

THE BOARD OF DIRECTORS APPROVES THE 30 JUNE 2019 HALF-YEAR FINANCIAL REPORT

FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A. FIRST HALF OF 2019 CLOSED WITH STRONG ORGANIC GROWTH:

REVENUES + 18%

EBITDA +19%

NET PROFIT +15%

Verdellino, 05 September 2019. The Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board of Directors approves the 30 June 2019 Half-year Financial Report.

Summary results

Thousands of Euro	1st Half 2019	1st Half 2018	Difference	Difference in %
Revenues	83,141	70,544	12,597	18%
EBITDA ⁽¹⁾	9,763	8,199	1,564	19%
EBITDA Margin ⁽²⁾	11,7%	11,6%		
Net profit	3,218	2,806	412	15%

Thousands of Euro	30.06.2019	31.12.2018	Difference
Shareholders' equity	147,482	149,165	(1.683)
Net Financial Position ⁽³⁾	(38.931)	(46.660)	7,728

(1) Operating profit before amortisation and depreciation of intangible and tangible fixed assets and write-downs
(2) Ratio between EBITDA and Revenues
(3) Liquid assets net of payables to banks and medium/long-term loans

- ✓ Revenues generated by the "Food" BU: € 63.1m (1st half-year of 2018: € 51.3m; +23%)
- ✓ Revenues generated by the "Pharma" BU: € 20m (1st half-year of 2018: € 19.2m; + 4%)
- ✓ EBITDA Margin: 11.7% (1st half-year of 2018: 11.6%)
- ✓ The Net Financial Position was positive, with about € 38.9m compared to € 46.7m as at 31 December 2018
- ✓ **July 2019 had a record turnover of € 20m**

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

The Board of Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. - a company listed on AIM Italia and the leading independent Italian company in the Contract Development and Manufacturing Organisation (CDMO) of solid oral forms for the pharmaceutical and nutraceutical industries - today approved the 30 June 2019 Half-year Financial Report.

The Chief Executive Officer, Giorgio Ferraris, commented:

"The results achieved in the first half of 2019 are confirmation of the trust that our customers place in Fine Foods. We are proud and satisfied with these accomplishments and motivated by the July record result which exceeded € 20 million turnover. We are especially satisfied with our organisation, which is managing the difficulties arising from the start-up of two new plants and the complex site transfer for pharmaceutical products. We expect these activities to continue at least until the end of 2019. The expansion of the two production sites will allow us to meet the growing demand for additional volumes from new and existing customers and will lead us to future synergies and efficiency improvements. In recent months, orders have been higher than expected and required us to allocate more resources to organic growth. These factors, together with the positive trend, encourage us to be confident for the rest of the year."

30 JUNE 2019 INCOME STATEMENT AND BALANCE SHEET DATA

The 30 June 2019 Interim Statements have been prepared under Italian accounting standards.

Profit and loss figures

Thousands of Euro	1st Half 2019	1st Half 2018
Revenues	83,141	70,544
EBITDA ⁽¹⁾	9,763	8,199
EBIT ⁽⁴⁾	4,306	3,433
Income before taxes	4,493	3,891
Net profit	3,218	2,806

(4) Operating profit equal to the difference between production value and costs

Revenues for the first half of 2019 were approximately € 83 million with an overall increase of 18 per cent, compared to € 71 million in the first half of 2018 thanks to the positive contribution from both business areas: "Food" and "Pharma." No M&A transactions were performed during the financial year, and this performance is attributable to the organic growth component of the Company.

EBITDA amounted to approximately € 9.8 million and recorded an increase of more than € 1.5 million compared to the same period in the previous year.

EBIT amounted to approximately € 4.3 million and showed an increase of about € 900,000 compared to the same period in the previous year.

Earnings before taxes increased compared to the first half of 2018 thanks to the better result of ordinary operations.

Net profit increased compared to the same period in the previous year, closing at € 3.2 million.

Balance Sheet Data

Thousands of Euro	30.06.2019	31.12.2018
Fixed assets	86,568	82,854
Net Working Capital	24,534	19,662
Other receivables and payables	(1.531)	1,011
Severance Indemnity	(1.020)	(1.022)
Net Invested Capital	108,551	102,506
Shareholders' equity	147,482	149,165
Net Financial Position	(38.931)	(46.660)

Fixed assets increased by approximately € 3.7 million compared to the previous financial year; this item includes total investments of approximately € 8.3 million. From this, about € 2.1 million was earmarked for the completion of the Brembate pharmaceutical and Zingonia nutraceutical site expansion and about € 4.8 million for purchases of new machinery, plants, and equipment to increase the production capacity of both plants.

