(725,959)	192,429	
Tangible fixed assets under construction and payments on account	8,786,545	(43,336,376)				(18,375)
Total	**19,427,537**	**0**	**(318,790)**	**(8,579,990)**	**246,477**	**(18,375)**

Fixed assets category	Final situation			
	Original cost	Revaluations	Accumulated depreciation	Balance 31/12/2019
Industrial buildings	45,251,709	5,526,205	(17,125,258)	33,652,656
Land	2,462,303	1,200,000	0	3,662,303
Plant and machinery	92,929,265		(47,614,716)	45,314,549
Industrial and commercial equipment	7,742,500		(5,702,273)	2,040,227
Other tangible fixed assets	6,929,392		(4,098,951)	2,830,441
Tangible fixed assets under construction and payments on account	1,832,437			1,832,437
Total	**157,147,606**	**6,726,205**	**(74,541,199)**	**89,332,613**

Buildings

The significant increase recorded under the "Buildings" item derives from the completion of the expansion works at Zingonia-Verdellino (28,700 square metres) and Brembate (12,700 square metres). A substantial portion of these costs was incurred and recorded in fixed assets under construction as at 31 December 2018 and in the two previous financial years.

Plant

Most of the increases recorded in the period concern the new machinery and plant that came into operation following the expansion of the Brembate pharmaceutical plant and the Zingonia nutraceutical plant. Most of these costs were incurred and recorded under fixed assets under construction as at 31 December 2018 and in the two previous financial years. These new assets and machinery acquired during the year, shall improve the already excellent level of functionality and the technology of the plant that the Company provides for its customers and enhance the production capacity, formats, available types and flexibility of use.
All new investments shall enhance production activity, particularly product quality and environmental sustainability.

Equipment

The acquisitions refer to production and laboratory equipment for the Zingonia nutraceutical plant and the Brembate pharmaceutical plant.
The investments include new tools to improve Zingonia and Brembate Research and Development laboratory and Quality Control.

Other fixed assets
The acquisitions refer to new office furniture, data processing system implementations and the purchase of motor vehicles.

Tangible fixed assets under construction and payments on account
As at 31 December 2019 the above-mentioned item included advances to suppliers for the purchase of tangible assets totalling € 1,832,436 and refer to plant and machinery purchases.
Following the completion of the expansion of the Zingonia-Verdellino and Brembate production sites, € 34.9 million was reclassified under their item headings. After their entry into operation, these assets depreciated during 2019.

Amount of revaluations of tangible assets included in the Financial Statement balances

During 2008, the Verdellino and Brembate operating properties were revalued based on paragraphs 16 to 23 of Article 15 of Decree-Law no. 185 of 29 November 2008, converted with amendments by Law no. 2 of 28 January 2009, which permitted revaluing properties of companies that do not adopt international accounting standards in the preparation of their Financial Statements, as described below.
Previously, the Company had carried out a revaluation based on Law no. 266/05 with related realignment. Fixed assets consisting of "land and buildings" were previously subjected to voluntary revaluation, which was limited to the maximum objectively determined asset use-value.
The revaluation made in 2008 permits a higher value attributed to the assets to become valid for tax purposes starting from the 2013 financial year. If there is a disposal, the tax validity starts from 01/01/2014.
As of 2013, depreciation on the revaluation started to be deducted for tax purposes. Portions from previous years will be deducted after the end of the statutory depreciation process.

Tangible assets subject to revaluation	Revaluation under law 266/05	Financial revaluation	Revaluation under Decree-Law 185/08	Total revaluations
Land and buildings	**3,127,545**	**158,660**	**3,440,000**	**6,726,205**

Financial leases

At the financial year-end date, the Company had no financial leasing contracts in place.

Current assets

Inventories

Asset inventories are valued at the lower of purchase or production cost and realisable value based on market trends.
The purchase cost includes any directly attributable ancillary charges.
The production cost does not include indirect costs as they were objectively unattributable.
At the end of the financial year under review, a write-down was made of the inventory relating to goods expiring, not moving, "rejected" or destroyed during the first few months of 2020. The total write-down was € 875,938.

The following table shows information on inventory changes.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
raw materials, ancillary materials, and consumables	12,907,823	(610,146)	12,297,677
work in progress and semi-finished products	3,839,982	(809,116)	3,030,866

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
finished products and goods	5,239,614	1,919,667	7,159,281
Total	*21,987,419*	*500,405*	*22,487,824*

Receivables booked in current assets

The receivables under current assets have been booked in the Financial Statements according to the amortised cost method, as defined by art. 2426 par. 2 of the Civil Code, considering the time factor and the estimated realisable value, under art. 2426, paragraph 1, no. 8 of the Civil Code.
The presumable realisable value adjustment was carried out through the allocation of a bad debt provision.
For those receivables for which the application of the amortised cost or discounting method was irrelevant, the recording has been maintained using the presumed realisable value to represent the company's equity and financial situation correctly. This happened for receivables due within 12 months or, using the amortised cost method, when the transaction costs, commissions or any other difference between the initial value and the due date value were insignificant or, in the case of discounting, when there was an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.

