

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 € 22,564,034.80 Fully paid up

VAT number: 09320600969



31 December 2018

Statutory Financial Statements

28 March 2019 Board of Directors

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CORPORATE POSITIONS

Board of Directors

Chairman and CEO

Marco Francesco Eigenmann

CEO

Giorgio Ferraris

Directors

Federico Oriani

Adriano Pala Ciurlo

Fulvio Conti

Marco Costaguta

Paolo Ferrario

Board of Statutory Auditors

Chairman

Paolo Villa

Statutory Auditors

Marco Antonio Manzoni

Paolo Prandi

Auditing Company

Deloitte &Touche S.p.A.

Report on Operations

31/12/2018 Statutory Financial Statements

Dear Shareholders, the Financial Statements for the year ended 31 December 2018, which are being submitted to you for approval, are excellent. Production value increased to € 143,887,174, the difference between the production value and cost amounted to € 10,183,112, and net profit for the year reached € 8,686,286.

<i>Values expressed in €</i>		31/12/2018	31/12/2017
Balance Sheet			
Assets			
A	Receivables from shareholders for unpaid called up share capital	-	-
B	Fixed assets	82,854,497	420,863
C	Current assets	123,901,575	101,059,438
D	Accruals and deferrals	94,349	297,757
	Total assets	206,850,421	101,778,058
Liabilities			
A	Shareholders' equity	149,165,395	101,618,038
B	Provisions for risks and charges	-	-
C	Employee severance indemnity	1,021,636	-
D	Payables	56,619,801	160,020
E	Accruals and deferrals	43,589	-
	Total liabilities	206,850,421	101,778,058

Income Statement

A	Production value	143,887,174	-
B	Total production costs	133,704,061	666,905
	Difference between production value and costs	10,183,113	(666,905)
C	Financial income (charges)	248,165	479,493
D	Adjustments to the value of assets:	-	-
	Earnings before taxes	10,431,278	(187,412)
22	Financial year income taxes	1,865,477	-
	Deferred (prepaid) taxes	(120,485)	-
23	Profit (loss) for the financial year	8,686,286	(187,412)

In the Explanatory Notes, you have been provided with the information on the presentation of the 31/12/2018 Financial Statements; in this document, under art. 2428 of the Civil Code, we provide you with information relating to your Company's situation and the progress of operations.

This Report, prepared with values expressed in €, accompanies the Financial Statements to provide Company's income, assets, financial and management information, and, where possible, historical elements and future assessments.

Company Information

Fine Foods & Pharmaceuticals N.T.M. S.p.A., founded in 1984, is the leading independent Italian Company in the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market for its high-quality products and it generated approximately € 140 million turnover in 2018.

Significant events

The 2018 financial year was characterised by the completion of the extraordinary merger transaction involving Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A.

Innova Italy 1 S.p.A. was a *Special Purpose Acquisition Company* ("SPAC"), that is a Company set up to find the necessary and functional financial resources to carry out an acquisition or aggregation transaction ("Business Combination") with an individual operating Company chosen after research and selection activities, by placing relevant financial instruments with investors and a subsequent listing on AIM Italia/Alternative Investment Market (hereafter "AIM Italia") organised and managed by Borsa Italiana S.p.A.

Innova Italy 1 S.p.A. was listed on the AIM Italia multilateral trading system on 17 October 2016.

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

For "Business Combination" purposes, the investment activity of Innova Italy 1 S.p.A. was mainly directed towards medium-sized companies with a significant innovation technology level and a solid and clear plan for an organic or external development.

Innova Italy 1 S.p.A. (Acquiring Company), through the Merger by incorporation of Fine Foods & Pharmaceuticals N.T.M. S.p.A. (Acquired Company), intended to carry out its investment activity, as described in its corporate purpose.

The Shareholders' Meeting of the participating Companies approved the Merger Plan on 10 July 2018, with a favourable vote of 100% of those present representing about 72% of the share capital. No communication about a right of withdrawal exercisable by legitimate shareholders was received. The merger deed was signed on 19 September 2018 (Notary Simone Chiantini – Index no. 22246 – File no. 11876) and entered in the Milan Companies Register on 21/09/2018.

The merger effect, the appointment of new corporate bodies and the Auditing Company and the entry into force of the new Articles of Association of the Acquiring Company took effect on 1 October 2018 ("Effective Merger Date"). The Acquired Company transactions were entered into the Acquiring Company Financial Statements on 1 January 2018, and tax effects will apply from the same date.

The merger led to significant changes in the Company's assets and financial structure, including the Company's name and corporate purpose which became that of the Acquired Company Fine Foods & Pharmaceuticals N.T.M. S.p.A.

The income statement and balance sheet figures for the 2018 financial year are not comparable with those of the previous financial year due to the effectiveness of the above merger by incorporation.

Merger

On 7 June 2018, the Innova Italy 1 S.p.A. Board of Directors approved the Business Combination, i.e. the combination between Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A. consisting of a merger by incorporation of Fine Foods & Pharmaceuticals N.T.M. S.p.A. into Innova Italy 1 S.p.A.

On the same date, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board of Directors approved a draft of Merger Plan by incorporation project of Fine Foods & Pharmaceuticals N.T.M. S.p.A. into Innova Italy 1 S.p.A. and the related Report, prepared under art. 2501-quinquies of the Civil Code.

On 12 June 2018, the Merger Plan was entered in the Milan Monza Brianza Lodi Companies Register (for the Acquiring Company) and on 13 June 2018 in the Bergamo Companies Register (for the Acquired Company).

On 10 July 2018, the Innova Italy 1 S.p.A. Shareholders' Meeting authorised the completion of the Business Combination (reverse take-over transaction under Article 14 of the AIM Italia Issuers' Regulations) and during an extraordinary meeting, approved the Merger Plan and the new text of the Articles of Association. The new Articles of Association govern the post-Merger Company, from the Effective Merger Date for third parties (1 October 2018). The resolution was taken with the favourable vote of all present, corresponding to 71.31% of the share capital represented by ordinary shares; this Merger-approval resolution met the requirements of article 49, paragraph 1, letter g) of the Consob Issuers' Regulations no. 11971/1999 (*whitewash*).

