

# **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 € 22,770,445.02 Fully paid up  
VAT number: 09320600969



## **31/12/2023 Consolidated Financial Statements**

29 March 2024 Board of Directors

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## CORPORATE POSITIONS

### **Board of Directors**

#### **Chairman and CEO**

Marco Francesco Eigenmann

#### **CEO**

Giorgio Ferraris

#### **Directors**

Ada Imperadore

Adriano Pala Ciurlo

Chiara Mediolì

Marco Costaguta

Susanna Pedretti

### **Board of Statutory Auditors**

#### **Chairman**

Laura Soifer

#### **Statutory Auditors**

Luca Manzoni

Mario Tagliaferri

### **Auditing Company**

EY S.p.A.

### **Manager responsible for preparing the Company's Financial Reports**

Pietro Bassani

Appointed by the Board of Directors on 21 April 2021 under Article 27-bis of the Articles of Association.

### **Committees**

#### **Control and Risk Committee**

Ada Imperadore

Susanna Pedretti

**Supervisory Body**

Cristiana Renna

Paolo Villa

Susanna Pedretti

**Remuneration Committee**

Ada Imperadore

Susanna Pedretti

**Related Party Committee**

Ada Imperadore

Susanna Pedretti

**Environmental, Social and Governance (ESG) Committee**

Ada Imperadore

Chiara Mediolì

Giorgio Ferraris

## **Report on Operations**

## Report on Operations: Summary

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## Directors' Report on Operations

### Introduction

The 31 December 2023 Consolidated Financial Statements have been prepared under the International Accounting Standards - IAS and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the European Union under (EC) Regulation no. 1606/2002 and effective at the end of the financial year. All of the above standards and interpretations are referred to as "IAS/IFRS".

On 19 January 2021, Fine Foods acquired 100% of the shares of Pharmatek PMC S.r.l., an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices.

On 08 October 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired 73 per cent of Euro Cosmetic S.p.A shares. This is a Trezzano-based company specialising in the contract development and manufacturing of cosmetic products. Fine Foods launched a takeover bid, finalised on 28 December 2021, which led to Euro Cosmetic S.p.A. stock delisting and acquiring 100% of its shares.

On 27 December 2022, the merger deed of Pharmatek PMC S.r.l. into Euro Cosmetic S.p.A. was signed. The merger produced its legal, accounting, and tax effects as of 1 January 2023.

The scope of consolidation as of 31 December 2023 includes the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A., and the subsidiary Euro Cosmetic S.p.A..

### Information on the Group companies

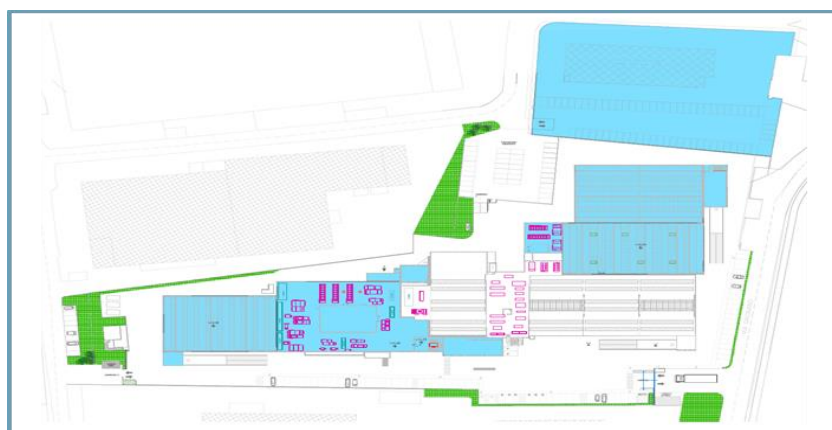
Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter referred to as "Fine Foods" or the "Company"), registered and domiciled in Bergamo, is a joint-stock company, with its registered office in Via Berlino 39, Verdellino - Zingonia (BG). The Company, listed on the STAR segment of the MTA of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO). It develops and manufactures contract products for the pharmaceutical and nutraceutical industries. Fine Foods Group is also active in the cosmetics industry with its acquisition of Euro Cosmetic and Pharmatek-PMC (now merged by incorporation into Euro Cosmetic). Founded in 1984, from a pharmaceutical and nutraceutical synergy, Fine Foods has been pursuing quality and innovation on behalf of its customers as its primary objective. With € 252 million revenue in 2023 and an 11.1 per cent CAGR over the last decade, it is a growing and future-oriented company. The sustainability of the business model and the holistic approach to ESG, together with product innovation, are drivers that will allow the Group to fully develop its intrinsic potential.

**Fine Foods** develops and manufactures drugs, food supplements and other nutraceutical products and medical devices for pharmaceutical and nutraceutical companies. These products are in the form of powders, soluble, effervescent and chewable granules, filmed and effervescent tablets and hard gelatine capsules, and in various types of packaging: sachets, sticks, pillboxes, jars, blisters, tubes and strips. The fact we operate in the pharmaceutical and nutraceutical sectors allows us to benefit from commercial synergies, knowledge and technologies developed in both markets.



The **pharmaceutical** production is carried out at the Company's 26,100 sqm Brembate plant. In the 2016-2019 period, € 15.2 million worth of investments were made to expand this plant. This expansion was completed in the 2019 financial year. During the 2020 financial year, a € 3.8 million further development was carried out, bringing the total covered square metres to 14,200 sqm. The Brembate pharmaceutical plant has the authorisation to produce pharmaceuticals and European GMP certification, both issued by the Italian Medicines Agency (AIFA, Agenzia Italiana del Farmaco), and occupational and environmental safety approval. In 2023, a new investment programme was initiated at the site to increase its production capacity as a result of signed multi-year agreements.

The following images show the Brembate plant from above.







The production of **nutraceuticals** is carried out at the Company's 45,600 sqm plant in Zingonia, Verdellino. In the 2016-2019 period, € 19.7 million worth of investments were made to expand this plant, and these were completed in 2019. The Zingonia - Verdellino plant produces nutraceutical products under HACCP (Hazard Analysis and Critical Control Points) regulations and GMP (Good Manufacturing Practices) applicable to food supplements. The Company has obtained authorisation from the Ministry of Health and is constantly monitored by the Local Health Authority (ATS). It holds appropriate certifications for environmental, food and worker safety and to produce medical devices. It successfully passed an inspection by the US Food Drug Administration in 2017. The Zingonia - Verdellino plant has a total covered surface area of 28,800 sqm, including a recent expansion of 12,900 sqm of covered surface area resulting in an 80 per cent increase on the pre-existing surface area.

The images below show the Zingonia plant from above.





Fine Foods N.T.M. S.p.A. has a series of certifications.

- UNI EN ISO 9001: standard defining quality management system requirements. Scope: research, development and production of food supplements, food for special groups, pharmaceuticals for third parties.
- UNI EN ISO 14001: standard defining environmental protection management system requirements. Scope: research, development and production of food supplements, food for special groups, pharmaceuticals for third parties through the following processes: reception and storage of raw materials and packaging materials, grinding, mixing, granulation, screening, compressing, dedusting, filming, capsuling; packaging in bags, blisters, bottles, jars and tubes; storage and shipment of finished products.
- ISO 45001: standard defining Occupational Health and Safety Management System requirements. Scope: research, development and production of food supplements, food for special groups, pharmaceuticals for third parties through the following processes: reception and storage of raw materials and packaging materials, grinding, mixing, granulation, screening, compressing, dedusting, filming, capsuling; packaging in bags, blisters, bottles, jars and tubes; storage and shipment of finished products.
- SMETA (Sedex Member Ethical Trade Audit): an audit and reporting methodology created by Sedex (one of the world's leading business ethics organisations providing an online platform used by over 60,000 members in more than 180 countries to help companies operate responsibly and sustainably, protect their workers and ensure an ethical supply chain) using a best practice model in ethic business audit techniques. The aim is to provide a central and standardised verification protocol for organisations interested in demonstrating a commitment to social issues and ethical and environmental standards in their supply chain. The Company uses a SMETA audit as a tool to enhance the practices adopted in its ethical and responsible business. SMETA bases its assessment criteria on the ETI (Ethical Trade Initiative) code, integrating it with applicable national and local laws and comprises four modules: health and safety, labour standards, environment and business ethics.

Verdellino-Zingonia plant:

- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: contract designing and manufacturing of invasive medical devices concerning body orifices for gastrointestinal and oral use on injured mucosa.
- FSSC 22000: is a certification scheme based on the ISO 22000 standard, which defines a food safety management system, integrated with the ISO/TS 22002-1 technical standard and FSSC 22000 additional requirements. Scope: production on behalf of third parties of food supplements and foods for special groups, in powder, granules, tablets and capsules. Plastic and poly laminate packaging.

Fine Foods N.T.M. S.p.A. adopts an Organisation, Management and Control System under Legislative Decree 231/2001 "regulating the administrative responsibility of legal persons, companies and associations, including those without legal status", which introduced into the Italian regulatory system the concept of administrative liability for legal persons resulting from the commission of a criminal offence. Supervising the operation and compliance with the rules and principles in this system is entrusted to a Supervisory Body with independent initiative and control powers. In 2021 it became necessary to update the system following the new tax offences referred to in Article 25 quinquiesdecies and smuggling referred to in Article 25 sexesdecies in Legislative Decree no. 231/2001. This updating included risk control for the offences referred to in the previous articles and a risk assessment review.

Under Legislative Decree no. 24/2023, in July 2023, Fine Foods NTM S.p.A. committed to respecting and guaranteeing the anonymity of those who report violations or offences identified within the company by managing the above reports using an external channel: The Teseo Whistleblowing ERM Platform.

The Euro Cosmetic subsidiary produces, markets, researches, and develops cosmetic products such as, but not limited to, liquid detergents for personal hygiene, skincare emulsions, oral hygiene, deodorants and alcohol-based perfumery under its own and third-party brands.

The Quality Management System within Euro Cosmetic is certified under the following schemes:

- compliance with GMPc requirements (UNI EN ISO 22716);
- compliance with UNI EN ISO 9001 requirements;
- compliance with IFS – HCP requirements;
- compliance with COSMOS Natural & Organic requirements;
- compliance with ECO BIO COSMESI requirements;
- compliance with ECO CERT- ORGANIC AND NATURAL COSMETICS requirements;
- RSPO SCCS (Roundtable on Sustainable Palm Oil – Supply Chain Certification Standard).



The following image shows some of the group's products (Food, Pharma and Cosmetic Business Units):



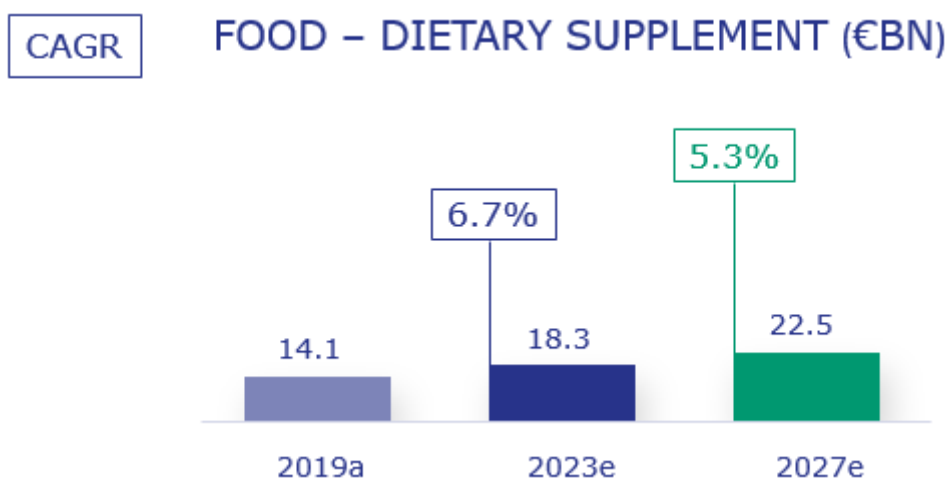
**Fine Foods Group** does not have trademarks or hold any product patent rights. These remain the customer's property. However, the Group has relationships with approximately 130 highly loyal customers, including major Italian and multinational pharmaceutical, nutraceutical and cosmetics companies including Amway, Alfasigma, Angelini, Aurobindo, Bolton, Chiesi, Colgate, Coop, DOC,

Dompè, EG-Stada, Equilibra, GFL, Giuliani, Herbalife, IBSA, Krka, Menarini, Mirato, Novartis, Paglieri, Pharmanutra, Recordati, Sanofi, Teva, Uriach, Vemedica, Viatris, Zentiva.

## Market development

Fine Foods is one of the players in the European nutraceutical market and is focused on contract manufacturing of food supplements. The nutraceutical market is the Group's primary target market, and where 60.5% revenue from customer contracts was recorded as of 31 December 2023.

The diagram below shows the data for the European food supplements market in 2019-2027, in terms of value.



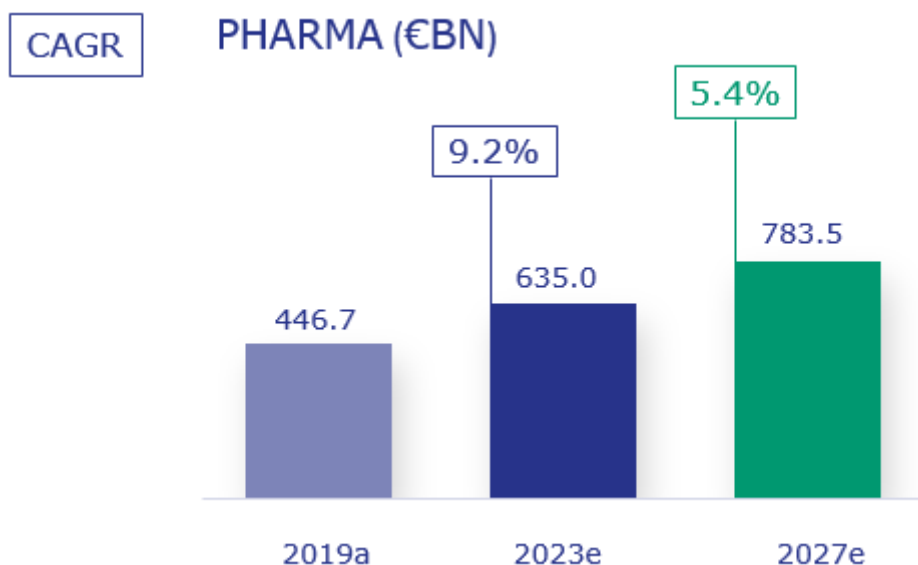
Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2024, Health and Wellness 2023, Beauty and Personal Care 2023, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Adult Mouth Care

Within this market, the Group's target segment is the dietary supplements segment in Europe. The segment's expected value is estimated to grow from € 18.2 billion in 2023 to € 22.5 billion in 2027, with a CAGR '23-'27 of 5.3%. As of 31 December 2023, revenue from customer contracts generated by the Group's Nutraceutical Business Unit was € 152,432,303, up from € 117,813,880 as of 31 December 2022.

The Pharmaceutical market is the Group's second-largest market, where 27.0% of revenue from customer contracts was recorded in 2023. As of 31 December 2023, the Company recorded revenue of € 67,932,316 in the Pharma Business Unit, with an increase from € 54,712,778 at the end of the same period in 2022.

The diagram below shows this market trend and the forecast for the European pharmaceutical production value. A CAGR '23-'27 of 5.4% was recorded for the relevant period.

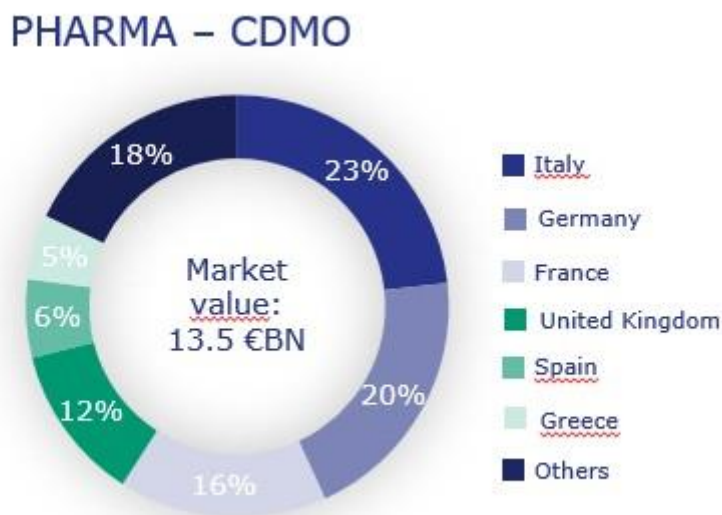




Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2024, Health and Wellness 2023, Beauty and Personal Care 2023, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Adult Mouth Care

The pharmaceutical market was stable with customers loyal to their suppliers. Expected growth can be seen in the development of CDMOs that produce medicines for pharmaceutical companies (i.e. Fine Foods). The expected demand for pharmaceutical products is steadily growing due to the increase in the average age of the world's population and the rise in health standards adopted, especially in developed countries.

As for the pharmaceutical market composition, the Issuer segment targets the Pharmaceutical CDMO, which in 2021 in Europe was:

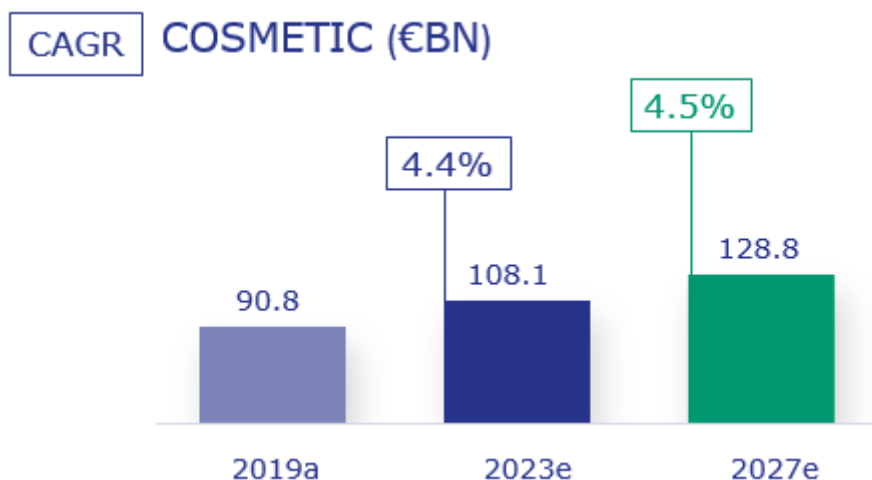


Source: Prometeia – Farmindustria 2023 on 2021 data

The Group's third-largest market is where Euro Cosmetic operates and recorded 12.5% of revenue from contracts with customers in 2023 for € 31,447,173.

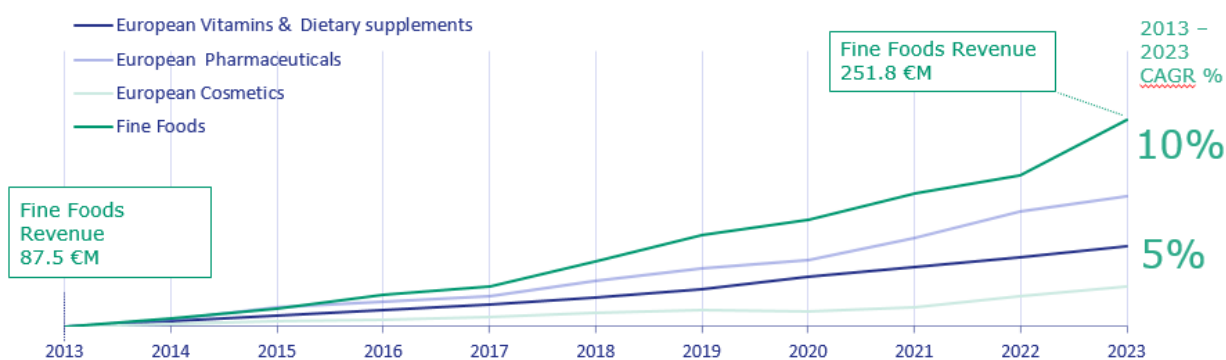
These figures aggregate the values of the following categories: "Cosmetics" refers to the aggregation of Euromonitor's "Bath and Shower", "Deodorants", "Hair Care" and "Skin Care" categories. "Biocides" refers to the aggregation of the Euromonitor's "Oral Care", "Dermatologicals", "Surface Care" and "Adult Mouth Care" categories.

The diagram below shows the European trend and forecast for this market, in terms of value. The European cosmetics and biocides market is expected to accelerate its growth in the coming years. A CAGR '23-'27 of 4.5% was recorded for the relevant period.



Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2024, Health and Wellness 2023, Beauty and Personal Care 2023, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Adult Mouth Care

The above analysis showed that Fine Foods is outperforming the market and its competitors. The reference markets showed high and steady growth and resilience during recessions. Despite this, Fine Foods has significantly outperformed its reference end markets over the past decade, with sales in 2023 at 2.9 times the level achieved in 2013.



Sources: Euromonitor International, Industrial, Pharmaceuticals, 2022 Edition Production MSP, EUR Fixed Ex Rates, Current Prices. Consumer Health, 2023 Edition, Retail Value RSP, EUR Fixed Ex Rates, Current Prices. Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Adult Mouth Care, 2023 Edition, Retail Value RSP, EUR Fixed Ex Rates, Current Prices.

## Significant events

### Closure of Securities Portfolio

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that included financial instruments and liquidity.

During the first half of the 2023, Fine Foods closed its investment portfolio, withdrawing € 64 million from this asset management. As of 31 December 2023, there was only one security in the portfolio with a market value of € 98,000. Fine Foods definitively closed the position in February 2024 and the portfolio management, from the opening to closure, was positive for € 5.7 million.

For further details, please refer to the Notes to the Financial Statements.

### **Early repayment and loan covenants of €70 million**

On 25 February 2022, Intesa Sanpaolo and Fine Foods signed a seven-year € 70 million financing deal to support growth and development projects.

The Company made an early loan repayment of €20 million on 12 October 2023, after the closure of the above securities portfolio. As of 31 December 2023, the total loan outstanding amount was € 44.5 million.

The loan provides for financial covenants, to be calculated every six months, based on the following indicators based on the Group's Consolidated Financial Statements:

- NFP / EBITDA
- NFP / EQUITY
- EBITDA/Financial charges

The financial parameter EBITDA/Financial charges on 31 December 2023, calculated as contractually stipulated, exceeded the limit.

On 12 March 2024, the bank consented to include in the ratio calculation the income from the fair value measurement of financial assets, mainly related to the securities portfolio closure mentioned above. Using this calculation method ensures compliance with the covenant.

As of 31 December 2023, the medium- and long-term loan was reclassified to short-term under IAS 1.74. This accounting standard mandates such reclassification if a condition within the long-term loan agreement is breached on or before the FY closing date. Failure to comply with the above clause results in the liability becoming a payable on demand. This means the guaranteed option to postpone its payment for no less than 12 months from that date is invalid, regardless of whether the lender has consented after the reporting date to not request the payment due to the violation. For further details, please refer to the Notes to the Financial Statements.

Starting from the next quarterly report as of 31 March 2024, the classification of the bank loan will be reinstated based on the original amortisation schedule. Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in future reports.

### **Cosmetics Business Reorganisation**

During the period, the group companies operating within the cosmetics business underwent a major reorganisation, which entailed the merger by incorporation of Pharmatek into Euro Cosmetic, effective as of 1 January 2023. Production and management activities were focused on the Trezzano site, while the Cremosano production units were closed. The related leases, which were formally terminated, were closed in the second half of the year. The electronic cigarette business (E-CIG) was disposed of and the medical-surgical aids portfolio was streamlined.

## **General economic performance**

The global economy, which started strong in 2023 due to favourable macroeconomic conditions, lower energy costs, China's reopening, and steady consumer demand, began to falter. This downturn was fuelled by a pervasive sense of uncertainty over potential inflationary threats linked to the ongoing conflict in Ukraine and the outbreak of war in the Middle East between Israel and Palestine, leading to escalating strains in the Red Sea region. The effects of the Central Banks' stricter monetary policies, designed to curb inflation, became more apparent. This led to a decline in business and consumer confidence, and the initial recovery in China started to lose momentum. The prolonged persistence of inflation driven by the core component (which excludes the more volatile components such as energy and food) continued to wear down real incomes and prolonged expectations of restrictive monetary policy in the coming quarters.

This negatively impacted global economic expansion, which remained positive but was weaker than previously anticipated. According to the International Monetary Fund, world GDP growth for 2023 was 3.1%, lower than the 3.8% average growth we saw in the two decades before the pandemic (2000-2019).

Growth in the Eurozone was 0.4% in 2023 and estimates point to 0.9% growth in 2024. In response to sustained core inflation exceeding forecasts, the European Central Bank swiftly increased its principal interest rates over the year. This had a significant adverse effect on the industrial sector and on private consumption.

Italy's economic expansion slowed in the second half of 2023, halting the post-pandemic rebound that brought growth to 7% in 2021 and 3.7% in 2022. GDP grew by 0.7 % in 2023 and the same growth is estimated for 2024. The prolonged monetary policy has exacerbated domestic demand, especially private investment. The persistent inflationary pressures, fuelled by fundamental factors and recent surges in energy prices, persistently hinder economic growth.

## Management Performance

<b>Economic indicators for the year</b> (In thousands of Euro)	<b>31/12/2023</b>	<b>31/12/2022</b>
Revenue	251,812	206,853
EBITDA	22,269	15,409
Operating profit (EBIT)	1,066	(1,011)
Profit (Loss) for the financial year	(3,522)	(9,501)

The table above provides an initial outline of the Group's financial performance as of 31 December 2023:

In summary, revenue increased compared to the previous year and reached € 251,811,791 (+21.7%), nearly doubling the Fine Foods Group's historical growth trend.

The Food Business Unit revenue was € 152,432,303 as of 31 December 2023, compared to € 117,813,880 in the previous year, with an increase of 29.4%.

The Pharma Business Unit increased its turnover to € 67,932,316 as of 31 December 2023, and recorded an increase of 24.2% compared to the previous year-end of € 54,712,778.

The contribution of the Cosmetic Business Unit in 2023 was € 31,447,173, with a decrease compared to the previous year-end of € 34,325,917.

Gross operating result or EBITDA was € 22,269,447 as of 31 December 2023 compared to € 15,409,006 as of the previous year-end, with an increase of 44.5%. The EBITDA margin increased from 7.4% as of 31 December 2022 to 8.8% as of the end of FY 2023. The Group's 2023 EBITDA was negatively impacted by the Cosmetic BU result, which closed with a negative EBITDA of € 1.8 million, due to the one-off effects described below. The 2022 result was negatively impacted by the general economic situation, which had generated inefficiencies in the production chain (mostly procurement and increase in the price of raw materials) and a significant increase in energy costs - in 2022 these were € 6.5 million, with a 3.1% revenue percentage, while in 2023 they were € 4.2 million, with a 1.7% revenue percentage.

Operating Profit or EBIT (positive for € 1,066,005 as of 31 December 2023 and negative for € 1,011,413 as of 31 December 2022) showed a strong improvement compared to the previous year result, despite the Cosmetic Business Unit's goodwill impairment (recorded in the half-yearly Financial Statements as of 30 June 2023) of € 4.4 million and the extraordinary cost of € 675,000 for the demolition of a building in Brembate.

Financial management in 2023 generated costs for € 2.9 million, while in 2022 the result was negative for € 13.2 million. Particularly:

- ✓ In 2023 there was a positive change in the fair value of financial assets (€ 1.7 million), while 2022 recorded a negative change in fair value of € 7.7 million;
- ✓ In 2023, financial expenses, net of financial income, increased significantly (+€ 2.4 million), mainly due to the increase in interest rates;
- ✓ FY 2022 recorded a loss on financial receivables of € 3.3 million.

In 2023 taxes were a € 1.7 million cost, while in 2022 they were a € 4.7 million revenue. This was due to the parent company Fine Foods which had a positive taxable base in the last financial year, and used part of the deferred tax assets set aside in the previous



period, generating a charge in its Income Statement. At the end of the previous period, the Parent Company's tax management generated a benefit largely attributable to the recognition of deferred tax assets on the tax loss.

### **Fine Foods economic performance**

The 2023 revenue of the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. was € 220,364,619, compared to € 172,526,658 in the previous year, with an increase of 27.7%.

The Company's turnover in the Food segment, which accounted for approximately 69.1% of turnover, increased by 29.4% from € 117,813,880 as of 31 December 2022 to € 152,432,303 as of the end of the current financial year.

The Pharma segment recorded growth in 2023 to € 67,932,316 with a percentage increase of approximately 24.2% compared to 2022 (€ 54,712,778).

The gross operating result or EBITDA of € 24,049,607 as of 31/12/2023 (€ 14,127,635 as of 31/12/2022) improved strongly (+70%), due to the increase in turnover achieved in 2023 and the reduction of costs, such as energy, which had grown significantly in 2022. The EBITDA Margin rose from 8% in 2022 to 11% in 2023, bringing margins closer to historical trends.

The operating profit or EBIT followed the EBITDA trend and showed an increase compared to the previous year, reaching € 10,250,411 as of 31 December 2023 compared to € 1,454,684 as of 31 December 2022.

Financial management in 2023 generated costs for € 2.1 million, while in 2022 the result was negative for € 12.9 million. Particularly:

- ✓ In 2023 there was a positive change in the fair value of financial assets (€ 1.7 million), while 2022 recorded a negative change in fair value of € 7.7 million;
- ✓ In 2023, financial expenses, net of financial income, increased significantly (+€ 1.9 million), mainly due to the increase in interest rates;
- ✓ FY 2022 recorded a loss on financial receivables of € 3.3 million.

### **Cosmetic Business Unit Performance**

As of 1 January 2023, Pharmatek PMC S.r.l. was officially merged by incorporation into Euro Cosmetic, resulting in the permanent closure of the Cremosano facility and the relocation of production to Trenzano. The Financial Statements as of 31 December 2023 were the first post-merger financial statements. This business combination is under common control, and does not generate any effect on the Group's Consolidated Financial Statements.

The Cosmetic Business Unit 2023 revenue was € 31,447,173, compared to € 34,325,917 recorded at the end of the previous year. EBITDA for the year was negative (€ 1,780,160 compared to the positive result of € 1,281,371 in the previous year) due to the post-merger restructuring and reorganisation (related details will be provided below). EBIT was negative for € 4,784,405 as of 31 December 2023 (negative EBIT of € 2,466,097 as of 31 December 2022). The Cosmetic BU recorded a loss for the period in 2023 of € 5,340,495 (overall loss of € 1,917,001 as of 31 December 2022).

## **Business outlook**

Despite the slowdown which started last year, the latest projections from key forecasters indicate a generally optimistic outlook for 2024, yet predictions of growth rates continue to vary. Landing depends on US economy resilience, China's contribution and the strength of recovery in the Eurozone, especially in the second half of the year. Italy's performance should improve after the winter. The resilient scenario is determined by the increasingly convincing signs of a soft landing in the US. Another favourable influencing factor in the global economic picture is the general decline in inflation, which came back in line with historical averages at the end of last year in Europe and the US. Weak demand and high gas stockpiles (reaching record levels in Europe) are contributing to the suppression of energy commodity prices, though there are still potential risks for price increases. Ongoing tensions in the Middle East could exert upward pressure on supply. Global confidence indicators remain weak, but there is an encouraging trend in services, which are gradually regaining strength.

In a reference market experiencing volume growth, the Group aims to expand its market share and will persist in evolving its business across the three primary sectors - Food, Pharma and Cosmetics - by strengthening the operations of each BU. Fine Foods will seize any opportunities for growth through external lines.

The Food BU sales increase recorded in 2023 confirmed the effectiveness of the commercial strategies implemented. The combination of product quality and innovation, along with the enhancement of customer support services, contributes to a predominantly optimistic outlook for 2024. The Group is preparing a production capacity increase by expanding the current plant, which will bring favourable results on the top line in the 2024-2028 five-year period.

The Pharma BU will continue its growth in 2024 buoyed by significant multi-year agreements signed with key international customers. Work for implementing the new production plant which started at the end of 2023, will be completed in 2025. The new site will start generating revenue from 2026.

The Cosmetic BU's organisation, integration, process optimisation and investments to modernise the Trezano production plant throughout 2023 foster the expectation that, due to improved efficiency and an increased ability to meet customer needs, a significant upswing in performance is anticipated for 2024. This should manifest in top-line growth and increased margins, positively impacting the Group's overall results.

The management is confident that the Group's revenue growth and margin improvement historical trends will continue.

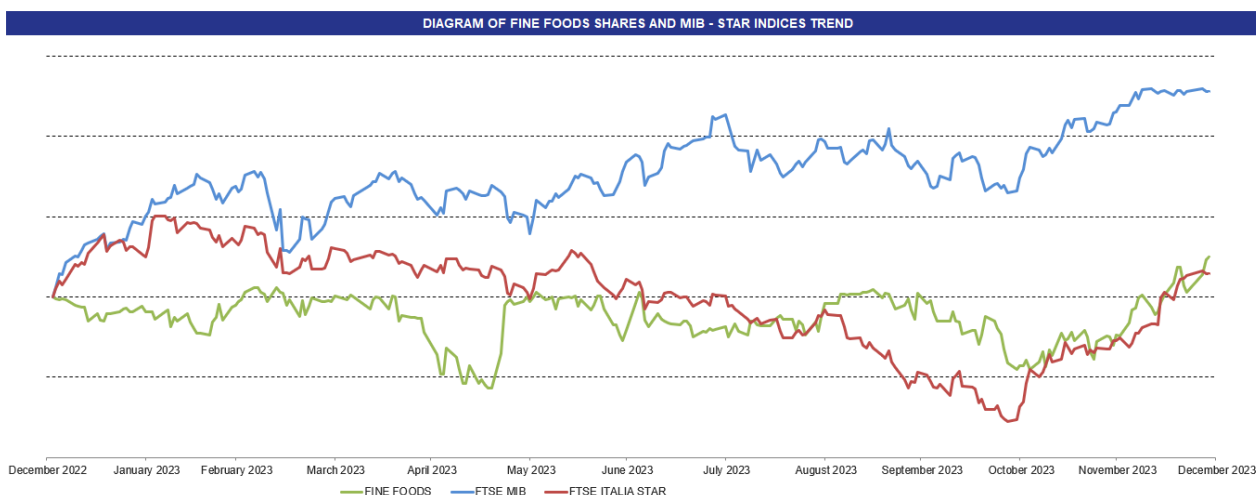
Alongside financial and economic objectives, ESG issues are increasingly integrated into different Fine Foods business processes. This includes the Research and Development department's dedication to proposing solutions aimed at decreasing the environmental impact of products. The Group intends to continue its sustainability programme and serve as a benchmark for customers by assessing products that align with the evolving market demands, which include sustainability.

## Fine Foods & Pharmaceuticals N.T.M. S.p.a. Share trend

As of 29 December 2023, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. share was listed at € 8.77 per share, with an increase of 5.2 percentage points than the listing as of 30 December 2022 (€ 8.34 per share).

Market capitalisation as of 29 December 2023 was € 224.2 million.

The diagram below shows the Fine Foods share performance compared with the leading stock market indices as of 29 December 2023:



The table below shows the main share and stock market data as of 31 December 2023.

Share and stock market data	as of 31 December 2023
First listing price (02/01/2023)	8.35
Maximum listing price	8.77
Minimum listing price	7.40
Last listing price (29/12/2023)	8.77

No. of listed outstanding shares	22,060,125
No. of unlisted outstanding shares	3,500,000
Total capitalisation	€ 224.2 million

## Balance sheet and financial position

The diagram below shows the net financial debt under Consob recommendation of 21 April 2021 and ESMA32-382-1138 guidelines.

<i>Thousands of Euro</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
A. Liquid assets	19,000	10,232
B. Cash or cash equivalents	-	-
C. Other current financial assets	3,833	66,513
<b>D. Liquidity (A) + (B) + (C)</b>	<b>22,833</b>	<b>76,745</b>
<b>E. Current financial receivables</b>	-	-
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	7,561	10,821
F. Current portion of non-current financial debt	48,063	29,744
<b>G. Current financial debt (E + F)</b>	<b>55,624</b>	<b>40,565</b>
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	2,169	5,908
- <i>not guaranteed</i>	53,454	34,657
<b>H. Net current financial debt (G - D)</b>	<b>32,791</b>	<b>(36,180)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	10,767	79,796
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
<b>L. Non-current financial debt (I + J + K)</b>	<b>10,767</b>	<b>79,796</b>
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	7,484	9,654
- <i>not guaranteed</i>	3,284	70,142
<b>M. Total Financial Debt (H + L)</b>	<b>43,559</b>	<b>43,616</b>

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

<b>Working capital</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Inventories	42,459,682	40,422,499
Trade receivables	38,057,766	39,347,321
Other current assets	8,061,546	8,158,442

Trade payables	(32,369,462)	(33,450,468)
Other current liabilities	(13,384,529)	(10,018,421)
Provisions for risks and charges / deferred taxes	(265,486)	(281,658)
<b>Total working capital (A)</b>	<b>42,559,517</b>	<b>44,177,716</b>
<b>Fixed assets</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Tangible fixed assets	106,919,123	104,162,050
Intangible assets and rights of use	16,308,450	22,851,617
Other receivables and non-current assets	6,922,371	8,133,533
Severance Indemnity	(2,201,653)	(2,419,013)
<b>Total fixed assets (B)</b>	<b>127,948,289</b>	<b>132,728,186</b>
<b>Net Invested Capital (A) + (B)</b>	<b>170,507,806</b>	<b>176,905,903</b>
<b>Sources</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Shareholders' equity	126,949,268	133,289,763
Net financial debt	43,558,538	43,616,140
<b>Total Sources</b>	<b>170,507,806</b>	<b>176,905,903</b>

Net invested capital as of 31 December 2023 was € 170.5 million (€ 176.9 million as of 31 December 2022) and was covered by:

- Shareholders' Equity as of 31 December 2023 was €126.9 million (€133.3 million as of 31 December 2022): the figure was mainly impacted by the distribution of dividends (€2.5 million) and the loss for the year (€3.5 million).
- Net financial position negative for € 43.6 million was in line with 31 December 2022 (decrease of € 57,000). Operations generated a positive cash flow of €20.3 million, which was partly absorbed by the net investments made during the period (€17.4 million), distribution of dividends (€2.5 million) and the purchase of treasury shares (€0.3 million).

Working capital as of 31 December 2023 was € 42.6 million compared to € 44.2 million at the end of the previous financial year. Commercial Net Working Capital as of 31 December 2023 was €48.1 million compared to €46.3 million as of 31 December 2022. This was due to an increase in inventories (from €40.4 million as of 31 December 2022 to €42.5 million as of the end of the financial year), a decrease in trade payables (from €33.4 million as of 31 December 2022 to €32.4 million as of 31 December 2023) and a decrease in trade receivables of €1.3 million. The item "Other current liabilities" increased mainly due to higher allocations for bonuses to employees and directors. The item "Other non-current receivables and assets" saw a reduction due to the parent company Fine Foods' use of deferred tax assets from previous IRES losses.

Tangible Fixed Assets increased by approximately €2.8 million in 2023, due to net investments of €17.4 million and amortisation, depreciation, and impairment losses for the period of about €14.7 million. Intangible fixed assets and rights of use were €16.3 million as of 31 December 2023 (€22.9 million at the end of the previous year). This decrease was due to depreciation and amortisation of about €2 million, and the termination of lease contracts for industrial buildings located in Cremosano, which were originally owned by Pharmatek.