Changes and due date of receivables booked in current assets

The following table shows the changes in receivables booked under current assets and, if they are significant, information relating to their due date is shown.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value	Amount due within 12 months
Trade receivables	21,546,545	(4,453,145)	17,093,400	17,093,400
Tax receivables	4,892,644	(2,742,569)	2,150,075	2,150,075
Deferred tax assets	398,017	90,121	488,138	-
Receivables from others	305,322	(80,049)	225,273	225,273
Total	**27,142,528**	**(7,185,642)**	**19,956,886**	**19,468,748**

The receivables shown in the table above are due within 12 months.

Breakdown of receivables booked in current assets by geographical area

The following table shows the breakdown of the receivables booked in current assets by geographical area.

Geographical area	Trade receivables booked in current assets	Tax receivables booked in current assets	Deferred tax assets booked in current assets	Receivables from others booked in current assets	Total Receivables booked in current assets
Italy	9,569,347	2,150,075	488,138	225,273	12,432,833
Abroad	7,524,053	-	-	-	7,524,053
Total	**17,093,400**	**2,150,075**	**488,138**	**225,273**	**19,956,886**

Trade receivables

The decrease in the "Trade receivables" item compared to the previous year is due to the continuous monitoring of credit positions, which allowed further improvements to the average collection times compared to the previous year.
The nominal value adjustment of trade receivables to the presumed realisable value was obtained by recording a specific bad debt provision, the movements of which are shown below:

Movements in the bad debt provision under Article 71 of Presidential Decree 917/1986	**31/12/2019**	**31/12/2018**
Balance at the beginning of the financial year	563,340	0
Merger contribution		453,235
Uses during the year	(51,472)	0
Provisioning	80,234	110,105
Balance at the end of the financial year	**592,102**	**563,340**

Tax receivables

The following table shows the breakdown of the "Tax receivables" item.

Tax receivables detail	**31/12/2019**	**31/12/2018**
VAT Credit	1,805,008	3,902,774
IRES Credit	0	716,572
IRAP credit	140,661	0
Receivables for withholding tax on collected coupons, dividends and realised capital gains	173,924	242,198
Receivables for IRES repayment for IRAP deduction on personnel costs	27,929	27,929
Receivables for energy account withholdings	2,553	3,171
Balance at the end of the financial year	**2,150,075**	**4,892,644**

The change in VAT credit during 2019 was determined by the compensation of € 700,000, annual limit for horizontal compensation, i.e. between different taxes and the collection of the refund requested in the Annual VAT Declaration for the 2018 tax period of € 2,700,000.
The Company has an IRAP tax credit as at 31 December 2019.

Prepaid tax receivables

The temporary differences that led to the recording of prepaid income tax, determined by applying the tax rates in force, related to the inventory write-down and goodwill amortisation. The tax effect booked in the Financial Statements was € 244,387 for IRES and 243,751 for IRAP.

Receivables from others

The following table shows the breakdown of the "Receivables from others" item.

Receivables from others detail	**31/12/2019**	**31/12/2018**
Advances for participation in exhibitions	82,166	135,368
INAIL Credit	12,989	50,911
Receivables from Fasa	6,812	0
From suppliers for advances for goods and services	121,086	109,817
Deposits	0	8,000
Other receivables	2,220	1,226
Balance at the end of the financial year	**225,273**	**305,322**

Current financial assets

Changes in current financial assets

The following table shows information on current asset changes.

Item description	Changes during the financial year	Year-end value
other securities	68,337,564	68,337,564
Total	*68,337,564*	*68,337,564*

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that includes financial instruments and liquidity. Fine Foods entered a total of € 68.3 million in the Financial Statements against the above investment portfolio, as at 31 December 2019; this includes the higher/lower liquidity deriving from the realisation of capital gains/losses during the period and dividends on shares and bond coupons. As at 31 December 2019 the total portfolio fair value amounted to € 72.1 million; the gradual investment of the transferred liquidity led, in the short term of ten months, to a positive result of € 3.8 million which was not yet booked in the financial statements.

Liquid assets

The following table shows the information on liquid asset changes from 31 December 2018 to 31 December 2019. The decrease in the "Bank and postal deposits" item derives from the transfer of liquidity from current accounts to the asset management account referred to in the previous paragraph "Current financial assets."

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Bank and postal deposits	74,764,972	(72,100,846)	2,664,126
Cash and cash equivalents on hand	6,656	902	7,558
Total	*74,771,628*	*(72,099,944)*	*2,671,684*

For more details on liquid asset changes, please refer to the Cash Flow Statement.

Accrued income and prepaid expenses

The following table shows information on changes in prepaid expenses and accrued income.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Accrued income	11,006	96,840	107,846
Prepaid expenses	83,343	(27,772)	55,571
Total accrued income and prepaid expenses	**94,349**	**69,068**	**163,417**

The following table shows the composition of the items resulting from the Financial Statements.

Accrued income detail	31/12/2019	31/12/2018
Energy account accrued amount	107,846	11,006
Balance at the end of the financial year	**107,846**	**11,006**

Prepaid expenses detail	31/12/2019	31/12/2018
R&D technical consulting	950	947
Membership fees	0	21,320
Personnel research courses	0	855
Exhibitions and meetings	12,191	10,051
Advertising	172	484
Nembro rentals	17,826	31,253
EDP fees	24,432	18,433
Balance at the end of the financial year	**55,571**	**83,343**

Capitalised financial charges

All interest and other financial charges were fully expensed during the year. Under art. 2427, par. 1, no. 8 of the Civil Code we certify that there is no capitalisation of financial charges.