The increase in **Net Working Capital** is mainly due to the higher inventories at the end of the first half of 2019 compared to those of 31 December 2018. In June, the Company accumulated stocks to meet the numerous orders to be delivered in the following months.

The **Other receivables and payables** item showed a negative balance at 30 June 2019, due to the reduction in tax receivables. The Company changed from a 31 December 2018 tax credit to a 30 June tax liability (mainly IRES) after having allocated (and not paid) the estimated current taxes for the period in Interim Statements. Fine Foods offset part of the VAT credit and requested a reimbursement, with the Annual VAT Declaration, for € 2.7 million.

Shareholders' equity amounted to € 147.5 million, compared to € 149 million. The decrease is due to the treasury share buyback programme in the first half of 2019 and the distribution of dividends approved by the 30 April 2019 Shareholders' Meeting.

The **Net Financial Position** was positive, with about € 39 million. The change from the previous financial year is due to new investments, the ongoing buy-back programme and the distribution of dividends.

SIGNIFICANT EVENTS AFTER THE YEAR-END

As part of the treasury share buyback programme announced to the market on 14 December 2018 and launched on 19 December 2018 implementing the 14 December 2018 Shareholders' Meeting resolution, on 31 August 2019, Fine Foods purchased on the AIM Italia, managed by Borsa Italiana S.p.A., 289,627 treasury shares, equal to 1.2763% of the share capital, at the weighted average price of € 10.1532, for a total value of € 2,940,627.

BUSINESS OUTLOOK

Following previously defined policies and the possible entry into new markets with initiatives aimed at strengthening the business organisation, investment and development initiatives shall continue. During the next half-year, the Company will consolidate the strategy that has been its main feature in recent years – this strategy's effectiveness can be seen in the results achieved: Fine Foods will keep focusing on its current and potential customers' satisfaction by offering a highly professional and reliable quality service. The Company is evaluating the acquisition opportunities that the market offers for further growth by integrating its activities with those of other to-be-identified commercial and production targets.

The 30 June 2019 Half-year Financial Report is available to the public at the Company's registered office and can be consulted on the Fine Foods website at www.finefoods.it, in the Investor Relations / Financial Reports and presentations section.

This press release is available on the Fine Foods website www.finefoods.it, in the Investor relations / Press Releases section.

Fine Foods & Pharmaceuticals N.T.M. S.p.A., founded in 1984, is the leading independent Italian company in the contract development and manufacturing organisation (CDMO) of solid oral forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market for its high-quality products and has long-term relationships with most of its customers (more than one hundred). It has more than 600 employees and generated more than 60 per cent of its sales volumes abroad in 2019.

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30 June 2019 FINANCIAL STATEMENTS

BALANCE SHEET

	30/06/2019	31/12/2018
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
3) industrial patent and intellectual property rights	1,141,321	1,059,699
5) goodwill	97,075	194,150
7) other	2,586,736	3,024,895
<i>Total intangible fixed assets</i>	<i>3,825,132</i>	<i>4,278,744</i>
II - Tangible fixed assets	-	-
1) land and buildings	36,786,182	18,439,641
2) plant and machinery	36,403,881	20,291,785
3) industrial and commercial equipment	2,124,446	1,585,805
4) other tangible assets	2,287,748	1,857,879
5) Fixed assets under construction and payments on account	5,140,524	36,400,643
<i>Total tangible fixed assets</i>	<i>82,742,781</i>	<i>78,575,753</i>
<i>Total fixed assets (B)</i>	<i>86,567,913</i>	<i>82,854,497</i>
C) Current assets		
I – Inventories	-	-
1) raw materials, ancillary materials, and consumables	16,545,568	12,907,823
2) work in progress and semi-finished products	4,883,899	3,839,982
4) finished products and goods	8,887,467	5,239,614
<i>Total inventories</i>	<i>30,316,934</i>	<i>21,987,419</i>
II – Receivables	-	-
1) from customers	23,515,069	21,546,545
due within 12 months	23,515,069	21,546,545
5-bis) tax receivables	3,474,171	4,892,644
due within 12 months	3,474,171	4,892,644
5-ter) deferred tax assets	439,459	398,017
5-quater) from others	825,800	305,322
due within 12 months	825,800	305,322

