

**BOARD OF STATUTORY AUDITORS REPORT ON THE 31 DECEMBER 2019
FINANCIAL STATEMENTS PREPARED UNDER ART. 2429, PARAGRAPH 2, OF THE
CIVIL CODE**

To the Shareholders' Meeting of FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.
registered office in Zingonia Verdellino (BG), via Berlino, 39

Subject: Board of Statutory Auditors Report on the 31 December 2019 Financial Statements prepared under art. 2429, paragraph 2, of the Civil Code

This report was collectively approved in time for its filing at the Company's registered office in the 15 days before the date of the first call of the Shareholders' Meeting to approve the Financial Statements.

The Governing Body has made available the following documents approved on 31 March 2020, for the financial year ended 31 December 2019:

- Draft Financial Statements, and Explanatory Notes;
- Report on Operations.

The layout of this report uses last year's structure and follows legal provisions and Regulation no. 7.1. of the "Rules of conduct of the Board of Auditors - Principles of conduct of the Board of Statutory Auditors of unlisted companies," issued by CNDCEC and in force since 30 September 2015.

Company acknowledgement, risk assessment and report on the assigned tasks

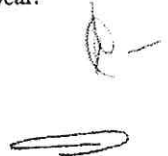
The Board of Statutory Auditors took note of the following company information:

- i) the type of business;
- ii) its organisational and accounting structure;

Considering the size and the problems of the company, the "planning" phase of the supervisory activity, which assesses the intrinsic risks and critical issues for the two above parameters, was implemented based on the positive matching of information of what was known, and of the information acquired over time by Villa and Manzoni, who were the acquired company's auditors.

It was possible to confirm that:

- ~~the type of business performed by the company has not changed during the year and is in compliance with its corporate purpose;~~
- the organisational structure and the IT structure is substantially unchanged;
- the human resources making up the "workforce" is substantially changed;
- the above is indirectly confirmed by comparing the results of the values expressed in the income statement for the last two years, i.e. the year under review (2019) and the previous (2018). It is possible to see how the Company operated in 2019 in ways comparable to the previous year and consequently our audit used these assumptions after checking the substantial comparability of the values and results from the previous year.



This report summarises the activity concerning the information required by art. 2429, paragraph 2, of the Civil Code and more precisely about:

- the financial year results;
- the activity carried out to fulfil legal duties;
- the observations and proposals regarding the Financial Statements, particularly on the possible use by the Governing Body of the derogation under art. 2423, paragraph 4, of the Civil Code;
- any Shareholders' complaints under art. 2408 of the Civil Code.

The Board activities covered the entire fiscal year in which regular meetings were held, under art. 2404 of the Civil Code. Minutes for those meeting have been drafted and signed for unanimous approval.

Performed activity

During the recurring audits the Board noted the company and its activity development, focusing on the contingent and extraordinary issues to identify the economic and financial impact on the operating result, equity structure, and risk.

The Board assessed the adequacy of the company's organisational and functional structure and its changes in the minimum management performance requirements.

Relations with directors, employees, and external consultants operating in the above structure, were inspired by cooperation and followed the assigned roles. The Board of Statutory Auditors clarified its roles.

The Board noted:

- the internal administrative personnel responsible for recording the corporate events is unchanged compared to the previous year;
- the level of its technical preparation is adequate for ordinary corporate events to be recorded and can boast enough knowledge of company issues;
- the external consultants and professionals responsible for accounting, tax, corporate and employment legal assistance are unchanged and have historical knowledge of the activity and the extraordinary management problems which impacted the financial results.

The information required by art. 2381, paragraph 5, of the Civil Code, was provided by the Chief Executive Officer during scheduled meetings and via telephone and IT information flows with members of the Board of Directors. The Executive Directors have substantially and formally complied with the above legal requirements.