This Merger-approval resolution was taken with a favourable vote of more than 70 per cent of Innova's share capital, and it was no longer subject to the statutory termination condition represented by the following circumstances: (a) the right of withdrawal exercised by a number of shareholders representing at least 30 per cent of the share capital, if they did not approve the change in the corporate purpose to implement the Business Combination referred to in Article 4 of Innova's current Articles of Association, and (b) the completion of the liquidation procedure for these withdrawing shareholders under Article 2437-quarter of the Civil Code by redeeming or cancelling

the shares equal to or greater than 30 per cent of the share capital. Shareholders who did not take part in the resolution to approve the Merger and amend the Company's Articles of Association could withdraw from the participation in the share capital under Article 2437, paragraph 1, letter a), e) and g), and paragraph 2, letter a) of the Civil Code, and shareholders who exercised this right of withdrawal would be granted € 10 cash per share, as outlined under Article 2437-ter, paragraph 2 of the Civil Code and Innova Articles of Association. At the end of the right of withdrawal exercising period (expiring on 31/07/2018), this right was not exercised for any of the Innova Italy 1 S.p.A. ordinary shares.

On the same date, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Extraordinary Meeting approved the Merger Plan.

The Innova Italy 1 S.p.A. Ordinary Shareholders' Meeting appointed the new members of the Board of Directors and the Board of Statutory Auditors of the post-Merger Company, from the effective merger date (1 October 2018). These will remain in office for the three financial years after the year of the Effective Merger Date and so, up to the approval of the Financial Statements of the post-Merger Company on 31 December 2020. It has granted a new mandate for the statutory audit of the post-Merger Company, for three financial years (2018 - 2020). The new post-Merger Company Board of Directors is composed of seven directors: (i) Marco Francesco Eigenmann, Giorgio Ferraris, Federico Oriani and Adriano Pala Ciurlo, appointed by Eigenfin S.r.l., and (ii) Fulvio Conti, Paolo Ferrario and Marco Costaguta, appointed by the Company's promoting shareholders. The Shareholders' Meeting appointed as members of the Board of Statutory Auditors of the post-Merger Company (i) three statutory auditors in the persons of Paolo Villa, acting as Chairman, and Marco Antonio Manzoni (appointed by Eigenfin S.r.l.) and Paolo Prandi (appointed by the Company's promoting shareholders), and (ii) two substitute auditors in the persons of Federica Poggio (appointed by Eigenfin S.r.l.) and Barbara Castelli (appointed by the Company's promoting shareholders). Due to the Merger, the Shareholders' Meeting resolved the consensual termination of the statutory audit assignment conferred on KPMG S.p.A. and appointed Deloitte & Touche S.p.A. as the post-Merger Company auditor under art. 13 of Legislative Decree 39/2010 as amended, for three financial years (2018-2020).

On 19 September 2018, the merger deed was signed (Notary Simone Chiantini – Index no. 22246 – File no. 11876). The registration in the Milan Companies Register took place on 21 September 2018.

Under the integration plan and the exchange ratio, the capital of the Acquiring Company, was increased by a nominal value of € 12,307,500 and (for share swap purposes) issued new (i) 7,540,000 ordinary shares, (ii) 1,200,000 redeemable shares under article 2437-sexies of the Civil Code and (iii) 3,500,000 multiple voting shares under Article 2351, paragraph 4, of the Civil Code, without a nominal value being indicated, to be attributed to the shareholders of Fine Foods & Pharmaceuticals N.T.M. S.p.A. according to the exchange ratio that resulted from the Merger Plan: each individual "FINE FOODS N.T.M. S.p.A." ordinary share corresponds to 1.5300 newly issued Innova shares (of which 1.3199 ordinary shares and 0.2101 redeemable shares under Article 2437-sexies of the Civil Code), and each individual "FINE FOODS N.T.M. S.p.A." multiple voting share corresponds to 1.5300 multi-voting shares of the Acquiring Company.

The Company resulting from the merger was expected to issue in favour of "FINE FOODS N.T.M. S.p.A." original shareholders 4,000,000 unlisted and non-transferable warrants up to 20 months from the Effective Merger Date, which conferred the right to subscribe newly issued shares of the merger-resulting Company. This was exercisable according to the methods and terms listed in the 7 June 2018 Board of Directors Report which accompanied the Merger Plan, with a consequent increase in the Company's divisible share capital and to service up to € 233,320 worth of warrants by issuing up to maximum 2,333,200 ordinary shares.

The Company holds 9,000,000 warrants of which, 92,600 were exercised on 4 December 2018. So, on 31 December there were 8,907,400 warrants left.

The Company resulting from the merger took the business name of "Fine Foods & Pharmaceuticals N.T.M. S.p.A." that can be abbreviated to "Fine Foods N.T.M. S.p.A."

General economic performance

During 2018 there was a slowdown in the international economy, which was affected by the uncertainty regarding the restrictions on global trade. The prospects have deteriorated, especially for the advanced countries most directly connected with international trade. The weakening of global demand has pushed the price of crude oil down in the autumn, and inflation in the Euro Zone fell below two per cent.

Overall, the Euro Zone suffered from a worsening of the international economic situation and from an investment slowdown. The latter particularly harmed the German economy, which is highly dependent on global demand for capital goods.

The Italian economy has progressively slowed more than the rest of the Euro Zone. Since the summer, the national economy has declined due to worsening domestic demand and foreign sales. In 2018, GDP, adjusted for calendar factors, increased by 0.8% compared to 2017.

Management Performance

The past year confirms the Company expansion trend of recent years.

The revenue result was gratifying: item A1 of the Income Statement (Revenues from sales and services) went from € 119.6 million in 2017 (value emerging from the financial statements of the Acquired Company on 31 December 2017) to € 139.4 million in 2018, increasing by 16.6%. This growth is generated by the turnover of the two sectors where the Company operates. The revenues of the "Food" Business Unit amounted to € 105,633,296 in 2018 compared to € 91,575,724 in 2017 and showed an increase of 15 per cent. The "Pharma" segment sales in 2018 reached € 33,753,220 with an increase of 21 per cent compared to € 28,010,404 in the previous year.