Explanatory Notes, liabilities and Shareholders' equity

The movements of the individual items in the Financial Statements are detailed below, under current legislation.

Shareholders' equity

The items are shown in the Financial Statements at their book value according to the indications contained in the OIC 28 accounting principle.

Changes in Shareholders' equity items

Regarding the closing year, the following tables show the changes in Shareholders' equity individual items, and the details of the other reserves in the Financial Statements (if any).

	Value at the beginning of the financial year	Allocation of previous year's result - Distribution of dividends	Allocation of previous year's result - Other allocations	Other changes - Increases	Operating result	Year-end value
Share Capital	22,563,970	-	-	73	-	22,564,043
Share premium reserve	86,743,750	-	-	-	-	86,743,750
Legal reserve	5,000,000	-	-	-	-	5,000,000
Extraordinary reserve	-	-	6,072,106	-	-	6,072,106
Merger surplus reserve	26,553,351	-	-	-	-	26,553,351
Total other reserves	26,553,351	-	6,072,106	-	-	32,625,457
Profits (losses) carried forward	(381,962)	-	381,962	-	-	-
Profit (loss) for	8,686,286	(2,232,218)	(6,454,068)	-	6,069,585	6,069,585

	Value at the beginning of the financial year	Allocation of previous year's result - Distribution of dividends	Allocation of previous year's result - Other allocations	Other changes - Increases	Operating result	Year-end value
the financial year						
Negative reserve for treasury shares in the portfolio	-	-	-	(4,712,245)	-	(4,712,245)
Total	**149,165,395**	**(2,232,218)**	**-**	**(4,712,172)**	6,069,585	148,290,590

The following table details the movements in Shareholders' equity during the last three financial years:

Movements in Shareholders' equity	Share Capital	Share premium reserve	Legal reserve	Merger surplus reserve	Extraordinary reserve	Profits (losses) carried forward	Profit (loss) for the financial year	Negative reserve for treasury shares	Total
31/12/2016	**10,256,250**	**91,743,750**					**(194,550)**	**0**	**101,805,450**
Allocation of the 2016 financial year result						(194,550)	194,550		0
Profit for the 2017 financial year							(187,412)		(187,412)
31/12/2017	**10,256,250**	**91,743,750**				**(194,550)**	**(187,412)**	**0**	**101,618,038**
Allocation of the 2017 financial year result						(187,412)	187,412		0
Share capital increase	12,307,720								12,307,720
Share swap surplus				26,553,351					26,553,351
Resolution for the Legal Reserve establishment		(5,000,000)	5,000,000						0
Profit for the 2018 financial year							8,686,286		8,686,286
31/12/2018	**22,563,970**	**86,743,750**	**5,000,000**	**26,553,351**	**0**	**(381,962)**	**8,686,286**	**0**	**149,165,395**
Allocation of the 2018 financial year result					6,072,106	381,962	(6,454,068)		0
Distribution of profit for the financial year							(2,232,218)		(2,232,218)
Share capital increase	73								73
Purchase of treasury shares								(4,712,245)	(4,712,245)
Profit for the 2019 financial year							6,069,585		6,069,585
31/12/2019	**22,564,043**	**86,743,750**	**5,000,000**	**26,553,351**	**6,072,106**	**0**	6,069,585	**(4,712,245)**	148,290,590

The increase in Share Capital recorded in 2019 derives from the issue of new shares following the conversion of warrants.
All subscribed shares have been fully paid up.

Availability and use of Shareholders' equity

The following tables show the Shareholders' equity items analytically, their origin, distribution, and their use over the previous three years.

Description	Amount	Origin/Nature	Possible use	Available amount
Share Capital	22,564,043	Capital	B	-
Share premium reserve	86,743,750	Capital	A;B;C	86,743,750

Description	Amount	Origin/Nature	Possible use	Available amount
Legal reserve	5,000,000	Capital		-
Extraordinary reserve	6,072,106	Profits	A;B;C	6,072,106
Merger surplus reserve	26,553,351	Capital	A;B	-
Total other reserves	32,625,457			6,072,106
Negative reserve for treasury shares in the portfolio	(4,712,245)	Capital		(4,712,245)
Total	**142,221,005**			**88,103,611**
Non-distributable amount				-
Residual distributable amount				-
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other				

The Company complies with the Italian Civil Code and Consolidated Law on Income Tax on reserve distribution restrictions.

Employee severance indemnity

The severance indemnity has been calculated under art. 2120 of the Civil Code, considering the legal provisions, contract specifications and professional categories. It includes the accrued annual instalments and the revaluations made using ISTAT coefficients.
The provision amount is booked net of the advances paid and the quotas used for the employment termination during the year and represents the amount owed to employees at the Financial Statements closing date.
The following table shows information on changes in the employee severance indemnity.