In conclusion, according to what was observed during the year activity, the Board of Statutory Auditors can state that:

- the decisions taken by the Shareholders and the Governing Body complied with the law and the Company's Articles of Association. Their decisions were not imprudent and did not compromise the integrity of the Company's assets;
- enough information was acquired about the general management performance and its evolution, and the most significant transactions, by size or characteristics, carried out by the Company;
- the transactions complied with the law and the Company's Articles of Association and did not conflict with the resolutions adopted by the Shareholders' Meeting or compromise the integrity of the Company's assets;
- no specific remarks are made regarding the adequacy of the company's organisational structure, the adequacy of the administrative and accounting system, or its reliability in correctly representing operating events;
- no further significant events emerged that require reporting during the supervisory activity;
- no action was taken for Governing Body omissions under art. 2406 of the Civil Code;

- no complaints have been received under art. 2408 of the Civil Code;
- no complaints have been made under art. 2409, paragraph 7, of the Civil Code;
- during the year, the Board did not issue legally required opinions.

Comments and proposals regarding the Financial Statements and their approval

The Governing Body approved the draft Financial Statements for the year ended 31 December 2019. These statements consist of the Balance Sheet, Income Statement, Cash Flow Statement, and Explanatory Notes.

Additionally:

- The Governing Body prepared the Report on Operations under art. 2428 of the Civil Code;
- these documents were delivered to the Board of Statutory Auditors in time for them to be filed at the company's registered office along with this report, regardless of the deadline set by art. 2429, paragraph 1, of the Civil Code;
- the statutory audit is entrusted to the auditing company DELOITTE & TOUCHE S.p.A. which has prepared its report *under* art. 14 of Legislative Decree 27 January 2010, no. 39 on the Financial Statements. The report does not highlight any significant deviations, or negative opinions or the impossibility to express an opinion or requests of information and the opinion is positive.

The draft Financial Statements were examined, and the following additional information provided:

- The valuation criteria for the assets and liabilities items subject to this mandatory requirement have been checked and comply with the provisions of art. 2426 of the Civil Code;
 - attention was paid to the layout of the draft Financial Statements, and its general legal compliance regarding its preparation and structure and no comments about this matter need to be highlighted in this report;
 - legal compliance concerning the Report on Operations' preparation has been verified, and no comments about this matter need to be highlighted in this report;
 - in preparing the Financial Statements, the Governing Body did not derogate from legal provisions under art. 2423, par. 4, of the Civil Code;
 - the Financial Statements were checked to ensure that they complied with the events and information that became known following the performance of the Board of Statutory Auditors typical duties, and no comments about this matter need to be highlighted in this report;
 - we acknowledge the existence of the "goodwill" item which has been fully amortised on a systematic basis over a period of 10 years;
 - as for the financial instruments issued by the company, the Explanatory Notes show that the Company has issued 5,000,000 Warrants listed on the AIM Italia trading system and 4,000,000 unlisted Warrants;
 - the commitments, guarantees and contingent liabilities have been fully explained;
 - the Supervisory Body report was reviewed, and no critical issues emerged regarding the organisation system which needed to be highlighted in this report;
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- as for the Governing Body proposal to allocate the net profit for the year shown at the end of the Explanatory Notes, the Board has nothing to observe, however, it points out that this decision is up to the Shareholders' Meeting.

Financial year result

The net result ascertained by the Governing Body for the year ended 31 December 2019, as evident from the reading of the Financial Statements, is positive for € 6,069,585.

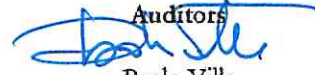
Conclusions

Based on the above and according to the Board of Statutory Auditors' knowledge and found in the periodic checks carried out, we unanimously believe that there are no reasons to prevent your approval of the 31 December 2019 Financial Statements as drafted and proposed by the Governing Body.

Bergamo, 15 April 2020

The Board of Statutory

Auditors



Paolo Villa



Marco Antonio Manzoni

Paolo Prandi