The important Zingonia-Verdellino (28,700 square metres) and Brembate (12,700 square metres) production site expansions, which started in the first half of 2016, are at the final stages.

The Zingonia-Verdellino and Brembate investments were € 18.1 million and € 14.7 million respectively at the end of 2018 financial year, with an increase of € 10.9 and 4.3 million during the year. The work will be completed in the first half of 2019 and allow Fine Foods to increase its plant areas (by 80 per cent in Zingonia-Verdellino and 120 per cent in Brembate) to meet the growing demand for additional volumes by new and existing customers.

An 11-year mortgage with Mediocredito Italiano of € 15,000,000 was subscribed in 2016 to finance the above investments. This mortgage was at a rate equal to a six-month Euribor rate increased by one per cent and secured by a first mortgage on the Verdellino real estate complex.

On 28 October 2016, an ordinary bond was issued for a nominal value of Euro 10,000,000 fully subscribed by Amundi SGR with a seven-year Sace guarantee with a fixed interest rate of 0.82%.

During 2018 the Company purchased new tangible assets, including machinery and plant, for € 10.8 million and incurred costs capitalised under intangible assets for € 3.9 million.

Management and coordination activities

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

Balance sheet and financial position

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

For a better understanding, a comparison with the 2017 financial year of the Acquired Fine Foods & Pharmaceuticals N.T.M. S.p.A. was reported.

Balance Sheet Assets

*Fine Foods & Pharmaceuticals N.T.M. S.p.A. Balance Sheet values as at 31/12/2017

Item	2018 financial year	%	2017 financial year*	%	Absolute variation	% Variation
WORKING CAPITAL	123,995,924	59.94 %	38,577,947	39.72%	85,417,977	221.42 %
Immediate Liquidity	74,771,628	36.15 %	9,706,937	9.99 %	65,064,691	670.29 %
Liquid assets	74,771,628	36.15 %	9,706,937	9.99 %	65,064,691	670.29 %
Deferred liquidity	49,224,296	23.80 %	28,871,010	29.72 %	20,353,286	70.50 %
Short-term receivables under Current Assets	27,142,528	13.12 %	11,650,722	11.99 %	15,491,806	132.97 %
Accrued income and prepaid expenses	94,349	0.05%	174,207	0.18 %	(79,858)	(45.84) %
Inventories	21,987,419	10.63%	17,046,081	17.55 %	4,941,338	28.99 %
FIXED ASSETS	82,854,497	40.06 %	58,556,558	60.28 %	24,297,939	41.49 %
Intangible fixed assets	4,278,744	2.07 %	1,263,846	1.30 %	3,014,898	238.55 %
Tangible fixed assets	78,575,753	37.99 %	57,292,712	58.98 %	21,283,041	37.15 %
TOTAL APPLICATION OF FUNDS (Total Assets)	206,850,421	100 %	97,134,505	100 %	109,715,916	112.95%

Balance Sheet Liabilities

*Fine Foods & Pharmaceuticals N.T.M. S.p.A. Balance Sheet values as at 31/12/2017

Item	2018 financial year	%	2017 financial year*	%	Absolute variation	% Variation
THIRD-PARTY CAPITAL	57,685,026	27.89%	58,273,654	59.99%	(588,628)	(1.01)%
Current liabilities	34,060,538	16.47%	32,508,744	33.47%	1,551,794	4.77%
Short-term payables	34,016,949	16.45%	32,462,347	33.42%	1,554,602	4.79%
Accrued expenses and deferred income	43,589	0.02%	46,397	0.05%	(2,808)	(6.05)%
Consolidated liabilities	23,624,488	11.42%	25,764,910	26.52%	(2,140,422)	(8.31)%
Medium/long term payables	22,602,852	10.93%	24,554,507	25.28%	(1,951,655)	(7.95)%

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Item	2018 financial year	%	2017 financial year*	%	Absolute variation	% Variation
Severance Indemnity	1,021,636	0.49%	1,210,403	1.25%	(188,767)	(15.60)%
OWNERS' EQUITY	149,165,395	72.11%	38,860,851	40.01%	110,304,544	283.84%
Share Capital	22,563,970	10.91%	8,000,000	8.24%	14,563,970	182.05%
Reserves	118,297,101	57.19%	24,673,855	25.40%	93,623,246	379.44%
Profits (losses) carried forward	(381,962)	(0.18)%			(381,962)	N/A
Profit (loss) for the financial year	8,686,286	4.20%	6,186,996	6.37%	2,499,290	40.40%
TOTAL SOURCES (Total Liabilities)	206,850,421	100 %	97,134,505	100 %	109,715,916	112.95%

Balance sheet and financial position main indicators

Based on the previous reclassification, the following Financial Statement indicators for the 2018 financial year are calculated.

Due to the merger described above, the Financial Statement indicators for the previous year are not useful for comparison purposes.

INDEX	2018 financial year
Fixed asset coverage	
= A) Shareholders' equity / B) Fixed assets	180.03%
The index assesses the balance between the owners' equity and the company's fixed assets investments.	
Amounts payable to banks to working capital ratio	
= D.4) Bank Borrowing / C) Current assets	14.73%
This index measures working capital obtained using bank financing	
Debt ratio	
= [TOTAL LIABILITIES - A) Shareholders' equity] / TOT. ASSETS	27.89%
This index expresses the ratio between third-party capital and total assets	
Financial debt ratio	
= [D.1) Bonds payable + D.2) Convertible bonds payable + D.3) Payables to shareholders for loans + D.4) Bank Borrowing + D.5) Payables to other lenders + D.8) Payables represented by debt securities + D.9) Payables to subsidiaries + D.10) Payables to associated companies + D.11) Payables to parent companies] / A) Shareholders' equity	18.85%
The index measures the ratio between the use of third-party financing capital (third-party paid capital and subject to repayment) and the use of the Company's own resources	
Equity on invested capital	
= A) Shareholders' equity / TOT. ASSETS	72.11%
The index measures the company capitalisation degree and its financial independence from third-party financing	
Financial charges on turnover	
= C.17) Interest and other financial charges (ordinary portion) / A.1) Revenues from sales and services (ordinary portion)	0.37%
The index expresses the ratio between financial charges and the Company's turnover	