#### Financial indicators

Indicator	31 December 2023	31 December 2022	Calculation Method
Capital structure margin	3,721,696	6,276,096	Shareholders' equity - Property, plant and machinery - Other intangible assets - Rights of use
Asset ratio	1.0	1.0	Shareholders' equity/(Property, plant and machinery - Other intangible assets - Rights of use)

Liquidity margin	(32,425,736)	40,216,748	Total current assets - Inventories - Total current liabilities
Current ratio	0.7	1.5	(Total current assets - Inventories)/Total current liabilities
DSO	55	69	(Trade receivables/Sales revenue)*365
DPO	75	95	(Trade payables/Raw material purchase cost)*365
DIO	98	115	(Inventories/Cost of Raw Materials)*365

The liquidity margin as of 31 December 2023 was negative for € 32.4 million due to the reclassification of the medium/long-term debt to Intesa (a loan of originally € 70 million) as short-term for € 36.4 million.

Please refer to section “1.1 Significant events for the period” for further details on this reclassification.

## Financial situation

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

## Income Statement

Item	31 December 2023	%	31 December 2022	%	Absolute change	% Changes
Revenue from contracts with customers	251,811,791	100%	206,852,576	100%	44,959,216	21.7%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(158,188,424)	(62.8%)	(128,033,375)	(61.9%)	(30,155,049)	23.6%
<b>VALUE ADDED</b>	<b>93,623,368</b>	<b>37.2%</b>	<b>78,819,201</b>	<b>38.1%</b>	<b>14,804,167</b>	<b>18.8%</b>
Other revenue and income	1,095,196	0.4%	1,467,151	0.7%	(371,955)	(25.4%)
Costs for services	(25,888,270)	(10.3%)	(25,190,520)	(12.2%)	(697,749)	2.8%
Personnel costs	(44,431,271)	(17.6%)	(38,300,569)	(18.5%)	(6,130,702)	16.0%
Other operating costs	(2,129,576)	(0.8%)	(1,386,257)	(0.7%)	(743,319)	53.6%
<b>EBITDA</b>	<b>22,269,447</b>	<b>8.8%</b>	<b>15,409,006</b>	<b>7.4%</b>	<b>6,860,442</b>	<b>44.5%</b>
<b>ADJUSTED EBITDA</b>	<b>25,833,182</b>	<b>10.3%</b>	<b>15,737,236</b>	<b>7.6%</b>	<b>10,095,947</b>	<b>64.2%</b>
Amortisation, depreciation, and impairment losses	(21,203,442)	(8.4%)	(16,420,419)	(7.9%)	(4,783,023)	29.1%
<b>EBIT</b>	<b>1,066,005</b>	<b>0.4%</b>	<b>(1,011,413)</b>	<b>(0.5%)</b>	<b>2,077,418</b>	<b>(205.4%)</b>
<b>ADJUSTED EBIT</b>	<b>9,705,213</b>	<b>3.9%</b>	<b>265,459</b>	<b>0.1%</b>	<b>9,439,754</b>	<b>3556.0%</b>
Financial income	339,524	0.1%	59,214	0%	280,310	473.4%
Financial charges	(4,964,248)	(2.0%)	(2,246,228)	(1.1%)	(2,718,020)	121.0%
Loss on financial receivables	-	0%	(3,266,960)	(1.6%)	3,266,960	N/A
Changes in fair value of financial assets and liabilities	1,703,519	0.7%	(7,733,525)	(3.7%)	9,437,045	(122.0%)
<b>INCOME BEFORE TAXES</b>	<b>(1,855,199)</b>	<b>(0.7%)</b>	<b>(14,198,912)</b>	<b>(6.9%)</b>	<b>12,343,713</b>	<b>(86.9%)</b>

<b>ADJUSTED INCOME BEFORE TAXES</b>	<b>6,784,008</b>	<b>2.7%</b>	<b>(12,922,041)</b>	<b>(6.2%)</b>	<b>19,706,049</b>	<b>(152.5%)</b>
Income taxes	(1,666,899)	(0.7%)	4,697,768	2.3%	(6,364,667)	(135.5%)
<b>Profit (loss) for the financial year</b>	<b>(3,522,098)</b>	<b>(1.4%)</b>	<b>(9,501,145)</b>	<b>(4.6%)</b>	<b>5,979,046</b>	<b>(62.9%)</b>
<b>ADJUSTED income/(loss)</b>	<b>4,928,652</b>	<b>2.0%</b>	<b>(8,580,520)</b>	<b>(4.1%)</b>	<b>13,509,172</b>	<b>(157.4%)</b>

The table below shows value-added reconciliations, EBITDA, EBIT, Income before taxes and the profit (loss) for the period and the Adjusted related values.

Value-added was determined using the following income statement classification:

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Revenue from contracts with customers</b>	251,811,791	206,852,576
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(158,188,424)	(128,033,375)
<b>Value added</b>	<b>93,623,368</b>	<b>78,819,201</b>

The diagram below shows the definition of the subtotals for the other income statement items.

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Profit/(loss) for the financial year (1)</b>	<b>(3,522,098)</b>	<b>(9,501,145)</b>
Income taxes	(1,666,899)	4,697,768
<b>Income before taxes (2)</b>	<b>(1,855,199)</b>	<b>(14,198,912)</b>
Changes in fair value of financial assets and liabilities	(1,703,519)	7,733,525
Loss on financial receivables	-	3,266,960
Financial charges	4,964,248	2,246,228
Financial income	(339,524)	(59,214)
<b>EBIT (3)</b>	<b>1,066,005</b>	<b>(1,011,413)</b>
Amortisation	21,203,442	16,420,419
<b>EBITDA (4)</b>	<b>22,269,447</b>	<b>15,409,006</b>

Extraordinary and non-recurring items impacting EBITDA, that have been adjusted during the period ended 31 December 2023 and 31 December 2022 are shown in the table below. For further details, please refer to what is reported below.

	<b>31 December 2023</b>	<b>31 December 2022</b>
Non-recurring income and charges attributable to Euro Cosmetic	3,563,735	-
Non-recurring income and charges attributable to Pharmatek	-	328,230
<b>Total non-recurring income and charges (5)</b>	<b>3,563,735</b>	<b>328,230</b>

As a result of these non-recurring costs, Adjusted EBITDA, Adjusted EBIT and Adjusted income before taxes and Adjusted profit (loss) are shown in the table below.

<b>ADJ EBITDA (4) + (5)</b>	<b>25,833,182</b>	<b>15,737,236</b>
Demolition of Brembate Building (6)	675,472	-
Goodwill impairment (7)	4,400,000	-
Trademark and non-strategic assets write-downs (8)	-	948,642
<b>ADJ EBIT (3) + (5) + (6) + (7) + (8)</b>	<b>9,705,213</b>	<b>265,459</b>
<b>Income before taxes</b>	<b>(1,855,199)</b>	<b>(14,198,912)</b>
Non-recurring income and charges (5)	3,563,735	328,230
Demolition of Brembate Building (6)	675,472	-
Goodwill impairment (7)	4,400,000	-
Trademark and non-strategic assets write-downs (8)	-	948,642
<b>ADJ Income before taxes</b>	<b>9,705,213</b>	<b>(12,922,041)</b>
Income taxes	(1,666,899)	4,697,768
tax effect on non-recurring income and charges (5 to 8)	(188,457)	(356,247)
<b>ADJ income/(loss)</b>	<b>4,928,652</b>	<b>(8,580,520)</b>

Revenue from sales and services increased from € 206.8 million as of 31 December 2022 to € 215.8 million as of 31 December 2023, with an increase of 21.7%. This growth is mainly attributable to the Food BU, which increased from € 117.8 million as of 31 December 2022 to € 152.4 million (+29.4%) as of the end of the financial year. The Pharma BU increased from € 54.7 million as of 31 December 2022 to € 67.9 million as of 31 December 2023, recording a growth of 24.2%. The Cosmetic BU revenue was € 31.4 million at the end of the financial year, compared to € 34.3 million in 2022.

The ratio of raw material costs on sales revenue, of approximately 62.8%, slightly increased compared to the end of the previous year (61.9%).

The Cost of Services increased by € 0.7 million, from € 25.2 million as of 31 December 2022 to € 25.9 million at year-end 2023. This was due to costs related to the disposal of solid waste and sewage, ordinary maintenance and temporary work services. Costs for utilities decreased during 2023, from € 6.7 million as of 31 December 2022 to € 4.4 million at year-end. The ratio of this cost to turnover decreased in 2023 from 3.1% in 2022 to 1.7%.

Personnel Costs were € 44.4 million, with an increase of € 6.1 million compared to the same period in FY 2022, mainly attributable to the strengthening of the organisational structure and extraordinary costs incurred by Euro Cosmetic.

As of 31 December 2023, Group EBITDA amounted to € 22.3 million (8.8% of Ebitda Margin), up from € 15.4 million in the previous financial year (7.4% of Ebitda Margin).

EBIT was € 1.1 million as of 31 December 2023 compared to the negative figure of € -1 million recorded as of 31 December 2022.

Income before taxes as of 31 December 2023 was a loss of € -1.9 million compared to a loss of € -14.2 million in the previous year. This was almost entirely attributable to the negative result from financial management where financial expenses of € 4.9 million were recorded (up from the previous year due to worsening interest rates).

In 2023, the subsidiary Euro Cosmetic had non-recurring expenses that affected EBITDA, amounting to €3.6 million, as a result of the reorganisation following the merger. These include:

- ✓ a one-off cost of € 1,634,000 of which € 1,430,000 due to inventory disposals and € 204,000 to obsolescence provisions;
- ✓ an extraordinary cost of € 765,000 due to former Pharmatek personnel who were not transferred to the Trezano plant, and substitute and transfer indemnities paid after the merger.
- ✓ other one-off operating costs including: € 409,000 incurred to materially dispose of inventories, € 224,000 incurred for extra external processing following the reorganisation, € 115,000 as penalties and indemnities to customers of the former Pharmatek, € 129,000 as a loss on disposal of assets following the sale of an important piece of machinery of the former



Pharmatek, € 108,000 as contingency liabilities of the former Pharmatek and € 178,000 for the non-recognition of grants for over-depreciation of the former Pharmatek.

Non-recurring charges incurred in 2022 impacting EBITDA and attributable to the subsidiary Pharmatek for the early termination of employment relationships for which indemnities were recorded in the Income Statement.

Adjusted EBITDA amounted to € 25.8 million, up from € 15.7 million in the previous year. The revenue percentage increased from 7.6% as of 31 December 2022 to 10.3% at the end of FY 2023.

EBIT 2023 saw a non-recurring cost for the demolition of a Parent Company building in Brembate carried out in October 2023, which generated an impact on the Income Statement of € 675,000, and the Cosmetic Business Unit's goodwill impairment (recorded as of 30 June 2023) for € 4.4 million.

EBIT 2022 saw non-recurring costs for asset write-downs recorded in the Pharmatek Financial Statements for € 0.9 million.

Adjusted EBIT was € 9.7 million, compared to € 0.3 million as of 31 December 2022.

The adjustments identified on the 2022 financial year were fully deductible and subject to IRAP+IRES rates. The adjustments for 2023 were non-deductible, except for the building demolition cost, on which notional IRAP+IRES taxes were identified.

## Alternative Performance Indicators

To facilitate an understanding of Fine Foods' financial and economic performance, the directors have identified in the previous paragraphs several Alternative Performance Indicators ("APIs"). These indicators are the tools that assist the directors in identifying operating trends and making investments, resource allocations and other operating decisions.

For a correct interpretation of these APIs, the following should be noted:

- these indicators are constructed exclusively from historical data and are not indicative of the company's future performance;
- APIs are not required by the International Financial Reporting Standards (IFRS) and, although derived from the Company's Financial Statements, are not subject to audit;
- the APIs must not be considered as a replacement for the indicators provided for by the International Financial Reporting Standards (IFRS);
- these APIs should be read alongside the financial information derived from the Company's Financial Statements;
- the definitions of the indicators used, since they do not derive from the reference accounting standards, may not be consistent with those adopted by other groups/companies or comparable to them;
- the APIs used have been developed with continuity and uniformity of definition and representation for periods when financial information is included in these consolidated interim Financial Statements.

The APIs below were selected and presented in the Report on Operations because the Group believes that:

- the Net financial debt allows a better assessment of the overall debt level, the equity strength and the debt repayment capacity;
- Fixed assets and Net investments in tangible and intangible fixed assets, calculated as the sum of increases (net of decreases) in tangible fixed assets (including the right to use leased assets) and intangible fixed assets - Net working capital and Net invested capital allow a better assessment of the ability to meet short-term commercial commitments through current commercial assets and the consistency between the investments and financing sources structure over time;
- EBITDA is the operating result before depreciation, amortisation and provisions. The defined EBITDA is a measure used by management to monitor and evaluate the Company's operating performance. EBITDA is not an IFRS accounting measure and is an alternative measure for evaluating the Company's operating performance. Since the reference accounting principles do not regulate the EBITDA composition, the criteria for its definition applied by the Company may not be consistent with those adopted by other companies or comparable to them.
- The ADJUSTED EBITDA is the operating result before Amortisation, depreciation and provisions minus operating revenue and costs that, although inherent to the business, are non-recurring and significantly impact results. The defined ADJUSTED EBITDA is a measure used by Company management to monitor and evaluate the Company's operating performance. ADJUSTED EBITDA is not an IFRS accounting measure and is an alternative measure for evaluating the Company's



operating performance. Since the reference accounting principles do not regulate the ADJUSTED EBITDA composition, the criteria for its definition applied by the Company may not be consistent with those adopted by other groups/companies or comparable to them.

- The ADJUSTED EBIT is the Company operating result minus operating revenue and costs that, although inherent to the business, are non-recurring and significantly impact results. The Company's calculation criteria may not be consistent with those adopted by other groups. The balance obtained by the Company may not be comparable.
- The ADJUSTED INCOME BEFORE TAX is the Company income before taxes minus operating revenue and costs that, although inherent to the business, are non-recurring and significantly impact results and the fair value change of warrants. The Company's calculation criteria may not be consistent with those adopted by other groups. The balance obtained by the Company may not be comparable.
- The ADJUSTED NET INCOME is the Company net result minus operating revenue and costs that, although inherent to the business, are non-recurring and significantly impact results and the fair value change of warrants, after deduction of the relevant tax. The Company's calculation criteria may not be consistent with those adopted by other groups. The balance obtained by the Company may not be comparable.

These indicators are commonly used by analysts and investors in the sector to which the Company belongs to evaluate the Company's performance.

## Main risks and uncertainties for the Group

The following paragraph illustrates the main risks to which the Group is exposed and the director's mitigating actions.

### Liquidity risk

The Group monitors the liquidity shortage risk using a liquidity planning tool. The Group's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines and bank loans, mortgages and bonds. The Group's policy is to keep loan numbers due in the next 12 months around 60%. As of 31 December 2023, 83.8% of the Group's debt is due in less than one year (2022: 33.7%), calculated based on the book value of debts in the Consolidated Financial Statements. If the Parent Company Fine Foods had not temporarily reclassified the medium/long-term debt to Intesa of the original € 70 million, for € 36.4 million, in current bank borrowings, the share of debt due in less than one year would have been 29.9%. Please refer to section "1.1 Significant events for the period" for further details on this reclassification.

The table below summarises the Group's due date profile of financial liabilities based on undiscounted contractually agreed payments.

31 December 2023	Total	1 to 12 months	1 to 5 years	> 5 years
<b>Financial liabilities</b>				
Non-current bank borrowings	9,734,877	-	7,800,401	1,934,476
Current bank borrowings	55,269,592	55,269,592	-	-
Non-current lease payables	1,032,604	-	1,032,604	-
Current lease payables	354,377	354,377	-	-
<b>Total financial liabilities</b>	<b>66,391,450</b>	<b>55,623,969</b>	<b>8,833,005</b>	<b>1,934,476</b>

31 December 2022	Total	1 to 12 months	1 to 5 years	> 5 years
<b>Financial liabilities</b>				
Bonds	3,323,051	3,323,051		
Non-current bank borrowings	77,573,797		69,495,416	8,078,381
Current bank borrowings	36,590,346	36,590,346		
Non-current lease payables	2,222,216		1,986,323	235,893
Current lease payables	651,576	651,576		
<b>Total financial liabilities</b>	<b>120,360,986</b>	<b>40,564,973</b>	<b>71,481,739</b>	<b>8,314,274</b>

#### *Interest rate risk*

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

- **Cash Flow Risk:** this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)
- **Fair Value Risk:** this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Company is assessing specific instruments to hedge the interest rate variability on existing loans. Considering the early repayment of € 20 million on the original € 70 million loan from Intesa, the Company's Management is open to the possibility of renegotiating the existing covenants.

#### *Risks related to the recurrence of pandemics*

Recent WHO analyses suggest an increased risk of recurring global pandemics, attributed to climate change and market globalisation. It is crucial to enhance preparedness and resilience in addressing future worldwide health challenges. The World Health Organisation (WHO) is working on a new global instrument to better protect people, communities and countries from future pandemics. The possible occurrence of the COVID 19 pandemic circumstances could have significant adverse effects on the Group's economic, capital and financial position.

The experience gained during the COVID 19 pandemic allowed the Group to define specific organisational solutions and procedural tools to better face any health crisis. The tools deployed during the pandemic period and awareness-raising actions implemented can be applied to a possible new event.

The Group has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

#### *Risks related to the concentration of revenue on major customers*

The Group has a significant concentration of revenue on its main customers, amounting to approximately 60.6% on the top five customers as of 31 December 2023. The loss of one or more of these relationships would have a significant impact on Group revenue. Most of the contracts with the Group's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenue generated by the Group in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic, capital and financial situation.

The Group mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, through commercial activities for acquiring new customers and M&A for identifying and acquiring target companies.

#### *Credit risk*

This is the risk that a customer or a financial instrument counterparty causes a financial loss by failing to fulfil an obligation; for the Group, the risk is mainly related to the failure to collect trade receivables. Fine Foods' main counterparties are major companies active in the nutraceutical and pharmaceutical sectors. The Group carefully evaluates its customers' credit standing, considering that, due to its business's nature, the relationships with its customers are long-term.

#### *Price risk*

The price risk is mitigated using a solid cost accounting procedure that can identify the production cost. In this way, remunerative and competitive prices are established and adopted with the customer.

#### *Risk of changes in cash flows*

The risk of changes in cash flows is not considered significant in view of the Group'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.

#### *Tax risks*

The Group companies are subject to the taxation system under applicable Italian tax laws. Unfavourable changes to this legislation, and any Italian tax authorities or Law orientation related to the application, interpretation of tax regulations to determine the tax burden (Corporate Income Tax "IRES", Regional Tax on Production Activities "IRAP") and the Value Added Tax "VAT", could have significant negative effects on the companies economic and financial situation.

The Group is exposed to the risk that the financial administration or law may adopt different interpretations or positions concerning tax and fiscal legislation from those adopted by Fine Foods Group in carrying out its business. Tax and fiscal legislation, and its interpretation, are complex elements due to the continuous legislation evolution and analysis from administrative and jurisdictional bodies.

The Group will periodically undergo inspections to verify such regulations' correct application and the correct payment of taxes. Disputes with Italian or foreign tax authorities could involve the companies in lengthy proceedings, resulting in the payment of penalties or sanctions, with possible significant adverse effects on its business, economic and financial situation.

Due to the complexity and continuous changes in tax and fiscal regulations and their interpretation, it is impossible to exclude that the financial administration or law may make interpretations, or take positions, that contrast with those adopted by the Group. This might result in negative consequences on its economic and financial situation.

#### *Risks related to supplier relationships: shortages of raw and packaging materials*

Considering the complex geopolitical situation and climatic risks that may jeopardise some harvests, the Group risks increased costs in 2024 for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with potential adverse effects on the Group's business, economic, capital and financial position. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector. To mitigate these risks, Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Group maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

#### *Energy cost risk*

Energy costs in 2023 were higher than historically. This impact is estimated at almost 1.7% on revenue, compared to the 1% average of previous years. The outlook for 2024 sees energy price volatility significantly downgraded. The supply of energy available for the European market and domestic energy stocks are the reasons why the estimated negative impacts on the Group's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

The Group assembled a team coordinated by an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements. To mitigate possible price increases, part of the energy cost (electricity and methane) forecast for 2024 was secured through a price-fixing strategy.

#### *Risks related to ongoing conflicts*

The Group faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend, the risk is to be considered zero. The Food BU situation

for 2024 remains uncertain and potentially capable of generating negative effects on the Company's economic, financial and capital position, although reduced compared to the impact on 2022 and less relevant on 2023.

The Group does not have significant business relations with Israel or near countries affected by the current conflict.

The Company's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

#### *Manufacturer's liability risks*

The Group faces risks related to products manufactured with a quality that does not comply with the customer's specifications which could have side effects, or undesired and unexpected effects on consumers' health and risks related to future due diligence obligations along the supply chain. This could expose the Group to possible liability action or claims for compensation, with potentially adverse effects on the Group's economic, capital and financial position.

The Group has a reliable quality system and several certifications which guarantee compliance with good manufacturing standards. All finished products and raw materials undergo thorough analysis to ensure they meet release specifications. Suppliers of raw materials and packaging undergo a qualification process and monitoring of ESG requirements. This procedure will cover service providers in 2024.

The Group has an international food alert and fraud monitoring system.

The Group stipulated a policy with a leading insurance company with a limit of € 5 million per event.

An additional action to mitigate this risk concerns the continuous training of personnel involved in the procurement, testing and product manufacturing processes.

#### *Risks related to production authorisations*

The Group faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic and financial position.

During the many audits conducted by customers and authorities, the Group has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Group has a procedure for promptly handling any observations or deviations identified by the authorities.

#### *Risks related to environmental, occupational health and safety regulations*

The Group is exposed to the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Group's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the Group's economic, capital and financial position.

To address these risks, the Group has a robust system for managing worker health and safety standards and environmental protection of the areas where the Group operates. The Group has ISO45001:2018 (OH&S) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

#### *Risks related to the information system's reliability*

The Group faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Group's economic, capital and financial position.

The Group implements security procedures and policies to ensure proper IT systems management. It has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The IT department periodically conducts simulated external attacks to assess the robustness of the security system.

The Group has a disaster recovery plan to ensure the reliability of its IT systems. The Group's IT systems comply with the General Data Protection Regulation.

The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

#### *Risks related to human capital management*

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Group operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Group to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Group's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models. Policies to enhance diversity, manage and promote talent and plans to maximise positive contributions to personal health are crucial in attracting and retaining talent and technically skilled people. Failure to implement the necessary policies to successfully manage human capital can have a negative impact on the Group's economic, capital and financial position.

Fine Foods believes that its people are the key to business success as they provide a true competitive advantage to the organisation. The Group invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. To fill any skills gaps, a tailored onboarding programme is planned, complemented by attendance in specialised courses. Various communication channels between employees and management are in place, and meetings for sharing the Group's achieved objectives are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible work schedules and practices have been adopted to enhance employees' work-life balance. The Company participated in the Lombardy Region's WHP programme, and promoted a range of initiatives for physical and mental health of employees.

#### *Risks related to climate change*

As a result of climate change, the Group faces possible operational shutdowns due to unforeseeable extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Group's Income Statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures introducing carbon taxes.

Fine Foods is updating its risk assessment to account for potential climate change effects on infrastructure from extreme events and the possible rise in energy usage due to increasing temperatures. The Group has insurance coverage for "catastrophic risks." The Group is continually updating its expertise and capabilities in handling "transition risks" through its association with Farmindustria, to align its energy efficiency with international standards.

The Group implemented a dedicated team coordinated by an energy manager which oversees measures to increase all Group sites' energy efficiency.

It carries out operations to reduce water consumption and an internal task force meets periodically to monitor improvements and the implemented measures effectiveness.

## **Key non-financial indicators**

We provide the following company business non-financial indicators for a better understanding of the Company situation, operating trend and result:

- The Group maintains consolidated and continuous relationships with approximately 130 customers;
- The Group can count on **142** production lines located in the various plants;
- The Group produces approximately **2,250** Stock-Keeping Units (SKUs);
- The Group employs approximately **750** people.

## 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 April 2023, the Parent Company underwent an environmental recertification 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 April 2024.

A management system illustrates how to intervene if harmful events occur.

During the year, there were no events that caused damage to the environment for which the Group companies were found guilty, nor were sanctions or penalties imposed for environmental crimes or damages.

To protect the environment, Group companies give all the types of waste that are generated by the Zingonia - Verdellino, Brembate and Trezano sites to authorised third parties, which follow the provisions of current legislation.

## Work Risk Assessment Document

Under Legislative Decree no. 81 of 09/04/2008 and Legislative Decree no. 106/09 and subsequent amendments, which contain reference standards for workplace health and safety, the Parent Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised on 06 December 2023, version no. 19.

Due to the merger by incorporation of Pharmatek into Euro Cosmetic and the acquisition of data and surveys carried out in the workplace (some of them are ongoing), the Risk Assessment Document (DVR) is currently being updated.

The Risk Assessment Document for the subsidiary Euro Cosmetic (Trenzano site) is filed at the company's registered office and was revised in November 2023 in its third version.

In April 2023, the Parent Company underwent the annual audit for the ISO 45001:2018 certification renewal, the international standard for an occupational health and safety management system (as of 21 May 2014, Fine Foods was certified under OHSAS 18001, the reference standard before ISO 45001).

During the second half of 2023, an accident occurred at Fine Foods that resulted in a first prognosis of 35 days of absence (which later turned into 63 days) involving serious injuries to personnel on the payroll. The company was not found liable as the accident did not occur during work activities but happened as the employee was transitioning to the changing rooms.

During the second half of 2023, a report of occupational disease was filed, which was not recognised by INAIL and for which the Parent Company was not found liable.

As for Pharmatek and Euro Cosmetic, 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. Another report of occupational disease was filed and not recognised by INAIL.

During H2 2023, Fine Foods' Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. They based their findings on the evidence of the assigned activities performance and deemed the control system correct and generally supplemented by a constant procedure updating process. This applied even during the Covid emergency.

## Personnel Management Information

To better understand the Group situation and management performance, some information relating to personnel management is provided.

Attention was paid to personnel's professional growth. 2023, 8088 training courses and seminars were held, for all levels, making 30,711 hours of training. These aimed at increasing technical skills and maintaining an adequate level of quality, safety, hygiene and environment skills.

Plant	Number of courses	Total hours
ZINGONIA	2,574	13,826
BREMBATE	5,390	13,652
Euro Cosmetic (Trenzano)	124	3,233
<b>TOTAL</b>	<b>8,088</b>	<b>30,711</b>

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.

During the year, the Company promptly implemented all the protections legally prescribed. It reserved an unconditional commitment to worker safety issues, whether or not the staff were employed, and the population surrounding its sites. The Company based its strategy on:

- dissemination of a safety culture within the organisation;
- specific dedicated operating procedures and adequate management systems;
- prevention and protection from exposure to contagious and non-contagious risks;
- the minimisation of risk exposure in each production activity;
- surveillance and monitoring of prevention and protection activities.

This process involved the following phases:

- identifying exposure to possible hazards related to the methods, products, and operations carried out;
- risk assessment of the event severity and frequency;
- identifying prevention actions, where possible, and mitigating residual risk;
- investigation and analysis of incidents to learn lessons and increase prevention capacity;
- developing risk minimisation plans based on technological investments, implementing safety management systems, and staff training and education.

## Research and development

Fine Foods is active in the contract manufacturing and development of oral solid forms for the nutraceutical, pharmaceutical and cosmetics industries.

Research and development come from a structured cooperation with customers aimed at providing them with new formulations for their products, ensuring 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

During 2023, the Parent Company distributed a dividend of € 0.12 per share to the holding company Eigenfin S.r.l. as per the shareholders' resolution approving the 2022 Financial Statements.

During 2023, Fine Foods granted its subsidiary Euro Cosmetic S.p.A. € 11 million in intercompany financing, disbursed in three instalments as follows:

- First instalment of € 2 million in January 2023;
- Second instalment of € 4 million in June 2023;
- Third instalment of € 5 million in October 2023.

The applicable interest rate is equal to the six-month EURIBOR, which is increased by a fixed spread. The first capital repayment instalment is scheduled for June 2025.

## Related Party Relationships

On 30 March 2022, the Parent Company's Board of Directors updated the Procedure for related party transactions, under Article 2391-bis of the Italian Civil Code and Article 4 of the "Regulations for transactions with related parties" issued by Consob with Resolution no. 17221 of 12 March 2010. Considering the new Fine Foods Group corporate structure after the acquisition of the Euro Cosmetic S.p.A. shareholding, it was appropriate to draft an amendment to the definition of "Transactions of Negligible Amount" and further formal amendments were made for a better understanding of the Procedure. This procedure is available on the Company's website (<https://www.finefoods.it/>).

During FY 2023, transactions between the Company and related parties identified under the provisions of international accounting standard IAS 24 included the remuneration of Directors, established under applicable regulations, based on assessments of mutual interest and economic benefit.

## Treasury shares buyback programme

On 15 May 2023, the Parent Company's Board of Directors resolved to launch the treasury share buyback programme to implement and comply with the authorisation to buyback and dispose of treasury shares approved by the 09 May 2023 Shareholders' Meeting.

The Programme will last 18 months after the 09 May 2023 authorising resolution date, unless there is an early interruption which will be legally reported to the Market. The arrangement in one or more issues of treasury shares is without time limits.

The table below summarises the situation regarding treasury shares as of 31/12/2023:

	Number	Fees Euro
Initial balance	1,022,247	12,195,431
Purchased shares	42,435	343,779
Shares allocated free of charge		
Shares sold		
Shares cancelled due to excess capital		
Shares cancelled to cover losses		
<b>Final balance</b>	<b>1,064,682</b>	<b>12,539,210</b>

As of 29 March 2024, Fine Foods & Pharmaceuticals N.T.M. S.p.A. holds 1,077,669 treasury shares equal to 4.2162% of the share capital, at a weighted average price of € 11.7423, for a total value of € 12,654,333. The change compared to 31 December 2023 derives from the purchases made from 1 January to 29 March 2024 equal to 12,987 shares.



Under art. 2357-ter of the Civil Code, the purchase of treasury shares involved booking a "Negative reserve for treasury shares in portfolio" under liabilities in the consolidated interim Financial Statements. 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 Article 2357 of the Civil Code.

## **Parent Company shares**

During the year, the Company did not hold Parent Company shares or quotas.

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

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.

For liquidity risk monitoring purposes, the Group oversees the liquidity shortage using a planning tool. The Group's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines and bank loans, mortgages and bonds. The Group's policy is to keep loan numbers due in the next 12 months around 60%.

## **Events following the end of the financial year**

No significant events occurred after the end of the financial year.

## **Personal data protection - Privacy**

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.

## **Consolidated Non-Financial Statement**

The 2023 Consolidated Non-Financial Statement prepared under Legislative Decree no. 254/2016 is contained in a separate report from the Report on Operations.

Verdellino, 29 March 2024

for the Board of Directors  
Chairman

Marco Francesco Eigenmann

**Fine Foods & Pharmaceuticals N.T.M. S.p.A.**

*Registered office: Via Berlino 39 – VERDELLINO (BG), Italy  
Registered in the BERGAMO Companies Register  
Tax Code and Registration no. 09320600969  
Registered in the Bergamo REA no. 454184  
Subscribed share capital € 22,590,304 fully paid-up  
VAT no. 09320600969*



**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 December 2023**

**Prepared under the International Accounting Standards issued by the IASB, and the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which have been endorsed under the procedure set out in Article 6 of (EC) Regulation no. 1606 of 19 July 2002**

Unless otherwise specified, amounts shown in the tables and explanatory notes are stated in Euro and rounded to the nearest Euro.

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## Consolidated Income Statement

	Notes	Year ended 31 December	
		2023	2022
<b>Revenue and income</b>			
Revenue from contracts with customers	2.1	251,811,791	206,852,576
Other revenue and income	2.2	1,095,196	1,467,151
<b>Total revenue</b>		<b>252,906,988</b>	<b>208,319,727</b>
<b>Operating costs</b>			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	2.3	158,188,424	128,033,375
Personnel costs	2.4	44,431,271	38,300,569
Costs for services	2.5	25,888,270	25,190,520
Other operating costs	2.6	2,129,576	1,386,257
Amortisation, depreciation, and impairment losses	2.7	21,203,442	16,420,419
<b>Total operating costs</b>		<b>251,840,983</b>	<b>209,331,140</b>
<b>Operating result</b>		<b>1,066,005</b>	<b>(1,011,413)</b>
Changes in fair value of financial assets and liabilities	2.8	1,703,519	(7,733,525)
Loss on financial receivables	2.9	-	(3,266,960)
Financial income	2.10	339,524	59,214
Financial charges	2.11	(4,964,248)	(2,246,228)
<b>Income before taxes</b>		<b>(1,855,199)</b>	<b>(14,198,912)</b>
Income taxes	2.12	1,666,899	4,697,768
<b>Profit/(loss) for the financial year</b>		<b>(3,522,098)</b>	<b>(9,501,145)</b>
Earnings/(loss) per share			
▶ Basic – profit for the year attributable to the Company ordinary shareholders	2.13	(0.14)	(0.37)
▶ Diluted – profit for the year attributable to the Company ordinary shareholders	2.13	(0.14)	(0.37)

## Consolidated comprehensive Income Statement

	Notes	2023	2022
<b>Profit/(loss) for the financial year (A)</b>		<b>(3,522,098)</b>	<b>(9,501,145)</b>
<b>Components that will not be subsequently reclassified to profit/(loss) for the financial year</b>			
Revaluation of net employee benefit liabilities/assets	4.5	(33,043)	364,734
Tax effect		7,930	(87,536)
<b>Other comprehensive income (B) components</b>		<b>(25,113)</b>	<b>277,198</b>
<b>Comprehensive profit/(loss) (A+B)</b>		<b>(3,547,211)</b>	<b>(9,223,947)</b>

## Consolidated statement of financial position

<i>(amounts in € units)</i>	Notes	As of 31 December 2023	As of 31 December 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and machinery	3.1	106,919,123	104,162,050
Goodwill	3.2	11,507,954	15,907,954
Other intangible fixed assets	3.3	1,634,888	1,780,551
Rights of use	3.4	3,165,607	5,163,111
Other non-current assets	3.5	688,139	820,871
Deferred tax assets	3.6	6,234,232	7,312,662
<b>Total non-current assets</b>		<b>130,149,943</b>	<b>135,147,200</b>
<b>Current assets</b>			
Inventories	3.8	42,459,682	40,422,499
Trade receivables	3.9	38,057,766	39,347,321
Tax receivables	3.10	320,689	2,268,044
Other current assets	3.11	7,740,856	5,890,798
Current financial assets	3.12	3,832,865	66,512,584
Cash and other liquid assets	3.13	19,000,047	10,232,262
<b>Total current assets</b>		<b>111,411,905</b>	<b>164,673,509</b>
<b>Total assets</b>		<b>241,561,848</b>	<b>299,820,709</b>
<b>Shareholders' equity</b>			
Share Capital	4.1	22,770,445	22,770,445
Other reserves	4.1	114,167,028	126,461,456
Employee benefit reserve	4.1	181,073	206,186
FTA reserve	4.1	(6,669,789)	(6,669,789)
Profits carried forward	4.1	22,610	22,610
Profit/(loss) for the financial year	4.1	(3,522,098)	(9,501,145)
<b>Total Shareholders' Equity</b>		<b>126,949,268</b>	<b>133,289,763</b>
<b>Non-current liabilities</b>			
Non-current bank borrowings	4.3	9,734,877	77,573,797
Employee benefits	4.5	2,201,653	2,419,013
Provision for risks and charges	4.6	2,105	41,105
Provision for deferred taxes	3.7	263,381	240,553
Non-current lease payables	3.4	1,032,604	2,222,216
<b>Total non-current liabilities</b>		<b>13,234,620</b>	<b>82,496,684</b>
<b>Current liabilities</b>			
Bonds	4.2	-	3,323,051
Current bank borrowings	4.4	55,269,592	36,590,346
Trade payables	4.7	32,369,462	33,450,468
Taxes payable	4.8	575,488	-
Current lease payables	3.4	354,377	651,576
Other current liabilities	4.9	12,809,041	10,018,821
<b>Total current liabilities</b>		<b>101,377,960</b>	<b>84,034,262</b>
<b>Total Shareholders' equity and Liabilities</b>		<b>241,561,848</b>	<b>299,820,709</b>

## Consolidated cash flow statement

(amounts in € units)	Notes	Year ended 31 December	
		2023	2022
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>(3,522,098)</b>	<b>(9,501,145)</b>
<b>Adjustments to reconcile profit after tax with net cash flows:</b>			
Depreciation and impairment of property, plant and machinery	2.7	14,756,626	13,267,935
Amortisation and impairment of intangible fixed assets	2.7	887,277	905,136
Amortisation of rights of use	2.7	1,159,538	1,298,706
Other write-downs of fixed assets	2.7	4,400,000	948,642
Impairment of financial receivables	2.9	-	3,266,960
Financial income	2.10	(339,524)	(40,528)
Financial charges	2.11	4,916,704	2,179,317
Changes in fair value of financial assets and liabilities	2.8	(1,703,519)	7,733,525
Financial charges on financial liabilities for leases	3.4	47,544	66,911
Income taxes	2.12	557,982	68,715
Gains on the disposal of property, plant and machinery	2.2	(26,247)	(64,906)
Current assets write-downs	3.8,3.9	762,713	726,198
Net change in severance indemnity and pension funds	4.6	(324,435)	(278,278)
Net change in provisions for risks and charges	4.7	(39,000)	39,000
Net change in deferred tax assets and liabilities	3.6,3.7	1,1089,18	(4,758,703)
Interest paid	2.11	(4,550,692)	(2,156,964)
<b>Changes in net working capital:</b>			
(Increase)/decrease in inventories	3.8	(2,453,558)	(5,944,094)
(Increase)/decrease in trade receivables	3.9	943,218	(10,064,999)
(Increase)/decrease in other non-financial assets and liabilities	3.5,3.10,3.11,4.8,4.9	3,037,755	5,078,594
Increase/(decrease) in trade payables	4.7	(1,081,006)	918,351
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>18,538,195</b>	<b>3,688,374</b>
<b>Investments:</b>			
Investments in tangible fixed assets	3.1	(18,126,331)	(15,026,843)
Disposal of tangible fixed assets	3.1	638,881	209,017
Investments in intangible fixed assets	3.3	(741,615)	(957,395)
Net (investments)/disposals in financial assets	3.12	64,116,756	460,635
<b>NET CASH FLOWS FROM INVESTMENTS</b>		<b>45,887,691</b>	<b>(15,314,586)</b>
<b>Financing:</b>			
New financing	4.3,4.4	2,303,613	72,744,341
Funding repayment and bonds	4.2,4.3,4.4	(54,519,856)	(62,175,238)
Principal payments - lease liabilities	3.4	(648,576)	(1,091,921)
Dividends paid to the Parent Company's shareholders	4.1	(2,452,708)	(3,866,869)
Sale/(purchase) of treasury shares	4.1	(340,575)	(870,796)
<b>CASH FLOWS FROM FINANCING</b>		<b>(55,658,102)</b>	<b>4,739,517</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>8,767,784</b>	<b>(6,886,695)</b>
<b>Cash and short-term deposits as of 1 January</b>		<b>10,232,262</b>	<b>17,118,957</b>
<b>Cash and short-term deposits as of 31 December</b>		<b>19,000,047</b>	<b>10,232,262</b>

## Consolidated Shareholders' equity changes

	Notes	Share Capital	Legal reserve	Negative reserve for treasury shares in the portfolio	Merger surplus reserve	Share premium reserve	Extraordinary reserve	Other reserves	FTA reserve	Employee benefit reserve	Profits/losses carried forward	Profit/loss for the financial year	Total Shareholders' equity
<b>Balance as of 31 December 2021</b>	4.1	22,770,445	5,000,000	(15,939,707)	29,741,389	86,743,750	19,556,720	7,512,947	(6,669,789)	(71,011)	-	(1,426,751)	147,217,991
Profit/(loss) for the financial year												(9,501,145)	(9,501,145)
Other income statement components										277,198			277,198
<b>Comprehensive profit/(loss)</b>										<b>277,198</b>		<b>(9,501,145)</b>	<b>(9,223,947)</b>
Dividends							(3,866,869)						(3,866,869)
IRS derivatives provision								33,384					33,384
Stock Grant				3,130,050				(3,130,050)					-
Purchase of treasury shares				(870,796)									(870,796)
2021 profit allocation							(1,449,361)				22,610	1,426,751	-
<b>Balance as of 31 December 2022</b>		22,770,445	5,000,000	(13,680,454)	29,741,389	86,743,750	14,240,490	4,416,281	(6,669,789)	206,186	22,610	(9,501,145)	133,289,763
Profit/(loss) for the financial year												(3,522,098)	(3,522,098)
Other income statement components										(25,113)			(25,113)
<b>Comprehensive profit/(loss)</b>										<b>(25,113)</b>		<b>(3,522,098)</b>	<b>(3,547,211)</b>
Dividends							(2,452,708)						(2,452,708)
IRS derivatives provision													-
Stock Grant													-
Purchase of treasury shares				(340,575)									(340,575)
2022 profit allocation							(9,501,145)					9,501,145	-
<b>Balance as of 31 December 2023</b>		22,770,445	5,000,000	(14,021,029)	29,741,389	86,743,750	2,286,638	4,416,281	(6,669,789)	181,073	22,610	(3,522,098)	126,949,268



## CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

### 1. Corporate information

Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2023 Consolidated Financial Statements were authorised by the Board of Directors on 29 March 2024.