Severance indemnity provision movement detail	31/12/2018	Paid on 31/12/2019	Accrued on 31/12/2019	Substitute tax on the revaluation of employee severance indemnity	31/12/2019
	1,021,636	**65,106**	**18,677**	**2,612**	**972,595**

The increases related to the annual revaluation of the severance indemnity fund before the substitute tax on the revaluation.
Uses relate to payments for terminations or advances.
The movements of the severance indemnity paid to INPS and the complementary social security funds are shown below:

Detail of severance indemnity paid to funds	31/12/2018	Paid on 31/12/2019	Accrued on 31/12/2019	Substitute tax on the revaluation of employee severance indemnity	31/12/2019
INPS Treasury	3,720,413	230,109	714,514	9,543	4,195,275
Private pension funds	2,890,996	0	521,976	0	3,412,972
Total	**6,611,409**	**230,109**	**1,236,490**	**9,543**	**7,608,247**

Payables

Payables have been booked in the Financial Statements according to the amortised cost method, as defined by art. 2426 par. 2 of the Civil Code, considering the time factor, according to art. 2426, paragraph 1, no. 8 of the Civil Code. For those payables for which the application of the amortised cost or discounting method was irrelevant, the recording has been maintained using the nominal value to represent the company's equity and financial situation correctly. This happened for payables due within 12 months or, using the amortised cost method, when the transaction costs, commissions or any other difference between the initial value and the due date value were insignificant or, in the case of discounting, when there was an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.
Based on the provisions of article 12, paragraph 2 of Legislative Decree 139/2015, the Company applied the amortised cost method exclusively to payables booked in the Financial Statements from 2016.

Payables changes and due date

The following table shows information relating to changes in payables and any information on their due date.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value	Amount due within 12 months	Amount due after 12 months	Which has a residual duration of more than five years
Bonds payable	9,859,540	37,027	9,896,567	-	9,896,567	-
Bank Borrowing	18,252,486	3,082,438	21,334,924	10,611,947	10,722,977	4,144,105
Trade payables	23,871,811	(3,263,382)	20,608,429	20,608,429	-	-
Taxes payable	837,220	70,083	907,303	907,303	-	-
Payables due to pension and social security institutions	1,673,423	178,042	1,851,465	1,851,465	-	-
Other payables	2,125,321	372,337	2,497,658	2,497,658	-	-
Total	**56,619,801**	**476,545**	**57,096,346**	**36,476,802**	**20,619,544**	**4,144,105**

Bonds

The main features of bonds are described below:

- Total principal: € 10,000,000 (ten million);
- Issue method: the securities are issued dematerialised, in a tranche and bearer format under the TUF and the "Consob" Regulation - "Banca d'Italia" Decree-Law 22 February 2008, and deposited and managed by the "Monte Titoli S.p.A." centralised system;
- Currency: Euro;
- Number of bonds and value: 100 bonds with a unit value of € 100,000 (one hundred thousand);
- Coupon: half-yearly, at a fixed interest rate of 0.82% (zero-point eighty-two per cent) under the regulation.

These Bonds require compliance with certain covenants (economic and financial parameters) that had been fully complied with at the Financial Statements' date.

The Bonds payable originated in 2016 with a duration of seven years with interest payments as indicated above, and the related costs were initially booked at the value determined by discounting future cash flows at the contractual interest rate. The difference between the initial book value of the debt in the 2016 Financial Statements (€ 9,788,000) and the forward value (€ 10,000,000) is booked in the Income Statement as a financial charge over the debt duration using the effective interest rate method.

Bank Borrowing

The following table shows the breakdown of the "Bank Borrowing" item.

Item	Current account payables	Payables for short-term loans	Payables for medium-term loans	Total
4)	2,697	10,609,251	10,722,977	21,334,924

The following table shows the items' composition:

Bank Borrowing detail	31/12/2019	31/12/2018
Within 12 months		
Current accounts	2,697	0
Invoice advances	5,599,189	0
Loans and mortgages - amount due within 12 months	5,010,062	5,509,174
Total payable within 12 months	10,611,947	5,509,174
After 12 months	**31/12/2019**	**31/12/2018**
MPS unsecured loan	0	1,250,000
Mediocredito mortgage loan	10,722,977	10,868,312
Mediocredito unsecured loan	0	625,000
Total payable after 12 months	10,722,977	12,743,312
Total	**21,334,924**	**18,252,486**

The debt for the mortgage loan subscribed in 2016 by Fine Foods expiring on 30 June 2027, for which interest is payable as indicated below, and the related costs, were initially booked at the value determined by discounting future cash flows at the estimated contractual interest rate. The difference between the initial booked value of the debt, net of capital repayments already made in 2018 and 2019 (€ 12,358,000) and the forward value (€ 12,500,000), is booked in the Income Statement as a financial charge over the debt duration using the effective interest rate method.
Below are the 06/08/2016 mortgage loan contract main features:

- Total amount € 15,000,000;
- Amount disbursed at signing € 5,000,000;
- Amount disbursed during 2017 € 5,000,000;
- Amount disbursed during 2018 € 3,500,000;
- Amount disbursed during 2019 € 1,500,000;
- Rate: Six-month Euribor + 1%.