INDEX	2018 financial year
Current Ratio	
= [A] Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + C) Current assets - C.II) Receivables (after 12 months) + D) Accruals and deferrals] / [D) Payables (within 12 month) + E) Accruals and deferrals]	364.05%
The index measures the Company's ability to broadly deal with current payables with all current receivables (including inventories)	
Capital structure primary margin	
= [A] Shareholders' equity - (B) Fixed assets - B.III.2) Receivables (within 12 months))]	66,310,898
It is the difference between the Shareholders' equity and Net Fixed Assets. It expresses, in absolute values, the Company's ability to cover its fixed asset investments with its own resources.	
Capital structure primary ratio	
= [A] Shareholders' equity] / [B) Fixed assets - B.III.2) Receivables (within 12 months)]	1.80
It is the ratio between Shareholders' equity and Net Fixed Assets. It expresses, in relative values, the portion of fixed assets covered by own resources.	
Capital structure secondary margin	
= [A] Shareholders' equity + B) Provisions for risks and charges + C) Employee severance indemnity + D) Payables (after 12 months)] - [B) Fixed assets - B.III.2) Receivables (within 12 months)]	89,935,386
It is the difference between the Consolidated Long Term Capital (Shareholders' equity plus Long-term payables) and Net Fixed Assets. It expresses, in absolute values, the Company's ability to cover fixed asset investments with consolidated resources.	
Capital structure secondary ratio	
= [A] Shareholders' equity + B) Provisions for risks and charges + C) Employee severance indemnity + D) Payables (after 12 months)]/ [B) Fixed assets - B.III.2) Receivables (within 12 months)]	2.09
It is the ratio between the Consolidated Long Term Capital and the Net Fixed Assets. It expresses, in relative values, the portion of fixed assets covered with consolidated resources.	
Net Working Capital	
= [A] Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + C.I) Inventories + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash)+ D) Accruals and deferrals] - [D) Payables (within 12 months) + E) Accruals and deferrals]	89,935,386
It is the difference between gross Working Capital and current liabilities. It expresses in absolute values, the ability of the company to face short-term commitments with existing resources	
Primary treasury margin	
= [A] Receivables from shareholders for unpaid called up share capital + B.III.2) Receivables (within 12 months) + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid assets (Cash) + D) Accruals and deferrals] - [D) Payables (within 12 months) + E) Accruals and deferrals]	67,947,967
It is the difference, in absolute values, between immediate and deferred liquidity and current liabilities. It expresses the Company's ability to meet current commitments using its own liquidity	
Primary treasury index	
= [A] Receivables from shareholders for unpaid called up share capital + C.II) Receivables (within 12 months) + C.III) Current financial assets + C.IV) Liquid Assets + D) Accruals and deferrals] / [D) Payables (within 12 months) + E)	2.99

INDEX	2018 financial year
Accruals and deferrals]	
The index measures the Company's ability to deal with current payables with liquid monetary resources or short-term receivables	

The financial position is determined by the liquid assets contributed by the Acquiring Company Innova Italy and has further strengthened the Company's financial solidity after the merger given the further acquisition of production factors and channelling of resources to support growth and consolidation of activities which are part of the merger's Corporate development process.

Financial situation

To better understand the Company's operating results, a reclassification of the Income Statement is provided below. For a better understanding, a comparison with the 2017 Income Statement of the Acquired Fine Foods & Pharmaceuticals N.T.M. S.p.A. was reported, as for Balance Sheet and financial position above.

*Fine Foods & Pharmaceuticals N.T.M. S.p.A. Balance Sheet values as at 31/12/2017

Item	2018 financial year	%	2017 Financial year*	%	Absolute variation	% Variation
Revenues from sales and services	139,386,516	100.00%	119,586,128	100.00%	19,800,388	16.56%
+ Change in inventories	5,591,339	4.01%	2,172,972	1.82%	3,418,366	157.31%
- Raw materials	87,399,687	62.70%	72,894,394	60.96%	14,505,293	19.90%
VALUE ADDED	57,578,167	41.31%	48,864,706	40.86%	8,713,461	17.83%
+ Other revenues	1,816,897	1.30%	1,385,351	1.16%	431,547	31.15%
- Overheads	16,894,839	12.12%	13,855,304	11.59%	3,039,536	21.94%
- Personnel cost	22,678,537	16.27%	20,166,723	16.86%	2,511,814	12.46%
- Other operating charges	1,142,694	0.82%	706,043	0.59%	436,651	61.84%
EBITDA	18,678,993	13.40%	15,521,987	12.98%	3,157,006	20.34%
- Amortisation, depreciation, and write-downs	8,495,881	6.10%	6,558,691	5.48%	1,937,190	29.54%
EBIT	10,183,112	7.31%	8,963,296	7.50%	1,219,817	13.61%
+ Financial income	751,981	0.54%	4,865	0.00%	747,116	15356.10%
- Financial charges	518,778	0.37%	453,453	0.38%	65,325	14.41%
+ Foreign currency conversion gains and losses	14,962	0.01%	10,847	0.01%	4,115	37.94%
INCOME BEFORE TAXES	10,431,277	7.48%	8,525,555	7.13%	1,905,723	22.35%
- Financial year income taxes	1,744,992	1.25%	2,338,559	1.96%	593,567	-25.38%
NET INCOME	8,686,285	6.23%	6,186,996	5.17%	2,499,289	40.40%

Key economic indicators

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

INDEX	2018 financial year
ROE	
= 23) Profit (loss) for the year / A) Shareholders' equity	5.82%
The index measures the return on equity invested in the company	