The acquisition of the subsidiaries Pharmatek PMC S.r.l. in January 2021 and Euro Cosmetic S.p.A. in October 2021, as detailed below, imposes the preparation of the Consolidated Financial Statements and consolidated interim Financial Reports.

On 27 December 2022, the merger deed of Pharmatek PMC S.r.l. into Euro Cosmetic S.p.A. was signed. The merger produced its legal, accounting, and tax effects as of 1 January 2023.

The scope of consolidation as of 31 December 2023 includes the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A., and the subsidiary Euro Cosmetic S.p.A..

The Parent Company Fine Foods & Pharmaceutical N.T.M. S.p.A. (hereafter referred to as "Fine Foods" or the "Company"), registered and domiciled in Bergamo, is a joint-stock company, with its registered office in Via Berlino 39, Verdellino – Zingonia (BG) in Italia. The Company, listed on the STAR segment of the MTA of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO). It develops and manufactures contract products for the pharmaceutical and nutraceutical industries. Fine Foods Group is also active in the cosmetics, biocides and medical devices industries with its acquisition of Pharmatek-PMC S.r.l. and the most recent Euro Cosmetic S.p.A. acquisition.

Founded in 1984, from a pharmaceutical and nutraceutical synergy, Fine Foods has been pursuing quality and innovation on behalf of its customers as its primary objective. With € 252 million revenue in 2023 and more than 11.1 per cent CAGR over the last decade, Fine Foods is a growing and future-oriented company. The sustainability of the business model and the holistic approach to ESG, together with product innovation, are drivers that will allow the Group to fully develop its intrinsic potential.

These Financial Statements have been drawn up in Euro.

The accompanying financial statements of Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

#### 1.1 Significant events for the period

##### Closure of Securities Portfolio

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that included financial instruments and liquidity.

During the first half of the 2023, Fine Foods closed its investment portfolio, withdrawing € 64 million from this asset management. As of 31 December 2023, there was only one security in the portfolio with a market value of € 98,000. Fine Foods definitively closed the position in February 2024 and the portfolio management, from the opening to closure, was positive for € 5.7 million.

For further details, please refer to the Notes to the Financial Statements.

##### Early repayment and loan covenants of €70 million

On 25 February 2022, Intesa Sanpaolo and Fine Foods signed a seven-year € 70 million financing deal to support growth and development projects.

The Company made an early loan repayment of €20 million on 12 October 2023, after the closure of the above securities portfolio. As of 31 December 2023, the total loan outstanding amount was € 44.5 million (of which, according to the repayment plan, € 8 million payable within 12 months and € 36.4 million payable after 12 months).

The loan provides for financial covenants, to be calculated every six months, based on the following indicators based on the Group's Consolidated Financial Statements:

- > NFP / EBITDA
- > NFP / EQUITY

## ➤ EBITDA/Financial charges

The financial parameter EBITDA/Financial charges on 31 December 2023, calculated as contractually stipulated, exceeded the limit. On 12 March 2024, the bank consented to include in the ratio calculation the income from the fair value measurement of financial assets, mainly related to the securities portfolio closure mentioned above. Using this calculation method ensures compliance with the covenant.

As of 31 December 2023, the medium- and long-term loan was reclassified to short-term under IAS 1.74. This accounting standard mandates such reclassification if a condition within the long-term loan agreement is breached on or before the FY closing date. Failure to comply with the above clause results in the liability becoming a payable on demand. This means the guaranteed option to postpone its payment for no less than 12 months from that date is invalid, regardless of whether the lender has consented after the reporting date to not request the payment due to the violation. For further details, please refer to the Notes to the Financial Statements. Starting from the next quarterly report as of 31 March 2024, the classification of the bank loan will be reinstated based on the original amortisation schedule. Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in future reports.

## **Cosmetics Business Reorganisation**

During the period, the group companies operating within the cosmetics business underwent a major reorganisation, which entailed the merger by incorporation of Pharmatek into Euro Cosmetic, effective as of 1 January 2023. Production and management activities were focused on the Trezano site, while the Cremona production units were closed. The related leases were formally terminated in the second half of the year. The non-strategic electronic cigarette business (E-CIG) was disposed of and the medical-surgical aids portfolio was streamlined.

## **1.2 International crisis impact**

The Fine Foods Group is monitoring the crisis development generated by the Russia-Ukraine and recent Israeli-Palestinian conflicts. This crisis has led to a rise in the prices of raw materials and energy throughout 2022, significantly impacting the global economy and prompting a resurgence of inflation. Consequently, central banks in Western countries have opted to increase interest rates as a measure to curb inflation.

The Group's turnover in 2023 remained largely unaffected by the conflicts that erupted between Russia and Ukraine, and Israel and Palestine, the latter began in early October 2023.

Directors do not believe that the current political-economic contingency will significantly affect the sales volumes expected in 2024.

Given the uncertain market environment, the Group's Management will keep monitoring the development of these conflicts and their direct and indirect effects on the Financial Statements.

## **1.3 Going concern**

These Financial Statements have been prepared on a going concern basis.

Under the paragraph "Early repayment and loan covenants of € 70 million", the directors recorded the Intesa loan under short-term financial liabilities. Directors believe that this element does not affect the company's ability to continue as a going concern, since the bank sent the request for consent on 12 March 2024, waiving the request for payment in the short term. Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in future reports.

## **1.4 Form and content of the 31 December 2023 Consolidated Financial Statements**

### **1.4.1 Principles followed when preparing the Financial Statements**

The 31 December 2023 Consolidated Financial Statements have been prepared under the International Accounting Standards - IAS and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the

European Union under (EC) Regulation no. 1606/2002 and effective at the end of the financial year. All of the above standards and interpretations are referred to as "IAS/IFRS".

#### 1.4.2 Financial Statements content and format

The formats adopted by the Company and under IAS 1 are as follows:

- **Consolidated Statement of financial position:** through the separate presentation of current/non-current assets and liabilities, as specified in paragraph 1.3.5 below. "Current/non-current classification"
- **Consolidated income statement:** it shows the items by nature and provides the most explanatory information.
- **Consolidated comprehensive Income Statement:** includes other income and charge items allowed to be booked in equity under IAS/IFRS.
- **Consolidated cash flow statement:** shows the cash flows of operating, investing and financing activities as required by IAS 7.
- **Consolidated Shareholders' equity changes:** shows the overall result for the year and further movements in the Company's risk capital.

#### 1.4.3 Consolidation standards

The Consolidated Financial Statements include Fine Foods N.T.M. S.p.A. and its subsidiary Euro Cosmetic S.p.A. Financial Statements as of 31 December 2023. During 2023, the merger by incorporation of Pharmatek PMC into Euro Cosmetic became effective.

Control happens when the Group is exposed or entitled to variable returns, arising from its relationship with the investee while affecting those returns by exercising its power over it. The Group controls a subsidiary when:

- it has power over the investee (i.e. it has valid rights that give it the ability to direct the relevant activities of the investee);
- it has the exposure or rights to variable returns arising from the relationship with the investee;
- it has the ability to exercise power over the investee to affect its returns.

There is a presumption that a majority of the voting power involves control. To support this presumption and when the Group holds less than a majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights resulting from contractual arrangements;
- Group voting rights and potential voting rights.

The Group reconsiders whether it has control of a subsidiary if facts and circumstances indicate that there have been changes in one or more of those three elements relevant to the definition of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenue and expenses of the subsidiary acquired or disposed of during the period are included in the Consolidated Financial Statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

Profit (loss) for the year and other Comprehensive Income Statement components are allocated to the shareholders of the parent and non-controlling interests, even if this results in the non-controlling interests having a negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. Intragroup assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between Group entities are cancelled on consolidation.

Changes in shareholding in a subsidiary that do not result in a loss of control are recorded in Shareholder's equity.

If the Group loses control of a subsidiary, it must cancel the related assets (including goodwill), liabilities, non-controlling interests and other components of Shareholder's equity, while any gain or loss is recorded in the Income Statement. Any retained shareholding shall be recorded at fair value.

#### 1.4.4 Consolidation area

Under Articles 38 and 39 of Legislative Decree 127/91 and Article 126 of Consob resolution no. 11971 of 14 May 1999, amended by resolution no. 12475 of 6 April 2000, details of the companies included in the consolidation area of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as of 31 December 2023 are provided below.

Parent company:

Company name	Registered office	Currency	Share Capital
Fine Foods & Pharmaceuticals N.T.M. S.p.A.	Verdellino (BG)	EUR	22,770,445.02

Consolidated subsidiaries:

Company name	Ownership percentage	Registered office	Currency	Share Capital
Euro Cosmetic S.p.A.	100%	Trenzano (BS)	EUR	1,582,968

The ultimate Parent Company of Fine Foods & Pharmaceuticals N.T.M. S.p.A. is Eigenfin S.r.l., an unlisted company based in Italy.

#### 1.4.5 Current/non-current classification

Assets and liabilities in the Group's Financial Statements are classified as current/non-current. An asset is current when:

- it is expected to be realised or held for sale or used as part of ordinary business activities;
- it is held primarily for trading purposes;
- it is expected to be realised within 12 months after the end of the reporting period or
- consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- is expected to be settled as part of ordinary business activities;
- it is held primarily for trading purposes;
- it is expected to be settled within 12 months after the end of the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The liability contractual terms that could result in its settlement, at the option of the counterparty, through the issue of equity instruments do not affect its classification.

The Group classifies other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

## 1.5 Summary of significant accounting policies

### 1.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the minority shareholding in the acquired Company. For each business combination, the Group determines whether to measure the minority shareholding in the acquired Company at fair value or in proportion to the minority shareholding's share of the acquired Company's identifiable net assets. The acquisition costs are charged in the period and classified as administrative expenses. The Group determines that it has acquired a business when the integrated set of assets includes at least one production factor and one substantial process that contribute significantly to the ability to generate an output. The acquired process is considered material if it is critical to the ability to continue to generate an output and the received production factors include an organised workforce that has the necessary skills, knowledge or experience to perform that process or contributes significantly to the ability to create an output. This is considered unique or scarce or cannot be replaced without high cost, effort or delay to the ability to create an output. When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed under contractual terms, financial conditions and other relevant terms valid at the acquisition date. This includes testing whether an embedded derivative should be separated from the primary contract. The acquirer records any contingent consideration at fair value at the acquisition date. Contingent consideration classified as an asset is not remeasured and its subsequent payment is accounted with a balancing entry under equity. The change in fair value of contingent consideration classified as an asset or liability shall be recorded in Income Statement as a financial instrument within the IFRS 9 "Financial Instruments" scope. Contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the Financial Statements date and changes in fair value are recorded in the Income Statement. Goodwill is initially recorded at cost represented by the excess of all consideration paid and the amount recorded for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the amount paid, the Group reassesses whether it has correctly identified all assets acquired and liabilities assumed and reviews the procedures used to determine the amounts to be recorded at the acquisition date. If the reassessment still results in a fair value of the net assets acquired higher than the amount paid, the difference (gain) is recorded in the income statement. After the initial recording, goodwill is assessed at cost net of accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is allocated from the acquisition date to each Group cash-generating unit that is expected to benefit from the combination synergies, regardless of whether other assets or liabilities of the acquired entity are assigned to those units. If goodwill has been allocated to a cash-generating unit and the entity disposes of part of that unit's operations, any goodwill associated with it is carried over when determining the gain or loss on disposal. Goodwill associated with the discontinued operation is determined based on the relative values of the discontinued operation, and the portion of the cash-generating unit retained.

When performing what above, the directors use complex assumptions and estimates which are subject to their judgement. The main assumptions underlying this concern:

- allocation of assets and liabilities book values to individual CGUs,
- forecasting future cash flows, for the explicit period of the Group's business,
- defining normalised cash flows underlying the estimate of the final value, and
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

### 1.5.2 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as property investments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the valuation date during an ordinary transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place:

- in the main market for the asset or liability;
- or
- in the absence of a main market, in the most advantageous market for the asset or liability.

The main or most advantageous market must be accessible to the Group. The fair value of an asset or liability is measured by adopting the assumptions that market participants would use in pricing the asset or liability, assuming that they are acting in their best economic interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset to its highest and best use or by selling it to another market participant who would use it to its highest and best use.

The Group uses valuation techniques appropriate for the circumstances and for which there is sufficient available data to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised according to the fair value hierarchy, as described below:

- Level 1 - listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability;
- Level 3 - valuation techniques for which the inputs are not observable for the asset or liability.

The fair value measurement is classified entirely at the same level of the fair value hierarchy in which the input of the lowest level of the hierarchy used for the measurement.

For assets and liabilities recorded in the Financial Statements at fair value on a recurring basis, the Group defines whether transfers have occurred between the hierarchy levels by reviewing the categorisation (based on the lowest level input, which is significant for the fair value measurement) at each reporting date.

The Group Finance Department determines the criteria and procedures for recurring fair value measurements, such as property investments and equity instruments in unlisted companies, and non-recurring measurements, such as discontinued assets held for sale.

At each Financial Statements date, the Group's Financial Management analyses changes in the value of assets and liabilities for which revaluation or restatement is required under the Group's accounting policies.

For this analysis, the most recent valuation's main inputs are verified, linking the information used in the valuation to contracts and other relevant documents.

The Group's Financial Management compares each change in each asset and liability fair value with the relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Group defines the classes of assets and liabilities based on the asset or liability nature, characteristics and risks and the fair value hierarchy level outlined above.

The following table sets out the fair value measurement hierarchy for the Company's assets and liabilities as of 31 December 2023 and 31 December 2022.

31 December 2023	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
<b>Financial assets</b>					
Current financial assets	3,832,865	3,832,865	365,889	3,466,976	-
-Cash and other liquid assets	19,000,047	19,000,047	19,000,047	-	-
<b>Total financial assets</b>	<b>22,832,912</b>	<b>22,832,912</b>	<b>19,365,936</b>	<b>3,466,976</b>	<b>-</b>
<b>Financial liabilities</b>					
Non-current bank borrowings	9,734,877	9,734,877	-	9,734,877	-
Current bank borrowings	55,269,592	55,269,592	-	55,269,592	-
Non-current lease payables	1,032,604	1,032,604	-	1,032,604	-
Current lease payables	354,377	354,377	-	354,377	-
<b>Total financial liabilities</b>	<b>66,391,450</b>	<b>66,391,450</b>	<b>-</b>	<b>66,391,450</b>	<b>-</b>

31 December 2022	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
<b>Financial assets</b>					
Current financial assets	66,512,584	66,512,584	63,045,608	3,466,976	-
Cash and other liquid assets	10,232,262	10,232,262	10,232,262	-	-
<b>Total financial assets</b>	<b>76,744,846</b>	<b>76,744,846</b>	<b>73,277,870</b>	<b>3,466,976</b>	<b>-</b>
<b>Financial liabilities</b>					
Current bonds	3,323,051	3,323,051	-	3,323,051	-
Non-current bonds	-	-	-	-	-
Non-current bank borrowings	77,573,797	77,573,797	-	77,573,797	-
Current bank borrowings	36,590,346	36,590,346	-	36,590,346	-
Non-current lease payables	2,222,216	2,222,216	-	2,222,216	-
Current lease payables	651,576	651,576	-	651,576	-
<b>Total financial liabilities</b>	<b>120,360,986</b>	<b>120,360,986</b>	<b>-</b>	<b>120,360,986</b>	<b>-</b>



The Company's management has verified that the fair value of financial assets and liabilities approximates the book value.

### **1.5.3 Revenue from contracts with customers**

The Group deals with the contract development and manufacturing (Contract Development and Manufacturing Organisation - CDMO) of oral solid forms for the pharmaceutical, nutraceutical and cosmetic industries.

Revenue from contracts with customers is recorded when control of the goods is transferred to the customer, generally upon delivery, for an amount corresponding to the Company's expected consideration in exchange for such assets.

The Company considers whether other promises in the contract represent contractual obligations on which a portion of the transaction consideration is to be allocated. In defining the product sale transaction price, the Company considers any effect of variable consideration and significant financial components.

If the consideration promised in the contract includes a variable amount, the Company estimates the variable consideration when the contract is signed. This amount is not recorded until it is highly probable that it will be paid considering what has been agreed.

### **1.5.4 Income taxes**

#### Current taxes

Current tax assets and liabilities for the year are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and regulations used to calculate the amount are enacted or substantively enacted at the Financial Statements date in the countries where the Group operates and generates its taxable income.

Current taxes related to items booked directly in equity are recorded in equity and not in profit/(loss) for the year. Management periodically assesses the tax return position in cases where tax rules are subject to interpretation and, where appropriate, makes provisions.

#### Deferred taxes

Deferred taxes are calculated by applying the liability method to temporary differences at the Financial Statements date between the assets and liabilities tax values and their corresponding book values.

Deferred tax liabilities are recorded for all temporary taxable differences, with the following exceptions:

- deferred tax liabilities arising from the initial recording of goodwill or an asset or liability in a transaction that is not a business combination and, at the transaction time, affects neither The Financial Statements result nor the tax result;
- the reversal of temporary taxable differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it will probably not occur in the foreseeable future.

Deferred tax assets are recorded for temporary deductible differences and unused tax receivables and losses carried forward to the extent that it is probable sufficient future taxable profit will be available against which the temporary deductible differences and tax receivables and losses carried forward can be used. Unless:

- the deferred tax asset associated with deductible temporary differences arises from the initial recording of an asset or liability in a transaction that is not a business combination and, at the transaction time, affects neither the Financial Statements result nor the tax result;
- for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recorded to see if it is probable that they will shift in the foreseeable future and there will be sufficient taxable income to allow for temporary differences to be recovered.

The book value of deferred tax assets is reviewed at each Financial Statements date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow that credit's use. Unrecorded deferred tax assets are reviewed at each Financial Statements date and recorded to the extent that it is probable sufficient taxable income will be available in the future to allow the recovery of those deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied when the assets are realised or liabilities settled, considering the rates that have been enacted or substantively enacted at the Financial Statements date.

Deferred taxes for items recorded outside the income statement are recorded outside the income statement, in the equity or the comprehensive income statement, alongside the item they relate.



Tax benefits acquired due to a business combination but do not meet the criteria for separate recording at the acquisition date are recorded when new information about changes in facts and circumstances is obtained. If recorded during the valuation period, the adjustment is booked as a reduction in goodwill (up to the goodwill amount). If recorded later it is booked in the income statement.

The Group offsets deferred tax assets and liabilities if there is a legal right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes owed to the same taxation authority by the same taxpayer or different taxpayers who intend to settle current tax assets and liabilities on a net basis.

#### Indirect taxes

Costs, revenue, assets and liabilities shall be recorded net of indirect taxes, such as value-added tax, with the following exceptions:

- the tax applied to goods or services purchase is non-deductible; in this case, it is recorded as part of the asset purchase cost or part of the cost booked in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered or paid to the tax authorities was included in the Financial Statements under receivables or payables.

### **1.5.5 Foreign currency transactions and balances**

Any foreign currency transactions are initially recorded in the functional currency by applying the spot exchange rate at the transaction's date.

Monetary foreign currency assets and liabilities are translated into the functional currency at the exchange rate at the Financial Statements date.

Exchange differences or those arising from the translation of monetary items are recorded in the income statement. Taxes attributable to exchange differences on monetary items are recorded in the statement of comprehensive income. Non-monetary items valued using foreign currency historical costs are translated at the exchange rates at the transaction's initial recording date. Non-monetary items valued using foreign currency fair value are translated at the exchange rates at the date this value was determined. A gain or loss that arises from the translation of non-monetary items is treated consistently with the recording of gains and losses based on the fair value change of those items (i.e. translation differences on items whose fair value change is recorded in the comprehensive income statement or income statement and are respectively booked in the comprehensive income statement or income statement).

### **1.5.6 Dividends**

The Parent Company books a liability for a dividend payment when the distribution is authorised and is not at the Company's discretion. Under European corporate law, distribution is authorised when shareholders approve it. Recording under liabilities is offset by a reduction in shareholders' equity to the reserve indicated in the shareholders' meeting minutes.

### **1.5.7 Property, plant and machinery**

Property under construction is recorded at historical cost net of any accumulated impairment losses. Property, plant and machinery are recorded at historical cost net of accumulated depreciation and accumulated impairment losses. This cost includes expenses for replacing part of the plant and machinery when they are incurred if they meet the booking criteria. When it is necessary to replace plant and machinery significant parts regularly, the Group depreciates them separately over their useful life. Similarly, during major overhauls, the cost is included in the plant or machinery book value as in replacements, if booking criteria are met. All other repair and maintenance costs are recorded in the income statement when incurred. The costs for dismantling and removing an asset at the end of its useful life were included in the asset cost, if the criteria for recognising a provision were met.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life as follows:

<b>Table of depreciation rates</b>			
	<b>Food</b>	<b>Pharma</b>	<b>Euro Cosmetic</b>
Industrial buildings based on their type	3%	5.50%	5.5%
Light construction	10%	10%	
Generic plant, based on their type	7.50%	10%	10%
Specific plant and machinery, based on their type	14%	12%	12.5%
Industrial and commercial equipment, based on their type	20%	40%	35%

Other assets: Furniture and furnishings	12%	-	12%
Other assets: Electronic office machines	20%	-	20%
Other assets: Transport vehicles	20%	-	20%
Other assets: Cars	25%	-	25%
Other assets: Lifting equipment			

The book value of a property, plant and machinery item and any significant component initially recorded is cancelled at the time of its disposal or when no future financial benefit is expected from its use or disposal. The gain or loss arising on the asset cancellation (calculated as the difference between the asset's net book value and the consideration received) is recorded in the income statement when the item is cancelled.

The property, plant and machinery residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and, where appropriate, prospectively adjusted.

### 1.5.8 Leases

At each contract stipulation, the Group assesses whether the contract meets a lease's definition under the standard. The definition of a contractual agreement as a lease (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether the agreement performance depends on the use of one or more specific assets, or transfers financial benefits arising from the asset's use to another party.

#### The Group as lessee

For each contract that meets the lease definition or contains a lease, the Group accounts for a Right of Use and a Financial Liability, equal to the current value of the future lease payments plus the initial direct costs, obligations to return the asset to its original condition less any incentive paid to the supplier.

Financial charges are allocated to the income statement.

Leased assets are depreciated over the lease duration.

The Group records the following in its Financial Statements:

- a financial liability, equal to the current value of residual future payments at the transition date, which are discounted using the incremental borrowing rate applicable at the transition date for each contract;
- a right of use equal to the financial liability value net of any accruals and deferrals referring to the lease and recorded in the balance sheet at the date of these Financial Statements.

Although their value is negligible, the Group has recorded the expenses for improvement works carried out on leased properties, when they meet the requirements to be capitalised, within the right of use, depreciating them based on the residual useful life of each contract.

In adopting IFRS 16, the Group used the exemption granted by the standard for short-term leases (contracts lasting less than a year) for all classes of assets and low-value assets, i.e. lease contracts for which the unit value of the underlying assets does not exceed € 5,000 when new.

The contracts for which the exemption has been applied fall mainly within the forklift category, as they were purchased during 2019 and are considered to be short-term contracts.

For these contracts, adopting IFRS 16 will not result in booking the lease financial liability and related right of use. Instead lease payments will be recorded in the income statement on a straight-line basis over the relevant contract duration.

#### The Group as lessor

Lease agreements that substantially leave the Company with all the asset ownership risks and benefits are classified as operating leases. Lease income from operating leases is recorded on a straight-line basis over the lease duration and is included in other income in the Income Statement due to its operating nature. Initial trading costs are added to the leased asset's book value and recorded over the lease duration on the same basis as rental income.

### **1.5.9 Financial charges**

Financial charges directly attributable to the acquisition, construction or production of an asset that requires a substantial period before it is available for use are capitalised on the asset cost. All other financial charges are recorded as an expense in the period in which they are incurred. Financial charges consist of interest and other costs that an entity incurs to obtain financing.

### **1.5.10 Intangible assets**

Intangible assets are initially recorded at cost. After the initial recording, intangible assets are recorded at cost net of accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, other than development costs that meet specific requirements as defined by IAS 38, are not capitalised and are booked in the income statement for the period in which they are incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment whenever there are indications of possible impairment. A finite useful life intangible asset amortisation period and method are reviewed at least at each financial year-end. Changes in the expected useful life or how future financial benefits associated with the asset will be realised are recorded through changes in the amortisation period or method, as appropriate, and are considered changes in accounting estimates. Amortisation of intangible assets with finite useful lives is recorded in profit/(loss) for the year in the cost category consistent with the intangible asset function.

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment, either at the individual or cash-flow generating unit level (IAS 36). The indefinite useful life assessment is reviewed annually to determine whether this attribution continues to be sustainable; otherwise, the change from "indefinite useful life" to "finite useful life" is prospectively applied.

An intangible asset is cancelled at the time of its disposal (i.e. on the date when the acquirer obtains control of it) or when no future financial benefits are expected from its use or disposal.

Any gain or loss arising from the asset cancellation (calculated as the difference between the net disposal proceeds and the asset book value) is included in the income statement.

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

### **1.5.11 Financial Instruments - Recording and valuation**

A financial instrument is a contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another.

#### *j) Financial assets Initial recording and valuation*

Upon initial recording, financial assets are classified using the following measurement methods, i.e. amortised cost, fair value through other comprehensive income (hereafter OCI) and fair value in the income statement, as appropriate.

When initially recorded, the classification of financial assets, in addition to the instrument nature, depends on the financial assets' contractual cash flow features and the business model that the Group uses to manage them. Except for trade receivables, the Group initially measures a financial asset at its fair value plus any transaction costs. Trade receivables are measured at the transaction price defined under IFRS 15.

For a financial asset to be classified and valued at amortised cost or fair value through the OCI, it must generate cash flows that depend solely on principal and interest on the principal amount to be repaid (the "solely payments of principal and interest – SPPI"). This assessment is referred to as the SPPI test and is performed at the instrument level.

Financial assets with cash flows that do not meet the above requirements (e.g. SPPI) are classified and measured at fair value in the income statement.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model defines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

#### *Subsequent valuation*

For subsequent valuation, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value in the other comprehensive income with the reclassification of accumulated profits and losses (debt instruments);

- Financial assets at fair value in the other comprehensive income without reclassification of cancelled accumulated profits and losses (equity instruments);
- Financial assets at fair value in the income statement.

#### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets to collect contractual cash flows

and

- the financial asset contractual terms provide for cash flows at specified dates that consist solely of principal and interest payments on the principal amount to be repaid, better known as the SPPI (solely payments of principal and interest) test.

Financial assets at amortised cost are subsequently valued using the effective interest method and are subject to impairment. Profits and losses are recorded in the income statement when the asset is cancelled, modified or revalued.

#### *Financial assets at fair value through OCI (debt instruments)*

The Group values assets from debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is achieved by collecting the contractual cash flows and selling the financial assets

and

- the financial asset contractual terms provide for cash flows at specified dates that consist solely of principal payments and interest defined on the amount of principal to be repaid.

For debt instruments, assets measured at fair value through OCI, interest income, changes in foreign exchange rates and impairment losses, together with reclassifications, are recorded in the income statement and are calculated in the same way as for financial assets measured at amortised cost. The remaining changes in fair value are recorded in OCI. Upon cancellation, the cumulative change in fair value recorded in OCI is reclassified in the income statement.

The Company's debt instrument assets measured at fair value through OCI include investments in listed debt instruments included in other non-current financial assets.

#### *Investments in equity instruments*

Upon initial recording, the Group may irrevocably elect to classify its equity investments as equity instruments recorded at fair value in OCI when they meet the definition of equity instruments under IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is defined for each individual instrument.

Profits and losses incurred on such financial assets are never re-entered in the income statement. Dividends are recorded as other income in the income statement when the right to payment has been established. Equity instruments booked at fair value in OCI are not subject to impairment testing.

#### *Cancellation*

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is cancelled in the first instance (i.e. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset are expired, or
- the Group transfers the right to receive cash flows from the asset to a third party or assumes a contractual obligation to pay them in full and without delay and (a) transfers the risks and benefits of financial asset's ownership substantially, or (b) neither transfers nor retains the asset's risks and benefits substantially but transfers control of it.

If the Group transfers the rights to receive cash flows from an asset or enters into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through), it assesses whether and to what extent it retains the ownership risks and benefits. If it neither transfers nor substantially retains the risks and benefits or does not lose control over it, the asset is booked in the Group's Financial Statements to the extent of its continuing involvement in the asset. In this case, the Group records an associated liability. The transferred asset and the associated liability are measured to reflect the rights and obligations that remain with the Group.

When the entity's continuing involvement guarantees the transferred asset, the involvement is measured at the lower of the asset amount and the received consideration maximum amount that the entity could be required to repay.

At the date of these Financial Statements, the Group holds an investment portfolio that includes financial and liquidity instruments, transferred and managed through a primary credit institution, measured at fair value in the income statement. For further details, please refer to paragraph 3.12 "Current financial assets."

#### *ii) Financial liabilities*

##### Recording and initial measurement

Financial liabilities are classified, upon initial recording, among financial liabilities at fair value in the income statement, among loans and borrowings, or derivatives designated as hedging instruments.

All financial liabilities are initially recorded at fair value plus directly attributable transaction costs in case of loans and borrowings.

The Group's financial liabilities include mortgages and loans, and derivative financial instruments.

##### Subsequent valuation

The valuation of financial liabilities depends on their classification, as described below:

##### *Financial liabilities at fair value in the income statement*

Financial liabilities at fair value with changes recorded in the income statement include liabilities held for trading and financial liabilities initially recorded at fair value with changes recorded in the income statement.

Held-for-trading liabilities are all those liabilities that are assumed with the intention to settle or transfer them in the short term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as held-for-trading unless they are designated as effective hedging instruments.

Profits or losses on liabilities held for trading are recorded in Profit/(loss) for the financial year.

Financial liabilities are allocated at fair value with changes recorded in the income statement from the date of initial recording, only if the IFRS 9 criteria are met. Upon initial recording, the Group did not allocate financial liabilities at fair value with changes recorded in the income statement.

##### *Loans and receivables*

After the initial recording, loans are measured at amortised cost using the effective interest rate method. Profits and losses are recorded in the income statement when the liability is settled and through the amortisation process.

Amortised cost is calculated by recording the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in financial charges in the profit/(loss) for the year.

##### *Cancellation*

A financial liability is cancelled when the obligation underlying the liability is extinguished, cancelled or settled. When an existing financial liability is replaced by another financial liability of the same lender on substantially different terms, or the terms of a current liability are substantially modified, such exchange or modification is treated as cancelling the original liability. A new liability is booked, with any difference between the book values recorded in the profit/(loss) for the year.

### **1.5.12 Inventories**

Inventories are valued at the lower between the cost and estimated net realisable value. The valuation criteria adopted is the weighted average cost method.

The costs incurred to bring each asset to its present location and condition are recorded as follows:

- Raw materials: purchase cost calculated using the weighted average cost method, adjusted if necessary if the last purchase price is lower than the raw material market value.
- Finished and semi-finished goods: direct cost of materials and labour plus a share of production overheads, defined based on expected production capacity, excluding financial expenses, through a bill of materials;

The estimated net realisable value is the estimated normal selling price during the business performance, less estimated completion costs and estimated costs to make the sale.

### **1.5.13 Impairment of non-financial assets**

At each Financial Statements date, the Group assesses whether there are any asset impairment indicators. In this case, or when an annual impairment test is required, the Group estimates the recoverable amount. Recoverable amount is the higher of the asset or cash-generating unit's fair value, less sales costs, and its use-value. The recoverable amount is defined for each individual asset, except when that asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If an asset's book value is greater than its recoverable amount, that asset is impaired and is written down to its recoverable amount accordingly.

When defining use-value, the Group discounts estimated future cash flows at present value using a pre-tax discount rate that reflects market assessments of the present money value and the asset's risks. Recent market transactions are considered when defining the fair value net of sales costs. The Group bases its impairment test on detailed budgets and forecast calculations prepared separately for the Group's cash-generating unit to which individual assets are allocated. These budgets and forecast calculations generally cover four years. A long-term growth rate (terminal value) is calculated to project future cash flows beyond the fifth year.

Impairment losses of operating assets are recorded in profit/(loss) for the financial year in the cost categories consistent with the intended use of the asset that resulted in the impairment loss. An exception is made for revalued fixed assets, where the revaluation has been recorded in other comprehensive income. In such cases, the impairment loss is recorded in other comprehensive income up to the amount of the previous revaluation.

For assets other than goodwill, at each reporting date, the Group assesses whether any indicators of ceased (or decreased) recorded impairment losses exist and, if such indicators exist, estimates the recoverable amount of the asset or cash-generating unit (CGU). An already impaired asset's value may be revalued only if there have been changes in the assumptions underlying the recoverable amount calculation after the recording of the last impairment loss. The revaluation may not exceed the defined book value, net of amortisation, assuming that no impairment loss was recorded in past financial years. Such revaluation is recorded in profit/(loss) for the financial year unless the fixed asset is accounted for at a revalued amount. In this case the revaluation is treated as a revaluation increase.

### **1.5.14 Cash and short-term deposits**

Cash and short-term deposits comprise cash on hand, in domestic and foreign currencies, stamps, and cash holdings resulting from the Group's accounts with credit institutions. They are all expressed at their nominal value.

For cash flow statement presentation purposes, liquid assets and equivalents are represented by liquid assets as defined above.

### **1.5.15 Treasury shares**

Repurchased treasury shares are recognised at cost and deducted from equity. The buyback, sale or cancellation of treasury shares do not give rise to any gain or loss in the Income Statement. If there is a reissue, the difference between the buyback price and consideration is recognised in the share premium reserve.

### **1.5.16 Provisions for risks**

Provisions for risks and charges are made when the Group has a current obligation (legal or implied) because of a past event, an outflow of resources will probably be required to settle the obligation, and a reliable amount estimate can be made. When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example for risks covered by insurance policies, the indemnity is recorded separately as an asset only if it is certain. If so, the provision cost is booked in profit/(loss) for the financial year net of the amount recorded for the indemnity.

If the effect of money value over time is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When the liability is discounted, the provision's increase over time is recorded as a financial charge.

### **1.5.17 Employee benefit liabilities**

The cost of expected benefits under the defined benefit plan is defined using the actuarial projected unit credit method.

Revaluations, which include actuarial profits and losses, changes in the effect of the asset limit, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recorded immediately in the statement of financial position by debiting or crediting profits carried forward through other comprehensive income components in the financial year when they arise.

Revaluations are not reclassified to the income statement in subsequent financial years.



Past service cost is recorded in the income statement at the earliest of the following dates:

- the date on which a plan amendment or reduction occurs, and
- the date on which the Company records the related restructuring costs or employee termination benefits.

Net interest on the net defined benefit liability/asset is defined by multiplying the net liability/asset by the discount rate. The Group records the following changes in the net defined benefit obligation in sales cost, administrative expenses and sales and distribution costs in the income statement (by nature):

- Service costs, including current and past service costs, profits and losses on non-routine reductions and settlements;
- Net interest income or expense.

### ***New accounting standards, interpretations and amendments adopted by the Company***

For the first time, the Group has applied certain standards or amendments that are effective from 1 January 2023.

The Group has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

#### *Definition of Accounting Estimates – Amendments to IAS 8*

The amendments to IAS 8 clarify changes in accounting estimates, and those in accounting principles and error corrections. In addition, they clarify how entities use valuation techniques and inputs to develop accounting estimates.

These amendments had no impact on the Group's Financial Statements.

#### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to assist entities in applying significant judgements to accounting policy disclosures. The amendments help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting principles with a requirement to disclose their "material" accounting principles. Guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions is added.

The amendments impacted the company's accounting policy disclosures, but not the measurement, recognition and presentation of items in the Group's Consolidated Financial Statements.

#### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

Amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equally taxable and deductible temporary differences such as leases and decommissioning liabilities. These amendments had no impact on the Group's Consolidated Financial Statements.

#### *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

Amendments to IAS 12 were introduced in response to the OECD's BEPS Pillar Two rules and include:

A temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes arising from the implementation in the Pillar Two rules jurisdictions; and

Disclosure requirements for affected entities to help financial statement users better understand the income tax impacts arising from such legislation, particularly prior to the effective date.

The temporary mandatory exemption requires disclosure and is effective immediately. The remaining disclosure requirements apply for financial years beginning on or after 1 January 2023, but not for interim periods before 31 December 2023.



### **Standards issued but not yet effective**

Other approved or unapproved standards, interpretations or amendments which were not effective at the date of preparation of these Financial Statements are listed below.

#### *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

In September 2022, IASB issued an amendment to IFRS 16 to specify the requirements that a selling lessor uses in measuring the lease liability arising from a sale and leaseback transaction to ensure that the selling lessor does not recognise a gain or loss for the right of use retained by the lessor.

The amendments are effective for financial years beginning on or after 1 January 2024 and are applied to sale and leaseback transactions entered into after the date of first-time application of IFRS 16. Earlier application is permitted, and related disclosure is required.

These amendments are not expected to have a material impact on the Group's Consolidated Financial Statements.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- The meaning of a right to defer the due date
- The right of deferment must exist at the end of the financial year
- Classification is not affected by the probability that the entity will exercise its right of deferment
- Only if a derivative embedded in a convertible liability is an equity instrument does the liability due date not impact its classification

It is required to disclose situations where a liability from a loan agreement is categorised as non-current, and the entity's deferral right is contingent upon fulfilling covenants within a 12-month period.

The amendments will be effective for financial years beginning on or after 1 January 2024 and must be applied retrospectively. The Group is evaluating the impact that the amendments will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

#### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

In May 2023, IASB issued amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Supplementary Information, to clarify the features of reverse factoring agreements and request their further disclosure. The disclosure requirements included in the amendments help financial statement users better understand the effects on an entity's liabilities, cash flows and exposure to liquidity risk of reverse factoring agreements.

The amendments will be effective for financial years beginning on or after 01 January 2024. Earlier application is permitted, and related disclosure is required.

These amendments are not expected to have a material impact on the Group's Consolidated Financial Statements.