Trade payables

The following table shows the breakdown of the "Trade payables" item.

Trade payables detail	31/12/2019	31/12/2018
Trade payables in Italy	15,368,050	18,091,702
Trade payables abroad	3,645,398	4,516,279
Payables for invoices to be received	1,910,339	1,554,955
From suppliers for credit notes to be received	(315,358)	(291,125)

Total	**20,608,429**	**23,871,811**

Taxes payable

The following table shows the breakdown of the "Taxes payable" item.

Taxes payable detail	**31/12/2019**	**31/12/2018**
Substitute tax on severance indemnity	20,336	19,575
Fasi social security institute	0	960
Payables for withholding taxes on employees	630,096	688,488
Payables for withholding taxes on self-employment	4,127	1,435
Payables for IRAP	0	126,762
Payables for IRES	252,744	0
Total	**907,303**	**837,220**

Payables due to pension and social security institutions

The following table shows the breakdown of the "Payables due to pension and social security institutions" item.

Payables due to pension and social security institutions detail	**31/12/2019**	**31/12/2018**
Payables to INPS	1,024,540	927,835
Payables to INPS for solidarity contribution	1,952	1,186
Payables to Cassa Vita (life insurance fund)	1,086	888
Payables to Previndai	47,752	35,089
Payables to Inail	34,762	51,777
Payables to private funds	29,207	24,669
Payables for Trade Union membership	2,519	0
Payables to Alifond	87,114	75,629
Accrued contributions on fourteenth-month salary	174,939	158,024
Accrued contributions on accrued holidays	447,594	398,326
Total	**1,851,465**	**1,673,423**

Other payables

The following table shows the breakdown of the "Other payables" item.

Other payables detail	**31/12/2019**	**31/12/2018**
Remuneration to be paid	63,575	81,251
Payables for thirteenth-month salary accrued	897	224
Payables for fourteenth-month salary accrued	542,234	488,814
Payables for unused accrued holidays	1,457,459	1,275,854
Payables for salary-deducted loans	11,003	0
Payables for compensation to directors	140,000	80,000
Advances from customers	45,193	66,303
Payables for exemption contribution for disabled people	47,064	38,608
Insurance payables	118,675	90,004
Payables for the Board of Statutory Auditors' remuneration	65,520	0
Other payables	6,038	4,263

Total	**2,497,658**	**2,125,321**

Breakdown of payables by geographical area

The following table shows the breakdown of payables by geographical area

Geographical area	Bonds	Bank Borrowing	Trade payables	Taxes payable	Payables due to pension and social security institutions	Other payables	Payables
Italy	9,896,567	21,334,924	16,963,031	907,303	1,851,465	2,497,658	53,450,948
Abroad	-	-	3,645,398	-	-	-	3,645,398
Total	**9,896,567**	**21,334,924**	**20,608,429**	**907,303**	**1,851,465**	**2,497,658**	**57,096,346**

Payables secured by collateral on corporate assets

The following table, separately for each item, shows the payables secured by collateral on the corporate assets, with an indication of the guarantees' nature.

	Payables backed by mortgages	Total payables secured by collateral	Payables unsecured by collateral	Total
Bonds payable	9,896,567	9,896,567	-	9,896,567
Bank Borrowing	12,358,039	12,358,039	8,976,885	21,334,924
Trade payables	-	-	20,608,429	20,608,429
Taxes payable	-	-	907,303	907,303
Payables due to pension and social security institutions	-	-	1,851,465	1,851,465
Other payables	-	-	2,497,658	2,497,658
Total payables	**22,254,606**	**22,254,606**	**38,841,740**	**57,096,346**

Financing by Company shareholders

The Company has not received any financing from its shareholders.

Accrued expenses and deferred income

The following table shows information on changes in accrued expenses and deferred income.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Accrued expenses	43,589	(3,523)	40,066
Total accrued expenses and deferred income	**43,589**	**(3,523)**	**40,066**

The following table shows the composition of the items resulting from the Financial Statements.

Accrued expenses detail	31/12/2019	31/12/2018
Interest payable on Bonds	39,267	39,267
Interest payable on unsecured loans	799	4,322
Total	**40,066**	**43,589**

Explanatory Notes, Income Statement

The Income Statement shows the net result for the year.
It provides a representation of management operations, through a summary of revenues and expenses that have contributed to determining the net result. The revenues and expenses, booked in the Financial Statements under article 2425-bis of the Civil Code, are distinguished according to the relevant management: operating, ancillary, and financial activities.
Ordinary activities create income components through ongoing operations and in the sector relevant to their performance. These components identify and qualify the distinctive aspect of the Company's financial activity.
The financial activity consists of transactions that generate financial income and charges.
The marginal ancillary activities consist of transactions that generate income which is part of ordinary activities but are not part of operating or financial activities.

Production value

Revenues are booked in the Financial Statements on an accrual basis, net of returns, rebates, discounts, and premiums, and related taxes.
The asset sales revenues are booked when the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and benefits as the reference parameter for the substantial transfer.
Revenues deriving from the provision of services are booked when the service is provided or performed. If there are ongoing services, the related costs are booked for the accrued portion.