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

Information under Article 2428 of the Civil Code

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

Main risks and uncertainties for the Company

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

- the price risk is managed using a solid cost accounting procedure which can identify the production cost, through which remunerative and competitive prices can be offered to the customer;
- the exchange rate risk, although not significant for the Company, is kept under control by avoiding exposures over time in currencies other than the Euro;
- the liquidity risk is mitigated by adopting policies and procedures which maximise the efficiency of financial resource management. This is carried out through the centralised management of incoming and outgoing flows, assessment of prospective liquidity conditions, obtaining adequate credit lines, and preserving an adequate cash and cash equivalent level. Current liquidity and credit lines are enough to meet future financial needs, along with resources generated by operating and financing activities.
- the product risk is spread over a large portfolio of products that annually pass through plants. This ensures that the Company is not dependant on a single product. A competent and timely Quality Assurance service safeguards product quality;
- the risk of changes in cash flows is not considered significant in view of the Company's balance sheet. It is considered that the risks to which the business activity is exposed are not higher than those physiologically connected to the overall business risk;

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

Key non-financial indicators

Under the second paragraph of art. 2428 of the Civil Code, for a better understanding of the Company situation, the operating trend and result, it is useful to present the following non-financial indicators:

- Fine Foods maintains consolidated and continuous relationships with more than 100 customers;
- The Company can count on 92 production lines located in the various plants;
- Fine Foods produces more than 1,300 Stock-Keeping Units (SKUs);
- The Company has more than 500 employees, of which about 13 per cent are dedicated to quality control activities.

Environmental information

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

In July 2018, the 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. A management system illustrates how to intervene if harmful events occur. During the year, there were no events that caused damage to the environment, nor were sanctions or penalties imposed for environmental crimes or damages.

To protect the environment and follow the provisions of current legislation, the company gives all the types of waste that are generated by the Zingonia - Verdellino, Brembate and Nembro sites to authorised third parties.

Work Risk Assessment Document

Under Legislative Decree no. 81 of 09/04/2008 of Legislative Decree 106/09 and subsequent amendments, which contain reference standards for workplace safety, the Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised on 30/11/2018.

The Company holds the OHSAS ISO 18001:2007 certification, which is the international standard for a safety and health management system for workers.

Personnel Management Information

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

Attention was paid to the professional growth of personnel, in 2018 104 training courses and seminars were held, adding 832 presences at all levels leading to 1952 training hours, to increase technical skills and maintain an adequate level of quality, safety, hygiene and environment updating.

2018				
	Number of courses	Number of participants	Hours per course	Total hours
BREMBATE	42	296	129	671
ZINGONIA	53	499	321.5	1176
NEMBRO	9	37	38.5	105
TOTAL	104	832	489	1952

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

Research and development

Under point 1 of the third paragraph of art. 2428 of the Civil Code, we certify that during the year research and development activities were carried out. Highlights among the numerous Research and Development activities carried out in 2018 include:

- Study of combinations of excipients to make the effervescent tablets packaged in strips more stable and development of rapid assessment systems to verify and quickly compare the results of the tests.
- Partnerships were formed with suppliers, which suggested potentially interesting raw materials, but with inadequate physical characteristics for the pharmaceutical forms produced by the Company. To give producers indications on the changes to be made to their production process and to make these raw materials usable, special attention was paid to the following:
 - variation of excipients used as a support for extracts, to reduce their hygroscopicity and improve their flowability or to solve finished product stability problems;
 - definition of optimal granulometric ranges for raw materials of natural origin, to solve segregation problems.
- Search for combinations of additives with thickening properties, which allow:
 - avoiding consumer perceptions of viscosity variations in the reconstituted products due to the presence of natural raw materials with non-standardised chemical-physical properties;
 - salts or non-soluble active ingredients in higher percentage to be kept in suspension, which settle after reconstitution or give a certain sandiness to the product when ingested;
 - propose new interesting formulations, especially for children (smoothies). The powders containing active components or fruit powders become a creamy or dessert-like drink after dispersion in water.

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

In 2018, no subsidiary, associated, parent companies or companies controlled by the parent companies transactions took place.

Treasury shares

Under the articles 2435-bis and 2428 of the Civil Code, the Company did not hold treasury shares at the financial year closing date.

Parent Company shares

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

Business outlook

Under paragraph 6) of the third paragraph of art. 2428 of the Civil Code, following previously imposed policies and the possible entry into new markets with initiatives aimed at strengthening the business organisation, already planned investment and development initiatives shall continue. During the next financial 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.

To ensure that Fine Foods can always depend on state-of-the-art flexible and high-capacity production facilities, 2019 will see the completion of the Zingonia and Brembate expansion project, which began in 2016.

The growth trend of the last few years continues in 2019 with turnover higher than that recorded in the same period last year.

The Company is evaluating the acquisition opportunities that the market offers for growth by integrating its activities with those of other to-be-identified commercial and production targets.

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 15 March 2019, Fine Foods purchased on the Alternative Investment Market (AIM), managed by Borsa Italiana S.p.A., 117,600 treasury shares, equal to 0.5182% of the share capital, at the weighted average price of € 9.9668, for a total value of € 1,172,090.

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

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

The Company did not subscribe to any derivative financial instrument.

Group Relationships

At the end of the financial year, Eigenfin S.r.l. held 52.01 % of the Company's share capital. There are no commercial or financial relationships in progress with this Company.

Under art. 2428 of the Civil Code we state that no Company or parent Company shares were held, purchased, or sold, directly or through a trust company or third party during the year.

Branch offices

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

Address	Location
VIA GRIGNANO 43	BREMBATE
VIA RAOUL FOLLEREAU 25	NEMBRO
VIA LOMBARDIA 8/B/C	NEMBRO

Conclusions

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

- approve the Financial Statements for the year ended 31/12/2018 along with the Explanatory Notes and this Report;
- allocate the operating result in line with the proposal formulated in the Explanatory Notes.