## **1.6 Operating sectors: disclosure**

For management and production purposes, the Group is organised into business units based on the products and services provided and has three operating sectors, which are described below:

- the Pharma sector: Fine Foods & Pharmaceuticals N.T.M. S.p.A. manufactures pharmaceuticals at its 26,100 sqm plant in Brembate, in the province of Bergamo. The plant produces powders and granules, tablets, film-coated tablets and hard gelatine capsules, packaged in sachets, blisters and pillboxes.
- the Food sector: Fine Foods & Pharmaceuticals N.T.M. S.p.A. produces nutraceuticals at its 45,600 sqm plant in Zingonia, in the province of Bergamo. The Zingonia plant produces soluble and effervescent powders and granules, soluble, effervescent and chewable tablets, film-coated tablets and hard gelatine capsules, packaged in pouches, sticks, sachets, jars, pillboxes, blisters and strips.

- Cosmetics sector: The subsidiary Euro Cosmetic is active in the contract manufacturing and trading of cosmetic products (hair, skin, and oral care). Until 31/12/2022, the Cosmetic BU comprised the subsidiaries Pharmatek and Euro Cosmetic. Pharmatek was merged by incorporation into Euro Cosmetic as of 1 January 2023.

The directors monitor the business units' results separately to make decisions on resource allocation and performance review. Sector performance is assessed based on the operating result. Financial management and income taxes are managed at the Company level and are not allocated to the operating sectors.

31 December 2023	Food	Pharma	Cosmetics	Total sectors
<b>Revenue and income</b>				
Revenue from contracts with customers	152,432,303	67,932,316	31,447,173	251,811,791
Other revenue and income	406,451	293,534	395,211	1,095,196
<b>Total revenue</b>	<b>152,838,754</b>	<b>68,225,849</b>	<b>31,842,384</b>	<b>252,906,988</b>
<b>Operating costs</b>				
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	104,186,715	34,056,933	19,944,776	158,188,424
Personnel costs	19,979,389	17,239,939	7,211,943	44,431,271
Costs for services	11,827,979	8,543,503	5,516,788	25,888,270
Other operating costs	688,096	492,444	949,037	2,129,576
Amortisation, depreciation, and impairment losses	7,056,129	6,743,067	7,404,246	21,203,442
<b>Total operating costs</b>	<b>143,738,308</b>	<b>67,075,885</b>	<b>41,026,789</b>	<b>251,840,983</b>
<b>OPERATING RESULT</b>	<b>9,100,446</b>	<b>1,149,964</b>	<b>(9,184,405)</b>	<b>1,066,005</b>

31 December 2022	Food	Pharma	Cosmetics	Total sectors
<b>Revenue and income</b>				
Revenue from contracts with customers	117,813,880	54,712,778	34,325,917	206,852,576
Other revenue and income	353,476	294,083	819,592	1,467,151
<b>Total revenue</b>	<b>118,167,357</b>	<b>55,006,861</b>	<b>35,145,509</b>	<b>208,319,727</b>
<b>Operating costs</b>				
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	82,033,242	25,397,320	20,602,813	128,033,375
Personnel costs	16,441,609	14,526,909	7,332,052	38,300,569
Costs for services	11,649,989	7,814,273	5,726,259	25,190,520
Other operating costs	713,246	469,996	203,015	1,386,257
Amortisation, depreciation, and impairment losses	6,702,833	5,970,119	3,747,467	16,420,419
<b>Total operating costs</b>	<b>117,540,918</b>	<b>54,178,616</b>	<b>37,611,606</b>	<b>209,331,140</b>
<b>OPERATING RESULT</b>	<b>626,438</b>	<b>828,245</b>	<b>(2,466,097)</b>	<b>(1,011,413)</b>

31 December 2023	Food	Pharma	Cosmetics	Non-sector	Total
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and machinery	48,301,493	41,885,726	15,751,071	980,832	106,919,123
Goodwill	-	-	11,507,954	-	11,507,954
Other intangible fixed assets	920,658	386,352	327,878	-	1,634,888
Rights of use	64,998	22,192	3,078,417	-	3,165,607
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	688,139	688,139
Deferred tax assets	-	-	-	6,234,232	6,234,232

<b>Total non-current assets</b>	<b>49,287,149</b>	<b>42,294,271</b>	<b>30,665,320</b>	<b>7,903,203</b>	<b>130,149,443</b>
<b>Current assets</b>					
Inventories	20,116,778	13,988,671	8,354,233	-	42,459,682
Trade receivables	17,760,067	12,238,069	8,059,629	-	38,057,766
Tax receivables	-	-	-	320,689	320,689
Other current assets	437,012	101,698	1,277,272	5,924,874	7,740,856
Current financial assets	-	-	-	3,832,865	3,832,865
Cash and other liquid assets	-	-	-	19,000,047	19,000,047
<b>Total current assets</b>	<b>38,313,857</b>	<b>26,328,438</b>	<b>17,691,135</b>	<b>29,078,475</b>	<b>111,411,905</b>
<b>Total assets</b>	<b>87,601,006</b>	<b>68,622,708</b>	<b>48,356,455</b>	<b>36,981,678</b>	<b>241,561,848</b>
<b>Shareholders' equity</b>					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	114,167,028	114,167,028
Employee benefit reserve	-	-	-	181,073	181,073
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	22,610	22,610
Profit/(loss) for the financial year	-	-	-	(3,522,098)	(3,522,098)
<b>Total Shareholders' Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,949,268</b>	<b>126,949,268</b>
<b>Non-current liabilities</b>					
Bonds	-	-	-	-	-
Non-current bank borrowings	-	-	-	9,734,877	9,734,877
Employee benefits	531,716	322,014	1,347,924	-	2,201,653
Provisions for risks and charges	-	-	-	2,105	2,105
Provision for deferred taxes	-	-	-	263,381	263,381
Non-current lease payables	25,076	10,504	997,025	-	1,032,604
Other non-current financial liabilities	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>556,792</b>	<b>332,518</b>	<b>2,344,949</b>	<b>10,000,363</b>	<b>13,234,620</b>
<b>Current liabilities</b>					
Bonds	-	-	-	-	-
Current bank borrowings	-	-	-	55,269,592	55,269,592
Trade payables	18,026,582	8,480,235	5,862,646	-	32,369,462
Taxes payable	-	-	-	575,488	575,488
Current lease payables	38,170	14,634	301,572	-	354,377
Other current financial liabilities	-	-	-	-	-
Other current liabilities	5,940,953	3,821,171	1,198,891	1,848,027	12,809,041
<b>Total current liabilities</b>	<b>24,005,705</b>	<b>12,316,039</b>	<b>7,363,109</b>	<b>57,693,106</b>	<b>101,377,960</b>
<b>Total Shareholders' equity and Liabilities</b>	<b>24,562,496</b>	<b>12,648,557</b>	<b>9,708,058</b>	<b>194,642,737</b>	<b>241,561,848</b>

**31 December 2022**

	<b>Food</b>	<b>Pharma</b>	<b>Cosmetics</b>	<b>Non-sector</b>	<b>Total</b>
<b>Assets</b>					
<b>Non-current assets</b>					

Property, plant and machinery	52,847,312	39,084,149	12,230,589	-	104,162,050
Goodwill	-	-	15,907,954	-	15,907,954
Other intangible fixed assets	772,836	698,672	309,043	-	1,780,551
Rights of use	162,301	42,630	4,958,180	-	5,163,111
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	820,871	820,871
Deferred tax assets	-	-	-	7,312,662	7,312,662
<b>Total non-current assets</b>	<b>53,782,449</b>	<b>39,825,451</b>	<b>33,405,767</b>	<b>8,133,533</b>	<b>135,147,200</b>
<b>Current assets</b>					
Inventories	22,013,208	11,485,551	6,923,741	-	40,422,499
Trade receivables	18,172,370	11,880,933	9,294,019	-	39,347,321
Tax receivables	-	-	-	2,268,044	2,268,044
Other current assets	366,167	69,991	449,906	5,004,335	5,890,398
Current financial assets	-	-	-	66,512,584	66,512,584
Cash and other liquid assets	-	-	-	10,232,262	10,232,262
<b>Total current assets</b>	<b>40,551,744</b>	<b>23,436,474</b>	<b>16,667,665</b>	<b>84,017,225</b>	<b>164,673,109</b>
<b>Total assets</b>	<b>94,334,193</b>	<b>63,261,925</b>	<b>50,073,432</b>	<b>92,150,758</b>	<b>299,820,309</b>
<b>Shareholders' equity</b>					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	126,461,456	126,461,456
Employee benefit reserve	-	-	-	206,186	206,186
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	22,610	22,610
Profit/(loss) for the financial year	-	-	-	(9,501,145)	(9,501,145)
<b>Total Shareholders' Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,289,763</b>	<b>133,289,763</b>
<b>Non-current liabilities</b>					
Bonds	-	-	-	-	-
Non-current bank borrowings	-	-	-	77,573,797	77,573,797
Employee benefits	544,301	300,042	1,574,670	-	2,419,013
Provisions for risks and charges	-	-	41,105	-	41,105
Provision for deferred taxes	-	-	-	240,553	240,553
Non-current lease payables	69,998	18,386	2,133,832	-	2,222,216
Other non-current financial liabilities	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>614,299</b>	<b>318,428</b>	<b>3,749,607</b>	<b>77,814,350</b>	<b>82,496,684</b>
<b>Current liabilities</b>					
Bonds	-	-	-	3,323,051	3,323,051
Current bank borrowings	-	-	-	36,590,346	36,590,346
Trade payables	17,814,373	8,663,539	6,972,556	-	33,450,468
Taxes payable	-	-	-	-	-
Current lease payables	95,176	24,999	531,401	-	651,576
Other current financial liabilities	-	-	-	-	-
Other current liabilities	3,357,083	3,048,182	1,641,504	1,971,652	10,018,421
<b>Total current liabilities</b>	<b>21,266,631</b>	<b>11,736,720</b>	<b>9,145,462</b>	<b>41,885,049</b>	<b>84,033,862</b>
<b>Total Shareholders' equity and Liabilities</b>	<b>21,880,930</b>	<b>12,055,148</b>	<b>12,895,069</b>	<b>252,989,162</b>	<b>299,820,309</b>

Please note that it is not necessary to reconcile the revenue and operating result reported in the Financial Statements with sector disclosure as there are no reconciling items.

As for the aggregation of revenue, the Group generates a significant part of its turnover from a limited number of customers, the first five customers, in the year ended 31 December 2023, cumulatively accounting for approximately 60.6% of the turnover.

The breakdown of revenue by geographical area is shown in paragraph "2.1. Revenue from contracts with customers."

## 1.7 Capital management

For Group's capital managing purposes, capital is the issued share capital, convertible preferred shares, the share premium reserve and other capital reserves attributable to the Parent Company's shareholders. The capital management primary objective is to maximise its value for shareholders. The Company manages the capital structure and makes adjustments based on economic conditions and financial covenant requirements. To maintain or adjust the capital structure, the Parent Company may intervene on dividends paid to shareholders, repay the capital to shareholders or issue new shares. The Parent Company controls capital using a gearing ratio, which is the ratio of net debt to total capital plus net debt. The Group's policy is to maintain this ratio below 40%. In 2023, this ratio was around 26% (25% as of 31 December 2022).

	2023	2022
Interest-bearing loans and borrowings other than convertible preferred shares	65,004,469	114,164,143
Bonds payable	-	3,323,051
Payables from derivative instruments - warrants	-	-
Lease payables	1,386,981	2,873,792
Less: liquid assets and short-term deposits	(19,000,047)	(10,232,262)
Less: current financial assets	(3,832,865)	(66,512,584)
<b>Net debt</b>	<b>43,558,538</b>	<b>43,616,140</b>
Shareholders' equity	126,949,268	133,289,763
<b>Equity and net debt</b>	<b>170,507,806</b>	<b>176,905,903</b>
Gearing ratio	26%	25%

## 1.8 Financial risk management

### 1.8.1 Liquidity risk

The Group monitors the liquidity shortage risk using a liquidity planning tool. The Group's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines and bank loans, mortgages and bonds. The Group's policy is to keep loan numbers due in the next 12 months around 60%. As of 31 December 2023, 83.8% of the Group's debt is due in less than one year (2022: 33.7%), calculated based on the book value of debts in the Consolidated Financial Statements. If the Parent Company Fine Foods had not temporarily reclassified the medium/long-term debt to Intesa of the original € 70 million, for € 36.4 million, in current bank borrowings, the share of debt due in less than one year would have been 29.9%. Please refer to section "1.1 Significant events for the period" for further details on this reclassification.

The table below summarises the Group's due date profile of financial liabilities based on undiscounted contractually agreed payments.

31 December 2023	Total	1 to 12 months	1 to 5 years	> 5 years
<b>Financial liabilities</b>				
Non-current bank borrowings	9,734,877	-	7,800,401	1,934,476
Current bank borrowings	55,269,592	55,269,592	-	-
Non-current lease payables	1,032,604	-	1,032,604	-

Current lease payables	354,377	354,377	-	-
<b>Total financial liabilities</b>	<b>66,391,450</b>	<b>55,623,969</b>	<b>8,833,005</b>	<b>1,934,476</b>

<b>31 December 2022</b>	<b>Total</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>				
Bonds	3,323,051	3,323,051		
Non-current bank borrowings	77,573,797		69,495,416	8,078,381
Current bank borrowings	36,590,346	36,590,346		
Non-current lease payables	2,222,216		1,986,323	235,893
Current lease payables	651,576	651,576		
<b>Total financial liabilities</b>	<b>120,360,986</b>	<b>40,564,973</b>	<b>71,481,739</b>	<b>8,314,274</b>

### 1.8.2 Interest rate risk

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

- Cash Flow Risk: this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)
- Fair Value Risk: this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Parent Company is assessing specific instruments to hedge the interest rate variability on existing loans. Considering the early repayment of € 20 million on the original € 70 million loan from Intesa, the Parent Company's Management is open to the possibility of renegotiating the existing covenants.

### 1.8.3 Risks related to the recurrence of pandemics

Recent WHO analyses suggest an increased risk of recurring global pandemics, attributed to climate change and market globalisation. It is crucial to enhance preparedness and resilience in addressing future worldwide health challenges. The World Health Organisation (WHO) is working on a new global instrument to better protect people, communities and countries from future pandemics. The possible occurrence of the COVID 19 pandemic circumstances could have significant adverse effects on the Group's economic, capital and financial position.

The experience gained during the COVID 19 pandemic allowed the Group to define specific organisational solutions and procedural tools to better face any health crisis. The tools deployed during the pandemic period and awareness-raising actions implemented can be applied to a possible new event.

The Group has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

### 1.8.4 Risks of concentration on customers

The Group has a significant concentration of revenue on its main customers, amounting to approximately 60.6% on the top five customers as of 31 December 2023. The loss of one or more of these relationships would have a significant impact on Group revenue. Most of the contracts with the Group's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenue generated by the Group in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic, capital and financial situation.

The Group mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, through commercial activities for acquiring new customers and M&A for identifying and acquiring target companies.

#### **1.8.5 Credit risk**

This is the risk that a customer or a financial instrument counterparty causes a financial loss by failing to fulfil an obligation; the risk is mainly related to the failure to collect trade receivables. The Groups's main counterparties are major companies active in the nutraceutical and pharmaceutical sectors and multinational companies. The Group carefully evaluates its customers' credit standing, considering that, due to its business's nature, the relationships with its customers are long-term.

#### **1.8.6 Price risk**

The price risk is mitigated using a solid cost accounting procedure that can identify the production cost. In this way, remunerative and competitive prices are established and adopted with the customer.

#### **1.8.7 Risk of changes in cash flows**

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.

#### **1.8.8 Tax risks**

The Group companies are subject to the taxation system under applicable Italian tax laws. Unfavourable changes to this legislation, and any Italian tax authorities or Law orientation related to the application, interpretation of tax regulations to determine the tax burden (Corporate Income Tax "IRES", Regional Tax on Production Activities "IRAP") and the Value Added Tax "VAT", could have significant negative effects on the companies economic and financial situation.

The Group is exposed to the risk that the financial administration or law may adopt different interpretations or positions concerning tax and fiscal legislation from those adopted by Fine Foods Group in carrying out its business. Tax and fiscal legislation, and its interpretation, are complex elements due to the continuous legislation evolution and analysis from administrative and jurisdictional bodies.

The Group will periodically undergo inspections to verify such regulations' correct application and the correct payment of taxes. Disputes with Italian or foreign tax authorities could involve the companies in lengthy proceedings, resulting in the payment of penalties or sanctions, with possible significant adverse effects on its business, economic and financial situation.

Due to the complexity and continuous changes in tax and fiscal regulations and their interpretation, it is impossible to exclude that the financial administration or law may make interpretations, or take positions, that contrast with those adopted by the Group. This might result in negative consequences on its economic and financial situation.

#### **1.8.9 Risks related to supplier relationships: shortages of raw and packaging materials**

Considering the complex geopolitical situation and climatic risks that may jeopardise some harvests, the Group risks increased costs in 2024 for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with potential adverse effects on the Group's business, economic, capital and financial position. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

To mitigate these risks, Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Group maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

#### **1.8.10 Energy cost risk**

Energy costs in 2023 were higher than historically. This impact is estimated at almost 1.7% on revenue, compared to the 1% average of previous years. The outlook for 2024 sees energy price volatility significantly downgraded. The supply of energy available for the



European market and domestic energy stocks are the reasons why the estimated negative impacts on the Group's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

The Group assembled a team coordinated by an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements (approx. 1% of the total energy demand). To manage the fluctuation of energy costs, part of them will be rebilled during 2024.

#### **1.8.11 Risks related to ongoing conflicts**

The Group faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend, the risk is to be considered zero. The Food BU situation for 2024 remains uncertain and potentially capable of generating negative effects on the Company's economic, financial and capital position, although reduced compared to the significant impact on 2022 and less relevant on 2023.

The Group does not have significant business relations with Israel or near countries affected by the current conflict.

The Group's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

#### **1.8.12 Manufacturer's liability risks**

The Group faces risks related to products manufactured with a quality that does not comply with the customer's specifications which could have side effects, or undesired and unexpected effects on consumers' health and risks related to future due diligence obligations along the supply chain. This could expose the Group to possible liability action or claims for compensation, with potentially adverse effects on the Group's economic, capital and financial position. The Group has a reliable quality system and several certifications which guarantee compliance with good manufacturing standards.

All finished products and raw materials undergo thorough analysis to ensure they meet release specifications. Suppliers of raw materials and packaging undergo a qualification process and monitoring of ESG requirements. This procedure will cover service providers in 2024.

The company has an international food alert and fraud monitoring system.

The Group stipulated a policy with a leading insurance company with a limit of € 5 million per event.

An additional action to mitigate this risk concerns the continuous training of personnel involved in the procurement, testing and product manufacturing processes.

#### **1.8.13 Risks related to production authorisations**

The Group faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic and financial position.

During the many audits conducted by customers and authorities, the Group has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Group has a procedure for promptly handling any observations or deviations identified by the authorities.

#### **1.8.14 Risks related to environmental, occupational health and safety regulations**

The Group is exposed to the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Group's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the Group's economic, capital and financial position.

To address these risks, the Group has a robust system for managing worker health and safety standards and environmental protection of the areas where the Group operates. The Group has ISO45001:2018 (OH&S) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

#### **1.8.15 Risks related to the breach of the information system**

The Group faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Group's economic, capital and financial position.

The Group implements security procedures and policies to ensure proper IT systems management. It has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The IT department periodically conducts simulated external attacks to assess the robustness of the security system.

The Group has a disaster recovery plan to ensure the reliability of its IT systems. The Group's IT systems comply with the General Data Protection Regulation.

The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

#### **1.8.16 Risks related to human capital management**

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Group operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Group to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Group's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models. Policies to enhance diversity, manage and promote talent and skilled people and plans to maximise positive contributions to personal health are crucial in attracting and retaining talent and technically skilled people. Failure to implement the necessary policies to successfully manage human capital can have a negative impact on the Group's economic, capital and financial position.

Fine Foods believes that its people are the key to business success as they provide a true competitive advantage to the organisation. The Group invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. To fill any skills gaps, a tailored onboarding programme is planned, complemented by attendance in specialised courses. Various communication channels between employees and management are in place, and meetings for sharing the Group's achieved objectives are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible work schedules and practices have been adopted to enhance employees' work-life balance. The Company participated in the Lombardy Region's WHP programme, and promoted a range of initiatives for physical and mental health of employees.

#### **1.8.17 Risks related to climate change**

As a result of climate change, the Group faces possible operational shutdowns due to unforeseeable and improbable extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Group's Income Statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures introducing carbon taxes.

Fine Foods is updating its risk assessment to account for potential climate change effects on infrastructure from extreme events and the possible rise in energy usage due to increasing temperatures. The Group has insurance coverage for "catastrophic risks." The Group is continually updating its expertise and capabilities in handling "transition risks" through its association with Farmindustria, to align its energy efficiency with international standards.

The Group implemented a dedicated team coordinated by an energy manager which oversees measures to increase all Group sites' energy efficiency.

It carries out operations to reduce water consumption and an internal task force meets periodically to monitor improvements and the implemented measures effectiveness.

## 1.9 Discretionary evaluations and significant accounting estimates

The Group's Financial Statements' preparation requires the directors to make discretionary evaluations, estimates, and assumptions that affect the amounts of revenue, costs, assets and liabilities, their information and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could lead to outcomes that require a significant adjustment to the book value of these assets or liabilities in the future.

### 1.9.1 Discretionary assessments

In applying the Group's accounting policies, the directors have made decisions based on the following discretionary assessments (excluding those involving estimates).

#### *Significant assessment in defining the lease term of contracts that contain an option to extend - The Group Companies as lessees*

The Group defines the lease term as the lease non-cancellable period plus the periods covered by the option to extend the lease, if there is reasonable certainty of exercising that option, and the periods covered by the opportunity to terminate the lease when there is reasonable certainty of not exercising that option.

The Group has the option to extend the lease or terminate it early for some of its leases. The Group assesses whether there is reasonable certainty of exercising the renewal options. The Group considers all factors noted that may result in an economic incentive to exercise renewal options or terminate the lease. After the effective date, the Group revises its estimates of the lease term if a significant event or change occurs in the circumstances within the Company's control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset) (see paragraph 3.4 "Leases").

### 1.9.2 Estimates and assumptions

The main assumptions concerning the future and other significant sources of estimation uncertainty that, at Financial Statements date, have a substantial risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are shown below. The Group has based its estimates and assumptions on available parameters when the Financial Statements were prepared. However, circumstances and assumptions about future events may change due to changes in the market or events beyond the Group's control. Such changes are reflected in the assumptions when they occur.

#### Provision for expected losses on trade receivables and provision for inventory write-downs

The Group uses a matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are defined primarily based on the probability of default in the relevant sector and the Group companies' historical default rate.

The historical default rates are updated at each reporting date, and changes in estimates are analysed on a forward-looking basis.

The assessment of the correlation between historical default rates, projected economic conditions, and ECLs is a meaningful estimate. The Expected Credit Loss (ECL) is sensitive to changes in circumstances and forecasted economic conditions. The Group companies' historical credit loss experience and projected future economic conditions may not represent actual customer future insolvency.

At each reporting date, the Group reviews inventories for impairment. This activity is carried out at the production batch level and refers to the material expiry date and any product non-conformity.

#### Defined benefit plans (pension funds)

The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are defined using actuarial valuations. Actuarial valuations require the use of various assumptions that may differ from actual future developments. These assumptions define the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, these estimates are susceptible to assumption changes. All assumptions are reviewed annually.

#### Taxes

The Group companies are subject to the Italian tax and fiscal regime. The directors interpret these regulations when defining taxable income and quantifying the taxes to be paid. Deferred tax assets are recorded for unused tax losses to the extent that it is probable that taxable income will be available in the future to allow losses use. Significant estimation by management is required to determine

the tax assets that can be booked based on the level of future taxable profits, the timing of their occurrence and the appropriate tax planning strategies.

With reference to the recoverability of the balance sheet assets recognised as deferred tax assets, the directors prepared a business plan at group and legal entity level structured on a 2024--2028 timeframe, approved by the Board of Directors' meeting held on 28 March 2024, from which it can be inferred that the tax profits generated under the plan are sufficient to recover the deferred tax assets recorded under tax losses.

#### Impairment of non-financial assets

Impairment occurs when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the sales costs and its use-value. The use-value calculation is based on a discounted cash flow model. The recoverable amount depends significantly on the discounted cash flow model's discount rate, the expected future cash flows, and the growth rate used for the extrapolation. The key assumptions used to define the recoverable amount for the various cash-generating units, including a sensitivity analysis, are described in detail in Note 3.1, "*Property, plant and machinery*" and note 3.2 "*Goodwill*" of these notes.

#### Business combinations and goodwill

As explained in paragraph 1.4.1 on business combinations and goodwill accounting, when i) allocating the net assets acquired to the relevant cash-generating units (CGUs), ii) preparing multi-year plans, iii) performing impairment tests, the directors make complex assumptions and estimates, which are subject to their judgement. The main assumptions underlying this concern:

- allocation of assets and liabilities book values to individual CGUs;
- forecasting future cash flows, for the explicit period of the Group's business plan;
- defining normalised cash flows underlying the estimate of the final value;
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

## INCOME STATEMENT

### 2.1 Revenue from contracts with customers

Revenue as of 31 December 2023 was € 251,811,791, compared to € 206,852,576 in the previous year, with an increase of 21,7%. A breakdown by business unit and geographical area is provided below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Business Unit – Food	152,432,303	117,813,880
Business Unit - Pharma	67,932,316	54,712,778
Business Unit – Cosmetics	31,447,173	34,325,917
<b>Total Revenue from contracts with customers</b>	<b>251,811,791</b>	<b>206,852,576</b>

During 2023, the Group's food sector turnover increased from € 117,813,880 as of 31 December 2022 to € 152,432,303 as of 31 December 2023 (an increase of 29.4%). The Food Business Unit turnover was 60.5% of the Group's total turnover.

The Pharma Business sector, which accounts for 27% of the total turnover, showed an expanding trend with a growth of 24.2%, from € 54,712,778 at the end of the previous year to € 67,932,316 as of 31 December 2023.

The Cosmetic Business Unit's revenue decreased from €34,325,917 as of 31 December 2022 to €31,447,173 as of the end of the financial year.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Italian Revenue	125,816,368	110,596,812
Foreign Revenue	125,995,423	96,255,763
<b>Total Revenue from contracts with customers</b>	<b>251,811,791</b>	<b>206,852,576</b>

The turnover as of 31 December 2023 was equally divided between sales in Italy (49.96%) and those abroad (50.04%). As of 31 December 2022, turnover was mainly achieved in Italy (53.47%).

### 2.2 Other revenue and income

As of 31 December 2023, the Group's other revenue and income was € 1,095,196 compared to € 1,467,151 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
White Certificates	303,869	566,211
Other revenue and income	214,270	374,219
Contingencies	69,668	388,499
Write-down adjustments to receivables and liquid assets	56,719	35,395
Gains on disposal of assets	332,340	97,148
Insurance reimbursements and indemnities	114,346	-
Allowances and rounding up	3,985	5,680
<b>Total other revenue and income</b>	<b>1,095,196</b>	<b>1,467,151</b>

Revenue from white certificates derives from the recognition in current assets of energy efficiency securities accrued by the Company between 2021 and 2023 following the installation of co-generators at the Verdellino and Brembate plants. The securities accrued during 2021 were quantitatively confirmed by the Authority during 2022 and sold on the market by the Company in early 2023. Securities accrued in 2022 were sold on the market between July 2023 and March 2024. The securities accrued during 2023 were quantitatively estimated by the Company, with the support of expert consultants. The value assigned to the securities is the lower of the stock market price as of 31/12/23 and the weighted average price for the year.

Other revenue and income mainly included grants received as tax credits.

Revenue from claims mainly included reimbursements of claims from insurance companies. In 2023, the indemnity from Zurich related to the fire occurred at the Brembate plant for €101,000 was recorded.

### 2.3 Costs for raw materials, change in inventories of finished goods and work in progress.

As of 31 December 2023, costs for raw materials and consumables, net of change in inventories, were € 158,188,424 compared to € 128,033,375 in the previous year, with an increase of 23.6%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Goods on purchase account	157,557,438	130,615,213
Raw materials, ancillary materials, and consumables	2,912,900	2,552,399
Change in inventories of raw materials, ancillary materials, consumables, and goods	816,597	(7,245,493)
Change in inventories of finished goods and work in progress	(3,098,511)	2,111,256
<b>Total costs for consumption of raw materials, change in inventories of finished goods and work in progress</b>	<b>158,188,424</b>	<b>128,033,375</b>

The "Change in inventories of raw and ancillary materials, consumables and goods" item includes the effects on the income statement of changes in the inventory write-down provision. Please refer to note "3.8 Inventories".

### 2.4 Personnel costs

As of 31 December 2023, the Group's personnel costs were € 44,431,271 compared to € 38,300,569 in the previous year, with an increase of 16%. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Wages and salaries	27,779,638	25,456,388
Social security contributions	9,085,284	8,330,787
Severance indemnity	1,771,190	1,756,951
Temporary employment	5,791,055	2,756,443
Other costs	4,103	-
<b>Total personnel costs</b>	<b>44,431,271</b>	<b>38,300,569</b>

The increase in personnel costs stemmed from the addition of new employees, increased use of temporary staff and bonuses accrued in 2023, up from FY 2022.

#### 2.4.1 Employment data

The following table shows the number of Group employees, broken down by category:

<i>Employment data (expressed in units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Executives	18	19
White-collar employees	255	255
Blue-collar employees	480	474
<b>Total employees</b>	<b>753</b>	<b>748</b>

## 2.5 Costs for services

As of 31 December 2023, the Group's service costs were € 25,888,270 compared to € 25,190,520 in the previous year, with an increase of 2.8%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Other costs	635,211	495,246
External and ecological analyses	739,225	684,729
Insurance	675,489	616,404
Electronic Data Processing fees	770,095	717,002
Bank fees	207,400	355,761
Statutory auditors and directors remuneration	2,189,650	1,429,542
Rental, lease and miscellaneous costs	1,059,305	885,983
Trade fair and advertising costs	605,760	312,407
Costs for processing goods on behalf of third parties	1,403,207	1,059,692
Ordinary maintenance costs	3,399,129	2,872,033
Cleaning, pest control and surveillance costs	1,924,949	1,567,870
Transport, fuel and tolls costs	1,363,976	1,534,317
Temporary employment	970,954	463,970
Sales commissions	205,541	315,055
Qualifications and Calibration	200,987	194,410
Waste, effluent and solid waste disposal	1,866,353	1,344,332
Consultancy costs	2,418,841	2,765,620
Ticket	828,446	893,391
Various utilities	4,423,752	6,682,757
<b>Total service costs</b>	<b>25,888,270</b>	<b>25,190,520</b>

The "Rental, lease and miscellaneous costs" item refers to short term and low-value contracts for which the Group took advantage of the exemption granted by the principle, as reported in paragraph "3.4 Leases." The "Various Utilities" item decreased compared to the figure recorded as of 31 December 2022. In 2022, the item showed the significant effects of increased electricity and methane costs. The "Directors' Remuneration" item in 2023 included the estimated bonuses accrued.

## 2.6 Other operating costs

Other operating costs as of 31 December 2023 were € 2,129,576 compared to € 1,386,257 in the previous financial year.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Penalties and indemnities	210,498	25,825
Duties and taxes	516,911	576,133
Contingency liabilities	170,966	18,652
Capital losses	306,092	32,881
Membership Fees	168,063	245,482
Entertainment costs and gifts	19,456	21,714
Waste and reclamation costs	31,767	28,031
Costs for certifications, endorsements and Chamber of Commerce fees	30,625	44,956
Donations	43,820	5,642
Other operating costs	631,377	386,943
<b>Total other operating costs</b>	<b>2,129,576</b>	<b>1,386,257</b>

The "Capital Losses" item included the effects of the disposal of Pharmatek's plant, machinery and non-strategic production lines.



The "Other Operating Costs" item included several residual costs (vehicle property taxes, fines, courier costs, social and corporate expenses, etc.), but was mainly attributable to the provision for bad debts of € 396,000 (of which € 241,000 related to Euro Cosmetic). The provision was necessary following a credit position analysis. The bad debt provision was prudentially increased against some overdue items for which the Company is making arrangements with customers.

## 2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2023, the Company's depreciation, amortisation and impairment losses were € 21,203,442 compared to € 16,420,419 in the previous financial year. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Depreciation of tangible assets	14,081,154	13,267,935
Amortisation of intangible assets	1,594,363	935,940
Amortisation of rights of use	452,452	1,242,883
Tangible Fixed Assets Write-downs	675,472	339,260
Intangible Fixed Assets Write-downs	-	634,402
Goodwill impairment	4,400,000	-
<b>Total amortisation, depreciation, and impairment losses</b>	<b>21,203,442</b>	<b>16,420,419</b>

The "Tangible Fixed Assets Write-downs" item as of 31 December 2023 included the demolition of a Parent Company Building in Brembate for € 675,472 which took place in October 2023. As of 31 December 2022, this item included the write-down of several lines and machinery as a result of the merger by incorporation of Pharmatek into Euro Cosmetic for € 339,260 for the reorganisation of cosmetics activities.

The "Intangible Fixed Assets Write-downs" item as of 31 December 2022 included the write-down of the Pharmaqui brand for € 609,383 following the elimination of most of the business to which the brand name referred.

For information on the goodwill impairment, please refer to section 3.2 of this report.

## 2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2023, changes in the fair value of financial assets and liabilities showed a positive balance of € 1,707,519 compared to a negative balance of € 7,733,525 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Change in fair value of other securities	1,703,519	(7,733,525)
<b>Total changes in Fair Value on financial assets and liabilities</b>	<b>1,703,519</b>	<b>(7,733,525)</b>

The "Changes in fair value of other securities" item mainly shows the change in fair value of securities held with a major credit institution, as mentioned in paragraph 3.12 "Current financial assets." At the end of the financial year, the securities portfolio was almost entirely disposed of (one security of about € 98,000 remained as of 31 December 2023). The income recorded in the income statement was final. On 14 February 2024, this portfolio was liquidated with an almost nil effect compared to the value carried as of 31 December 2023.

## 2.9 Loss on financial receivables

As of 31 December 2023, there was no loss on financial receivables, compared to € 3,266,960 as of 31 December 2022.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Loss on financial receivables	-	(3,266,960)
<b>Total Loss on financial receivables</b>	<b>-</b>	<b>(3,266,960)</b>

This item included the "Leakage" receivable write-down as better described in section 1.1 "Significant events for the period" of the 2022 Financial Statements.

## 2.10 Financial income

As of 31 December 2023, the Company's financial income was € 339,524 compared to € 59,214 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Foreign exchange gains	62,565	41,479
Financial income from severance pay actuarial valuation	-	12,225
Bank interest income	276,960	5,510
<b>Total financial income</b>	<b>339,524</b>	<b>59,214</b>

Bank interest income was the result of an escrow deposit of cash, made between July and October 2023, following the closure of the securities portfolio, as mentioned in section 3.12 "Current financial assets".

## 2.11 Financial charges

As of 31 December 2023, the Company's financial charges were € 4,964,248 compared to € 2,246,228 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Interest expenses on bonds	68,353	151,215
Interest expenses on financing and bank loans	4,051,755	1,560,600
Interest expenses on bank accounts	604,265	255,475
Foreign exchange losses	82,660	163,291
Financial charges on severance indemnity discounting	74,032	48,736
Interest expenses (Factoring)	35,639	-
Interest on financial liabilities for lease	47,544	66,911
<b>Total financial charges</b>	<b>4,964,248</b>	<b>2,246,228</b>

The increase in financial expenses was mainly attributable to the increase in interest rates due to the restrictive policies applied by the European Central Bank to reduce inflation.

## 2.12 Income taxes

Total income taxes for 2023 was € 1,666,899 compared to € 4,697,768 in the previous year.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Current taxes	549,729	68,715

Deferred tax assets and liabilities	1,061,400	(4,758,703)
Taxes from previous years	55,771	(7,779)
<b>Total income tax</b>	<b>1,666,899</b>	<b>(4,697,768)</b>

As of 31 December 2023, the subsidiary Euro Cosmetic did not recognise current IRES or IRAP taxes and prudentially did not allocate deferred tax assets on the negative IRES tax base. Taxes for previous years, of € 7,000, referred to a correction of Euro Cosmetic's IRAP credit that emerged during the preparation of the IRAP form for tax year 2022.

As of 31 December 2023, the Parent Company Fine Foods accrued a current tax liability for IRAP purposes and used part of its deferred tax assets allocated on past tax losses and on the ACE benefit against a positive IRES tax base.

The Parent Company taxes from previous years of € 47,500 referred to the adjustment of the IRES estimate made when preparing the 2022 tax return for the 2022 tax year.

The reconciliation between the income taxes recorded and the theoretical taxes resulting from the application of the rate in force in Italy to the pre-tax profit for the years ended 31 December 2022, and 2023 is as follows:

<b>(Amounts in Euro units)</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Pre-tax profit/(loss) from operations on a going concern basis	(1,855,199)	(14,198,912)
Pre-tax profit/(loss) from discontinued operations	-	-
<b>Accounting profit/(loss) before tax</b>	<b>(1,855,199)</b>	<b>(14,198,912)</b>
<b>Theoretical income tax</b>	<b>(517,601)</b>	<b>(3,961,497)</b>
Tax effect on permanent differences	1,699,071	385,767
Tax effect on temporary differences	218,692	(18,168)
Effect on tax benefits	(1,061,900)	(1,009,163)
Effect of negative IRAP tax base + non-allocation of advance payments on negative IRES tax base	1,583,862	-
<b>Income taxes</b>	<b>1,922,124</b>	<b>(4,603,060)</b>
<b>Effective income tax rate:</b>	<b>(104%)</b>	<b>32%</b>

For details on deferred taxes, see 3.6 Deferred tax assets and note 3.7 Deferred tax provision.

## 2.13 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit for the year attributable to the Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

Diluted earnings/(loss) per share are calculated by dividing the profit attributable to the Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year and those potentially arising from converting all convertible equity instruments.

The result and share information used in calculating basic and diluted earnings per share are shown below.

	<b>2023</b>	<b>2022</b>
<b>Profit attributable to the Company's ordinary shareholders for basic earnings per share</b>	<b>(3,522,098)</b>	<b>(9,501,145)</b>
<b>Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share purposes*</b>	<b>25,560,125</b>	<b>25,560,125</b>
Ordinary Shares	22,060,125	22,060,125
Redeemable Shares	-	-
Multiple-voting Shares	3,500,000	3,500,000
<b>Weighted average number of ordinary shares adjusted for dilution effect*</b>	<b>25,560,125</b>	<b>25,560,125</b>

Ordinary Shares	22,060,125	22,060,125
Redeemable Shares	-	-
Multiple-voting Shares	3,500,000	3,500,000
Special Shares *	-	-
Convertible warrants	-	-
<hr/>		
<b>Basic ESP</b>	(0.14)	(0.37)
<b>Diluted EPS</b>	(0.14)	(0.37)

## BALANCE SHEET

### ASSETS

#### 3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2023 was € 106,919,122 compared to € 104,162,051 as of 31 December 2022. Changes in tangible fixed assets and their respective depreciation provisions are shown below.