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	30/06/2019	31/12/2018
<i>Total receivables</i>	28,254,498	27,142,528
III - Current financial assets	-	-
6) Other securities	67,944,246	-
<i>Current financial assets</i>	67,944,246	-
IV - Liquid assets	-	-
1) bank and postal deposits	2,489,841	74,764,972
3) cash and cash equivalents on hand	7,929	6,656
<i>Total liquid assets</i>	2,497,770	74,771,628
<i>Total current assets (C)</i>	129,013,448	123,901,575
D) Accruals and deferrals	102,754	94,349
<i>Total assets</i>	215,684,115	206,850,421
Liabilities		
A) Shareholders' equity	147,482,074	149,165,395
I- Share Capital	22,564,035	22,563,970
II - Share premium reserve	86,743,750	86,743,750
IV - Legal reserve	5,000,000	5,000,000
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	6,072,106	-
Merger surplus reserve	26,553,351	26,553,351
<i>Total other reserves</i>	32,625,457	26,553,351
VIII - Profits (losses) carried forward	-	(381,962)
IX - Profit (loss) for the year	3,217,549	8,686,286
X - Negative reserve for treasury shares in the portfolio	(2,668,716)	-
Total Shareholders' Equity	147,482,074	149,165,395
C) Employee severance indemnity	1,020,239	1,021,636
D) Payables		
1) bonds	9,877,782	9,859,540
due after 12 months	9,877,782	9,859,540
4) Bank Borrowing	21,632,801	18,252,486
due within 12 months	12,478,391	5,509,174
due after 12 months	9,154,410	12,743,312
7) trade payables	29,297,550	23,871,811

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	30/06/2019	31/12/2018
due within 12 months	29,297,550	23,871,811
12) taxes payable	1,412,434	837,220
due within 12 months	1,412,434	837,220
13) payables due to pension and social security institutions	1,987,288	1,673,423
due within 12 months	1,987,288	1,673,423
14) other payables	2,932,768	2,125,321
due within 12 months	2,932,768	2,125,321
<i>Total payables</i>	<i>67,140,623</i>	<i>56,619,801</i>
E) Accruals and deferrals	41,179	43,589
<i>Total liabilities</i>	<i>215,684,115</i>	<i>206,850,421</i>

INCOME STATEMENT

	30/06/2019	30/06/2018
A) Production value		
1) revenues from sales and services	83,140,551	70,543,526
2) changes in inventories of work in progress, semi-finished and finished products	4,691,769	273,743
5) other revenues and income	-	-
Other	797,903	553,204
<i>Total other revenues and income</i>	797,903	553,204
<i>Total production value</i>	88,630,223	71,370,473
B) Production costs		
6) raw materials, ancillary materials, consumables, and goods	58,247,492	43,572,050
7) services	8,331,565	7,918,976
8) use of third-party assets	542,740	537,649
9) personnel	-	-
a) wages and salaries	11,192,171	9,276,810
b) social security contributions	3,391,471	2,386,997
c) severance indemnity	586,155	519,238
e) other costs	4,250	-
<i>Total personnel costs</i>	15,174,047	12,183,045
10) amortisation, depreciation, and write-downs	-	-
a) amortisation of intangible assets	746,283	888,351
b) depreciation of tangible assets	3,840,162	3,172,344
d) write-downs of receivables included in current assets and liquid assets	120,811	162,039
<i>Total amortisation, depreciation, and write-downs</i>	4,707,256	4,222,734
11) changes in inventories of raw materials, ancillary materials, consumables, and goods	(3,637,745)	(1,073,212)
14) other operating charges	958,708	576,346
<i>Total production costs</i>	84,324,063	67,937,588
Difference between production value and costs (A - B)	4,306,160	3,432,885
C) Financial income and charges		
16) other financial income	-	-
c) from securities included in current assets other than equity investments	674,060	-