Verdellino-Zingonia, 28/03/2019

for the Board of Directors
Chairman

Marco Francesco Eigenmann

31/12/2018 Balance Sheet

Ordinary Balance Sheet

	31/12/2018	31/12/2017
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	-	2,800
3) industrial patent and intellectual property rights	1,059,699	-
5) goodwill	194,150	-
7) other	3,024,895	418,063
<i>Total intangible fixed assets</i>	<i>4,278,744</i>	<i>420,863</i>
II - Tangible fixed assets	-	-
1) land and buildings	18,439,641	-
2) plant and machinery	20,291,785	-
3) industrial and commercial equipment	1,585,805	-
4) other tangible assets	1,857,879	-
5) Fixed assets under construction and payments on account	36,400,643	-
<i>Total tangible fixed assets</i>	<i>78,575,753</i>	<i>-</i>
<i>Total fixed assets (B)</i>	<i>82,854,497</i>	<i>420,863</i>
C) Current assets		
I – Inventories	-	-
1) raw materials, ancillary materials, and consumables	12,907,823	-
2) work in progress and semi-finished products	3,839,982	-
4) finished products and goods	5,239,614	-
<i>Total inventories</i>	<i>21,987,419</i>	<i>-</i>
II - Receivables	-	-
1) from customers	21,546,545	-
due within 12 months	21,546,545	-
5-bis) tax receivables	4,892,644	124,250
due within 12 months	4,892,644	124,250
5-ter) deferred tax assets	398,017	-
5-quater) from others	305,322	-
due within 12 months	305,322	-
<i>Total receivables</i>	<i>27,142,528</i>	<i>124,250</i>
IV - Liquid assets	-	-
1) bank and postal deposits	74,764,972	100,935,188
3) cash and cash equivalents on hand	6,656	-
<i>Total liquid assets</i>	<i>74,771,628</i>	<i>100,935,188</i>
<i>Total current assets (C)</i>	<i>123,901,575</i>	<i>101,059,438</i>
D) Accruals and deferrals	94,349	297,757

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

	31/12/2018	31/12/2017
<i>Total assets</i>	206,850,421	101,778,058
Liabilities		
A) Shareholders' equity	149,165,395	101,618,038
I – Capital	22,563,970	10,256,250
II - Share premium reserve	86,743,750	91,743,750
IV - Legal reserve	5,000,000	-
VI - Other reserves, indicated separately	-	-
Merger surplus reserve	26,553,351	-
<i>Total other reserves</i>	26,553,351	-
VIII - Profits (losses) carried forward	(381,962)	(194,550)
IX - Profit (loss) for the year	8,686,286	(187,412)
Total Shareholders' equity	149,165,395	101,618,038
C) Employee severance indemnity	1,021,636	-
D) Payables		
1) bonds	9,859,540	-
due after 12 months	9,859,540	-
4) bank borrowing	18,252,486	1,570
due within 12 months	5,509,174	1,570
due after 12 months	12,743,312	-
7) trade payables	23,871,811	158,450
due within 12 months	23,871,811	158,450
12) taxes payable	837,220	-
due within 12 months	837,220	-
13) payables due to pension and social security institutions	1,673,423	-
due within 12 months	1,673,423	-
14) other payables	2,125,321	-
due within 12 months	2,125,321	-
<i>Total payables</i>	56,619,801	160,020
E) Accruals and deferrals	43,589	-
<i>Total liabilities</i>	206,850,421	101,778,058

Ordinary Income Statement

	31/12/2018	31/12/2017
A) Production value		
1) revenues from sales and services	139,386,516	-
2) changes in inventories of work in progress, semi-finished and finished products	2,683,761	-
5) other revenues and income	-	-
other	1,816,897	-
<i>Total other revenues and income</i>	<i>1,816,897</i>	<i>-</i>
<i>Total production value</i>	<i>143,887,174</i>	<i>-</i>
B) Production costs		
6) raw materials, ancillary materials, consumables, and goods	87,399,687	-
7) services	15,843,159	225,880
8) use of third-party assets	1,051,680	19,838
9) personnel	-	-
a) wages and salaries	16,158,240	-
b) social security contributions	5,452,949	-
c) severance indemnity	1,067,348	-
<i>Total personnel costs</i>	<i>22,678,537</i>	<i>-</i>
10) amortisation, depreciation, and write-downs	-	-
a) amortisation of intangible assets	1,391,088	419,412
b) depreciation of tangible assets	6,344,688	-
d) write-downs of receivables included in current assets and liquid assets	110,105	-
<i>Total amortisation, depreciation, and write-downs</i>	<i>7,845,881</i>	<i>419,412</i>
11) changes in inventories of raw materials, ancillary materials, consumables, and goods	(2,257,578)	-
14) other operating charges	1,142,695	1,775
<i>Total production costs</i>	<i>133,704,061</i>	<i>666,905</i>
Difference between value and production costs (A - B)	10,183,113	(666,905)
C) Financial income and charges		
16) other financial income	-	-
d) income other than the above	-	-
other	751,981	479,493
<i>Total income other than the above</i>	<i>751,981</i>	<i>479,493</i>
<i>Total other financial income</i>	<i>751,981</i>	<i>479,493</i>
17) interest and other financial charges	-	-
other	518,778	-
<i>Total interest and other financial charges</i>	<i>518,778</i>	<i>-</i>
17-bis) foreign exchange gains and losses	14,962	-
<i>Total financial income and charges (15 + 16-17 + -17-bis)</i>	<i>248,165</i>	<i>479,493</i>

	31/12/2018	31/12/2017
Earnings before taxes (A-B + -C + -D)	10,431,278	(187,412)
20) Current, deferred, and prepaid income taxes for the year		
current taxes	1,865,477	-
deferred and prepaid taxes	(120,485)	-
<i>Total current, deferred, and prepaid income taxes for the year</i>	<i>1,744,992</i>	<i>-</i>
21) Profit (loss) for the year	8,686,286	(187,412)