<i>(Amounts in Euro units)</i>	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances to suppliers	Total property, plant and machinery
<b>Historical cost - 31 December 2022</b>	<b>71,973,613</b>	<b>121,817,223</b>	<b>12,629,617</b>	<b>10,117,386</b>	<b>2,440,886</b>	<b>218,978,725</b>
Increases	786,815	2,623,399	1,084,186	1,391,981	12,481,379	18,367,759
Decreases	(28,045)	(1,169,065)	(171,583)	(845,885)	-	(2,214,577)
Reclassifications	4,052,288	4,600,819	111,225	251,178	(9,015,509)	-
Write-down	(822,493)	-	-	-	-	(822,493)
Other changes	-	-	-	-	(241,428)	(241,428)
<b>Historical cost - 31 December 2023</b>	<b>75,962,177</b>	<b>127,872,376</b>	<b>13,653,445</b>	<b>10,914,660</b>	<b>5,665,328</b>	<b>234,067,986</b>
<b>Amortisation provision - 31 December 2022</b>	<b>23,995,017</b>	<b>73,010,441</b>	<b>10,599,218</b>	<b>7,211,998</b>	<b>-</b>	<b>114,816,674</b>
Increases	2,642,828	9,127,606	1,112,154	1,198,566	-	14,081,154
Decreases	(2,336)	(767,543)	(152,030)	(680,035)	-	(1,601,944)
Reclassifications	-	-	-	-	-	-
Write-down	(147,020)	-	-	-	-	(147,020)
Other changes	-	-	-	-	-	-
<b>Amortisation provision - 31 December 2023</b>	<b>26,488,490</b>	<b>81,370,504</b>	<b>11,559,342</b>	<b>7,730,529</b>	<b>-</b>	<b>127,148,864</b>
<b>Net book value - 31 December 2022</b>	<b>47,978,596</b>	<b>48,806,782</b>	<b>2,030,399</b>	<b>2,905,388</b>	<b>2,440,886</b>	<b>104,162,051</b>
<b>Net book value - 31 December 2023</b>	<b>49,473,688</b>	<b>46,501,872</b>	<b>2,094,103</b>	<b>3,184,132</b>	<b>5,665,328</b>	<b>106,919,122</b>

The main capital expenditures made in the period referred to advances to suppliers for the purchase of plant and machinery and expansion of the Brembate pharmaceutical manufacturing facility, and investments made by Euro Cosmetic in the Trezano site. During the year, part of these advances was reclassified in the relevant category, and entered into amortisation, following the commissioning of the related assets.

#### 3.2 Goodwill

The net book value of goodwill as of 31 December 2023 was € 11,507,954 with a decrease of € 4,400,000 compared to 31 December 2022. This change was attributable to the former Pharmatek's goodwill impairment of € 4.4 million following the impairment test performed by the directors as of 30 June 2023.

No further changes were recorded as of 31 December 2023.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Segment reporting: Cosmetics		
Pharmatek Goodwill	-	7,044,809
Euro Cosmetic Goodwill	11,507,954	8,863,145
<b>Total Goodwill</b>	<b>11,507,954</b>	<b>15,907,954</b>

During the first six months, the Group's activities of the Cosmetic BU were reorganised, and the subsidiary Pharmatek was merged by incorporation into Euro Cosmetic as of 1 January 2023. Due to

- the focusing of activities in a single production facility where the production lines are used in an undifferentiated manner when manufacturing cosmetics for new and existing customers;
- the new company organisation that no longer duplicates roles and responsibilities for the Pharmatek and Euro Cosmetic's businesses;
- the complete transition of Pharmatek operations into the Euro Cosmetic management system;

on 30 June 2023, Pharmatek and Euro Cosmetic CGUs were merged into the "Cosmetic" CGU. The CGUs were aggregated for impairment test purposes starting from the impairment test carried out as of 30 June 2023.

Under the CONSOB 3907 notification of 19 January 2015, the directors carried out an impairment test referred to the "Pharmatek" CGU during the approval of the Half-Year Financial Report as of 30 June 2023, before the merger by incorporation of "Pharmatek" and "Euro Cosmetic" CGUs into the "Cosmetic" CGU. The impairment test and its related business plans were approved by the Parent Company's Board of Directors during its 13 September 2023 meeting. The directors considered:

- The identification of the portion of turnover relating to the discontinued businesses (E-CIG and part of the medical-surgical aids) considering the average incidence of the turnover of these products in the last two financial years (approximately 60%).
- The recoverable amount of the individual Pharmatek Cash Generating Unit, by discounting their expected cash flows (using the Discounted Cash Flow Model - DCF) taking into account the effect of the discontinuation of the electronic cigarettes business and part of the medical-surgical aids and comparing their value with the related Net Invested Capital. The discount rate (WACC) used was 10.1 % (equivalent to 9.96% as of 31 December 2022). The impairment test result led to a CGU goodwill impairment of € 4.4 million, recorded in the Half-Year Financial Report as of 30 June 2023.

As required by the international accounting standard IAS 36, the Group performs an impairment test at least once a year and in circumstances where an impairment indicator becomes apparent. Among the various impairment indicators, the Group considered elements such as i) the relationship between its market capitalisation and shareholders' equity (which, as of 31 December 2023 did not show any impairment indicators), ii) the results achieved during the financial year, iii) other factors such as strategic business decisions, such as those affecting the Group's Cosmetic BU, or iv) sudden changes in the competitive environment or main economic variables.

The macro-economic variables in 2023 showed considerable uncertainties connected to the sudden rise in interest rates, continuation of commodities and energy markets instability and a high inflationary trend. The Cosmetic CGU, which is now Euro Cosmetic, showed negative financial indicators (EBITDA and EBIT). Based on the above, the directors have subjected the Cosmetic CGU to an impairment test.

The directors determined the recoverable amount of the Cosmetic Cash Generating Unit by discounting its expected cash flows and comparing its result with the related Net Invested Capital.

According to the reference accounting principles, the estimate of the use-value is made by discounting the operating cash flows, i.e. the flows available before the repayment of the financial debts and the shareholders' remuneration at a rate equal to the weighted average of the debt cost and the shareholders' equity (WACC).

The main assumptions used to determine the value-in-use of the CGU referred to the cash flows deriving from the business plan, the discount rate and long-term growth rate.

In continuity with previous years, the directors estimated the value-in-use of the Cosmetic CGU using the unlevered discounted cash flow method based on the following:

- For cautious valuation, the projections in the business plan were adjusted by reducing the detailed forecast period to three years, up to 2026, compared to the Group's usual practice of using a five-year timeframe for its financial planning.
- A weighted average cost of capital (WACC) of 10.1%;
- A long-term growth rate (g) for determining the terminal value of 2%.

The impairment tests and their underlying business plans were approved by the Board of Directors at its 28 March 2024 meeting. In performing the impairment test, the directors were assisted by two experts who:

- Supported the company's management in reviewing the business plan for the impairment test;
- Provided a "fairness opinion" on: (i) the valuation methodology used to determine the recoverable value of Euro Cosmetic and (ii) the valuation parameters adopted by management.

The tests conducted did not reveal any further impairment losses, other than those already recorded as of 30 June 2023 on the Cosmetic CGU invested capital.

A sensitivity analysis was carried out, concerning:

- 1% WACC increase/decrease
- Increase/Decrease in the growth rate of 0.5%

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately € +11,584,000 to € -4,528,000 as the above variables individually or jointly increase or decrease.

### 3.3 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2023 was € 1,634,888 compared to € 1,780,551 as of 31 December 2022. Changes in intangible fixed assets and their respective amortisation provisions are shown below.

<i>(Amounts in Euro units)</i>	<b>Industrial patents and intellectual property rights</b>	<b>Total intangible fixed assets</b>
<b>Historical cost - 31 December 2022</b>	<b>5,776,086</b>	<b>5,776,086</b>
Increases	741,678	741,678
Decreases	(1,270)	(1,270)
Revaluations	-	-
Write-downs	-	-
<b>Historical cost - 31 December 2023</b>	<b>6,516,494</b>	<b>6,516,494</b>
<b>Amortisation provision - 31 December 2022</b>	<b>3,995,535</b>	<b>3,995,535</b>
Increases	887,277	887,277
Decreases	(1,206)	(1,206)
Write-downs	-	-
<b>Amortisation provision - 31 December 2023</b>	<b>4,881,606</b>	<b>4,881,606</b>
<b>Net book value - 31 December 2022</b>	<b>1,780,551</b>	<b>1,780,551</b>
<b>Net book value - 31 December 2023</b>	<b>1,634,888</b>	<b>1,634,888</b>

Intangible fixed assets mainly refer to software licences.

### 3.4 Leases

The breakdown of the right of use by nature of the underlying assets is shown below:

<i>(Amounts in Euro units)</i>	<b>Property</b>	<b>Plant and Machinery</b>	<b>Equipment</b>	<b>Cars and vehicles</b>	<b>Total</b>
<b>Right of use as of 31 December 2022</b>	<b>7,810,433</b>	<b>2,090,143</b>	<b>18,041</b>	<b>94,100</b>	<b>10,012,717</b>
Increase	68,086	-	-	-	68,086
Decreases	(950,676)	(10,346)	-	-	(961,022)
Write-downs	6,927,842	2,079,797	18,041	94,100	9,119,781



<b>Right of use as of 31 December 2023</b>	<b>3,574,734</b>	<b>1,371,902</b>	<b>13,802</b>	<b>94,100</b>	<b>5,054,537</b>
<b>Amortisation provision as of 31 December 2022</b>	922,739	177,356	4,239	-	1,104,334
Increase	(112,335)	(5,173)	-	-	(117,508)
Decreases	4,385,138	1,544,084	18,041	94,100	6,041,364
<b>Amortisation provision as of 31 December 2023</b>	<b>4,235,699</b>	<b>718,241</b>	<b>4,240</b>	<b>-</b>	<b>4,958,180</b>
<b>Net book value as of 31 December 2022</b>	2,542,704	535,713	-	-	3,078,417
<b>Net book value as of 31 December 2023</b>	<b>7,810,433</b>	<b>2,090,143</b>	<b>18,041</b>	<b>94,100</b>	<b>10,012,717</b>

Below is a breakdown of the current and non-current liabilities arising from applying IFRS 16 as the Right of use as of 31 December 2023.

<b>Financial liability</b>	
<b>Financial liability as of 1 January 2023</b>	<b>2,873,792</b>
Increases	-
Decreases	(882,823)
Interest	(12,176)
Fees	(591,811)
<b>Financial liability as of 31 December 2023</b>	<b>1,386,981</b>
Short-term financial liability	354,377
Long-term financial liability	1,032,604

Decreases included the termination of lease contracts for few industrial buildings in Cremosano, originally owned by Pharmatek, which took place following the reorganisation of the Group's industrial footprint.

Under the IFRS 16 international accounting standard - "Leases" - an incremental borrowing rate (IBR) was considered as the sum of the risk-free rate (Swap standard rate vs six-month Euribor for each due date), recorded at the transition date to the international accounting standards and a pure risk component corresponding to the "credit risk" attributable to the Company (1%).

The Company has some lease contracts that include options for extension or early termination. Management negotiates these options to flexibly administer the leased assets portfolio and align management to the Company's operational needs. Management exercises significant professional assessment to define which extension or early termination options will be exercised with reasonable certainty. Renewal for contracts that did not provide for it or for contracts already being considered for early termination was not considered.

### 3.5 Other non-current assets

The value of other non-current assets as of 31 December 2023 was € 688,139 compared to € 820,871 in the previous year.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Tax credit for subsidised assets – amount after 12 months	688,139	820,871
<b>Total other non-current assets</b>	<b>688,139</b>	<b>820,871</b>

This is the amount after 12 months of the tax credit for capital goods 4.0 and the tax credit for investments in tangible assets (formerly super depreciation).

### 3.6 Deferred tax assets

Deferred tax assets as of 31 December 2023 were € 6,234,232 compared to € 7,312,662 as of 31 December 2022, and are calculated on the portions of costs subject to deferred taxation under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a breakdown.

<i>(Amounts in Euro units)</i>	<b>01 January 2023</b>	<b>2023 EC taxes</b>	<b>31 December 2023</b>
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Deferred tax assets for inventory write-down	303,410	77,619	381,029
Deferred tax assets for goodwill amortisation	162,499	(27,084)	135,415
Deferred tax assets on IRES tax loss	6,788,839	(1,091,297)	5,697,542
Deferred tax assets for other items	57,913	(37,668)	20,246
<b>Total deferred tax assets</b>	<b>7,312,662</b>	<b>(1,078,430)</b>	<b>6,234,232</b>

The change in deferred tax assets for tax losses recorded in 2023 derived from their use due to the Parent Company Fine Foods attaining a positive taxable income (IRES) in the tax estimation as of 31/12/23. Fine Foods benefits from the accumulated ACE benefit which fully offsets the IRES tax due for 2023.

Euro Cosmetic has prudentially not recognised deferred tax assets on tax losses accrued in 2023.

As of 31 December 2023, the directors believe that it is reasonable to fully recover deferred tax assets recognised in tax losses generated by the Group during previous years from the taxable profits that the Group Companies will earn in the future, as provided for in the long-term plan (2024--2028) approved by the Board of Directors on 28 March 2024.

### 3.7 Provision for deferred taxes

As of 31 December 2023, the deferred tax provision was € 263,381 compared to € 240,553 as of 31 December 2022, and was calculated under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a detail of the transactions that generated deferred taxes and their impact on the Income Statement and Shareholders' equity as of 31 December 2023.

<i>(Amounts in Euro units)</i>	31 December 2022	2023 financial year	OCI	31 December 2022
Deferred taxes lease IFRS 16	210,419	34,588	-	245,007
Deferred taxes IAS 19	20,944	5,360	(7,930)	18,374
Deferred tax assets for other items	9,190	(9,190)	-	-
<b>Total deferred taxes</b>	<b>240,553</b>	<b>30,758</b>	<b>(7,930)</b>	<b>263,381</b>

### 3.8 Inventories

Inventories net of the related write-down provision for finished products and goods as of 31 December 2023 were € 42,459,682 compared to € 40,422,499 as of 31 December 2022.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Raw materials, ancillary materials, and consumables	29,556,922	30,340,048
Inventory write-down provision	(1,365,695)	(1,087,492)
Work in progress and semi-finished products	4,680,855	3,571,520
Finished products and goods	9,587,600	7,598,424
<b>Total inventories</b>	<b>42,459,682</b>	<b>40,422,499</b>

Inventories showed an increase of € 2,037,000.

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.

Changes in the obsolescence provision are shown below:

<b>Balance as of 31 December 2021</b>	<b>1,489,131</b>
Accrual	463,395

Provision Use	(865,034)
<b>Balance as of 31 December 2022</b>	<b>1,087,492</b>
Accrual	831,323
Provision Use	(553,119)
<b>Balance as of 31 December 2023</b>	<b>1,365,695</b>

The inventory obsolescence provision set aside as of 31 December 2023 was € 1,365,695 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year are those disposals made in 2023 concerning expired or non-conforming batches set aside as of 31 December 2022.

### 3.9 Trade receivables

As of 31 December 2023, trade receivables were € 38,057,765 (€ 39,347,321 as of 31 December 2022), net of the related bad debt provision of € 1,199,597 (€ 834,754 as of 31 December 2022). On a like-for-like basis, trade receivables, gross of the provision for bad debts, showed a decrease of € 925,000. As of 31 December 2023, the Parent Company had put in place a non-recourse credit assignment transaction (factoring) for € 3.6 million. Under IFRS 9, the assignment was deemed conclusive due to the significant transfer of all risks and benefits to the factoring company, resulting in the formal derecognition of the receivable from the Financial Statements.

The table below shows the distribution by geographical area of the trade receivables amount, which does not consider the bad debt provision.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
ITALY trade receivables	25,869,279	28,718,777
EEC trade receivables	11,147,615	10,193,630
NON-EEC trade receivables	2,240,469	1,269,668
<b>Total trade receivables</b>	<b>39,257,363</b>	<b>40,182,075</b>

As of 31 December 2023, invoices to be issued of € 820,220 and credit notes to be issued of € 834,690 were allocated, mainly referring to price adjustments applied by one of the main customers.

The first five customers represent 41.1% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 16.3 million.

Changes in the bad debt provision are summarised below:

<b>Balance as of 31 December 2021</b>	<b>805,860</b>
Accrual	154,119
Provision Use	(125,225)
<b>Balance as of 31 December 2022</b>	<b>834,754</b>
Accrual	396,338
Provision Use	(31,494)
<b>Balance as of 31 December 2023</b>	<b>1,199,597</b>

The Cosmetic Business Unit bad debt provision was prudentially increased against some overdue items for which the Company made agreements with customers in 2024.

Trade receivables, net of bad debt provision, are shown in the table below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
ITALY trade receivables	25,105,140	28,626,362
EEC trade receivables	10,974,236	9,532,917
NON-EEC trade receivables	1,978,390	1,188,042
<b>Total trade receivables</b>	<b>38,057,765</b>	<b>39,347,321</b>

Customer credit quality is assessed based on a generic sector assessment. Individual credit limits are established for all customers based on this assessment. Open trade receivables and assets arising from contracts are monitored regularly. An impairment analysis is performed on receivables at each Financial Statements date, using a matrix to measure expected losses.

The calculation is based on the receivable recovery probability and historical analysis of losses on receivables that have never been of a significant amount. The assessment considers the money time factor and information on past events available at the reporting date, current conditions and expected market scenarios.

The following table shows the ageing of trade receivables:

(Amounts in Euro units)

31 December 2023	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	26,011,142	19,634,911	2,779,762	531,825	526,901	1,699,706	838,036
EEC	11,179,206	7,577,836	2,703,838	405,847	75,744	226,347	189,593
Non-EEC	2,067,015	487,957	949,775	360,680	149,570	37,056	81,977
<b>Gross trade receivables</b>	<b>39,257,362</b>	<b>27,700,704</b>	<b>6,433,375</b>	<b>1,298,352</b>	<b>752,215</b>	<b>1,963,110</b>	<b>1,109,606</b>
% write-down of receivables	3.1%	0%	0%	0%	0%	4.6%	100%
<b>Bad debt provision</b>	<b>1,199,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,991</b>	<b>1,109,606</b>
<b>Net trade receivables</b>	<b>38,057,765</b>	<b>27,700,704</b>	<b>6,433,375</b>	<b>1,298,352</b>	<b>752,215</b>	<b>1,873,119</b>	<b>-</b>

### 3.10 Tax receivables

As of 31 December 2023, tax receivables were € 320,689 compared to € 2,268,044 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2023	31 December 2022
IRES receivables	218,384	1,977,648
IRAP receivables	102,305	290,396
<b>Total tax receivables</b>	<b>320,689</b>	<b>2,268,044</b>

As of 31/12/23, the Parent Company had an IRAP debt, and an IRES credit.

Euro Cosmetic had a credit balance for IRES and IRAP as of 31 December 2023.

### 3.11 Other current assets

Total other current assets as of 31 December 2023 were € 7,740,856 compared to € 5,890,798 as of 31 December 2022. The table below provides a breakdown.

(Amounts in Euro units)	31 December 2023	31 December 2022
White Certificates	444,959	566,211
Tax receivables for tax benefits	891,370	1,443,075
Other receivables	509,032	668,680
VAT receivables	4,581,999	2,053,502
Receivables from social security institutions	63,036	80,097
Receivables for energy account withholdings	4,281	255
Receivables for withholding tax on collected coupons, dividends and realised capital gains	1,195,789	941,291
Accrued income and prepaid expenses	50,390	137,286
<b>Total other current assets</b>	<b>7,740,856</b>	<b>5,890,398</b>

The VAT credit, which will not be used via horizontal offsetting, is expected to be predominantly compensated through vertical offsetting during 2024.

The "Receivables for withholding tax on receipts of coupons, dividends and capital gains" item mainly referred to the amounts withheld from the Fine Foods asset management, which will be recovered by submitting specific reimbursement requests to the relevant tax authorities.

The "Other receivables" balance is composed of advances to suppliers for goods and services.

### 3.12 Current financial assets

As of 31 December 2023, current financial assets were € 3,832,865 (compared to € 66,512,584 as of 31 December 2022). This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Other Fine Foods securities	154,624	62,834,343
Directors' Severance Pay (TFM) receivables	211,265	211,265
Leakage receivable	3,466,976	3,466,976
<b>Total current financial assets</b>	<b>3,832,865</b>	<b>66,512,584</b>

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. As required by IFRS 9 - Financial Instruments - these instruments were recorded at Fair value at the reference date.

- As of 31 December 2022, the portfolio Fair Value was € 62.8 million.
- During 2023, € 64,000,000 was withdrawn and € 383,000 was paid in fees and withholdings.
- As of 31 December 2023, the portfolio value was € 154,000, the positive change in Fair Value was € 1.7 million.
- In February 2024, the company definitively closed the position, collecting about € 150,000.

The following table shows the percentage allocation of the investments held by the Company and their currency exposure:

Portfolio allocation	31 December 2023	31 December 2022
<b>Shares</b>	<b>63.65%</b>	<b>22.20%</b>
Equity securities	63.65%	14.81%
Equity funds	0%	5.88%
Options	0%	1.51%
<b>Bonds</b>	<b>0%</b>	<b>62.71%</b>
Bonds	0%	21.52%
Bond funds	0%	41.19%
<b>Alternative investments</b>	<b>0%</b>	<b>0%</b>
Alternative funds	0%	0%
<b>Liquid assets</b>	<b>36.35%</b>	<b>15.09%</b>

The Company's business model is to hold these securities for trading purposes. For this reason, the securities portfolio has been classified as financial assets measured at fair value with changes recorded directly in the income statement, in the "Changes in fair value of financial assets and liabilities" item.

The Company is exposed to market risk, intended as exchange rate risk and interest rate risk.

EXCHANGE RATE RISK. The securities portfolio held by the Company is configured in percentage terms:

Currency exposure	Gross Exposure	Net Exposure
Euro	100%	100%

After the report was submitted, in which the expert selected by the parties calculated the sum owed by MD and Findea to Fine Foods for a contractual price adjustment (leakage), the Company successfully secured a court order from the Milan Court to enforce the

payment of the Leakage Receivable of € 3,446,976. MD and Findea filed an objection to the court order obtained by Fine Foods contesting that they owed the amount. At the first hearing on 7 November 2023, the judge ordered an adjournment to 5 March 2024 requiring the parties to be present for a conciliation attempt. On that occasion, the MD and Findea legal representatives were present at the hearing and declared that they were willing to settle the dispute by paying Fine Foods € 2,200,000 as a price adjustment. Fine Foods refused this settlement solution, resulting in a negative outcome of the conciliation attempt. The judge set the legal deadlines for the parties to supplement their defences and postponed the case to discuss the preliminary issues until the hearing of 9 July 2024, while deferring any ruling on the request for the provisional execution of the opposed order.

### 3.13 Cash and other liquid assets

As of 31 December 2023, the Group's cash and liquid assets were € 19,000,047 compared to € 10,232,262 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Bank and postal deposits	18,997,210	10,224,410
Cash and cash equivalents on hand	2,837	7,853
<b>Total cash and other liquid assets</b>	<b>19,000,047</b>	<b>10,232,262</b>

## SHAREHOLDERS' EQUITY

### 4.1 Shareholders' equity

For the share capital please refer to the following paragraph "Categories of shares issued by the Parent Company."

All subscribed shares have been fully paid up.

Other reserves are detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(14,021,029)	(13,680,454)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	2,286,637	14,240,490
Reserve for share-based payments	-	-
First Euro Cosmetic consolidation reserve	(6,928,892)	(6,928,892)
IRS derivative hedging reserve	33,384	33,384
Warrant conversion reserve	11,311,789	11,311,789
<b>Total reserves</b>	<b>114,167,028</b>	<b>126,461,456</b>

Categories of shares issued by the Parent Company

The following table shows the number and nominal value of Company's shares. No movements occurred during the period.

<b>Type</b>	<b>Final number</b>
Ordinary Shares	22,060,125
Redeemable Shares	-
Multiple-voting Shares	3,500,000
Special Shares	-
<b>Total</b>	<b>25,560,125</b>

The Parent Company is constantly engaged in buyback activities (repurchase of its shares on the market), which indicates that the Parent Company believes in its own structural and market growth and that its value is reflected in the negative reserve for the treasury shares in the portfolio. The objective of the buy-back plan is to prepare for upcoming acquisitions and synergies, to enhance the planned expansion phase.



## LIABILITIES

### 4.2 Bonds

As of 31 December 2023, the bonds subscribed by the Parent Company were repaid. As of 31 December 2022, they were € 3,323,051. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Bonds payable - Non-current liabilities	-	-
Bonds payable - Current liabilities	-	3,323,051
<b>Total bonds</b>	-	<b>3,323,051</b>

Bonds payable, originated in 2016, were repaid on 25 October 2023. Bonds payable were valued at amortised cost using the effective interest rate method, under IFRS 9 "Financial Instruments".

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);
- Half-yearly coupon at a fixed interest rate of 0.82% (zero-point eighty-two per cent) under the regulation.

### 4.3 Non-current bank borrowings

As of 31 December 2023, non-current bank borrowings were € 9,734,877 compared to € 77,573,797 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Mediocredito mortgage loan	4,141,720	5,787,952
Intesa loan 70 million	-	64,291,256
Subsidiary loans	5,593,157	7,494,589
<b>Total non-current bank borrowings</b>	<b>9,734,877</b>	<b>77,573,797</b>

The debt for the mortgage loan taken out in 2016 by Fine Foods, due on 30 June 2027, with payment of interest and related costs, was valued at amortised cost using the effective interest rate method, under the provisions of international accounting standard IFRS 9 "Financial Instruments."

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%.
- There are no financial constraints on the loan

On 25 February 2022, Intesa Sanpaolo and Fine Foods have signed a € 70 million financing deal to support growth and development projects. In 2023, Fine Foods made an early repayment of € 20 million in capital, coinciding with the closure of its securities portfolio.

The loan provides for financial covenants based on the following indicators to be calculated on the Group's consolidated financial statements:

- > NFP / EBITDA
- > NFP / EQUITY
- > EBITDA/Financial charges

The financial parameter EBITDA/Financial charges on 31 December 2023, calculated as contractually stipulated, exceeded the limit. On 12 March 2024, the bank consented to include in the ratio calculation the income from the fair value measurement of financial assets, mainly related to the securities portfolio closure mentioned above. Using this calculation method ensures compliance with the covenant.

As of 31 December 2023, the medium- and long-term loan was reclassified to short-term under IAS 1.74. This accounting standard mandates such reclassification if a condition within the long-term loan agreement is breached on or before the FY closing date. This results in the liability becoming a payable on demand. This means the guaranteed option to postpone its payment for no less than 12 months from that date is invalid, regardless of whether the lender has consented after the reporting date to not request the payment due to the violation.

Starting from the next quarterly report as of 31 March 2024, the classification of the bank loan will be reinstated based on the original amortisation schedule.

#### 4.4 Current bank borrowings

As of 31 December 2023, current bank borrowings were € 55,269,592, compared to € 36,590,346 as of 31 December 2022, broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Invoice advances	6,900,000	6,757,788
Accrued expenses Interest	306,396	88,340
Loans and mortgages - amount due within 12 months	48,063,196	29,744,218
<b>Total current bank borrowings</b>	<b>55,269,592</b>	<b>36,590,346</b>

For the change in the portion of loans and mortgages within the financial year, please refer to the previous paragraph.

#### 4.5 Employee benefits

As of 31 December 2023, the "Employee benefits" item was € 2,201,654 compared to € 2,419,013 as of 31 December 2022. This item refers to provisions set aside for severance and end-of-office indemnities.

<b>Balance as of 31 December 2022</b>	<b>2,419,013</b>
Provision Use	(552,517)
Discounting interest current year	74,032
Service cost	228,083
Actuarial profits and losses current year	33,043
<b>Balance as of 31 December 2023</b>	<b>2,201,654</b>

As required by the international accounting standard, IAS19, the valuation of the Severance indemnity fund follows the method of projecting the present value of the defined benefit obligation with the estimate of the benefits accrued by employees.

Following the changes introduced by Law no. 296 of 27 December 2006 ("2007 Budget Law") and subsequent implementing decrees and regulations, the severance indemnities accrued up to 31 December 2006 will continue to be held by the Company as a defined benefit plan (obligation for accrued benefits subject to actuarial valuation). Amounts accruing from 1 January 2007, due to the choices made by employees during the year, will be allocated to supplementary pension schemes or transferred by the Company to the treasury

fund managed by INPS, from when the employee makes their choice, thus becoming defined contribution plans (no longer subject to actuarial valuation).

Defining the employee severance indemnity is the result of applying an actuarial model based on various demographic and economic assumptions.

The table below shows the financial technical bases used:

	31 December 2023	31 December 2022
Annual discount rate	3.17%	3.63%
Annual inflation rate	2.00%	2.30%
Severance indemnity increase annual rate	3.00%	3.23%

The annual discount rate used to define the obligation present value was based on paragraph 83 of IAS 19, concerning market yields of primary companies' bonds at the financial year closing date.

As required by the accounting standard IAS19 "Employee benefits", the sensitivity analysis for each actuarial assumption at the year-end is shown below:

Sensitivity analysis of the main valuation parameters	DBO as of 31 December 2023	DBO as of 31 December 2022
Turnover rate +1%	1,995,780	2,218,614
Turnover rate -1%	1,984,402	2,195,628
Inflation rate +0.25%	2,017,458	2,238,529
Inflation rate -0.25%	1,963,926	2,177,666
Discount rate +0.25%	1,953,697	2,166,487
Discount rate -0.25%	2,028,372	2,250,467

Service cost and duration	2023	2022
Fine Foods future annual service cost	-	-
Fine Foods plan duration	8.4	8.9
Pharmatek future annual service cost	-	54,759
Pharmatek plan duration	-	12.1
Euro Cosmetic future annual service cost	201,590	169,980
Euro Cosmetic plan duration	12.3	12.1

Estimated future disbursements – Years	2023	2022
1	248,906	238,306
2	212,307	245,570
3	226,059	253,960
4	183,335	261,494
5	187,885	220,297

#### 4.6 Provisions for risks and charges

Provisions for risks and charges as of 31 December 2023 were € 2,105 compared to € 41,105 at the end of the previous year. This item as of 31 December 2023 referred exclusively to Euro Cosmetic's potential liabilities.

(Amounts in Euro units)	31 December 2023	31 December 2022
Euro Cosmetic provisions for risks	2,105	2,105

Former Pharmatek provisions for risks	-	39,000
<b>Total other non-current financial liabilities</b>	<b>2,105</b>	<b>41,105</b>

The value for Euro Cosmetic is attributable to the provision for risks for the property tax (IMU).

#### 4.7 Trade payables

Trade payables as of 31 December 2023 were € 32,369,462, compared to € 33,450,469 as of 31 December 2022, broken down geographically as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Trade payables in ITALY	25,752,552	28,216,591
EEC trade payables	4,875,661	4,170,304
NON-EEC trade payables	1,741,249	1,063,573
<b>Total trade payables</b>	<b>32,369,462</b>	<b>33,450,469</b>

#### 4.8 Taxes payable

Total tax payables as of 31 December 2023 were € 575,488, and are broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Payables for IRES	-	-
Payables for IRAP	575,488	-
<b>Total taxes payable</b>	<b>575,488</b>	<b>-</b>

For a comment on current tax liabilities, please refer to note 2.12 on taxes.

#### 4.9 Other current liabilities

Total other current liabilities as of 31 December 2023 were € 12,809,866, compared to € 10,018,821 as of 31 December 2022, and are broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Payables due to pension and social security institutions	2,982,215	2,614,421
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay, holidays	4,883,086	3,579,197
Payables for withholding taxes on employees	984,384	1,006,899
Payables for withholding taxes on self-employment	9,580	29,908
Substitute tax on severance indemnity	9,778	42,916
Accrued expenses and deferred income	1,848,027	1,971,652
Advances from customers	147,213	45,631
Other payables	1,945,584	727,797
<b>Total other current liabilities and payables</b>	<b>12,809,866</b>	<b>10,018,421</b>

The "Other payables" item includes payables to the insurance company, to directors for unpaid remuneration (including bonuses accrued in 2023).

The accrued expenses and deferred income item includes deferred income related to tax credits for investments in capital goods to align them over the useful life of the related assets.

## 5. Other information

### 5.1 Commitments and guarantees

	Amount
<b>Guarantees</b>	<b>25,000,000</b>
Collateral securities (mortgage on the property of Verdellino in favour of Mediocredito and Sace)	25,000,000
<b>Sureties</b>	<b>41,000</b>

No commitments and guarantees were reported for the Euro Cosmetic and Pharmatek subsidiaries.

### 5.2 Contingent liabilities

At the date of this document's preparation, there were no liabilities and contingent liabilities to be reported in the financial position or to be disclosed.

### 5.3 Grants, contributions and similar

The Group has nothing to report on its 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.

### 5.4 Related party transaction information

Other than the remuneration of directors and specific employee categories, during 2023, the Company did not enter into any transactions with related parties that were under unusual market conditions.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>
Directors' remuneration	2,081,250
Board of Statutory Auditors	108,400

The statutory auditors' remuneration is shown below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>
<b>Auditing Company remuneration for audit services</b>	<b>110,865</b>
to the Parent Company	87,525
to subsidiaries	23,340
<b>Auditing Company remuneration for audit services for certification purposes</b>	<b>37,000</b>
to the Parent Company	32,500
to subsidiaries	
<b>Auditing Company remuneration for other services</b>	<b>13,000</b>
to the Parent Company	13,000

to subsidiaries -

## 5.5 Events after the Financial Statements date

No significant events occurred after the end of the financial year.

## 5.6 Business outlook

Despite the slowdown which started last year, the latest projections from key forecasters indicate a generally optimistic outlook for 2024, yet predictions of growth rates continue to vary. Landing depends on US economy resilience, China's contribution and the strength of recovery in the Eurozone, especially in the second half of the year. Italy's performance should improve after the winter. The resilient scenario is determined by the increasingly convincing signs of a soft landing in the US. Another favourable influencing factor in the global economic picture is the general decline in inflation, which came back in line with historical averages at the end of last year in Europe and the US. Weak demand and high gas stockpiles (reaching record levels in Europe) are contributing to the suppression of energy commodity prices, though there are still potential risks for price increases. Ongoing tensions in the Middle East could exert upward pressure on supply. Global confidence indicators remain weak, but there is an encouraging trend in services, which are gradually regaining strength.

In a reference market experiencing volume growth, the Group aims to expand its market share and will persist in evolving its business across the three primary sectors - Food, Pharma and Cosmetics - by strengthening the operations of each BU. Fine Foods will seize any opportunities for growth through external lines.

The Food BU sales increase recorded in 2023 confirmed the effectiveness of the commercial strategies implemented. The combination of product quality and innovation, along with the enhancement of customer support services, contributes to a predominantly optimistic outlook for 2024. The Group is preparing a production capacity increase by expanding the current plant, which will bring favourable results on the top line in the 2024-2028 five-year period.

The Pharma BU will continue its growth in 2024 buoyed by significant multi-year agreements signed with key international customers. Work for implementing the new production plant which started at the end of 2023, will be completed in 2025. The new site will start generating revenue from 2026.

The Cosmetic BU's organisation, integration, process optimisation and investments to modernise the Trezano production plant throughout 2023 foster the expectation that, due to improved efficiency and an increased ability to meet customer needs, a significant upswing in performance is anticipated for 2024. This should manifest in top-line growth and increased margins, positively impacting the Group's overall results.

The management is confident that the Group's revenue growth and margin improvement historical trends will continue.

Alongside financial and economic objectives, ESG issues are increasingly integrated into different Fine Foods business processes. This includes the Research and Development department's dedication to proposing solutions aimed at decreasing the environmental impact of products. The Group intends to continue its sustainability programme and serve as a benchmark for customers by assessing products that align with the evolving market demands, which include sustainability.

Verdellino, 29 March 2024

for the Board of Directors  
Chairman

Marco Francesco Eigenmann

## **Certification of the 31 December 2023 Consolidated Financial Statements under Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions**

The undersigned, Giorgio Ferraris, in his capacity as Chief Executive Officer, and Pietro Bassani, in his capacity as Manager responsible for preparing the Company accounts of Fine Foods & Pharmaceuticals N.T.M. S.p.A. certify the following, under art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the Financial Statements' adequacy in relation to the Company features;
- the practical application of the administrative and accounting procedures to prepare the Consolidated Financial Statements from 1 January to 31 December 2023.

The undersigned declares that:

- the Consolidated Financial Statements
  - a) have been prepared under applicable International Accounting Standards, as adopted by the European Union through the (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, the measures issued to implement Article 9 of Legislative Decree no. 38/2005, and the (EU) Commission Delegated Regulation no. 2019/815 of 17 December 2018 ("ESEF Regulation");
  - b) reflect the accounting books and records;
  - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.
- The Report on Operations includes a reliable analysis of the progress and results of operations, the situation of the issuer and the companies included in the consolidation area, and a description of the principal risks and uncertainties to which it is exposed.

Verdellino-Zingonia, 29 March 2024

**Chief Executive Officer**  
Giorgio Ferraris

**The Manager**  
**preparing the corporate**  
**accounts**  
Pietro Bassani



**Board of Statutory Auditors Report to the Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A. under Art. 153 of Legislative Decree no. 58/1998 and Art. 2429 of the Italian Civil Code**

Dear Shareholders,

With this Report, drawn up under Art. 153 of Legislative Decree no. 58 of 24 February 1998 (the "TUF") and in compliance with the recommendations provided by CO.N.SO.B. (Hereafter "CONSOB") with Communication no. DEM/1025564 of 6 April 2001 and subsequent updates, the Board of Statutory Auditors reports on the activities carried out during the financial year ended 31 December 2023 and up to the present date, under reference legislation and the Rules of Conduct for the Board of Statutory Auditors of Listed Companies recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (hereafter "CNDCEC" - National Council of Chartered Accountants and Accounting Professionals) last amended and supplemented on 21 December 2023.

The Company:

- has become a "Publicly Traded Company", under Art. 2 bis of Consob Regulation 11971/1999, since 1 October 2018;
  - has been classified as a "Listed Issuer", under Art. 1 of Legislative Decree no. 58/1998, with its listing on the Mercato Telematico Azionario of Borsa Italiana, STAR segment since 12 July 2021;
- making the relevant legislative and regulatory provisions applicable as of the same dates.

Composition and functioning of the Board of Statutory Auditors

- The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter, "FF") held on 21 April 2021 and comprises:
  - Statutory Auditors: Laura Soifer (Chairperson), Mario Tagliaferri, Luca Manzoni;
  - Alternate Auditors: Matteo Zucca, Marco Valsecchi.
- The Board of Statutory Auditors office expires with the Shareholders' Meeting called to approve the Financial Statements as of 31 December 2023.
- Under Art. 144-*quindiesdecies* of the Issuers' Regulations, the list of offices held by members of the Board of Statutory Auditors at the companies referred to in Book V, Title

V, Chapters V, VI and VII of the Italian Civil Code, is published by CONSOB on its website ([www.CONSOB.it](http://www.CONSOB.it)). Art 144-*quaterdecies* of the Issuers' Regulations (disclosure obligations to CONSOB) provides that persons who hold the position of control body member for one Issuer only are not subject to the disclosure obligations provided for in the above article. In this case, they are not included in the CONSOB lists.

- The Board of Statutory Auditors has fulfilled the supervisory duties under Art 2403 of the Italian Civil Code and Art. 149 of the TUF and carried out the supervisory functions of Art. 19 of Legislative Decree no. 39/2010 as amended by Legislative Decree no. 135/2016 (in force since 5 August 2016), identified as the Internal Control and Audit Committee, overseeing compliance with the principles of proper administration and the adequacy of the organisational, administrative and accounting systems adopted by the Company and their functioning, and the methods to implement the corporate governance rules provided for by applicable regulations on the subject.
- Following the CNDCEC's recommended Rules of Conduct, specifically rule Q.1.7 on the self-assessment of the Board of Statutory Auditors (a periodic internal review of its members' eligibility requirements and the accuracy and efficiency of its operations), the Board of Statutory Auditors submitted its report to the Board of Directors. The report was reviewed and acknowledged during the March 2024 Board meeting. Under applicable regulations, the Board's review verified the composition of the supervisory body. This was part of the corporate bodies' yearly self-assessment, and the results of the most recent evaluation, based on Statutory Auditors' personal declarations, are documented in the 2023 Governance and Ownership Structure Report.
- It supervised the independence of the Auditing Company appointed to carry out the legal audit.