Production value detail	31/12/2019	31/12/2018	Changes
Revenues from sales and services	159,658,112	139,386,516	20,271,596
Changes in product inventories	1,110,550	2,683,761	(1,573,211)
Other revenues and income	2,435,252	1,816,897	618,355
Total	**163,203,914**	**143,887,174**	**19,316,740**

Breakdown of revenues from sales and service by business category

The following table shows the breakdown of revenues from sales and services by business category.

Business category	Current year value
Finished product sales	159,415,009
Revenues from services	243,103
Total	**159,658,112**

Breakdown of revenues from sales and services by geographical area

The following table shows the breakdown of revenues from sales and services by geographical area.

Geographical area	Current year value
Italy	58,210,773
Abroad	101,447,339
Total	**159,658,112**

The incidence of foreign turnover on the total for the financial year was approximately 63 per cent; the previous year was 60 per cent.

The Company booked an increase in its revenues from € 139.4 million in 2018 to € 159.7 million in 2019 with an increase of 14.5%. This growth is generated by the turnover of the two sectors where the Company operates. The revenues of the "Food" Business Unit amounted to € 119,155,942 in 2019 compared to € 105,633,296 in 2018 and showed an increase of 13 per cent. The "Pharma" segment sales in 2019 reached € 40,502,169 with an increase of 20 per cent compared to € 33,753,220 in the previous year.

Other Revenues detail	31/12/2019	31/12/2018	Changes
Press Expenses	218,350	157,129	61,221
Laboratory Tests	150,067	203,379	(53,312)
Packaging charges	186,212	260,422	(74,210)
Charges for other expenses	1,136,258	685,765	450,493
Capital gains	51,808	15,483	36,325
Contingencies	692,557	494,719	197,838
Total	**2,435,252**	**1,816,897**	**618,355**

The "Other revenues" item includes income deriving from the reinvoicing of costs incurred by customers, capital gains and contingent assets.

Production costs

Costs and charges are allocated on an accrual and type basis, net of returns, rebates, discounts, and premiums, following the principle of correlation with revenues, and booked in the respective items under the OIC 12 accounting principles. The costs related to goods purchase are booked when the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and benefits as the reference parameter for the substantial transfer. The costs for purchased services are booked when the service is provided or performed. If there are ongoing services, the related costs are booked for the accrued portion.

Production costs detail	31/12/2019	31/12/2018	Changes
Raw materials, ancillary materials, consumables, and goods	97,139,809	87,399,687	9,740,122
Services	16,717,482	13,621,312	3,096,170
Use of third-party assets	892,236	1,051,680	(159,444)
Personnel	28,667,544	24,900,384	3,767,160
Amortisation, depreciation, and write-downs	10,210,810	7,845,881	2,364,929
Changes in inventories of raw materials and goods	610,146	(2,257,578)	2,867,724
Other operating charges	2,032,158	1,142,695	889,463
Total	**156,270,185**	**133,704,061**	**22,566,124**

The incidence of costs for raw materials, ancillary materials, consumables and goods on sales in the financial year, equal to approximately 60 per cent, is substantially in line with that booked in 2018.
For the sake of comparability, the temporary work personnel cost has been reclassified under item B9 of the Income Statement.

Services Detail	31/12/2019	31/12/2018	Changes
Industrial services	11,563,984	9,564,379	1,999,605
Business services	1,347,504	1,217,840	129,664
Administrative and general services	3,805,994	2,839,094	966,900
Total	**16,717,482**	**13,621,313**	**3,096,169**

In addition to the remuneration of Directors and Statutory Auditors, costs for Services include: ordinary maintenance, utilities, transport, consulting, outsourcing, cleaning, waste disposal, luncheon vouchers, promotional expenses and Insurance.

The "Use of third-party assets" item includes the rental costs for third-party warehouses, forklifts, and pallet truck rental costs.

Below is a breakdown of other operating charges:

Other operating charges detail	31/12/2019	31/12/2018	Changes
Ordinary losses	28,876	4,347	24,529
Non recurring losses	408,051	119,652	288,399
Donations	0	50,000	(50,000)
Indirect taxes, duties, and contributions	581,350	444,531	136,819
Fines and penalties	5,240	7,067	(1,827)
Other non-financial costs and charges	1,008,641	517,098	491,543
Total	**2,032,158**	**1,142,695**	**889,463**

Financial income and charges

Financial income and charges are booked on an accrual basis for the portion accrued during the year.

Financial income detail	31/12/2019	31/12/2018	Changes
Interest income on bank accounts	521	746,702	(746,181)
Dividends and coupons from Securities included in current assets	412,017	0	412,017
Capital gains on sale of Securities included in current assets	1,177,104	0	1,177,104
Other income	5,804	5,279	525
Total	**1,595,445**	**751,981**	**843,464**

Financial income for 2019 derives from realised capital gains and collected dividends on equities and bond coupons from the asset management described in the previous paragraph "Current financial assets."
Financial income recorded in 2018 consisted mainly of interest income accrued on restricted current accounts and aimed at the Business Combination.