Cash Flow Statement, indirect method

	Amount as at 31/12/2018	Amount as at 31/12/2017
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the financial year	8,686,286	(187,412)
Income taxes	1,744,992	
Interest expenses (Income)	(233,203)	(479,493)
(Gains)/Losses deriving from asset disposals	(11,136)	
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals</i>	<i>10,186,939</i>	<i>(666,905)</i>
Adjustments for non-monetary items with no impact on net working capital		
Allocations to Provisions	1,021,636	
Depreciation of fixed assets	7,735,776	419,412
<i>Total adjustments for non-monetary items with no impact on net working capital</i>	<i>8,757,412</i>	<i>419,412</i>
<i>2) Cash flow before changes in net working capital</i>	<i>18,944,351</i>	<i>(247,493)</i>
Changes in net working capital		
Decrease/(Increase) in inventories	(21,987,419)	
Decrease/(increase) in trade receivables	(21,546,545)	
Increase/(Decrease) in trade payables	23,713,361	71,855
Decrease/(increase) in accrued income and prepaid expenses	203,408	(263,645)
Increase/(Decrease) in accrued expenses and deferred income	43,589	(3,184)
Other decreases/(increases) of net working capital	(835,769)	(98,247)
<i>Total changes in net working capital</i>	<i>(20,409,375)</i>	<i>(293,221)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>(1,465,024)</i>	<i>(540,714)</i>
Other adjustments		
Interest received/(paid)	233,203	479,493
(Income taxes paid)	(1,744,992)	
(Use of provisions)		(2,287)
<i>Total other adjustments</i>	<i>(1,511,789)</i>	<i>477,206</i>
Cash flow from operating activities (A)	(2,976,813)	(63,508)
B) Cash flows deriving from investments		
Tangible fixed assets		
(Investments)	(84,964,299)	
Disposals	54,994	
Intangible fixed assets		
(Investments)	(5,248,969)	(1,655)
Cash flow from investments (B)	(90,158,274)	(1,655)
C) Cash flows deriving from financing		
Third-party financing		

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	Amount as at 31/12/2018	Amount as at 31/12/2017
Increase/(Decrease) of short-term payables to banks	5,507,604	746
New financing	22,602,852	
Equity		
Paid increase in share capital	38,861,071	
Cash flow from financing (C)	66,971,527	746
Increase (decrease) in liquid assets (A ± B ± C)	(26,163,560)	(64,417)
Liquid assets at the beginning of the financial year		
Bank and postal deposits	100,935,188	100,999,605
Total liquid assets at the beginning of the financial year	100,935,188	100,999,605
Liquid assets at the end 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 end of the financial year	74,771,628	100,935,188
Balance difference		

Explanatory Notes, first part

Dear Shareholders, these Explanatory Notes are an integral part of the Financial Statements at 31 December 2018.

The Financial Statements comply with articles 2423 et seq. of the Civil Code and national accounting principles as published by the Italian Accounting Body. The Financial Statements present a true and fair representation of the Company's balance sheet and financial position and of its result for the year.

The Balance Sheet and Income Statement content is that provided for under Articles 2424 and 2425 of the Civil Code; the Cash Flow Statement has been prepared under art. 2425-ter of the Civil Code. The Explanatory Notes, prepared under art. 2427 of the Civil Code, contain all the information needed to provide a correct interpretation of the Financial Statements.

These Financial Statements are the first after the merger by incorporation of Innova Italy (Acquiring Company) and Fine Foods (Acquired Company). The related civil, accounting and tax effects start from 1 January 2018.

While preparing these Financial Statements, comparative figures as at 31 December 2017 have been shown, however, in 2018 a comparison between the two years is not significant.

To help understand the 31 December 2018 Financial Statements, a summary statement of the 31 December 2018 balance sheet, and income statement data has been prepared, compared with the same documents for 2017 but referring only to the Acquired Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. and reported in the Report on Operations.

To aid value comparability, comments to the most significant changes recorded for the values resulting from the contribution of the merger balances of the acquired Fine Foods & Pharmaceuticals N.T.M. S.p.A. have been included.

The 31 December 2018 Financial Statements show a net profit of € 8,686,286 after amortisation and depreciation of € 7,735,777 and provision of income taxes of € 1,744,992.

Performed activity

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 oral solid forms for the pharmaceutical and nutraceutical industries. The Company is recognised on the market for its high-quality products and has long-term relationships with most of its customers (more than one hundred). It has more than 500 employees.

The Company is committed to two main industrial development investments that will be completed in the first half of 2019: the expansion of the Zingonia-Verdellino site to produce food supplements and the expansion of the Brembate site to produce pharmaceuticals.

The Zingonia-Verdellino site is to be extended by 12,800 square metres, which are added to the existing 15,900 square metres. At Brembate site the planned expansion is approximately 7,000 square metres in addition to the existing 5,700 square metres.

The two investments, which at the end of the financial year amounted to € 18.1 and € 14.7 million respectively, will allow the Company to increase plant efficiency and production capacity and meet the growing demand for additional volumes by new and existing customers.

Significant events occurred during the year

The 2018 financial year was characterised by the completion of the extraordinary merger transaction involving Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A.

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

The merger deed was signed on 19 September 2018, (Notary Simone Chiantini – Index no. 22246 – File no. 11876) and entered in the Milan Companies Register on 21/09/2018.

The merger effect, the appointment of new corporate bodies and the auditing Company and the entry into force of the new Articles of Association of the Acquiring Company took effect on 1 October 2018. The Acquired Company transactions were entered into the Acquiring Company Financial Statements on 1 January 2018, and tax effects start from the same date.

Significant events occurred 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 15 March 2019, Fine Foods purchased on the Alternative Investment Market (AIM), managed by Borsa Italiana S.p.A., 117,600 treasury shares, equal to 0.5182% of the share capital, at the weighted average price of € 9.9668, for a total value of € 1,172,090.

Criteria followed when preparing the Financial Statements

Preparation of the Financial Statements

The information contained in this document is presented in the order in which the related items are shown in the Balance Sheet and Income Statement.

In the Explanatory Notes introduction, we certify that, under art. 2423, paragraph 3 of the Civil Code, if the legally required information is insufficient to give a true and correct representation of the business situation, additional information necessary would be provided.

The Financial Statements and these Explanatory Notes have been prepared in Euro.