The necessary information for carrying out the supervisory activity was acquired through regular meetings with the heads of the relevant corporate departments, especially those in charge of control, and by participating in the meetings of the Board of Directors and Governance Committees set up under the CCG 2020, implemented by FF. These are the Control and Risk Committee (hereafter CCR) - which performs the function of Related Party Transactions Committee (hereafter the OPC Committee) and the related tasks, set out in the Related Party Transactions Procedure adopted by the Company under Art. 4 of the CONSOB Regulation under resolution no. 17221 of 12 March 2010 and lastly amended by resolution no. 21624 of 10 December 2020 (implementing Legislative Decree no. 49/2019 transposing the SHRD - EU Directive 2017/828), the Remuneration

and Nomination Committee and the Supervisory Body established to implement Legislative Decree no. 231/2001.

## 1. Supervision

During the 2023 financial year, the Board of Statutory Auditors carried out the supervisory functions assigned by law and regulations, complying with the rules of conduct recommended by the CNDCEC and, to the extent applicable, with CONSOB communications on corporate controls and Board of Statutory Auditors tasks.

The Board of Statutory Auditors monitored compliance with the law and the Articles of Association and correct administration principles. It monitored the adequacy of the Company's organisational, administrative and accounting system under its responsibility. The Board of Statutory Auditors did not find any irregularities that required reporting.

To acquire the information necessary to perform its supervisory duties, the Board of Statutory Auditors:

- attended the five meetings held by the Board of Directors during the 2023 financial year, obtaining information on the general performance of operations and its foreseeable evolution, and the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries (based on the acquired information, it has no observations);
- attended two Remuneration and Nomination Committee meetings and three Control and Risk Committee meetings (no significant data or information emerged that should be highlighted in this Report);
- met and exchanged information with the control bodies of the two subsidiaries (no significant data or information emerged that should be highlighted in this Report);
- met and exchanged information with the Supervisory Body (no significant data or information emerged that should be highlighted in this Report);
- regularly met and exchanged information with the EY auditing company which carried out the legal audit (no significant data or information emerged that should be highlighted in this Report);
- held seven meetings, with minutes taken; and verified the absence of grounds for disqualification of its members, and compliance with the requirements of independence, under Art. 148 of Legislative Decree no. 58/1998 and the Corporate Governance Code for Listed Companies.

Based on our supervisory activities, we can certify the following:

- a) the transactions resolved and carried out by the Directors comply with the law and the Articles of Association and do not appear to be manifestly imprudent, risky, in potential conflict of interest or in contrast with the Shareholders' Meeting's resolutions or such as to compromise the integrity of the Company's assets. For the most significant transactions carried out during the period, please refer to the Report on Operations and the Notes to the Financial Statements, where your Directors explained the procedures and reasons for such transactions in detail;
- b) regarding the policies and criteria on the diversity of corporate bodies provided for by the Corporate Governance Code, we note that the same implementation criteria are shown in the 2023 Report on Corporate Governance and Ownership Structure;
- c) the Company adopted the changes introduced by Law no. 160 of 27 December 2019 (Budget Law 2020) and its subsequent amendments, for the minimum representation quotas for the lesser represented gender in the corporate bodies of listed companies, consistently adjusting the Articles of Association;
- d) we know and supervised the adequacy of the Company's organisational structure and have no observations;
- e) we monitored the internal control, risk management and administrative-accounting system adequacy to ensure they correctly represent operating events and have no observations;
- f) we did not find any transactions that, due to their nature or size carried out by the Company, with third parties, intragroup companies or related parties, were atypical or unusual. We found ordinary intragroup transactions and transactions with related parties. We verified compliance with appropriate procedures to ensure that the transactions were duly documented, regulated at normal market conditions, and made in the Company's interest. These transactions are adequately explained by the directors in the Financial Statements, Report on Operations and the Notes to the Consolidated Financial Statements, to which reference should be made;
- g) we supervised compliance of Related Party transactions internal procedure with the principles in the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010, as amended by resolution no. 22144 of 22 December 2021, and its compliance, under Art. 4, paragraph 6 of the same regulation;
- h) we monitored the adequacy of Company instructions to its subsidiaries, and the information flows provided to ensure the timely fulfilment of the communication

obligations under the law;

- i) we monitored the correct application of the criteria and procedures adopted by the Board to assess the independence of Directors under the Corporate Governance Code of listed companies, currently in force and promoted by Borsa Italiana S.p.A. by resolution of 19 April 2021, and which the Board of Directors follows;
- j) we acknowledged the preparation of the Report on Remuneration under Art. 123-ter of Legislative Decree no. 58/1998 and Art. 84-*quater* of CONSOB Regulation 11971/1999, with no observations to report;
- k) there were no shareholder complaints under Art. 2408 of the Italian Civil Code, nor were there any complaints received from third parties;
- l) we verified that Directors complied with the CONSOB and ESMA (European Securities and Markets Authority) recommendations and included information about the assessments made by the Company on the Russian-Ukrainian conflict and consequent actions implemented to contain the crisis' negative effects on business in the Financial Report 2023.
- m) during our supervision, no significant facts emerged that need to be reported, nor were any omissions, reprehensible facts, or irregularities found that would be reported to the Shareholders' Meeting or brought to the attention of the Court;
- n) we have not received any reports from qualified public creditors, under Art. 25-novies of Legislative Decree 14/2019;
- o) we have not made any reports to the governing body under Article 25-octies of Legislative Decree no. 14/2019;
- p) no financial intermediaries have reported to the Company any amendments or cancellations of credit lines subsequent to notifications under Article 25-decies of Legislative Decree no. 14/2019.

## **2. Comments and proposals regarding the Financial Statements and their approval**

The 31 December draft Financial Statements, Consolidated Financial Statements and Report on Operations were approved at the Board of Directors' meeting held on 29 March 2024.

The separate and consolidated Financial Statements have been prepared under IAS/IFRS. Since it was not responsible for the accounts' legal audit, the Board of Statutory Auditors monitored the Financial Statements and Consolidated Financial Statements' general layout and compliance with the rules governing their preparation and structure. The

Board of Statutory Auditors checked that they matched the facts and information of which it became aware due to the performance of its duties. The Board of Statutory Auditors has no observations on this matter.

For the preparation of the separate and consolidated 31 December 2023 Financial Statements, the Board of Statutory Auditors acknowledges that the Board of Directors approved the compliance of the impairment test procedure with the requirements of international accounting standard IAS 36, after examining it with the Control and Risk Committee and the Board of Statutory Auditors. The Notes to the Financial Statements contain information and the assessment results.

The Board of Statutory Auditors highlighted that, following the regulations for the 2022 financial year, FF's Consolidated Annual Financial Report and related notes for the year ended 31 December 2023 were prepared in the XHTML format by marking certain information from the IFRS consolidated Financial Statements using the Inline XBRL specification.

Under Art. 81-ter of CONSOB Regulation no. 11971/1999, we acknowledged what stated by the Chief Executive Officer and Manager responsible for preparing the Company's accounting and corporate documents, under Law no. 262/2005, on the adequacy of the administrative and accounting procedures for the preparation of the separate and consolidated Financial Statements.

The legal audit is entrusted to the auditing company EY S.p.A. We acknowledge the following for FY 2023:

- we have received from the Auditing company the Reports on the separate and consolidated Financial Statements, provided for by Article 14 of Legislative Decree no. 39/2010, issued today, which express an "unmodified opinion" showing the Key Audit Matters (KAMs), subject to discussion between the Board of Statutory Auditors and Auditing company;
- we received the "Additional Report" from the Auditing Company under Article 11 of Regulation (EU) no. 537/2014; as reported in the opinion on the Financial Statements, the Report does not contradict the opinions but refers to specific matters;
- the Board of Statutory Auditors supervised compliance with Legislative Decree no. 254 of 30 December 2016, and CONSOB Regulation implementing the Decree adopted by resolution no. 20267 of 18 January 2018, particularly for the drafting process and contents of the Non-Financial Statement ("NFS") prepared by the Company.

The Board of Statutory Auditors monitored the organisational and operational process to prepare the Consolidated Non-Financial Statement, through discussions with the relevant internal function, Control and Risk Committee, ESG Committee and Auditing Company. It was not aware of any violations of the applicable regulatory provisions.

The NFS was approved at the meeting of the Board of Directors on 29 March 2024 as a separate document from the 31 December 2023 Report on Operations. The Auditing Company was commissioned to examine the NFS under Art. 3, paragraph 10 of Legislative Decree no. 254/2016. In its report issued on 29 March 2024, it stated that no evidence came to its attention that the Fine Foods Group 31 December 2023 NFS was not prepared under the requirements of Articles 3 and 4 of Legislative Decree no. 254/2016 and the reporting standards set out in the NFS's "Methodological Note."

- We received from the Auditing Company the "Annual Confirmation of Independence" certification under Art. 6 of Regulation (EU) no. 537/2014. During the 2023 financial year, the Company appointed EY S.p.A auditing company and parties belonging to its "network" further assignments for legal audit services. The related amounts and contents are in the specific annex to the Financial Statements, under Art. 149 duodecies of the CONSOB Issuers' Regulations. The Board of Statutory Auditors did not express an opinion on these assignments since they are linked to the legal audit.

Availing itself of the extended deadline under Article 2364 of the Italian Civil Code, Fine Foods scheduled its annual Shareholders' Meeting for 29 May 2024.

### **3. Conclusions**

Based on the above and according to its knowledge, the Board of Statutory Auditors sees no reasons to prevent the draft Financial Statements for the year ended 31 December 2023 being approved and the allocation of the year result, as proposed by the Board of Directors.

By approving these Financial Statements, the mandates of the Board of Directors and Board of Statutory Auditors expire. We thank you for the trust placed in us, and invite you to appoint new governing and control bodies under Articles 16 and 27 of the Articles of Association.

\* \* \*



Milan, 29 March 2024

The Board of Statutory Auditors

Laura Soifer

Mario Tagliaferri

Luca Manzoni

\* \* \*

# Fine Foods & Pharmaceuticals N.T.M. S.p.A.

Consolidated financial statements as at 31 December 2023

Independent auditor's report pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014  
(Translation from the original Italian text)

To the shareholders of  
Fine Foods & Pharmaceuticals N.T.M. S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Fine Foods Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated income statement, the consolidated comprehensive income statement, consolidated shareholders' equity changes and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Fine Foods & Pharmaceuticals N.T.M. S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Valuation of Goodwill</p> <p>As at December 31, 2023, the Group reported under intangible assets goodwill totaling Euro 11,5 million and allocated to the Cosmetic Cash Generating Unit (CGU).</p> <p>The processes and methods used to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of judgement by the Directors, in particular with reference to the allocation of the carrying amount of assets and liabilities to each CGUs, the future cash flow forecasts during the explicit forecast period of the Group business plan, the determination of normalized cash flows used to estimate the terminal value, as well as the long term growth and the discount rates applied to the future cash flow forecasts.</p> <p>Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered that this area represents a key audit matter.</p> <p>The disclosures related to the valuation of goodwill are given in note 3.2 "Goodwill", in section "1.5.1 business combination and goodwill" and lastly in paragraph "1.9.2 Estimates and assumptions".</p>	<p>Our audit procedures in response to this key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• understanding of the methods adopted by the Group for the valuation of goodwill;</li> <li>• assessment of the appropriateness of the CGUs perimeter and the allocation of the carrying amounts of assets and liabilities to each CGU;</li> <li>• analysis of the reasonableness of future cash flows for the explicit forecast period of Group business plan and the assumptions used for the identification of normalized cash flows, including their consistency of with the 2024-2026 Group business plan;</li> <li>• assessment of discount and long-term growth rates.</li> </ul> <p>The procedures described above include the analysis of management's experts' valuations.</p> <p>In the context of our procedures, we involved our valuation techniques' experts, who performed an independent calculation and sensitivity analyses on the key assumptions to assess which changes in such assumptions could materially impact the valuation of recoverable amount.</p> <p>Lastly, we reviewed the disclosures made in the explanatory notes related to these matters.</p>

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern

assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company of Fine Foods & Pharmaceuticals N.T.M. S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

## Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fine Foods & Pharmaceuticals N.T.M. S.p.A., in the general meeting held on 30 April 2020, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fine Foods Group as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Fine Foods Group as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Fine Foods Group as at 31 December 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 29 March 2024

EY S.p.A.  
Signed by: Marco Malaguti, Auditor

As disclosed by the Directors on page 41, the accompanying consolidated financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



## **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 Registration no. 09320600969  
Registered in the Bergamo REA no. 454184  
Subscribed share capital € 22,770,445.02 fully paid-up  
VAT no. 09320600969*



### **FINANCIAL STATEMENTS AS OF 31 December 2023**

**Prepared under the International Accounting Standards issued by the IASB, and the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which have been endorsed under the procedure set out in Article 6 of (EC) Regulation no. 1606 of 19 July 2002**

Unless otherwise specified, amounts shown in the tables and explanatory notes are stated in Euro and rounded to the nearest Euro.

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## Income Statement

		Year ended 31 December 2023	Year ended 31 December 2022
	Notes		
<b>Revenue and income</b>			
Revenue from contracts with customers	2.1	220,364,619	172,526,658
Other revenue and income	2.2	699,985	647,560
<b>Total revenue</b>		<b>221,064,604</b>	<b>173,174,218</b>
<b>Operating costs</b>			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	2.3	138,243,648	107,430,562
Personnel costs	2.4	37,219,328	30,968,517
Costs for services	2.5	20,371,482	19,464,262
Other operating costs	2.6	1,180,540	1,183,242
Amortisation, depreciation, and impairment losses	2.7	13,799,196	12,672,951
<b>Total operating costs</b>		<b>210,814,193</b>	<b>171,719,534</b>
<b>Operating result</b>		<b>10,250,411</b>	<b>1,454,684</b>
Changes in fair value of financial assets and liabilities	2.8	1,703,519	(7,733,525)
Equity investment income and charges	2.9	(13,922,188)	-
Loss on financial receivables	2.10	-	(3,266,960)
Financial income	2.11	593,428	40,527
Financial charges	2.12	(4,411,200)	(1,963,875)
<b>Income before taxes</b>		<b>(5,786,030)</b>	<b>(11,469,149)</b>
Income taxes	2.13	1,651,280	(3,885,005)
<b>Profit/(loss) for the financial year</b>		<b>(7,437,309)</b>	<b>(7,584,144)</b>

## Comprehensive income statement

		Year ended 31 December 2023	Year ended 31 December 2022
	Notes		
<b>Profit/(loss) for the financial year (A)</b>		<b>(7,437,309)</b>	<b>(7,584,144)</b>
<b>Components that will not be subsequently reclassified to profit/(loss) for the financial year</b>			
Revaluation of net employee benefit liabilities/assets	4.5	(15,158)	131,056
Tax effect		3,638	(31,453)
<b>Other comprehensive income (B) components</b>		<b>(11,520)</b>	<b>99,603</b>
<b>Comprehensive profit/(loss) (A+B)</b>		<b>(7,448,829)</b>	<b>(7,484,541)</b>

## Statement of financial position

		As of 31 December	As of 31 December
<i>(amounts in € units)</i>	Notes	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and machinery	3.1	91,168,051	91,931,461
Other intangible fixed assets	3.2	1,307,010	1,471,508
Rights of use	3.3	87,190	204,931
Investments	3.4	24,951,994	38,874,182
Non-current financial assets	3.5	11,000,000	-
Other non-current assets	3.6	425,315	506,750
Deferred tax assets	3.7	5,324,991	6,430,144
<b>Total non-current assets</b>		<b>134,264,551</b>	<b>139,418,977</b>
<b>Current assets</b>			
Inventories	3.9	34,105,448	33,498,758
Trade receivables	3.10	29,998,136	30,053,303
Tax receivables	3.11	86,473	1,398,590
Other current assets	3.12	6,379,837	3,174,717
Current financial assets	3.13	3,888,082	66,301,319
Cash and other liquid assets	3.14	17,047,578	6,255,196
<b>Total current assets</b>		<b>91,505,556</b>	<b>140,681,884</b>
<b>Total assets</b>		<b>225,770,108</b>	<b>280,100,860</b>
<b>Shareholders' equity</b>			
Share Capital	4.1	22,770,445	22,770,445
Other reserves	4.1	120,308,448	130,685,875
Employee benefit reserve	4.1	16,908	28,428
FTA reserve	4.1	(6,669,789)	(6,669,789)
Profits carried forward	4.1	-	-
Profit/(loss) for the financial year	4.1	(7,437,309)	(7,584,144)
<b>Total Shareholders' equity</b>		<b>128,988,702</b>	<b>139,230,815</b>
<b>Non-current liabilities</b>			
Non-current bank borrowings	4.3	4,141,720	70,079,208
Employee benefits	4.5	853,729	844,343
Provision for deferred taxes	3.8	9,441	16,411
Non-current lease payables	3.3	35,580	88,384
<b>Total non-current liabilities</b>		<b>5,040,471</b>	<b>71,028,347</b>
<b>Current liabilities</b>			
Bonds	4.2	-	3,323,051
Current bank borrowings	4.4	53,335,668	32,723,811
Trade payables	4.6	26,506,816	26,477,912
Taxes payable	4.7	575,488	-
Current lease payables	3.3	52,804	120,175
Other current liabilities	4.8	11,270,158	7,196,750
<b>Total current liabilities</b>		<b>91,740,934</b>	<b>69,841,699</b>
<b>Total Shareholders' equity and Liabilities</b>		<b>225,770,108</b>	<b>280,100,860</b>

## Cash Flow Statement

(amounts in € units)	Notes	Year ended 31 December	
		2023	2022
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>(7,437,309)</b>	<b>(7,584,144)</b>
<b>Adjustments to reconcile profit after tax with net cash flows:</b>			
Depreciation and impairment of property, plant and machinery	2.7	13,048,935	11,863,587
Amortisation and impairment of intangible fixed assets	2.7	695,058	681,058
Amortisation of rights of use	2.7	55,204	128,307
Impairment of financial receivables	2.10	13,048,935	3,266,960
Investment write-down	2.9	13,922,188	-
Financial income	2.11	(593,428)	(40,527)
Financial charges	2.12	4,412,087	1,960,401
Changes in fair value of financial assets and liabilities	2.8	(1,703,519)	7,733,525
Financial charges on financial liabilities for leases	3.3	(887)	3,474
Income taxes	2.13	549,729	59,744
Gains on the disposal of property, plant and machinery	2.2	(113,745)	(23,924)
Current assets write-downs	3.9,3.10	367,270	515,059
Net change in severance indemnity and pension funds	4.5	(36,290)	(67,327)
Net change in deferred tax assets and liabilities	3.7,3.8	1,101,551	(3,944,749)
Interest paid	2.12	(3,787,253)	(1,906,651)
<b>Changes in net working capital:</b>			
(Increase)/decrease in inventories	3.9	(819,503)	(5,099,593)
(Increase)/decrease in trade receivables	3.10	(99,292)	(8,359,793)
(Increase)/decrease in other non-financial assets and liabilities	3.6,3.12,3.11,4.7,4.8	2,287,600	6,154,454
Increase/(decrease) in trade payables	4.6	28,904	2,772,052
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>21,877,299</b>	<b>8,111,911</b>
<b>Investments:</b>			
Investments in tangible fixed assets	3.1	(12,461,210)	(9,892,978)
Disposal of tangible fixed assets	3.1	289,432	111,119
Investments in intangible fixed assets	3.2	(530,560)	(678,382)
Net (investments)/disposals in financial assets	3.13	53,116,756	460,635
<b>NET CASH FLOWS FROM INVESTMENTS</b>		<b>40,414,417</b>	<b>(9,999,607)</b>
<b>Financing:</b>			
New financing	4.3,4.4	2,117,638	70,054,630
Funding repayment and bonds	4.2,4.3,4.4	(50,766,321)	(60,097,220)
Principal payments - lease liabilities	3.3	(57,638)	(127,505)
Dividends paid to the parent company's shareholders	4.1	(2,452,708)	(3,866,869)
Sale/(purchase) of treasury shares	4.1	(340,575)	(870,796)
<b>CASH FLOWS FROM FINANCING</b>		<b>(51,499,335)</b>	<b>5,092,240</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>10,792,382</b>	<b>3,204,545</b>
<b>Cash and short-term deposits as of 1 January</b>		<b>6,255,196</b>	<b>3,050,651</b>
<b>Cash and short-term deposits as of 31 December</b>		<b>17,047,578</b>	<b>6,255,196</b>

## Shareholders' equity changes

	Notes	Share Capital	Legal reserve	Negative reserve for treasury shares in the portfolio	Merger surplus reserve	Share premium reserve	Extraordinary reserve	Other reserves	FTA reserve	Employee benefit reserve	Profits/losses carried forward	Profit/loss for the financial year	Total Shareholders' equity
<b>Balance as of 31 December 2021</b>	4.1	22,770,445	5,000,000	(15,939,707)	29,741,389	86,743,750	19,556,720	14,441,839	(6,669,789)	(71,174)	-	(4,120,450)	151,453,021
Profit/(loss) for the financial year												(7,584,144)	(7,584,144)
Other income statement components										99,603			99,603
<b>Comprehensive profit/(loss)</b>										99,603		(7,584,144)	(7,484,541)
Dividends							(3,866,869)						(3,866,869)
Stock Grant				3,130,050				(3,130,050)					-
Purchase of treasury shares				(870,796)									(870,796)
Warrant exercise													-
Allocation of the 2021 financial year result							(4,120,450)					4,120,450	-
<b>Balance as of 31 December 2022</b>	4.1	22,770,445	5,000,000	(13,680,454)	29,741,389	86,743,750	11,569,401	11,311,789	(6,669,789)	28,428	-	(7,584,144)	139,230,815
Profit/(loss) for the financial year												(7,437,309)	(7,437,309)
Other income statement components										(11,520)			(11,520)
<b>Comprehensive profit/(loss)</b>										(11,520)		(7,437,309)	(7,448,829)
Dividends							(2,452,708)						(2,452,708)
Stock Grant													-
Purchase of treasury shares				(340,575)									(340,575)
Warrant exercise													-
Allocation of the 2022 financial year result							(7,584,144)					7,584,144	-
<b>Balance as of 31 December 2023</b>	4.1	22,770,445	5,000,000	(14,021,029)	29,741,389	86,743,750	1,532,549	11,311,789	(6,669,789)	16,908	-	(7,437,309)	128,988,702



## 31 December 2023 FINANCIAL STATEMENTS

### 1. Corporate information

The publication of the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Financial Statements for the financial year ended 31 December 2023 was authorised on 29 March 2024 and submitted to the shareholders' meeting for examination and approval for filing at the Company's registered office.

Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter referred to as "Fine Foods" or the "Company"), registered and domiciled in Bergamo, is a joint-stock company, with its registered office in Via Berlino 39, Verdellino - Zingonia (BG). The Company, listed on Euronext STAR Milan of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO).

Founded in 1984, Fine Foods proved to be a reliable and capable strategic partner for customers in the reference sectors. The company's organisation can provide successful design process and solid, long-term partnerships. The continuous search for excellence is part of the company's business model and includes research and development, innovation, process reliability, product quality, ESG, and sustainable management of the Group's supply chain. Fine Foods is a benefit corporation which relies on certifications and ratings under international standards. These guarantee its sustainability commitment across the business. With € 252 million revenue in 2023 and more than 11.1% CAGR over the last decade, Fine Foods Group is a growing and future-oriented entity.

The accompanying financial statements of Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

#### 1.1 Significant events for the period

##### Closure of Securities Portfolio

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that included financial instruments and liquidity.

During the first half of the 2023, Fine Foods closed its investment portfolio, withdrawing € 64 million from this asset management. As of 31 December 2023, there was only one security in the portfolio with a market value of € 98,000. Fine Foods definitively closed the position in February 2024 and the portfolio management, from the opening to closure, was positive for € 5.7 million.

For further details, please refer to the Notes to the Financial Statements.

##### Intercompany financing

During 2023, Fine Foods granted its subsidiary Euro Cosmetic S.p.A. € 11 million in intercompany financing, disbursed in three instalments as follows:

- First instalment of € 2 million in January 2023;
- Second instalment of € 4 million in June 2023;
- Third instalment of € 5 million in October 2023.

The applicable interest rate is equal to the six-month EURIBOR, which is increased by a fixed spread. The first capital repayment instalment is scheduled for June 2025.

##### Early repayment and loan covenants of €70 million

On 25 February 2022, Intesa Sanpaolo and Fine Foods signed a seven-year € 70 million financing deal to support growth and development projects.

The Company made an early loan repayment of €20 million on 12 October 2023, after the closure of the above securities portfolio. As of 31 December 2023, the total loan outstanding amount was € 44.5 million (of which, according to the repayment plan, € 8 million payable within 12 months and € 36.4 million payable after 12 months).

The loan provides for financial covenants, to be calculated every six months, based on the following indicators based on the Group's Consolidated Financial Statements:

- > NFP / EBITDA
- > NFP / EQUITY
- > EBITDA/Financial charges

The financial parameter EBITDA/Financial charges on 31 December 2023, calculated as contractually stipulated, exceeded the limit. On 12 March 2024, the bank consented to include in the ratio calculation the income from the fair value measurement of financial assets, mainly related to the securities portfolio closure mentioned above. Using this calculation method ensures compliance with the covenant.

As of 31 December 2023, the medium- and long-term loan was reclassified to short-term under IAS 1.74. This accounting standard mandates such reclassification if a condition within the long-term loan agreement is breached on or before the FY closing date. Failure to comply with the above clause results in the liability becoming a payable on demand. This means the guaranteed option to postpone its payment for no less than 12 months from that date is invalid, regardless of whether the lender has consented after the reporting date to not request the payment due to the violation. For further details, please refer to the Notes to the Financial Statements.

Starting from the next quarterly report as of 31 March 2024, the classification of the bank loan will be reinstated based on the original amortisation schedule.

Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in all future reports.

## 1.2 Current international crisis impact

Fine Foods is monitoring the crisis development generated by the Russia-Ukraine conflict and the more recent one between Israel and Palestine. In 2022, this crisis has led to a rise in the prices of raw materials and energy, significantly impacting the global economy and prompting a resurgence of inflation. To mitigate this, central banks in Western countries have opted to increase interest rates.

The turnover in 2023 remained largely unaffected by the conflicts that erupted between Russia and Ukraine, and Israel and Palestine, the latter began in early October 2023.

Directors do not believe that the current political-economic contingency will significantly affect the sales volumes expected in 2024.

Given the uncertain market environment, the Company's Management will keep monitoring the development of these conflicts and their direct and indirect effects on the Financial Statements.

## 1.3 Going concern

These Financial Statements have been prepared on a going concern basis.

Under the paragraph "Early repayment and loan covenants of € 70 million", the directors recorded the Intesa loan under short-term financial liabilities. Directors believe that this element does not affect the company's ability to continue as a going concern, since the bank sent the request for consent on 12 March 2024, waiving the request for payment in the short term. Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in all future reports.

## 1.4 Accounting principles

### 1.4.1 Principles followed when preparing the Financial Statements

The Financial Statements for the year ended 31 December 2023 have been prepared under the International Accounting Standards - IAS and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the

interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the European Union under (EC) Regulation no. 1606/2002 and effective at the end of the financial year. All of the above standards and interpretations are referred to as "IAS/IFRS".

#### 1.4.2 **Financial Statements content and format**

The formats adopted by the Company and under IAS 1 are as follows:

- **Statement of financial position:** through the separate presentation of current/non-current assets and liabilities, as specified in paragraph 1.7 below. "Classification criteria"
- **Income statement:** it shows the items by nature and provides the most explanatory information.
- **Comprehensive Income Statement:** includes other income and charge items allowed to be booked in equity under IAS/IFRS.
- **Cash flow statement:** shows the cash flows of operating, investing and financing activities as required by IAS 7.
- **Shareholders' equity changes:** shows the overall result for the year and further movements in the Company's risk capital.

### 1.5 **Classification criteria**

#### 1.5.1 **Current/non-current classification**

Assets and liabilities in the Company's Financial Statements are classified as current/non-current. An asset is current when:

- it is expected to be realised or held for sale or used as part of ordinary business activities;
- it is held primarily for trading purposes;
- it is expected to be realised within 12 months after the end of the reporting period or
- consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- is expected to be settled as part of ordinary business activities;
- it is held primarily for trading purposes;
- it is expected to be settled within 12 months after the end of the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

The income statement is classified by nature, as it is considered that this representation is the one that best provides a fair view of the Company's operations.

The Company has decided to present two separate statements, an income statement and other comprehensive income statement (OCI), rather than a single statement combining the two.

The statement of cash flows is presented using the indirect method.

### 1.6 **Summary of significant accounting policies**

#### 1.6.1 **Fair value measurement**

The Company measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the valuation date during an ordinary transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place:

- in the main market for the asset or liability;

or

- in the absence of a main market, in the most advantageous market for the asset or liability.

The main or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured by adopting the assumptions that market participants would use in pricing the asset or liability, assuming that they are acting in their best economic interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset to its highest and best use or by selling it to another market participant who would use it to its highest and best use.

The Company uses valuation techniques appropriate for the circumstances and for which there is sufficient available data to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised according to the fair value hierarchy, as described below:

- Level 1 - listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability;
- Level 3 - valuation techniques for which the inputs are not observable for the asset or liability.

The fair value measurement is classified entirely at the same level of the fair value hierarchy in which the input of the lowest level of the hierarchy used for the measurement.

The Company's Financial Statements show financial assets and financial liabilities, and derivative instruments at fair value. For these items, the Company defines whether transfers have occurred between the hierarchy levels by reviewing the categorisation (based on the lowest level input, which is significant for the fair value measurement) at each reporting date.

At each balance sheet date, the Company's management analyses changes in the value of assets and liabilities for which revaluation or restatement is required under the Company's accounting policies.

For this analysis, the most recent valuation's main inputs are verified, linking the information used in the valuation to contracts and other relevant documents.

With external experts' support, Management compares each change in each asset and liability fair value with the relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Company defines the classes of assets and liabilities based on the asset or liability nature, characteristics and risks and the fair value hierarchy level outlined above.

The following table sets out the fair value measurement hierarchy for the Company's assets and liabilities as of 31 December 2023 and 31 December 2022.

31/12/2023	Total	Book value	Fair value level 1	Fair value level 2	Fair value level 3
<b>Financial assets</b>					
Non-current financial assets	11,000,000	11,000,000	11,000,000		
Current financial assets	3,888,082	3,888,082	421,106	3,466,976	
Cash and other liquid assets	17,047,578	17,047,578	17,047,578		
<b>Total financial assets</b>	<b>31,935,661</b>	<b>31,935,661</b>	<b>28,468,685</b>	<b>3,466,976</b>	<b>-</b>
<b>Financial liabilities</b>					
Non-current bank borrowings	4,141,720	4,141,720		4,141,720	
Current bank borrowings	53,335,668	53,335,668		53,335,668	
Non-current lease payables	35,580	35,580		35,580	
Current lease payables	52,804	52,804		52,804	
<b>Total financial liabilities</b>	<b>57,565,772</b>	<b>57,565,772</b>	<b>-</b>	<b>57,565,772</b>	<b>-</b>

31/12/2022	Total	Book value	Fair value level 1	Fair value level 2	Fair value level 3
<b>Financial assets</b>					
Current financial assets	66,301,319	66,301,319	62,834,343	3,466,976	
Cash and other liquid assets	6,255,196	6,255,196	6,255,196		

<b>Total financial assets</b>	<b>72,556,515</b>	<b>72,556,515</b>	<b>69,089,539</b>	<b>3,466,976</b>	<b>-</b>
<b>Financial liabilities</b>					
Current bonds	3,323,051	3,323,051		3,323,051	
Non-current bank borrowings	70,079,208	70,079,208		70,079,208	
Current bank borrowings	32,723,811	32,723,811		32,723,811	
Non-current lease payables	88,384	88,384		88,384	
Current lease payables	120,175	120,175		120,175	
<b>Total financial liabilities</b>	<b>106,334,630</b>	<b>106,334,630</b>	<b>-</b>	<b>106,334,630</b>	<b>-</b>

The Company's management has verified that the fair value of financial assets and liabilities approximates the book value.

### 1.6.2 Revenue from contracts with customers

Fine Foods & Pharmaceuticals N.T.M. S.p.A., deals with the contract development and manufacturing (Contract Development and Manufacturing Organisation - CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries.

Revenue from contracts with customers is recorded when control of the goods is transferred to the customer, generally upon delivery, for an amount corresponding to the Company's expected consideration in exchange for such assets.

The Company considers whether other promises in the contract represent contractual obligations on which a portion of the transaction consideration is to be allocated. In defining the product sale transaction price, the Company considers any effect of variable consideration and significant financial components.

If the consideration promised in the contract includes a variable amount, the Company estimates the variable consideration when the contract is signed. This amount is not recorded until it is highly probable that it will be paid considering what has been agreed.

### 1.6.3 Income taxes

#### Current taxes

Current tax assets and liabilities for the year are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and regulations used to calculate the amount are enacted or substantively enacted at the Financial Statements date in the country where the Company operates and generates its taxable income.

Current taxes related to items booked directly in equity are recorded in equity and not in profit/(loss) for the year. Management periodically assesses the tax return position in cases where tax rules are subject to interpretation and, where appropriate, makes provisions.

#### Deferred taxes

Deferred taxes are calculated by applying the liability method to temporary differences at the Financial Statements date between the assets and liabilities tax values and their corresponding book values.

Deferred tax liabilities are recorded for all temporary taxable differences, with the following exceptions:

- deferred tax liabilities arising from the initial recording of goodwill or an asset or liability in a transaction that is not a business combination and, at the transaction time, affects neither The Financial Statements result nor the tax result;
- the reversal of temporary taxable differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it will probably not occur in the foreseeable future.

Deferred tax assets are recorded for temporary deductible differences and unused tax receivables and losses carried forward to the extent that it is probable sufficient future taxable profit will be available against which the temporary deductible differences and tax receivables and losses carried forward can be used. Unless:

- the deferred tax asset associated with deductible temporary differences arises from the initial recording of an asset or liability in a transaction that is not a business combination and, at the transaction time, affects neither the Financial Statements result nor the tax result;
- for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recorded if it is probable that they will shift in the foreseeable future and there will be sufficient taxable income to allow for temporary differences to be recovered.

The book value of deferred tax assets is reviewed at each Financial Statements date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow that credit's use. Unrecorded deferred tax assets are reviewed at each Financial Statements date and recorded to the extent that it is probable sufficient taxable income will be available in the future to allow the recovery of those deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied when the assets are realised or liabilities settled, considering the rates that have been enacted or substantively enacted at the Financial Statements date.

Deferred taxes for items recorded outside the income statement are recorded outside the income statement, in the equity or the comprehensive income statement, alongside the item they relate.

Tax benefits acquired due to a business combination but do not meet the criteria for separate recording at the acquisition date are recorded when new information about changes in facts and circumstances is obtained. If recorded during the valuation period, the adjustment is booked as a reduction in goodwill (up to the goodwill amount). If recorded later it is booked in the income statement.

The Company offsets deferred tax assets and liabilities if there is a legal right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes owed to the same taxation authority by the same taxpayer or different taxpayers who intend to settle current tax assets and liabilities on a net basis.

#### Indirect taxes

Costs, revenue, assets and liabilities shall be recorded net of indirect taxes, such as value-added tax, with the following exceptions:

- the tax applied to goods or services purchase is non-deductible; in this case, it is recorded as part of the asset purchase cost or part of the cost booked in the income statement;
- trade receivables and payables include the applicable indirect tax.
- The net amount of indirect taxes to be recovered or paid to the tax authorities was included in the Financial Statements under receivables or payables.

#### **1.6.4 Foreign currency transactions and balances**

Any foreign currency transactions are initially recorded in the functional currency by applying the spot exchange rate at the transaction's date.

Monetary foreign currency assets and liabilities are translated into the functional currency at the exchange rate at the Financial Statements date.

Exchange differences or those arising from the translation of monetary items are recorded in the income statement. Taxes attributable to exchange differences on monetary items are recorded in the statement of comprehensive income. Non-monetary items valued using foreign currency historical costs are translated at the exchange rates at the transaction's initial recording date. Non-monetary items valued using foreign currency fair value are translated at the exchange rates at the date this value was determined. A gain or loss that arises from the translation of non-monetary items is treated consistently with the recording of gains and losses based on the fair value change of those items (i.e. translation differences on items whose fair value change is recorded in the comprehensive income statement or income statement and are respectively booked in the comprehensive income statement or income statement).

#### **1.6.5 Dividends**

The Company books a liability for a dividend payment when the distribution is authorised and is not at the Company's discretion. Under European corporate law, distribution is authorised when shareholders approve it. Recording under liabilities is offset by a reduction in shareholders' equity to the reserve indicated in the shareholders' meeting minutes.

#### **1.6.6 Property, plant and machinery**

Property under construction is recorded at historical cost net of any accumulated impairment losses. Property, plant and machinery are recorded at historical cost net of accumulated depreciation and accumulated impairment losses. This cost includes expenses for replacing part of the plant and machinery when they are incurred if they meet the booking criteria. When it is necessary to replace plant and machinery significant parts regularly, the Company depreciates them separately over their useful life. Similarly, during major overhauls, the cost is included in the plant or machinery book value as in replacements, if booking criteria are met. All other repair and maintenance costs are recorded in the income statement when incurred. The costs for dismantling and removing an asset at the end of its useful life were included in the asset cost, if the criteria for recognising a provision were met.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life as follows:

Table of depreciation rates		
	Food	Pharma
Industrial buildings based on their type	3%	5.50%
Light construction	10%	10%
Generic plant, based on their type	7.50%	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%	-

The book value of a property, plant and machinery item and any significant component initially recorded is cancelled at the time of its disposal or when no future financial benefit is expected from its use or disposal. The gain or loss arising on the asset cancellation (calculated as the difference between the asset's net book value and the consideration received) is recorded in the income statement when the item is cancelled.

The property, plant and machinery residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and, where appropriate, prospectively adjusted.

### 1.6.7 Leases

At each contract stipulation, the Company assesses whether the contract meets a lease's definition under the standard. The definition of a contractual agreement as a lease (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether the agreement performance depends on the use of one or more specific assets, or transfers financial benefits arising from the asset's use to another party.

#### The Company as lessee

For each contract that meets the lease definition or contains a lease, the Company accounts for a Right of Use and a Financial Liability, equal to the current value of the future lease payments plus the initial direct costs, obligations to return the asset to its original condition less any incentive paid to the supplier.

Financial charges are allocated to the income statement.

Leased assets are depreciated over the lease duration.

The entity records the following in its Financial Statements:

- a financial liability, equal to the current value of residual future payments at the transition date, which are discounted using the incremental borrowing rate applicable at the transition date for each contract;
- a right of use equal to the financial liability value net of any accruals and deferrals referring to the lease and recorded in the balance sheet at the date of these Financial Statements.

Although their value is negligible, the Company has recorded the expenses for improvement works carried out on leased properties, when they meet the requirements to be capitalised, within the right of use, depreciating them based on the residual useful life of each contract.

In adopting IFRS 16, the Company used the exemption granted by the standard for short-term leases (contracts lasting less than a year) for all classes of assets and low-value assets, i.e. lease contracts for which the unit value of the underlying assets does not exceed € 5,000 when new.

The contracts for which the exemption has been applied fall mainly within the forklift category, as they were purchased during 2019 and are considered to be short-term contracts.

For these contracts, adopting IFRS 16 will not result in booking the lease financial liability and related right of use. Instead lease payments will be recorded in the income statement on a straight-line basis over the relevant contract duration.



### The Company as lessor

Lease agreements that substantially leave the Company with all the asset ownership risks and benefits are classified as operating leases. Lease income from operating leases is recorded on a straight-line basis over the lease duration and is included in other income in the Income Statement due to its operating nature. Initial trading costs are added to the leased asset's book value and recorded over the lease duration on the same basis as rental income.