Financial charges detail	31/12/2019	31/12/2018	Changes
Interest expenses on bank accounts	55,208	24,711	30,497
Interest expenses on bonds	260,971	259,843	1,128
Interest expenses on financing and bank loans	167,787	204,814	(37,027)
Interest expenses for deferments	41	871	(830)
Rebates and discounts payable	5,897	28,539	(22,642)
Losses on sale of Securities included in current assets	284,624	0	284,624
Total	**774,528**	**518,778**	**255,750**

Breakdown of income from equity investments

There is no income from equity investments under art. 2425, no. 15 of the Civil Code.

Breakdown of interest and other financial charges by type of debt

The following table shows the interest and other financial charges under art. 2425, no. 17 of the Civil Code, with a breakdown for bonds, payables to banks and other types.

	Bonds	Bank Borrowing	Other	Total
Interest and other financial charges	260,971	222,995	5,938	489,904

Foreign currency exchange gains/losses

Below is the information relating to foreign currency conversion gains or losses, distinguishing the realised portion from the unrealised portions of foreign currency assets and liabilities booked in the Financial Statements at the end of the financial year.

Description	Financial Statements amount	Unrealised portion	Realised portion
Foreign currency exchange gains and losses	*(29,972)*		
Foreign currency exchange gains		-	2,526
Foreign currency exchange loss		-	32,498
Total item		**-**	**(29,972)**

Amount and nature of the individual exceptional revenue/cost items

During 2019, there were non-recurring costs for the closure of the Nembro plant and the consequent transfer of production and regulatory activities related to Brembate, and costs for the start-up of the two new expansions at Zingonia and Brembate.
For further details, please refer to the management report.
During the previous financial year, no costs deriving from exceptional events were booked.

Current, deferred and prepaid income taxes

The Company has allocated the taxes for the financial year based on the application of current tax regulations. Current taxes refer to the taxes for the financial year resulting from tax returns. Taxes relating to previous financial years include direct taxes from earlier years, inclusive of interest and penalties, and the positive (or negative) difference between the amount due following a dispute settlement or an assessment on the provision set aside in previous years. Deferred and prepaid income taxes refer to receivable or payable income components subject to taxation or deduction in financial years other than those in statutory accounts.

Income taxes for the financial year detail	31/12/2019	31/12/2018
Current taxes		
* Ires	1,246,829	1,226,435
* Irap	498,381	639,042
Deferred/Prepaid income taxes		
* Ires	(77,523)	(103,643)
* Irap	(12,598)	(16,842)
Total	**1,655,089**	**1,744,992**

Reconciliation between the tax charge in the Financial Statements and the theoretical tax charge	Ires	Irap
Earnings before taxes	7,724,674	7,724,674
Tax adjustments, decreases and incentives	(2,529,553)	5,054,318
Taxable income	**5,195,121**	**12,778,991**
Rate	**24%**	**3.90%**
Current taxes	**1,246,829**	**498,381**

Deferred taxation

This item includes the impact of deferred taxation on these Financial Statements. This is due to the temporary differences between the values attributed to an asset or liability following statutory criteria and the corresponding values recognised for tax purposes.
The Company determined the deferred taxation for IRES and IRAP.

The following tables provide:

- a description of the temporary differences that led to the recording of deferred tax assets and liabilities, specifying the rate applied and the changes from the previous year, the amounts credited or debited to the Income Statement or Shareholders' equity;
- the amount of deferred taxes booked in the Financial Statements relating to losses for the year or previous years and the reasons, the amount not yet booked and the reasons for the failure to record it;
- the items excluded from the calculation and the related reasons.

Recording of deferred and prepaid taxes and consequent effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	1,749,603	1,749,603

	IRES	IRAP
Net temporary differences	(1,749,603)	(1,749,603)
B) Tax effects		
Deferred tax (assets)/liabilities at the beginning of the financial year	(342,384)	(55,633)
Deferred or prepaid (income)/expenses for the financial year	(77,523)	(12,598)
Deferred tax (assets)/liabilities at the end of the financial year	(419,907)	(68,231)

Deductible temporary differences detail

Description	Amount at the end of the previous financial year	Changes which occurred during the financial year	Amount at the end of the financial year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Inventory write-down provision	650,000	225,938	875,938	24	210,225	3.90	34,162
Goodwill accumulated amortisation	776,590	97,075	873,665	24	209,682	3.90	34,069
Total deductible temporary differences	1,426,590	323,013	1,749,603	24	419,907	3.90	68,231

Explanatory Notes, Cash Flow Statement

The Company has prepared a Cash Flow Statement, which is the summary document linking the changes occurred during the financial year in the company's assets with the changes in the financial situation. It highlights the values relating to the financial resources that the company needed during the year and the related uses.
Under the OIC 10 provision, the Company has adopted the indirect method where the cash flow is reconstructed by adjusting the financial year result of the non-monetary components.

Explanatory Notes, other information

The following is the other information required by the Civil Code.

Employment data

The following table shows the average number of employees, broken down by category and calculated considering the daily average.

	Executives	White-collar employees	Blue-collar employees	Total employees

	Executives	White-collar employees	Blue-collar employees	Total employees
Average number	10	170	370	550

The number of employees is growing in line with previously planned investment initiatives (based on set growth targets).
The employment data details are provided below.