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	30/06/2019	30/06/2018
d) income other than the above	-	-
Other	1,822	689,772
<i>Total income other than the above</i>	1,822	689,772
<i>Total other financial income</i>	675,882	689,772
17) interest and other financial charges	-	-
Other	253,727	252,708
<i>Total interest and other financial charges</i>	253,727	252,708
17-bis) foreign exchange gains and losses	(18,221)	21,191
<i>Total financial income and charges (15 + 16-17 + -17-bis)</i>	403,934	458,255
D) Adjustments to the value of assets and liabilities		
19) Write-downs	-	-
c) from securities included in current assets other than equity investments	217,529	-
<i>Total write-downs</i>	217,529	-
<i>Total adjustments to the value of assets and liabilities (18-19)</i>	(217,529)	-
Earnings before taxes (A-B + -C + -D)	4,492,565	3,891,140
20) Current, deferred, and prepaid income taxes for the year		
current taxes	1,316,458	1,162,888
deferred and prepaid taxes	(41,442)	(77,296)
<i>Total current, deferred, and prepaid income taxes</i>	1,275,016	1,085,592
21) Profit (loss) for the year	3,217,549	2,805,548

CASH FLOW STATEMENT, INDIRECT METHOD

	Amount as at 30/06/2019	Amount as at 30/06/2018
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the financial year	3,217,549	2,805,548
Income taxes	1,275,016	1,085,591
Interest expenses (Income)	(422,155)	(437,062)
(Gains)/Losses deriving from asset disposals	(449,729)	(5,492)
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals</i>	<i>3,620,681</i>	<i>3,448,585</i>
Adjustments for non-monetary items with no impact on the net working capital		
Allocation to Provisions	14,888	1,155,547
Depreciation of fixed assets	4,586,445	4,060,695
Write-downs for permanent losses in value	217,529	
<i>Total adjustments for non-monetary items with no impact on the net working capital</i>	<i>4,818,862</i>	<i>5,216,242</i>
<i>2) Cash flow before changes in net working capital</i>	<i>8,439,543</i>	<i>8,664,827</i>
Changes in net working capital		
Decrease/(Increase) in inventories	(8,329,514)	(18,393,037)
Decrease/(increase) in trade receivables	(1,968,524)	(31,792,523)
Increase/(Decrease) in trade payables	5,425,739	26,227,963
Decrease/(increase) in accrued income and prepaid expenses	(8,405)	(589,206)
Increase/(Decrease) in accrued expenses and deferred income	(2,409)	46,398
Other decreases/(increases) of net working capital	2,553,078	4,633,254
<i>Total changes in net working capital</i>	<i>(2,330,036)</i>	<i>(19,867,151)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>6,109,507</i>	<i>(11,202,324)</i>
Other adjustments		
Interest received/(paid)	422,155	437,062
(Income taxes paid)	(1,275,016)	(1,085,591)
Other collections/(payments)	(16,300)	
<i>Total other adjustments</i>	<i>(869,161)</i>	<i>(648,529)</i>
Cash flow from operating activities (A)	5,240,346	(11,850,853)
B) Cash flows deriving from investments		
Tangible fixed assets		
(Investments)	(8,038,324)	(69,562,065)

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	Amount as at 30/06/2019	Amount as at 30/06/2018
Disposals	44,848	5,271
Intangible fixed assets		
(Investments)	(292,671)	(3,241,060)
Current financial assets		
(Investments)	(67,725,745)	
Cash flow from investments (B)	(76,011,892)	(72,797,854)
C) Cash flows deriving from financing		
Third-party financing		
Increase/(Decrease) of short-term payables to banks	4,422,711	46,937,396
New financing	1,746,679	
(Funding repayment)	(2,770,833)	
Equity		
Paid increase in share capital	65	38,861,071
Sale/(purchase) of treasury shares	(2,668,716)	
(Dividends and advances on paid dividends)	(2,232,218)	
Cash flow from financing (C)	(1,502,313)	85,798,467
Increase (decrease) in liquid assets (A ± B ± C)	(72,273,857)	1,149,760
Liquid assets at the beginning of the financial year		
Bank and postal deposits	74,764,972	100,935,188
Cash and cash equivalents on hand	6,656	
Total liquid assets at the beginning of the financial year	74,771,628	100,935,188
Liquid assets at the end of the financial year		
Bank and postal deposits	2,489,841	102,077,301
Cash and cash equivalents on hand	7,930	7,648
Total liquid assets at the end of the financial year	2,497,771	102,084,948
Balance difference		

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