#### **1.6.8 Financial charges**

Financial charges directly attributable to the acquisition, construction or production of an asset that requires a substantial period before it is available for use are capitalised on the asset cost. All other financial charges are recorded as an expense in the period in which they are incurred. Financial charges consist of interest and other costs that an entity incurs to obtain financing.

#### **1.6.9 Intangible assets**

Intangible assets are initially recorded at cost. After the initial recording, intangible assets are recorded at cost net of accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, other than development costs that meet specific requirements as defined by IAS 38, are not capitalised and are booked in the income statement for the period in which they are incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment whenever there are indications of possible impairment. A finite useful life intangible asset amortisation period and method are reviewed at least at each financial year-end. Changes in the expected useful life or how future financial benefits associated with the asset will be realised are recorded through changes in the amortisation period or method, as appropriate, and are considered changes in accounting estimates. Amortisation of intangible assets with finite useful lives is recorded in profit/(loss) for the year in the cost category consistent with the intangible asset function.

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment, either at the individual or cash-flow generating unit level (IAS 36). The indefinite useful life assessment is reviewed annually to determine whether this attribution continues to be sustainable; otherwise, the change from "indefinite useful life" to "finite useful life" is prospectively applied.

An intangible asset is cancelled at the time of its disposal (i.e. on the date when the acquirer obtains control of it) or when no future financial benefits are expected from its use or disposal.

Any gain or loss arising from the asset cancellation (calculated as the difference between the net disposal proceeds and the asset book value) is included in the income statement.

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

#### **1.6.10 Financial Instruments - Recording and valuation**

A financial instrument is a contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another.

##### *j) Financial assets Initial recording and valuation*

Upon initial recording, financial assets are classified using the following measurement methods, i.e. amortised cost, fair value through other comprehensive income (hereafter OCI) and fair value in the income statement, as appropriate.

When initially recorded, the classification of financial assets, in addition to the instrument nature, depends on the financial assets' contractual cash flow features and the business model that the Company uses to manage them. Except for trade receivables, the Company initially measures a financial asset at its fair value plus any transaction costs. Trade receivables are measured at the transaction price defined under IFRS 15.

For a financial asset to be classified and valued at amortised cost or fair value through the OCI, it must generate cash flows that depend solely on principal and interest on the principal amount to be repaid (the "solely payments of principal and interest – SPPI"). This assessment is referred to as the SPPI test and is performed at the instrument level.

Financial assets with cash flows that do not meet the above requirements (e.g. SPPI) are classified and measured at fair value in the income statement.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model defines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

#### *Subsequent valuation*

For subsequent valuation, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value in the other comprehensive income with the reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value in the other comprehensive income without reclassification of cancelled accumulated profits and losses (equity instruments);
- Financial assets at fair value in the income statement.

#### *Financial assets at amortised cost (debt instruments)*

The Company measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets to collect contractual cash flows

and

- the financial asset contractual terms provide for cash flows at specified dates that consist solely of principal and interest payments on the principal amount to be repaid, better known as the SPPI (solely payments of principal and interest) test.

Financial assets at amortised cost are subsequently valued using the effective interest method and are subject to impairment. Profits and losses are recorded in the income statement when the asset is cancelled, modified or revalued.

#### *Financial assets at fair value through OCI (debt instruments)*

The Company values assets from debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is achieved by collecting the contractual cash flows and selling the financial assets

and

- the financial asset contractual terms provide for cash flows at specified dates that consist solely of principal payments and interest defined on the amount of principal to be repaid.

For debt instruments, assets measured at fair value through OCI, interest income, changes in foreign exchange rates and impairment losses, together with reclassifications, are recorded in the income statement and are calculated in the same way as for financial assets measured at amortised cost. The remaining changes in fair value are recorded in OCI. Upon cancellation, the cumulative change in fair value recorded in OCI is reclassified in the income statement.

The Company's debt instrument assets measured at fair value through OCI include investments in listed debt instruments included in other non-current financial assets.

#### *Investments in equity instruments*

Upon initial recording, the Company may irrevocably elect to classify its equity investments as equity instruments recorded at fair value in OCI when they meet the definition of equity instruments under IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is defined for each individual instrument.

Profits and losses incurred on such financial assets are never re-entered in the income statement. Dividends are recorded as other income in the income statement when the right to payment has been established. Equity instruments booked at fair value in OCI are not subject to impairment testing.

#### *Cancellation*

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is cancelled in the first instance (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset are expired, or

- the Company transfers the right to receive cash flows from the asset to a third party or assumes a contractual obligation to pay them in full and without delay and (a) transfers the risks and benefits of financial asset's ownership substantially, or (b) neither transfers nor retains the asset's risks and benefits substantially but transfers control of it.

If the Company transfers the rights to receive cash flows from an asset or enters into an agreement under which it retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through), it assesses whether and to what extent it retains the ownership risks and benefits. If it neither transfers nor substantially retains the risks and benefits or does not lose control over it, the asset is booked in the Company's Financial Statements to the extent of its continuing involvement in the asset. In this case, the Company records an associated liability. The transferred asset and the associated liability are measured to reflect the rights and obligations that remain with the Company.

When the entity's continuing involvement guarantees the transferred asset, the involvement is measured at the lower of the asset amount and the received consideration maximum amount that the entity could be required to repay.

At the date of these Financial Statements, the Company holds an investment portfolio that includes financial and liquidity instruments, transferred and managed through a primary credit institution, measured at fair value in the income statement. For further details, please refer to paragraph 3.12 "Current financial assets."

## *ii) Financial liabilities*

### Recording and initial measurement

Financial liabilities are classified, upon initial recording, among financial liabilities at fair value in the income statement, among loans and borrowings, or derivatives designated as hedging instruments.

All financial liabilities are initially recorded at fair value plus directly attributable transaction costs in case of loans and borrowings.

The Company's financial liabilities include mortgages and loans, and derivative financial instruments.

### Subsequent valuation

The valuation of financial liabilities depends on their classification, as described below:

#### *Financial liabilities at fair value in the income statement*

Financial liabilities at fair value with changes recorded in the income statement include liabilities held for trading and financial liabilities initially recorded at fair value with changes recorded in the income statement.

Held-for-trading liabilities are all those liabilities that are assumed with the intention to settle or transfer them in the short term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as held-for-trading unless they are designated as effective hedging instruments.

Profits or losses on liabilities held for trading are recorded in Profit/(loss) for the financial year.

Financial liabilities are allocated at fair value with changes recorded in the income statement from the date of initial recording, only if the IFRS 9 criteria are met. Upon initial recording, the Company did not allocate financial liabilities at fair value with changes recorded in the income statement.

#### *Loans and receivables*

After the initial recording, loans are measured at amortised cost using the effective interest rate method. Profits and losses are recorded in the income statement when the liability is settled and through the amortisation process.

Amortised cost is calculated by recording the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in financial charges in the profit/(loss) for the year.

#### *Cancellation*

A financial liability is cancelled when the obligation underlying the liability is extinguished, cancelled or settled. When an existing financial liability is replaced by another financial liability of the same lender on substantially different terms, or the terms of a current liability are substantially modified, such exchange or modification is treated as cancelling the original liability. A new liability is booked, with any difference between the book values recorded in the profit/(loss) for the year.

### **1.6.11 Inventories**

Inventories are valued at the lower between the cost and estimated net realisable value. The valuation criteria adopted is the weighted average cost method.

The costs incurred to bring each asset to its present location and condition are recorded as follows:

- Raw materials: purchase cost calculated using the weighted average cost method, adjusted if necessary if the last purchase price is lower than the raw material market value.
- Finished and semi-finished goods: direct cost of materials and labour plus a share of production overheads, defined based on expected production capacity, excluding financial expenses, through a bill of materials;

The estimated net realisable value is the estimated normal selling price during the business performance, less estimated completion costs and estimated costs to make the sale.

### **1.6.12 Impairment of non-financial assets**

At each Financial Statements date, the Company assesses whether there are any asset impairment indicators. In this case, or when an annual impairment test is required, the Company estimates the recoverable amount. Recoverable amount is the higher of the asset or cash-generating unit's fair value, less sales costs, and its use-value. The recoverable amount is defined for each individual asset, except when that asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If an asset's book value is greater than its recoverable amount, that asset is impaired and is written down to its recoverable amount accordingly.

When defining use-value, the Company discounts estimated future cash flows at present value using a pre-tax discount rate that reflects market assessments of the present money value and the asset's risks. Recent market transactions are considered when defining the fair value net of sales costs. The Company bases its impairment test on detailed budgets and forecast calculations prepared separately for the Company's cash-generating unit to which individual assets are allocated. These budgets and forecast calculations generally cover four years. A long-term growth rate (terminal value) is calculated to project future cash flows beyond the fifth year.

The Company bases its impairment test on the most recent budgets and forecast calculations, prepared separately for each cash-generating unit to which individual assets are allocated. These budgets and forecast calculations generally cover three years. A long-term growth rate is calculated to project future cash flows beyond the third year.

Impairment losses of operating assets are recorded in profit/(loss) for the financial year in the cost categories consistent with the intended use of the asset that resulted in the impairment loss. An exception is made for revalued fixed assets, where the revaluation has been recorded in other comprehensive income. In such cases, the impairment loss is recorded in other comprehensive income up to the amount of the previous revaluation.

For assets other than goodwill, at each reporting date, the Company assesses whether any indicators of ceased (or decreased) recorded impairment losses exist and, if such indicators exist, estimates the recoverable amount of the asset or cash-generating unit (CGU). An already impaired asset's value may be revalued only if there have been changes in the assumptions underlying the recoverable amount calculation after the recording of the last impairment loss. The revaluation may not exceed the defined book value, net of amortisation, assuming that no impairment loss was recorded in past financial years. Such revaluation is recorded in profit/(loss) for the financial year unless the fixed asset is accounted for at a revalued amount. In this case the revaluation is treated as a revaluation increase.

### **1.6.13 Cash and short-term deposits**

Cash and short-term deposits comprise cash on hand, in domestic and foreign currencies, stamps, and cash holdings resulting from the Company's accounts with credit institutions. They are all expressed at their nominal value.

For cash flow statement presentation purposes, liquid assets and equivalents are represented by liquid assets as defined above.

### **1.6.14 Treasury shares**

Repurchased treasury shares are recognised at cost and deducted from equity. The buyback, sale or cancellation of treasury shares do not give rise to any gain or loss in the Income Statement. If there is a reissue, the difference between the buyback price and consideration is recognised in the share premium reserve.

#### **1.6.15 Provisions for risks**

Provisions for risks and charges are made when the Company has a current obligation (legal or implied) because of a past event, an outflow of resources will probably be required to settle the obligation, and a reliable amount estimate can be made. When the Company considers that a provision for risks and charges will be partly or fully reimbursed, for example for risks covered by insurance policies, the indemnity is recorded separately as an asset only if it is certain. If so, the provision cost is booked in profit/(loss) for the financial year net of the amount recorded for the indemnity.

If the effect of money value over time is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When the liability is discounted, the provision's increase over time is recorded as a financial charge.

#### **1.6.16 Employee benefit liabilities**

The cost of expected benefits under the defined benefit plan is defined using the actuarial projected unit credit method.

Revaluations, which include actuarial profits and losses, changes in the effect of the asset limit, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recorded immediately in the statement of financial position by debiting or crediting profits carried forward through other comprehensive income components in the financial year when they arise.

Revaluations are not reclassified to the income statement in subsequent financial years.

Past service cost is recorded in the income statement at the earliest of the following dates:

- the date on which a plan amendment or reduction occurs, and
- the date on which the Company records the related restructuring costs or employee termination benefits.

Net interest on the net defined benefit liability/asset is defined by multiplying the net liability/asset by the discount rate. The Company records the following changes in the net defined benefit obligation in sales cost, administrative expenses and sales and distribution costs in the income statement (by nature):

- Service costs, including current and past service costs, profits and losses on non-routine reductions and settlements;
- Net interest income or expense.

#### **1.6.17 Investments**

Investments are recorded at cost, adjusted for impairment losses and any variable amounts, such as earn-outs or leakage. The positive difference, arising at the time of purchase, between the acquisition cost and the Company's share of the investee's equity at current values is included in the investment book value. Investments are subject to an impairment test, where impairment indicators have been identified. If there is evidence that these investments have suffered an impairment loss, this is recognised in the Income Statement as a write-down. If the Company's share of the investee's losses exceeds the investment book value, and the Company has the obligation or intention to account for it, the investment value is written off and the share of further losses is recorded as a provision in liabilities. If the impairment loss ceases to exist or is reduced, a value restatement of the impairment loss is recorded in the Income Statement within the cost limits.

#### **1.6.18 New accounting standards, interpretations and amendments adopted by the Company**

For the first time, the Company has applied certain standards or amendments that are effective from 1 January 2023.

The Company has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

##### *Definition of Accounting Estimates – Amendments to IAS 8*

The amendments to IAS 8 clarify changes in accounting estimates, and those in accounting principles and error corrections. In addition, they clarify how entities use valuation techniques and inputs to develop accounting estimates.

These amendments had no impact on the Company's Financial Statements.

#### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to assist entities in applying significant judgements to accounting policy disclosures. The amendments help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting principles with a requirement to disclose their "material" accounting principles. Guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions is added.

The amendments impacted the company's accounting policy disclosures, but not the measurement, recognition and presentation of items in the Company's Financial Statements.

#### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

Amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equally taxable and deductible temporary differences such as leases and decommissioning liabilities. These amendments had no impact on the Company's Financial Statements.

#### *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

Amendments to IAS 12 were introduced in response to the OECD's BEPS Pillar Two rules and include:

A temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes arising from the implementation in the Pillar Two rules jurisdictions; and

Disclosure requirements for affected entities to help financial statement users better understand the income tax impacts arising from such legislation, particularly prior to the effective date.

The temporary mandatory exemption requires disclosure and is effective immediately. The remaining disclosure requirements apply for financial years beginning on or after 1 January 2023, but not for interim periods before 31 December 2023.

### **1.6.19 Standards issued but not yet effective**

Other approved or unapproved standards, interpretations or amendments which were not effective at the date of preparation of these financial statements are listed below.

#### *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

In September 2022, IASB issued an amendment to IFRS 16 to specify the requirements that a selling lessor uses in measuring the lease liability arising from a sale and leaseback transaction to ensure that the selling lessor does not recognise a gain or loss for the right of use retained by the lessor.

The amendments are effective for financial years beginning on or after 1 January 2024 and are applied to sale and leaseback transactions entered into after the date of first-time application of IFRS 16. Earlier application is permitted, and related disclosure is required.

These amendments are not expected to have a material impact on the Company's Financial Statements.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- The meaning of a right to defer the due date
- The right of deferment must exist at the end of the financial year
- Classification is not affected by the probability that the entity will exercise its right of deferment
- Only if a derivative embedded in a convertible liability is an equity instrument does the liability due date not impact its classification

It is required to disclose situations where a liability from a loan agreement is categorised as non-current, and the entity's deferral right is contingent upon fulfilling covenants within a 12-month period.

The amendments will be effective for financial years beginning on or after 1 January 2024 and must be applied retrospectively. The Company is evaluating the impact that the amendments will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

#### Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, IASB issued amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Supplementary Information, to clarify the features of reverse factoring agreements and request their further disclosure. The disclosure requirements included in the amendments help financial statement users better understand the effects on an entity's liabilities, cash flows and exposure to liquidity risk of reverse factoring agreements.

The amendments will be effective for financial years beginning on or after 01 January 2024. Earlier application is permitted, and related disclosure is required.

These amendments are not expected to have a material impact on the Company's Financial Statements.

## 1.7 Capital management

For Company's capital managing purposes, capital is the issued share capital, convertible preferred shares, the share premium reserve and other capital reserves attributable to the Company's shareholders. The capital management primary objective is to maximise its value for shareholders. The Company manages the capital structure and makes adjustments based on economic conditions and financial covenant requirements. To maintain or adjust the capital structure, the Company may intervene on dividends paid to shareholders, repay the capital to shareholders or issue new shares. The Company controls capital using a gearing ratio, which is the ratio of net debt to total capital plus net debt. The Company's policy is to maintain this ratio below 40%. In 2019 and 2020, as the Company's net financial position is positive (net cash), this target is achieved by definition. In 2023, this ratio was around 22%

	2023	2022
Interest-bearing loans and borrowings other than convertible preferred shares	57,477,388	102,803,020
Bonds payable	-	3,323,051
Lease payables	88,384	208,559
Less: liquid assets and short-term deposits	(17,047,578)	(6,255,196)
Less: current financial assets	(3,888,082)	(66,301,319)
<b>Net debt</b>	<b>36,630,112</b>	<b>33,778,115</b>
Shareholders' equity	128,988,702	139,230,815
<b>Equity and net debt</b>	<b>165,618,814</b>	<b>173,008,930</b>
Gearing ratio	22%	20%

## 1.8 Financial risk management

### 1.8.1 Liquidity risk

The Company monitors the liquidity shortage risk using a liquidity planning tool. The Company's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines, bank loans, and mortgages. The Company's policy is to keep loan numbers due in the next 12 months around 60%. As of 31 December 2023, 92.7% of the Company's debt is due in less than one year (2022: 34%), calculated based on the debts' book value on the Financial Statements. If the Company had not temporarily reclassified the medium/long-term debt to Intesa of the original € 70 million, for € 36.4 million, in current bank borrowings, the share of debt due in less than one year would have been 29.4%. Please refer to section "1.1 Significant events for the period" for further details on this reclassification.



The table below summarises the Company's due date profile of financial liabilities based on undiscounted contractually agreed payments.

<b>31 December 2023</b>	<b>Total</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>				
Non-current bank borrowings	4,141,720	-	4,141,720	-
Current bank borrowings	53,335,668	53,335,668	-	-
Non-current lease payables	35,580	-	35,580	-
Current lease payables	52,804	52,804	-	-
<b>Total financial liabilities</b>	<b>57,565,772</b>	<b>53,388,472</b>	<b>4,177,300</b>	<b>-</b>

<b>31 December 2022</b>	<b>Total</b>	<b>1 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>				
Bonds	3,323,051	3,323,051	-	-
Non-current bank borrowings	70,079,208	-	64,199,702	5,879,506
Current bank borrowings	32,723,811	32,723,811	-	-
Non-current lease payables	88,384	-	88,384	-
Current lease payables	120,175	120,175	-	-
<b>Total financial liabilities</b>	<b>106,334,630</b>	<b>36,167,037</b>	<b>64,288,087</b>	<b>5,879,506</b>

### 1.8.2 Interest rate risk

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

- **Cash Flow Risk:** this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)
- **Fair Value Risk:** this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Company is assessing specific instruments to hedge the interest rate variability on existing loans. Considering the early repayment of € 20 million on the original € 70 million loan from Intesa, the Company's Management is open to the possibility of renegotiating the existing covenants.

### 1.8.3 Risks related to the recurrence of pandemics

Recent WHO analyses suggest an increased risk of recurring global pandemics, attributed to climate change and market globalisation. It is crucial to enhance preparedness and resilience in addressing future worldwide health challenges. The World Health Organisation (WHO) is working on a new global instrument to better protect people, communities and countries from future pandemics. The possible occurrence of the COVID 19 pandemic circumstances could have significant adverse effects on the Company's economic, capital and financial position.

The experience gained during the COVID 19 pandemic allowed the Group to define specific organisational solutions and procedural tools to better face any health crisis. The tools deployed during the pandemic period and awareness-raising actions implemented can be applied to a possible new event.

The Company has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

#### **1.8.4 Risks related to the concentration of revenue on major customers**

The Group has a significant concentration of revenue on its main customers, amounting to approximately 69% on the top five customers as of 31 December 2023. The loss of one or more of these relationships would have a significant impact on Company revenue. Most of the contracts with the Company's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenue generated by the Company in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on business, economic, capital and financial situation.

The Company mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, through commercial activities for acquiring new customers and M&A for identifying and acquiring target companies. With the increase of Food and Pharma customers, the concentration of revenue was diluted.

#### **1.8.5 Credit risk**

This is the risk that a customer or a financial instrument counterparty causes a financial loss by failing to fulfil an obligation; for the Company, the risk is mainly related to the failure to collect trade receivables. Fine Foods' main counterparties are major companies active in the nutraceutical and pharmaceutical sectors. The Company carefully evaluates its customers' credit standing, considering that, due to its business's nature, the relationships with its customers are long-term.

#### **1.8.6 Price risk**

The price risk is mitigated using a solid cost accounting procedure that can identify the production cost. In this way, remunerative and competitive prices are established and adopted with the customer.

#### **1.8.7 Risk of changes in cash flows**

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.

#### **1.8.8 Tax risks**

The Company is subject to the taxation system under applicable Italian tax laws. Unfavourable changes to this legislation, and any Italian tax authorities or Law orientation related to the application, interpretation of tax regulations to determine the tax burden (Corporate Income Tax "IRES", Regional Tax on Production Activities "IRAP") and the Value Added Tax "VAT", could have significant negative effects on the Company's economic, capital and financial situation.

The Company is exposed to the risk that the financial administration or law may adopt different interpretations or positions concerning tax and fiscal legislation from those adopted by Fine Foods in carrying out its business. Tax and fiscal legislation, and its interpretation, are complex elements due to the continuous legislation evolution and analysis from administrative and jurisdictional bodies.

The Company will periodically undergo inspections to verify such regulations' correct application and the correct payment of taxes. Disputes with Italian or foreign tax authorities could involve the Company in lengthy proceedings, resulting in the payment of penalties or sanctions, with possible significant adverse effects on its business, economic, capital and financial situation.

Due to the complexity and continuous changes in tax and fiscal regulations and their interpretation, it is impossible to exclude that the financial administration or law may make interpretations, or take positions, that contrast with those adopted by the Company. This might result in negative consequences on its economic, capital and financial situation.

#### **1.8.9 Risks related to supplier relationships: shortages of raw and packaging materials**

Considering the complex geopolitical situation and climatic risks that may jeopardise some harvests, the Company risks increased costs in 2024 for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with potential adverse effects on the Company's business, economic, capital and financial position. The Company's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Company maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

#### **1.8.10 Energy cost risk**

The Company risks significant increases in energy costs. Energy costs in 2023 were higher than historically. This impact is estimated at almost 1.7% on revenue, compared to the 1% average of previous years. The outlook for 2024 sees energy price volatility significantly downgraded. The supply of energy available for the European market and domestic energy stocks are the reasons why the estimated negative impacts on the Company's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

The Company assembled a team coordinated by an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements. To mitigate possible price increases, part of the energy cost (electricity and methane) forecast for 2024 was secured through a price-fixing strategy.

#### **1.8.11 Risks related to ongoing conflicts**

The Company faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend, the risk is to be considered zero. The Food BU situation for 2024 remains uncertain and potentially capable of generating negative effects on the Company's economic, financial and capital position, although reduced compared to the significant impact on 2022 and less relevant on 2023.

The Company does not have significant business relations with Israel or near countries affected by the current conflict.

The Company's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

#### **1.8.12 Manufacturer's liability risks**

The Company faces risks related to products manufactured with a quality that does not comply with the customer's specifications which could have side effects, or undesired and unexpected effects on consumers' health and risks related to future due diligence obligations along the supply chain. This could expose the Company to possible liability action or claims for compensation, with potentially adverse effects on the Company's economic, capital and financial position.

The Company has a reliable quality system and several certifications which guarantee compliance with good manufacturing standards. All finished products and raw materials undergo thorough analysis to ensure they meet release specifications. Suppliers of raw materials and packaging undergo a qualification process and monitoring of ESG requirements. This procedure will cover service providers in 2024. The Company has an international food alert and fraud monitoring system.

The Company stipulated a policy with a leading insurance company with a limit of € 5 million per event. An additional action to mitigate this risk concerns the continuous training of personnel involved in the procurement, testing and product manufacturing processes.

#### **1.8.13 Risks related to production authorisations**

The Company faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic, financial and capital position.

During the many audits conducted by customers and authorities, the Company has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Company has a procedure for promptly handling any observations or deviations identified by the authorities.

#### **1.8.14 Risks related to environmental, occupational health and safety regulations**

The Company faces the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Company's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the its economic, capital and financial position.

To address these risks, the Company has a robust system for managing worker health and safety standards and environmental protection of the areas where the Company operates. The Company has ISO45001:2018 (OH&S) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

#### **1.8.15 Risks related to the information system's reliability**

The Company faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Company's economic, capital and financial position.

The Company implements security procedures and policies to ensure proper IT systems management, and has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The IT department periodically conducts simulated external attacks to assess the robustness of the security system. The Company has a disaster recovery plan to ensure the reliability of its IT systems. The Company's IT systems comply with the General Data Protection Regulation. The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

#### **1.8.16 Risks related to human capital management**

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Company operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Company to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Company's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models. Policies to enhance diversity, manage and promote talent and plans to maximise positive contributions to personal health are crucial in attracting and retaining talent and technically skilled people. Failure to implement the necessary policies to successfully manage human capital can have a negative impact on the Company's economic, capital and financial position.

Fine Foods believes that its people are the key to business success as they provide a true competitive advantage to the organisation. The Company invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. To fill any skills gaps, a tailored onboarding programme is planned, complemented by attendance in specialised courses. Various communication channels between employees and management are in place, and meetings for sharing the Company's objectives achieved are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible work schedules and practices have been adopted to enhance employees' work-life balance. The Company participated in the Lombardy Region's WHP programme, and promoted a range of initiatives for physical and mental health of employees.

#### **1.8.17 Risks related to climate change**

As a result of climate change, the Company faces possible operational shutdowns due to unforeseeable and improbable extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Company's income statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures. introducing carbon taxes.

Fine Foods is updating its risk assessment to account for potential climate change effects on infrastructure from extreme events and the possible rise in energy usage due to increasing temperatures. The Company has insurance coverage for "catastrophic risks." The Group is continually updating its expertise and capabilities in handling "transition risks" through its association with Farmindustria, to align its energy efficiency with international standards.

The Group implemented a dedicated team coordinated by an energy manager which oversees measures to increase all Group sites' energy efficiency.

It carries out operations to reduce water consumption and an internal task force meets periodically to monitor improvements and the implemented measures effectiveness.

## **1.9 Discretionary evaluations and significant accounting estimates**

The Company's Financial Statements' preparation requires the directors to make discretionary evaluations, estimates, and assumptions that affect the amounts of revenue, costs, assets and liabilities, their information and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could lead to outcomes that require a significant adjustment to the book value of these assets or liabilities in the future.

### **1.9.1 Discretionary assessments**

In applying the Company's accounting policies, the directors have made decisions based on the following discretionary assessments (excluding those involving estimates).

#### *Significant assessment in defining the lease term of contracts that contain an option to extend - The Company as lessee*

The Company defines the lease term as the lease non-cancellable period plus the periods covered by the option to extend the lease, if there is reasonable certainty of exercising that option, and the periods covered by the opportunity to terminate the lease when there is reasonable certainty of not exercising that option.

The Company has the option to extend the lease or terminate it early for some of its leases. The Company assesses whether there is reasonable certainty of exercising the renewal options. The Company considers all factors noted that may result in an economic incentive to exercise renewal options or terminate the lease. After the effective date, the Company revises its estimates of the lease term if a significant event or change occurs in the circumstances within the Company's control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset) (see paragraph 3.3 "Leases").

### **1.9.2 Estimates and assumptions**

The main assumptions concerning the future and other significant sources of estimation uncertainty that, at Financial Statements date, have a substantial risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are shown below. The Company has based its estimates and assumptions on available parameters when the Financial Statements were prepared. However, circumstances and assumptions about future events may change due to changes in the market or events beyond the Company's control. Such changes are reflected in the assumptions when they occur.

#### Provision for expected losses on trade receivables and provision for inventory write-downs

The Company uses a matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are defined primarily based on the probability of default in the relevant sector and the Company's historical default rate.

The historical default rates are updated at each reporting date, and changes in estimates are analysed on a forward-looking basis.

The assessment of the correlation between historical default rates, projected economic conditions, and ECLs is a meaningful estimate. The Expected Credit Loss (ECL) is sensitive to changes in circumstances and forecasted economic conditions. The Company's historical credit loss experience and projected future economic conditions may not represent actual customer future insolvency.

At each reporting date, the Company reviews inventories for impairment. This activity is carried out at the production batch level and refers to the material expiry date and any product non-conformity.

#### Defined benefit plans (pension funds)

The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are defined using actuarial valuations. Actuarial valuations require the use of various assumptions that may differ from actual future developments. These assumptions define the discount rate, future salary increases, mortality rates and future pension increases. Due

to the complexity of the valuation and its long-term nature, these estimates are susceptible to assumption changes. All assumptions are reviewed annually.

#### Taxes

The Company is subject to the Italian tax and fiscal regime. The directors interpret these regulations when defining taxable income and quantifying the taxes to be paid. Deferred tax assets are recorded for unused tax losses to the extent that it is probable that taxable income will be available in the future to allow losses use. Significant estimation by management is required to determine the tax assets that can be booked based on the level of future taxable profits, the timing of their occurrence and the appropriate tax planning strategies.

With reference to the recoverability of the balance sheet assets recognised as deferred tax assets, the directors prepared a business plan at group and legal entity level structured on a 2023-2025 timeframe, approved by the Board of Directors' meeting held on 30 March 2023, from which it can be inferred that the tax profits generated under the plan are sufficient to recover the deferred tax assets recorded under tax losses.

#### Impairment of non-financial assets

Impairment occurs when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the sales costs and its use-value. The use-value calculation is based on a discounted cash flow model. The recoverable amount depends significantly on the discounted cash flow model's discount rate, the expected future cash flows, and the growth rate used for the extrapolation. Since the directors did not identify any impairment indicators for the Food and Pharma BUs as of 31 December 2023, no impairment test was conducted on the related invested capital.

#### Verification of the investments' book value

As detailed in the paragraph on accounting principles for equity investments, directors use complex assumptions and estimates when performing an impairment test which are subject to their judgement. The main assumptions underlying this concern:

- forecasting future cash flows, for the explicit period of the Group's business plan;
- defining normalised cash flows underlying the estimate of the final value;
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

## INCOME STATEMENT

### 2.1 Revenue from contracts with customers

Revenue as of 31 December 2023 was € 220,364,619, compared to € 172,526,658 in the previous year, with a significant increase of 27,7%. A breakdown by business unit and geographical area is provided below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Business Unit – Food	152,432,303	117,813,880
Business Unit – Pharma	67,932,316	54,712,778
<b>Total Revenue from contracts with customers</b>	<b>220,364,619</b>	<b>172,526,658</b>

The Food and the Pharma Business Units showed a significant growth in 2023:

Food increased by € 34.6 million (+29%) and Pharma increased by € 13.2 million (+24%).

The Food sector provided the majority of the Company's turnover (69.2% in 2023 vs. 68.3% in 2022).

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Italian Revenue	101,853,645	79,288,442
Foreign Revenue	118,510,974	93,238,217
<b>Total Revenue from contracts with customers</b>	<b>220,364,619</b>	<b>172,526,658</b>

The Company's turnover is mainly attributable to sales made abroad. In 2023 the Company invoiced 53.8% of its total turnover outside Italy, in line with the previous period (2022: 54.0%).

### 2.2 Other revenue and income

As of 31 December 2023, the Company's other revenue and income was € 699,985 compared to € 647,560 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
White Certificates	303,869	566,211
Write-down adjustments to receivables and liquid assets	56,719	7,032
Gains on disposal of assets	221,066	55,234
Allowances and rounding up	3,985	5,558
Damage compensation	114,346	-
Contingent assets	-	13,524
<b>Total other revenue and income</b>	<b>699,985</b>	<b>647,560</b>

Revenue from white certificates derives from the recognition in current assets of energy efficiency securities accrued by the Company between 2021 and 2023 following the installation of co-generators at the Verdellino and Brembate plants. The securities accrued during 2021 were quantitatively confirmed by the Authority during 2022 and sold on the market by the Company in early 2023. Securities accrued in 2022 were sold on the market between July 2023 and March 2024. The securities accrued during 2023 were quantitatively estimated by the Company, with the support of expert consultants. The value assigned to the securities is the lower of the stock market price as of 31/12/23 and the weighted average price for the year.

Revenue from claims mainly included reimbursements of claims from insurance companies. In 2023, the indemnity from Zurich related to the fire occurred at the Brembate plant for €101,000 was recorded.



## 2.3 Costs for raw materials, change in inventories of finished goods and work in progress.

As of 31 December 2023, costs for raw materials and consumables, net of change in inventories, were € 138,243,648 compared to € 107,430,562 in the previous year, with an increase of 28.7%. The impact of costs of purchasing materials on revenue from customer contracts (62.7%) is almost in line with the value recorded in 2022 (62.3%).

A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Goods on purchase account	136,379,989	110,045,158
Raw materials, ancillary materials, and consumables	2,470,349	2,124,057
Change in inventories of raw materials, ancillary materials, consumables, and goods	954,517	(6,511,508)
Change in inventories of finished goods and work in progress	(1,561,207)	1,772,855
<b>Total costs for consumption of raw materials, change in inventories of finished goods and work in progress</b>	<b>138,243,648</b>	<b>107,430,562</b>

The "Change in inventories of raw and ancillary materials, consumables and goods" item includes the effects on the income statement of changes in the inventory write-down provision. Please refer to note "3.9 Inventories".

## 2.4 Personnel costs

As of 31 December 2023, the Company's personnel costs were € 37,219,328 compared to € 30,968,517 in the previous year, with an increase of 20.2%. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Wages and salaries	23,731,520	20,790,465
Social security contributions	7,896,099	6,857,617
Severance indemnity	1,499,323	1,423,282
Temporary employment	4,092,385	1,897,153
<b>Total personnel costs</b>	<b>37,219,328</b>	<b>30,968,517</b>

The increase in personnel costs stemmed from the addition of new employees, increased use of temporary staff and bonuses accrued in 2023, up from FY 2022.

### 2.4.1 Employment data

The following table shows the number of Company employees, broken down by category:

<i>Employment data (expressed in units)</i>	31 December 2023	31 December 2022
Executives	17	16
White-collar employees	219	213
Blue-collar employees	402	389
<b>Total employees</b>	<b>638</b>	<b>618</b>

## 2.5 Costs for services

As of 31 December 2023, the Company's service costs were € 20,371,482 compared to € 19,464,262 in the previous year, with an increase of 4.7%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Ordinary maintenance costs	2,830,461	2,433,017
Temporary employment	635,101	288,024
Various utilities	3,536,192	5,269,672

Transport, fuel and tolls costs	841,646	918,221
Consultancy costs	1,987,417	2,062,910
Cleaning, pest control and surveillance costs	1,672,574	1,424,948
Statutory auditors and directors remuneration	1,974,550	1,057,114
Costs for processing goods on behalf of third parties	633,892	558,461
Rental, lease and miscellaneous costs	686,943	651,084
Luncheon vouchers	828,446	893,391
Trade fair and advertising costs	603,006	254,645
Waste, effluent and solid waste disposal	1,087,946	759,204
Insurance	570,942	488,435
Electronic Data Processing fees	688,162	666,410
Bank fees	196,571	317,565
External and ecological analyses	667,518	590,989
Qualifications and Calibration	200,987	194,410
Sales commissions	205,541	285,372
Other costs	523,586	350,390
<b>Total service costs</b>	<b>20,371,482</b>	<b>19,464,262</b>

The "Rental, lease and miscellaneous costs" item refers to short term and low-value contracts for which the Company took advantage of the exemption granted by the principle, as reported in paragraph "3.3 Leases."

The "Various utilities" item in 2022 showed the significant effects of increased electricity and methane costs.

The "Directors' Remuneration" item in 2023 included the estimated bonuses accrued.

## 2.6 Other operating costs

Other operating costs as of 31 December 2023 were € 1,180,540 compared to € 1,183,242 in the previous financial year.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Penalties and indemnities	84,024	25,575
Duties and taxes	417,688	462,871
Contingency liabilities	-	7,185
Capital losses	107,321	31,310
Membership Fees	151,388	228,791
Entertainment costs and gifts	19,456	21,070
Waste and reclamation costs	22,095	24,735
Costs for certifications, endorsements and Chamber of Commerce fees	28,844	43,389
Donations	43,820	3,642
Other operating costs	305,904	334,675
<b>Total other operating costs</b>	<b>1,180,540</b>	<b>1,183,242</b>

## 2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2023, the Company's depreciation, amortisation and impairment losses were € 13,799,196 compared to € 12,672,951 in the previous financial year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Depreciation of tangible assets	12,373,463	11,863,587
Amortisation of intangible assets	695,058	681,058
Amortisation of rights of use	55,204	128,307
Tangible Fixed Assets Write-downs	675,472	-
<b>Total amortisation, depreciation, and impairment losses</b>	<b>13,799,196</b>	<b>12,672,951</b>

The "Tangible fixed assets write-downs" item included the demolition of a building in Brembate which took place in October 2023 as part of the extraordinary works to expand the Pharma production facility.

## 2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2023, changes in the fair value of financial assets and liabilities showed a positive balance of € 1,703,519 compared to a negative balance of € 7,733,525 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Change in fair value of other securities	1,703,519	(7,733,525)
<b>Total changes in Fair Value on financial assets and liabilities</b>	<b>1,703,519</b>	<b>(7,733,525)</b>

The "Changes in fair value of other securities" item shows the change in fair value of securities held with a major credit institution, as mentioned in paragraph 3.13 "Current financial assets." On 14 February 2024, this securities portfolio was liquidated with an almost nil effect compared to the value carried as of 31 December 2023.

## 2.9 Equity investment income and charges

As of 31 December 2023, charges from equity investments were € 13,922,188. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2023	31/12/2022
Investment write-down	13,922,188	-
<b>Total equity investment income and charges</b>	<b>13,922,188</b>	<b>-</b>

In 2023, unlike 2022, an impairment loss became necessary as a result of the impairment test on the Euro Cosmetic investment's value. Please refer to paragraph 3.4 "Investments" for further details.

## 2.10 Loss on financial receivables

As of 31 December 2023, there were no losses on financial receivables, which were € 3,266,960 as of 31 December 2022.

<i>(Amounts in Euro units)</i>	31/12/2023	31/12/2022
Loss on financial receivables	-	3,266,960
<b>Total loss on financial receivables</b>	<b>-</b>	<b>3,266,960</b>

This item included the "Leakage" receivable write-down as better described in section 1.1 "Significant events for the period" of the 2022 Financial Statements.

## 2.11 Financial income

As of 31 December 2023, the Company's financial income was € 593,428 compared to € 40,527 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Foreign exchange gains	55,811	39,805
Bank interest income	271,135	722
Intercompany financing interest	266,482	-
<b>Total financial income</b>	<b>593,428</b>	<b>40,527</b>

Interest income of € 266,000 derived from the loan of € 11 million that Fine Foods granted to Euro Cosmetic, as reported in section 1.1 "Significant events for the period."

Bank interest income was the result of an escrow deposit of cash, made between July and October 2023, following the closure of the securities portfolio, as mentioned in section 3.13 "Current financial assets."

## 2.12 Financial charges

As of 31 December 2023, the Company's financial charges were € 4,411,200 compared to € 1,963,875 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Interest expenses on bonds	68,353	151,215
Interest expenses on financing and bank loans	3,745,224	1,446,543
Interest expenses on bank accounts	458,069	185,755
Interest expenses (Factoring)	35,639	-
Foreign exchange losses	73,396	160,191
Financial charges on severance indemnity discounting	30,519	16,696
Interest on financial liabilities for lease	-	3,474
<b>Total financial charges</b>	<b>4,411,200</b>	<b>1,963,875</b>

The increase in financial expenses was mainly attributable to the increase in interest rates due to the restrictive policies applied by the European Central Bank to reduce inflation.