Employment data (expressed in units)	31/12/2019	31/12/2018
Executives	13	7
White-collar employees	245	211
Blue-collar employees	312	294
Total	**570**	**512**

Remuneration, advances, and receivables granted to directors and auditors and commitments made on their behalf

The following table shows the information required by art. 2427 no. 16 of the Civil Code, specifying that there are no advances and receivables and no commitments have been made on behalf of the governing body due to provided guarantees.

	Directors	Auditors
Remuneration	900,000	65,520

Fees due to the statutory auditor or Auditing Company

The following table shows the fees due to the Auditing Company, broken down by type of service provided.

	Annual statutory audit	Other audit services performed	Total fees due to the statutory auditor or Auditing Company
Value	40,000	24,000	64,000

Categories of shares issued by the Company

The following table shows the number and nominal value of Company shares and any movements that occurred during the financial year.

	Initial number	Shares subscribed during the financial year, number	Final number
Ordinary Shares	17,842,202	300,727	18,142,929
Redeemable Shares	1,200,000	-	1,200,000
Multiple voting Shares	3,500,000	-	3,500,000
Special Shares	150,000	(50,000)	100,000
Total	**22,692,202**	**250,727**	**22,942,929**

In November 2019, in compliance with the provisions of article 6.4 (d) (i) of Fine Foods & Pharmaceuticals N.T.M. S.p.A. Articles of Association, 50,000 special shares (without voting rights), equal to 25 per cent of their total, were converted into 300,000 ordinary shares, without nominal value.
The remaining increase of 727 ordinary shares derives from the conversion of listed warrants during 2019.

Securities issued by the Company

The Company has not issued any security or similar included in art. 2427 no. 18 of the Civil Code.

Details on other financial instruments issued by the Company

For the information required by article 2427 no. 19 of the Civil Code on issued financial instruments data, we confirm that the Company has issued:

- 5,000,000 Warrants, of which 150,522 were exercised as of 31 December 2019, exercisable under Article 3 of the "Fine Foods & Pharmaceuticals N.T.M. S.p.A." Warrant Regulations published on the Company's website http://www.finefoods.it. These instruments were issued for subscribing shareholders and are listed on the AIM Italia trading system organised and managed by Borsa Italiana S.p.A.
- 4,000,000 unlisted and non-transferable warrants up to 20 months from the Effective Merger Date, which grant the right to subscribe newly issued shares of the merger-resulting Company and exercisable under the methods and terms indicated in the 7 June 2018 Board of Directors Report accompanying the Merger Plan as published on the Company's website http://www.finefoods.it.

Commitments, guarantees and contingent liabilities not resulting from the Balance Sheet

The following table shows the information required by art. 2427 no. 9 of the Civil Code.

	Amount
Guarantees	25,000,000
Collateral securities (mortgage on the property of Verdellino in favour of Mediocredito and Sace)	25,000,000

Information on assets and financing for a specific transaction

Assets for a specific transaction

We certify that at the Financial Statements closing date there were no assets assigned to a specific transaction under no. 20 of art. 2427 of the Civil Code.

Financing for a specific transaction

We certify that at the Financial Statements closing date there was no financing assigned to a specific transaction under no. 21 of art. 2427 of the Civil Code.

Related party transaction information

Other than the remuneration of directors, certain categories of employees and the Stock Grant plan approved on 14 December 2018, during 2019, the Company did not enter into any transactions with related parties that were under unusual market conditions.
Information on agreements not resulting from the Balance Sheet.
During the financial year, no agreement was made that did not result from the Balance Sheet.

Companies preparing the Financial Statements of the largest/smallest group of subsidiaries to which the company belong

Under article 2427, paragraph 1, number 22 quinquies and sexies of the Civil Code, the Parent Company that prepares the consolidated Financial Statements is EIGENFIN S.r.l. with its registered office in Zingonia-Verdellino, where a copy of these Consolidated Financial Statements will be filed.

Information on derivative financial instruments under art. 2427-bis of the Civil Code

We certify that no derivative financial instrument was subscribed.

Information under art. 1, paragraph 125, of Law no. 124 of 4 August 2017

Under art. 1, paragraph 125-bis, of Law 124/2017, on the obligation to disclose in the Explanatory Notes any sums of money received during the year as grants, contributions, remunerated appointments and any financial advantages from public administrations and those referred to in paragraph 125-bis of the same article, the Company certifies that no sum of money has been received.

Proposed allocation of profits or loss coverage

Dear Shareholders, considering the above, the governing body proposes:
1. To approve the Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2019 Financial Statements, which show a net profit of € 6,069,585;
2. To distribute a dividend of € 0.12 for each share with rights;
3. To allocate the remainder to the Extraordinary Reserve.

Explanatory Notes, final part

Dear Shareholders, We confirm that these Financial Statements, consisting of Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, represent truthfully and correctly the Company's balance sheet and financial position, and the net result for the financial year and are consistent with the accounting records. We invite you to approve the draft Financial Statements as at 31/12/2019 together with a proposal for the allocation of the operating result, as prepared by the governing body.

The Financial Statements are true and consistent with the accounting records.

Verdellino, 31/03/2020

For the Board of Directors

Marco Francesco Eigenmann, Chairman

This Financial Report as of 31 December 2019 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.