## 2.13 Income tax

As of 31 December 2023, the income tax item showed a positive balance (cost) of € 1,651,280 compared to the negative balance (income) of € 3,885,005 in the previous year.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Current taxes	549,729	59,744
Deferred tax assets and liabilities	1,054,033	(3,944,749)
Taxes from previous years	47,518	-
<b>Total income tax</b>	<b>1,651,280</b>	<b>(3,885,005)</b>

As of 31 December 2023, the Company accrued a current tax liability for IRAP purposes and used part of its deferred tax assets allocated on past tax losses and on the ACE benefit against a positive IRES tax base. Taxes from previous years referred to the adjustment of the IRES estimate made for the 2022 Financial Statements when preparing the 2022 tax return for the 2022 tax year.

During the year ended 31 December 2022, the deferred tax assets recorded in the Financial Statements, as detailed in Note 3.7 Deferred Tax Assets and Note 3.8 Deferred Tax Provision, had a positive effect on the Income Statement mainly attributable to the allocation of deferred tax on the tax loss accrued during the year. During the year under review, deferred taxes had a net negative impact on the Company's Income Statement, mainly due to the use of tax losses and ACE to reduce taxable income.

The Company recorded a negative tax base as of 31 December 2022, due to non-recurring events during the year, such as the write-down of the leakage receivable for € 3.3 million and the negative change in fair value of the asset management for € 7.7 million..

The reconciliation between the income taxes recorded and the theoretical taxes resulting from the application of the rate in force in Italy to the pre-tax profit for the years ended 31 December 2022, and 2023 is as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Pre-tax profit from operations on a going concern basis	(5,786,030)	(11,469,149)
Pre-tax profit/(loss) from discontinued operations	-	-
<b>Accounting profit before tax</b>	<b>(5,786,030)</b>	<b>(11,469,149)</b>
<b>Theoretical income tax</b>	<b>(1,614,302)</b>	<b>(3,199,893)</b>

Tax effect on permanent differences	4,355,762	224,094
Tax effect on temporary differences	218,692	1,643
Effect on tax benefits	(1,061,900)	(823,921)
<b>Income taxes</b>	<b>1,898,251</b>	<b>(3,798,076)</b>
<b>Effective income tax rate:</b>	<b>(32.8%)</b>	<b>33%</b>

For details on deferred taxes, see 3.7 Deferred tax assets and note 3.8 Deferred tax provision.

## BALANCE SHEET

### ASSETS

#### 3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2023 was € 91,168,051 compared to € 91,931,462 as of 31 December 2022. Changes in tangible fixed assets and their respective depreciation provisions are shown below.

<i>(Amounts in Euro units)</i>	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances to suppliers	Total property, plant and machinery
<b>Historical cost - 31 December 2022</b>	<b>64,984,741</b>	<b>111,336,698</b>	<b>9,919,369</b>	<b>8,793,131</b>	<b>1,685,514</b>	<b>196,719,454</b>
Increases	360,550	2,090,739	950,325	1,158,256	8,009,802	<b>12,569,671</b>
Decreases	(28,045)	(536,236)	(127,138)	(633,416)	-	<b>(1,324,834)</b>
Reclassifications	678,792	3,116,764	111,224	15,211	(3,921,991)	-
Write-downs	(822,493)	-	-	-	-	<b>(822,493)</b>
Other changes	-	-	-	-	(108,460)	<b>(108,460)</b>
<b>Historical cost - 31 December 2023</b>	<b>65,173,545</b>	<b>116,007,965</b>	<b>10,853,780</b>	<b>9,333,183</b>	<b>5,664,865</b>	<b>207,033,338</b>
<b>Amortisation provision - 31 December 2022</b>	<b>23,187,336</b>	<b>66,967,884</b>	<b>8,286,320</b>	<b>6,346,452</b>	-	<b>104,787,992</b>
Increases	2,240,672	8,168,228	926,781	1,037,783	-	<b>12,373,464</b>
Decreases	(2,336)	(452,886)	(127,138)	(566,788)	-	<b>(1,149,148)</b>
Reclassifications	-	-	-	-	-	-
Write-downs	(147,020)	-	-	-	-	<b>(147,020)</b>
Other changes	-	-	-	-	-	-
<b>Amortisation provision - 31 December 2023</b>	<b>25,278,652</b>	<b>74,683,226</b>	<b>9,085,963</b>	<b>6,817,446</b>	-	<b>115,865,287</b>
<b>Net book value - 31 December 2022</b>	<b>41,797,405</b>	<b>44,368,814</b>	<b>1,633,049</b>	<b>2,446,680</b>	<b>1,685,514</b>	<b>91,931,462</b>
<b>Net book value - 31 December 2023</b>	<b>39,894,894</b>	<b>41,324,739</b>	<b>1,767,817</b>	<b>2,515,736</b>	<b>5,664,865</b>	<b>91,168,051</b>

The main capital expenditures made in the period referred to advances to suppliers for the purchase of plant and machinery and expansion of the Brembate pharmaceutical manufacturing facility. A significant portion of these assets under construction were reclassified to assets during the period.

#### 3.2 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2023 was € 1,307,010 compared to € 1,471,508 as of 31 December 2022. Changes in intangible fixed assets and their respective amortisation provisions are shown below.

<i>(Amounts in Euro units)</i>	Industrial patents and intellectual property rights	Total intangible fixed assets
<b>Historical cost - 31 December 2022</b>	<b>5,010,009</b>	<b>5,010,009</b>
Increases	530,624	530,624
Decreases	(1,270)	(1,270)
<b>Historical cost - 31 December 2023</b>	<b>5,539,363</b>	<b>5,539,363</b>
<b>Amortisation provision - 31 December 2022</b>	<b>3,538,500</b>	<b>3,538,500</b>
Increases	695,057.69	695,058
Decreases	(1,206)	(1,206)
<b>Amortisation provision - 31 December 2023</b>	<b>4,232,352</b>	<b>4,232,352</b>
<b>Net book value - 31 December 2022</b>	<b>1,471,508</b>	<b>1,471,508</b>
<b>Net book value - 31 December 2023</b>	<b>1,307,011</b>	<b>1,307,011</b>

Intangible fixed assets mainly refer to software licences.

### 3.3 Leases

The Company adopted IFRS 16 as of 1 January 2019.

The breakdown of the right of use by nature of the underlying assets is shown below:

<i>(Amounts in Euro units)</i>	Property	Equipment	Total
<b>Right of use as of 31 December 2022</b>	<b>935,620</b>	<b>136,973</b>	<b>1,072,593</b>
Increase	-	-	-
Decrease	(62,462)	(75)	(62,537)
Write-downs	-	-	-
<b>Right of use as of 31 December 2023</b>	<b>873,158</b>	<b>136,898</b>	<b>1,010,056</b>
<b>Amortisation provision as of 31 December 2022</b>	<b>740,375</b>	<b>127,287</b>	<b>867,662</b>
Increase	48,796	6,407	55,204
Decrease	-	-	-
Write-downs	-	-	-
<b>Amortisation provision as of 31 December 2023</b>	<b>789,171</b>	<b>133,694</b>	<b>922,866</b>
<b>Net book value as of 31 December 2022</b>	<b>195,246</b>	<b>9,686</b>	<b>204,931</b>
<b>Net book value as of 31 December 2023</b>	<b>83,987</b>	<b>3,204</b>	<b>87,190</b>

Below is a breakdown of the current and non-current liabilities arising from applying IFRS 16 as the Right of use as of 31 December 2023.

<b>Financial liability</b>	
<b>Financial liability as of 1 January 2023</b>	<b>208,559</b>
Increases	-
Decreases	(64,534)
Interest	839
Fees	(56,480)
<b>Financial liability as of 31 December 2023</b>	<b>88,384</b>
Short-term financial liability	52,804
Long-term financial liability	35,580



Under the IFRS 16 international accounting standard - "Leases" - an incremental borrowing rate (IBR) was considered as the sum of the risk-free rate (Swap Standard rate swap vs six-month Euribor for each due date), recorded at the transition date to the international accounting standards and a pure risk component corresponding to the "credit risk" attributable to the Company (1%).

The Company has some lease contracts that include options for extension or early termination. Management negotiates these options to flexibly administer the leased assets portfolio and align management to the Company's operational needs. Management exercises significant professional assessment to define which extension or early termination options will be exercised with reasonable certainty. Renewal for contracts that did not provide for it or for contracts already being considered for early termination was not considered.

### 3.4 Investments

The net book value of shareholdings as of 31 December 2023 was € 24,951,994.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Pharmatek Shareholding	-	11,200,000
Euro Cosmetic investment	24,951,994	27,674,182
<b>Total Shareholdings</b>	<b>24,951,994</b>	<b>38,874,182</b>

As a result of the merger by incorporation of Pharmatek into Euro Cosmetic on 1 January 2023, the related investment value was reclassified as an increase in the carrying value of the sole subsidiary Euro Cosmetic.

The value recorded as the investment in 100% of the subsidiary Euro Cosmetic capital was determined as follows:

<i>(Amounts in Euro units)</i>	Value
Value paid to MD and Findea shareholders	+26,815,961
Leakage receivable	-6,733,936
The value paid to minority shareholders (including through the takeover bid)	+11,064,496
Write-down as of 31/12/21	-3,472,339
Contribution arising from the merger by incorporation of Pharmatek PMC into Euro Cosmetic	+11,200,000
Write-down as of 31/12/2023	-13,922,188
<b>Investment value</b>	<b>24,951,994</b>

As required by the relevant accounting standards, the Company performs an impairment test when an impairment indicator becomes apparent. Among the various impairment indicators, the Company considered elements such as i) the relationship between the investment carrying value and the subsidiary's net assets, ii) the results achieved during the financial year by the subsidiary, iii) other factors such as strategic business decisions, iv) sudden changes in the competitive environment or main economic variables.

In view of the subsidiary's negative EBITDA and investment's equity/value ratio, the Company decided to perform an impairment test.

During the impairment test, the net book value of the investment was compared with its recoverable value, i.e. the higher between the fair value and the use-value obtainable by discounting the expected cash flows.

The main assumptions used to define the investment's equity value related to the discount and long-term growth rates and cash flows deriving from the Company's business plans.

According to the reference accounting principles, the estimate of the use-value is made by discounting the operating cash flows, i.e. the flows available before the repayment of the financial debts and the shareholders' remuneration at a rate equal to the weighted average of the debt cost and the shareholders' equity (WACC).

The main assumptions used to determine the value-in-use of the investment referred to the cash flows deriving from the business plan, the discount and long-term growth rates.

In continuity with previous years, the directors estimated the equity value of the subsidiary Euro Cosmetic S.p.A. using the unlevered discounted cash flow method based on the following:

- For cautious valuation, the projections in the business plan were adjusted by reducing the detailed forecast period to three years, up to 2026, compared to the Group's usual practice of using a five-year timeframe for its financial planning.
- A weighted average cost of capital (WACC) of 10.1%;
- A long-term growth rate (g) for determining the terminal value of 2%.

The impairment tests and their underlying business plans were approved by the Board of Directors at its 28 March 2024 meeting.

In performing the impairment test, the directors were assisted by two experts who:

- Supported the company's management in reviewing the business plan for the impairment test;
- Provided a "fairness opinion" on: (i) the valuation methodology used to determine the recoverable value of Euro Cosmetic and (ii) the valuation parameters adopted by management.

However, the above analysis showed that an impairment loss of € 13.9 million should be recognised on the Euro Cosmetic investment.

A sensitivity analysis was carried out, concerning:

- Change in WACC of +/- 1%.
- Change in growth rate of +/- 0.5%.

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately € -4,378,000 to € -20,490,000 as the above variables individually or jointly increase or decrease.

### 3.5 Non-current financial assets

Non-current financial assets as of 31 December 2023 were € 11 million and included the loan granted by Fine Foods to Euro Cosmetic, which will be repaid starting from 2025, under the business plan.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Intercompany financing	11,000,000	-
<b>Total non-current financial assets</b>	<b>11,000,000</b>	<b>-</b>

### 3.6 Other non-current assets

The value of other non-current assets as of 31 December 2023 was € 425,315 compared to € 506,750 as of 31 December 2022.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Tax credit for subsidised assets – amount after 12 months	425,315	506,750
<b>Total other non-current assets</b>	<b>425,315</b>	<b>506,750</b>

This is the amount after 12 months of the tax credit for capital goods 4.0 and the tax credit for investments in tangible assets (formerly super depreciation).

### 3.7 Deferred tax assets

Deferred tax assets as of 31 December 2023 were € 5,324,992 compared to € 6,430,145 as of 31 December 2022, and are calculated on the portions of costs subject to deferred taxation under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a breakdown.

<i>(Amounts in Euro units)</i>	01/01/2023	2023 EC taxes	31/12/2023
Deferred tax assets for inventory write-down	146,716	20,825	167,540
Deferred tax assets for goodwill amortisation	162,499	(27,084)	135,415
Deferred tax assets on tax losses	6,104,388	(1,091,297)	5,013,091
Deferred tax assets for other items	16,542	(7,597)	8,945
<b>Total deferred tax assets</b>	<b>6,430,145</b>	<b>(1,105,154)</b>	<b>5,324,992</b>

The change in deferred tax assets for tax losses recorded in 2023 derived from their use due to a positive taxable income (IRES) in the tax estimation as of 31/12/23. The Company benefits from the accumulated ACE benefit which fully offsets the IRES tax due for 2023.

The directors believe that it is reasonable to fully recover deferred tax assets recognised in tax losses generated by the Company during past financial years from the taxable profits that the Company will earn in the future, as provided for in the long-term plan (2024-2028) approved by the Board of Directors on 29 March 2024.

### 3.8 Provision for deferred taxes

As of 31 December 2023, the Company's deferred tax provision was € 9,441 compared to € 16,441 as of 31 December 2022 and was calculated under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a detail of the transactions that generated deferred taxes and their impact on the Income Statement and Shareholders' equity as of 31 December 2023.

<i>(Amounts in Euro units)</i>	31 December 2022	2023 financial year	OCI	31 December 2023
Deferred taxes Severance Pay IAS 19	16,411	(3,332)	(3,638)	9,441
<b>Total deferred taxes</b>	<b>16,411</b>	<b>(3,332)</b>	<b>(3,638)</b>	<b>9,441</b>

### 3.9 Inventories

Inventories net of the related write-down provision for finished products and goods as of 31 December 2023 were € 34,105,448 compared to € 33,498,758 as of 31 December 2022.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Raw materials, ancillary materials, and consumables	23,865,988	24,745,865
Raw, ancillary materials and consumables write-down provision	(600,503)	(525,863)
Work in progress and semi-finished products	3,516,046	2,887,859
Finished products and goods	7,323,918	6,390,897
<b>Total inventories</b>	<b>34,105,448</b>	<b>33,498,758</b>

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.

Changes in the obsolescence provision are shown below:

<b>Balance as of 01 January 2022</b>	<b>1,029,957</b>
Accrual	360,940
Provision Use	(865,034)
<b>Balance as of 31 December 2022</b>	<b>525,863</b>
Accrual	212,813
Provision Use	(138,172)
<b>Balance as of 31 December 2023</b>	<b>600,503</b>

The inventory obsolescence provision set aside as of 31 December 2023 was € 600,503 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year are those disposals made in 2023 concerning expired or non-conforming batches set aside as of 31 December 2022.

### 3.10 Trade receivables

As of 31 December 2023, trade receivables were € 29,998,136 (€ 30,053,303 as of 31 December 2022), net of the related bad debt provision of € 893,455 (€ 770,491 as of 31 December 2022).

As of 31 December 2023, the Company had put in place a non-recourse credit assignment transaction (factoring) for € 3.6 million. Under IFRS 9, the assignment was deemed conclusive due to the significant transfer of all risks and benefits to the factoring company, resulting in the formal derecognition of the receivable from the Financial Statements.

The table below shows the distribution by geographical area of the trade receivables amount, which does not consider the bad debt provision.

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
ITALY trade receivables	18,211,653	19,703,227
EEC trade receivables	10,610,699	9,864,418
NON-EEC trade receivables	2,069,239	1,256,149
<b>Total trade receivables</b>	<b>30,891,591</b>	<b>30,823,794</b>

As of 31 December 2023, invoices to be issued of € 815,853 and credit notes to be issued of € 787,553 were allocated, mainly referring to price adjustments applied by one of the main customers.

The first five customers represent 46.2% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 14,270,504.

Changes in the bad debt provision are summarised below:

<b>Balance as of 1 January 2022</b>	<b>702,681</b>
Accrual	154,119
Provision Use	(86,309)
<b>Balance as of 31 December 2022</b>	<b>770,491</b>
Accrual	154,458
Provision Use	(31,494)
<b>Balance as of 31 December 2023</b>	<b>893,455</b>

Trade receivables, net of bad debt provision, are shown in the table below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
ITALY trade receivables	17,770,877	19,684,495
EEC trade receivables	10,419,518	9,195,632
NON-EEC trade receivables	1,807,742	1,173,175
<b>Total trade receivables</b>	<b>29,998,136</b>	<b>30,053,303</b>

Customer credit quality is assessed based on a generic sector assessment. Individual credit limits are established for all customers based on this assessment. Open trade receivables and assets arising from contracts are monitored regularly. An impairment analysis is performed on receivables at each Financial Statements date, using a matrix to measure expected losses.

The calculation is based on the receivable recovery probability and historical analysis of losses on receivables that have never been of a significant amount. The assessment considers the money time factor and information on past events available at the reporting date, current conditions and expected market scenarios.

The following table shows the ageing of trade receivables:

<i>(Amounts in Euro units)</i>							
31 December 2023	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	18,353,516	13,685,151	2,667,403	450,240	274,449	829,419	446,854
EEC	10,642,291	7,049,201	2,699,434	405,847	75,744	226,347	185,717
Non-EEC	1,895,785	415,986	881,604	360,480	118,682	37,056	81,977

<b>Gross trade receivables</b>	<b>30,891,591</b>	<b>21,150,338</b>	<b>6,248,441</b>	<b>1,216,566</b>	<b>468,875</b>	<b>1,092,823</b>	<b>714,548</b>
% write-down of receivables	2.9%	0%	0%	0%	0%	16.4%	100.0%
<b>Bad debt provision</b>	<b>893,455</b>					<b>178,907</b>	<b>714,548</b>
<b>Net trade receivables</b>	<b>29,998,136</b>	<b>21,150,338</b>	<b>6,248,441</b>	<b>1,216,566</b>	<b>468,875</b>	<b>913,916</b>	<b>-</b>

### 3.11 Tax receivables

As of 31 December 2023, tax receivables were € 86,473 compared to € 1,398,590 in 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
IRES receivables	86,473	1,219,896
IRAP receivables	-	178,694
<b>Total tax receivables</b>	<b>86,473</b>	<b>1,398,590</b>

As of 31/12/23, the Company had an IRAP debt, and an IRES credit.

### 3.12 Other current assets

Total other current assets as of 31 December 2023 were € 6,379,837 compared to € 3,174,717 as of 31 December 2022. The table below provides a breakdown.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
VAT receivables	3,291,099	671,254
Receivables for withholding tax on collected coupons, dividends and realised capital gains	1,195,789	941,291
Receivables from social security institutions	62,848	79,909
White Certificates	444,959	566,211
Receivables for energy account withholdings	4,281	255
Accrued income and prepaid expenses	22,285	32,611
Other receivables	453,578	323,638
Tax receivables for facilitated investments	904,998	559,147
Other receivables	-	400
<b>Total other current assets</b>	<b>6,379,837</b>	<b>3,174,717</b>

The VAT credit, which will not be used via horizontal offsetting, is expected to be predominantly compensated through vertical offsetting during 2024.

The "Receivables for withholding tax on receipts of coupons, dividends and capital gains" item mainly referred to the amounts withheld from the Fine Foods asset management, which will be recovered by submitting specific reimbursement requests to the relevant tax authorities.

The "Other receivables" balance is composed of advances to suppliers for goods and services.

### 3.13 Current financial assets

As of 31 December 2023, current financial assets were € 3,888,082 (compared to € 66,301,319 as of 31 December 2022). This is detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Other securities	154,624	62,834,343
Accrued income - interest on intercompany financing	266,482	-
Leakage receivable	3,466,976	3,466,976
<b>Total current financial assets</b>	<b>3,888,082</b>	<b>66,301,319</b>

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that included financial instruments and liquidity. As required by IFRS 9 - Financial Instruments - these instruments were recorded at Fair value at the reference date.

- As of 31 December 2022, the portfolio Fair Value was € 62.8 million.
- During 2023, € 64,000,000 was withdrawn and € 383,000 was paid in fees and withholdings.
- As of 31 December 2023, the portfolio value was € 154,000, the positive change in Fair Value was € 1.7 million.
- In February 2024, the company definitively closed the position, collecting about € 150,000.

The following table shows the percentage allocation of the investments held by the Company and their currency exposure:

Portfolio allocation	31 December 2023	31 December 2022
<b>Shares</b>	<b>63.65%</b>	<b>22.20%</b>
Equity securities	63.65%	14.81%
Equity funds	0%	5.88%
Options	0%	1.51%
<b>Bonds</b>	<b>0%</b>	<b>62.71%</b>
Bonds	0%	21.52%
Bond funds	0%	41.19%
<b>Alternative investments</b>	<b>0%</b>	<b>0%</b>
Alternative funds	0%	0%
<b>Liquid assets</b>	<b>36.35%</b>	<b>15.09%</b>

The Company's business model is to hold these securities for trading purposes. For this reason, the securities portfolio has been classified as financial assets measured at fair value with changes recorded directly in the income statement, in the "Changes in fair value of financial assets and liabilities" item.

The Company is exposed to market risk, intended as exchange rate risk and interest rate risk.

EXCHANGE RATE RISK. The securities portfolio held by the Company is configured in percentage terms:

Currency exposure	Gross Exposure	Net Exposure
Euro	100%	100%

After the report was submitted, in which the expert selected by the parties calculated the sum owed by MD and Findea to Fine Foods for a contractual price adjustment (leakage), the Company successfully secured a court order from the Milan Court to enforce the payment of the Leakage Receivable of € 3,446,976. MD and Findea filed an objection to the court order obtained by Fine Foods contesting that they owed the amount. At the first hearing on 7 November 2023, the judge ordered an adjournment to 5 March 2024 requiring the parties to be present for a conciliation attempt. On that occasion, the MD and Findea legal representatives were present at the hearing and declared that they were willing to settle the dispute by paying Fine Foods € 2,200,000 as a price adjustment. Fine Foods refused this settlement solution, resulting in a negative outcome of the conciliation attempt. The judge set the legal deadlines for the parties to supplement their defences and postponed the case to discuss the preliminary issues until the hearing of 9 July 2024, while deferring any ruling on the request for the provisional execution of the opposed order.

### 3.14 Cash and other liquid assets

As of 31 December 2023, the Company's cash and liquid assets were € 17,047,578 compared to € 6,255,196 as of 31 December 2022. This is detailed below:

(Amounts in Euro units)	31 December 2023	31 December 2022
Bank and postal deposits	17,041,296	6,249,431
Cash and cash equivalents on hand	6,283	5,766

<b>Total cash and other liquid assets</b>	<b>17,047,578</b>	<b>6,255,196</b>
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## SHAREHOLDERS' EQUITY

### 4.1 Shareholders' equity

For the share capital please refer to the following paragraph "Categories of shares issued by the Company."

All subscribed shares have been fully paid up.

Other reserves are detailed below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(14,021,029)	(13,680,454)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	1,532,549	11,569,401
Reserve for share-based payments	-	-
Other reserves	11,311,789	11,311,789
<b>Total reserves</b>	<b>120,308,448</b>	<b>130,685,875</b>

#### Availability and use of Shareholders' equity

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

<i>(Amounts in Euro units)</i>	<b>Amount</b>	<b>Origin/Nature</b>	<b>Use</b>	<b>Available amount</b>
Share Capital	22,770,445	Capital	-	-
Legal reserve	5,000,000	Capital	B	-
Negative reserve for treasury shares in the portfolio	(14,021,029)	Capital	-	-
Merger surplus reserve	29,741,389	Capital	A,B	-
Share premium reserve	86,743,750	Capital	A,B,C	86,743,750
Extraordinary reserve	1,532,549	Profits	A,B,C	11,569,401
Warrant conversion reserve	11,311,789	Capital	A,B,C	11,311,789
FTA reserve	-	Capital	-	-
Employee benefit reserve	(6,669,789)	Capital	-	-
Operating result	(7,437,309)	Profits	-	-
<b>Total Shareholders' equity</b>	<b>128,988,702</b>			<b>109,624,940</b>
<i>Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other</i>				

#### Categories of shares issued by the Company

The following table shows the number and nominal value of Parent Company's shares. No movements occurred during the period.



Type	Final number
Ordinary Shares	22,060,125
Redeemable Shares	-
Multiple-voting Shares	3,500,000
Special Shares	-
<b>Total</b>	<b>25,560,125</b>

The Company is constantly engaged in buyback activities (repurchase of its shares on the market), which indicates that the Company believes in its own structural and market growth and that its value is reflected in the negative reserve for the treasury shares in the portfolio. The objective of the buy-back plan is to prepare for upcoming acquisitions and synergies, to enhance the planned expansion phase.

## LIABILITIES

### 4.2 Bonds

As of 31 December 2023, the Company's bonds payable were fully repaid. The debt was € 3,323,051 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Bonds payable - Non-current liabilities	-	-
Bonds payable - Current liabilities	-	3,323,051
<b>Total bonds</b>	<b>-</b>	<b>3,323,051</b>

Bonds payable, originated in 2016, were repaid on 25 October 2023. These bonds required the payment of interest and related costs and were valued at amortised cost using the effective interest rate method, under IFRS 9 "Financial Instruments."

The main bonds' features 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);
- Half-yearly coupon at a fixed interest rate of 0.82% (zero-point eighty-two per cent) under the regulation.

### 4.3 Non-current bank borrowings

As of 31 December 2023, non-current bank borrowings were € 4,141,720 compared to € 70,079,208 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Mediocredito mortgage loan	4,141,720	5,787,952
Intesa loan 70 million	-	64,291,256
<b>Total non-current bank borrowings</b>	<b>4,141,720</b>	<b>70,079,208</b>

The debt for the mortgage taken out in 2016 by Fine Foods, due on 30 June 2027, and the € 70 million Intesa loan disbursed in 2022, with payment of interest and related costs, were valued at amortised cost using the effective interest rate method, under the provisions of international accounting standard IFRS 9 "Financial Instruments."

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%.
- There are no financial constraints on the loan

On 25 February 2022, Intesa Sanpaolo and Fine Foods have signed a € 70 million financing deal to support growth and development projects. In 2023, Fine Foods made an early repayment of € 20 million in capital, coinciding with the closure of its securities portfolio. The loan provides for financial covenants based on the following indicators to be calculated on the Group's consolidated financial statements:

- > NFP / EBITDA
- > NFP / EQUITY

➤ EBITDA/Financial charges

The financial parameter EBITDA/Financial charges on 31 December 2023, calculated as contractually stipulated, exceeded the limit. On 12 March 2024, the bank consented to include in the ratio calculation the income from the fair value measurement of financial assets, mainly related to the securities portfolio closure mentioned above. Using this calculation method ensures compliance with the covenant.

As of 31 December 2023, the medium- and long-term loan was reclassified to short-term under IAS 1.74. This accounting standard mandates such reclassification if a condition within the long-term loan agreement is breached on or before the FY closing date. This results in the liability becoming a payable on demand. This means the guaranteed option to postpone its payment for no less than 12 months from that date is invalid, regardless of whether the lender has consented after the reporting date to not request the payment due to the violation.

Starting from the next quarterly report as of 31 March 2024, the classification of the bank loan will be reinstated based on the original amortisation schedule.

Based on the 2024-2028 business plan, approved by the Board of Directors on 28 March 2024, the Company will comply with the covenants in all future reports.

#### 4.4 Current bank borrowings

As of 31 December 2023, current bank borrowings were € 53,335,668, compared to € 32,723,811 as of 31 December 2022, broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Invoice advances	6,900,000	5,000,000
Accrued expenses	298,014	80,375
Loans and mortgages - amount due within 12 months	46,137,654	27,643,436
<b>Total current bank borrowings</b>	<b>53,335,668</b>	<b>32,723,811</b>

For the change in the portion of loans and mortgages within the financial year, please refer to the previous paragraph.

#### 4.5 Employee benefits

As of 31 December 2023, the "Employee benefits" item was € 853,730 compared to € 844,343 as of 31 December 2022. This item refers exclusively to provisions set aside for severance indemnities.

<i>(Amounts in Euro units)</i>	
<b>Balance as of 01 January 2023</b>	<b>844,343</b>
Provision Use	(36,290)
Discounting interest current year	30,519
Actuarial profits and losses current year	15,158
<b>Balance as of 31 December 2023</b>	<b>853,730</b>

As required by the international accounting standard, IAS19, the valuation of the Severance indemnity fund follows the method of projecting the present value of the defined benefit obligation with the estimate of the benefits accrued by employees.

Following the changes introduced by Law no. 296 of 27 December 2006 ("2007 Budget Law") and subsequent implementing decrees and regulations, the severance indemnities accrued up to 31 December 2006 will continue to be held by the Company as a defined benefit plan (obligation for accrued benefits subject to actuarial valuation). Amounts accruing from 1 January 2007, due to the choices made by employees during the year, will be allocated to supplementary pension schemes or transferred by the Company to the treasury fund managed by INPS, from when the employee makes their choice, thus becoming defined contribution plans (no longer subject to actuarial valuation).

Defining the employee severance indemnity is the result of applying an actuarial model based on various demographic and economic assumptions.

The table below shows the financial technical bases used:

	31 December 2023	31 December 2022
Annual discount rate	3.08%	3.63%
Annual inflation rate	2.00%	2.30%
Severance indemnity increase annual rate	3.00%	3.225%

The annual discount rate used to define the obligation present value was based on paragraph 83 of IAS 19, concerning market yields of primary companies' bonds at the financial year closing date.

As required by the accounting standard IAS19 "Employee benefits", the sensitivity analysis for each actuarial assumption at the year-end is shown below:

Sensitivity analysis of the main valuation parameters	DBO as of 31 December 2023	DBO as of 31 December 2022
Turnover rate +1%	856,236	848,744
Turnover rate -1%	850,991	839,516
Inflation rate +0.25%	864,069	855,166
Inflation rate -0.25%	843,559	833,704
Discount rate +0.25%	837,664	827,598
Discount rate -0.25%	870,304	861,635

Service cost and duration	2023	2022
Future annual service cost	-	-
Plan duration	8.4	8.9

Estimated future disbursements - Years	2023	2022
1	57,458	52,825
2	79,720	48,412
3	87,132	83,313
4	39,804	85,170
5	41,248	40,019

#### 4.6 Trade payables

Trade payables as of 31 December 2023 were € 26,506,816, compared to € 26,477,915 as of 31 December 2022, broken down geographically as follows:

(Amounts in Euro units)	31 December 2023	31 December 2022
Trade payables in ITALY	21,349,223	21,896,545
EEC trade payables	3,728,640	3,589,425
NON-EEC trade payables	1,428,953	991,941
<b>Total trade payables</b>	<b>26,506,816</b>	<b>26,477,912</b>

## 4.7 Taxes payable

Tax payables as of 31 December 2023 were € 575,488 and are broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
IRES payables	-	-
IRAP payables	575,488	-
<b>Total taxes payable</b>	<b>575,488</b>	-

## 4.8 Other current liabilities

Total other current liabilities as of 31 December 2023 were € 11,270,158, compared to € 7,196,750 as of 31 December 2022, and are broken down as follows:

<i>(Amounts in Euro units)</i>	31 December 2023	31 December 2022
Payables due to pension and social security institutions	2,694,577	2,158,690
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay, holidays	4,239,942	2,746,216
Payables for withholding taxes on employees	870,346	781,626
Payables for withholding taxes on self-employment	8,780	7,405
Substitute tax on severance indemnity	3,122	28,026
Accrued expenses and deferred income	1,508,035	791,085
Customer Advances	147,213	8,131
Other payables	1,798,144	675,569
<b>Total other current liabilities and payables</b>	<b>11,270,158</b>	<b>7,196,750</b>

The "Other payables" item mainly includes payables to the insurance company, to directors for unpaid remuneration (including bonuses accrued in 2023).

The accrued expenses and deferred income item includes deferred income related to tax credits for investments in capital goods to align them over the useful life of the related assets.

## 5. Other information

### 5.1 Commitments and guarantees

	Amount
<b>Guarantees</b>	<b>25,000,000</b>
Collateral securities (mortgage on the property of Verdellino in favour of Mediocredito and Sace)	25,000,000
<b>Sureties</b>	<b>41,000</b>

### 5.2 Contingent liabilities

At the date of this document's preparation, there were no liabilities and contingent liabilities to be reported in the financial position or to be disclosed.

### 5.3 Grants, contributions and similar

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, the Company certifies that no sum of money has been received.

### 5.4 Related party transaction information

Other than the remuneration of directors, during 2023, the Company did not enter into any transactions with related parties that were under unusual market conditions.

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>
Directors' remuneration	1,902,550
Board of Statutory Auditors	72,000

The statutory auditors' remuneration is shown below:

<i>(Amounts in Euro units)</i>	<b>31 December 2023</b>
Auditing Company remuneration for audit services	87,525
Auditing Company remuneration for audit services for certification purposes	32,500
Auditing Company remuneration for other services	13,000

### 5.5 Events after the Financial Statements date

No significant events occurred after the end of the financial year.

### 5.6 Business outlook

The global economy, which started strong in 2023 due to favourable macroeconomic conditions, lower energy costs, China's reopening, and steady consumer demand, began to falter. This downturn was fuelled by a pervasive sense of uncertainty over potential inflationary threats linked to the ongoing conflict in Ukraine and the outbreak of war in the Middle East between Israel and Palestine, leading to escalating strains in the Red Sea region. The effects of the Central Banks' stricter monetary policies, designed to curb inflation, became more apparent. This led to a decline in business and consumer confidence, and the initial recovery in China started to lose momentum. The prolonged persistence of inflation driven by the core component (which excludes the more volatile components such as energy and food) continued to wear down real incomes and prolonged expectations of restrictive monetary policy in the coming quarters.

This negatively impacted global economic expansion, which remained positive but was weaker than previously anticipated. According to the International Monetary Fund, world GDP growth for 2023 was 3.1%, lower than the 3.8% average growth we saw in the two decades before the pandemic (2000-2019).

Growth in the Eurozone was 0.4% in 2023 and estimates point to 0.9% growth in 2024. In response to sustained core inflation exceeding forecasts, the European Central Bank swiftly increased its principal interest rates over the year. This had a significant adverse effect on the industrial sector and on private consumption.

Italy's economic expansion slowed in the second half of 2023, halting the post-pandemic rebound that brought growth to 7% in 2021 and 3.7% in 2022. GDP grew by 0.7 % in 2023 and the same growth is estimated for 2024. The prolonged monetary policy has exacerbated domestic demand, especially private investment. The persistent inflationary pressures, fuelled by fundamental factors and recent surges in energy prices, persistently hinder economic growth.

In a reference market experiencing volume growth, the Company aims to expand its market share and will persist in evolving its business by strengthening the operations of each BU. Fine Foods will seize any opportunities for growth through external lines.

The Food BU sales increase recorded in 2023 confirmed the effectiveness of the commercial strategies implemented. The combination of product quality and innovation, along with the enhancement of customer support services, contributes to a predominantly optimistic outlook for 2024. The Company is preparing a production capacity increase by expanding the current plant, which will bring favourable results on the top line in the 2024-2028 five-year period.

The Pharma BU will continue its growth in 2024 buoyed by significant multi-year agreements signed with key international customers. Work for implementing the new production plant which started at the end of 2023, will be completed in 2025. The new site will start generating revenue from 2026.

The management is confident that the revenue growth and margin improvement historical trends will continue.

Alongside financial and economic objectives, ESG issues are increasingly integrated into different Fine Foods business processes. This includes the Research and Development department's dedication to proposing solutions aimed at decreasing the environmental impact of products. The Company intends to continue its sustainability programme and serve as a benchmark for customers by assessing products that align with the evolving market demands, which include sustainability.

## 5.7 Proposed allocation of the operating result

Dear Shareholders, considering the above, the governing body proposes:

- to approve the Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2023 Financial Statements, which showed a loss for the year of € 7,437,309;
- to cover the loss for the year in full from the merger surplus reserve;
- to distribute a dividend of € 0.12 for each eligible share, using part of the merger surplus reserve.

Verdellino, 29 March 2024

for the Board of Directors

Chairman

Marco Francesco Eigenmann



## **Certification of the 31 December 2023 Financial Statements under Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions**

The undersigned, Giorgio Ferraris, in his capacity as Chief Executive Officer, and Pietro Bassani, in his capacity as Manager responsible for preparing the Company accounts of Fine Foods & Pharmaceuticals N.T.M. S.p.A. certify the following, under art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the Financial Statements' adequacy in relation to the Company features;
- the practical application of the administrative and accounting procedures to prepare the Financial Statements from 1 January to 31 December 2023.

The undersigned declares that:

- The Financial Statements:
  - a) have been prepared under applicable International Accounting Standards, as adopted by the European Union through the EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
  - b) reflect the accounting books and records;
  - c) provide an accurate and fair view of the issuer's assets, liabilities, profit or loss and financial position.
- The Report on Operations includes a reliable analysis of the progress and results of operations, the issuer's situation, and a description of the principal risks and uncertainties to which it is exposed.

Verdellino-Zingonia, 29 March 2024

**Chief Executive Officer**  
Giorgio Ferraris

**The Manager**  
**preparing the corporate**  
**accounts**  
Pietro Bassani



# Fine Foods & Pharmaceuticals N.T.M. S.p.A.

Financial statements as at 31 December 2023

Independent auditor's report pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014  
(Translation from the original Italian text)

To the shareholders of  
Fine Foods & Pharmaceuticals N.T.M. S.p.A.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement, the comprehensive income statement, shareholders' equity changes and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Valuation of the Investment in Euro Cosmetic S.p.A.</p> <p>As of 31 December 2023, the investment in Euro Cosmetic S.p.A. amounts to Euro 24,9 million.</p> <p>Management evaluates at least once a year any impairment indicators connected to the investment, and where impairment indicators are identified, the investment is subject to impairment test.</p> <p>The processes and methods used to evaluate and determine the recoverable amount of the investment are based on complex assumptions that due to their nature imply the use of judgement by the Directors, in particular with reference to the identification of impairment indicators, the future cash flow forecasts during the period of the Group business plan, the determination of normalized cash flows used to estimate the terminal value, as well as the long term growth and the discount rates applied to the future cash flow forecasts.</p> <p>Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of investment, we considered that this area represents a key audit matter.</p> <p>The disclosures related to the valuation of investment is given in note 3.4 "Investment", and in sections "1.6.17 Investment" and "1.9.2 Estimates and assumptions".</p>	<p>Our audit procedures in response to this key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• assessment of investment's carrying amount;</li> <li>• understanding of the methods adopted by the Company for the valuation of the investment;</li> <li>• assessment of the reasonableness of future cash flows for the explicit forecast period of the Group business plan and of the assumptions used for the identification of normalized cash flows, including their consistency with the 2024-2026 Group business plan;</li> <li>• assessment of discount and long-term growth rates.</li> </ul> <p>The procedures described above include the analysis of management's experts' valuations.</p> <p>In the context of our procedures, we involved our valuation techniques' experts, who performed an independent calculation and sensitivity analyses on the key assumptions to assess which changes in such assumptions could materially impact the valuation of recoverable amount.</p> <p>Lastly, we reviewed the disclosures made in the explanatory notes and related to these matters.</p>

## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as

required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fine Foods & Pharmaceuticals N.T.M. S.p.A., in the general meeting held on 30 April 2020, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fine

Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

#### Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 29 March 2024

EY S.p.A.

Signed by: Marco Malaguti, Auditor

As disclosed by the Directors on page 8, the accompanying financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.