Principles followed when preparing the Financial Statements

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

Financial Statements structure and content

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

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

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

Changes in accounting principles

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

Evaluation criteria applied

The criteria applied in the valuation of the Financial Statements' items and the value adjustments follow the provisions of the Civil Code and the standards issued by the Italian Accounting Body. The main changes in the preparation of the 2018 Financial Statements published by the Italian Accounting Body (OIC - Organismo Italiano di Contabilità), which did not have an impact, are listed below:

- release of the new OIC 11 document, on the Financial Statements' purposes and assumptions;
- repeal of the OIC 7 document on green certificates;
- update of the OIC 28 document on the information on warrants;
- update of the OIC 32 document on the release of the hedging reserve;
- clarifications issued by the OIC regarding the events after the year-end.

Under article 2427 par. 1 no. 1 of the Civil Code, the most significant valuation criteria adopted in compliance with art. 2426 of the Civil Code are shown, with reference to Financial Statements items for which the legislator uses different valuation and adjustment criteria or when no criteria is envisaged.

The book values expressed in foreign currency have been entered, after conversion into Euro according to the exchange rate at the time of their recording, or at the exchange rate at the end of the financial year according to the OIC 26 accounting standard.

Intangible fixed assets

Intangible fixed assets, based on the assumptions provided for by the accounting standards, are booked in the Balance Sheet assets at purchase or production cost and are amortised on a straight-line basis according to their future usefulness.

The value of fixed assets is shown net of accumulated amortisation and write-downs.

Under article 10 of law 19 March 1983, no. 72, and mentioned by the subsequent monetary revaluation laws, no monetary revaluation has been carried out on balance sheet intangible assets.

Intangible fixed assets are written down when their value is permanently lower than their residual useful life. When the reasons for the write-down no longer apply, intangible fixed assets are revalued within the limits of the write-downs made and considering the amortisation accrued.

Start up and expansion costs

Start up and expansion costs were booked in the Balance Sheet assets with the previous consent of the Board of Statutory Auditors since they had multi-year usefulness. These costs were amortised over a period of a maximum of five years.

Industrial patent and intellectual property rights

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

Goodwill

Based on the accounting standards assumption, goodwill was booked in the Balance Sheet assets with the consent of the Board of Statutory Auditors as it was acquired against payment.

For this item, it was impossible to estimate the useful life; consequently, goodwill was amortised within the ten-year limit prescribed by art. 2426, paragraph 1, no. 6 of the Civil Code.

Intangible assets

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

Tangible fixed assets

These include property, plant, and equipment which are subject to permanent use within the company and are booked based on the purchase costs, including any ancillary charges and directly attributable production costs.

These assets are shown in the Balance Sheet assets net of accumulated depreciation and write-downs.

The assets book value, grouped into similar classes based on their nature and year of acquisition, is broken down for the years during which they will be used. This procedure is achieved by systematically allocating to the Income Statement any depreciation charges corresponding to pre-established plans, defined when the asset is available and its presumed residual useful life. These plans, which are subject to annual verification, are drawn up for the assets' gross value and assuming that the realisable value afterwards is zero.

Any disposal of assets (sales, scrapping, etc.) that occurred during the financial year resulted in the cancellation of their residual value. Any difference between the book value and the disposal value was recorded in the Income Statement.

The above rates have been reduced by half for fixed assets acquired during the year because the depreciation does not differ significantly from the amount calculated from the time the asset is available.

Assets with a unit cost of up to € 516.46 that can be used independently, have been booked in the Income Statement under line B 6) as it is considered that their usefulness is exhausted during the year. The total amount of these assets is low in absolute terms.

If there is a permanent loss in value, regardless of the depreciation already recorded, the asset is written down accordingly. If the reasons for the write-down no longer apply in later years, the original value is restored within the cumulative depreciation limits.

After 2006, the governing body, in line with the accounting principles, does not depreciate the value of the land on which the buildings are located.

Decree-Law 223/2006 requires to carry out the accounting separation of land from the buildings above for tax purposes, as only the depreciation of buildings is deductible. This is due to the lining up between tax provisions and accounting principles.

The decree dictated rules for estimating land values, thus resolving any uncertainty: the values determined were deemed adequate for Financial Statements purposes. Particularly:

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

- *Financial or monetary revaluations*

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

The measures used are the following:

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

The amounts resulting from the revaluation procedure were shown separately.

The revalued properties are not booked in the financial statements for a value higher than that attributable to them based on appraisals.

Inventories

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

Inventories are adjusted by an obsolescence provision, if necessary.

Receivables booked in current assets

Receivables are booked in the Financial Statements using the amortised cost method, based on the time factor and the estimated realisable value. Under art. 12 paragraph 2 of Legislative Decree 139/2015, the Company has exercised the right not to apply the amortised cost method to the receivables arising before the application of the new rule and that are still affecting the Financial Statements. The Company has exercised the right not to apply the amortised cost method to receivables in cases where the effects are insignificant. With the application of the amortised cost, the initial receivable value corresponds to the nominal value (net of all premiums, discounts and rebates), adjusted to take into account the time factor (through the effective interest rate discounting process) and any costs directly attributable to the transaction that generated the receivable. In each financial year, the receivable value is adjusted to consider the distribution ("amortisation") of the difference between the initial book value and the value at maturity. The receivables are adjusted to the estimated realisable value by allocating a bad debt provision. The write-down amount is booked in the Income Statement.

Liquid assets

Liquid assets at the end of the year are valued at nominal value. Liquid assets in a foreign currency are measured at the year-end exchange rate.

Accrued income and prepaid expenses

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

Shareholders' equity

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

Employee severance indemnity

The severance indemnity has been calculated under art. 2120 of the Civil Code, considering the legal provisions, contract specifications and professional categories. It includes the accrued annual instalments and the revaluations made using ISTAT coefficients.

The provision amount is booked net of the advances paid and the quotas used for the employment termination during the year and represents the amount owed to employees at the Financial Statements closing date.

Payables

Payables are valued according to the amortised cost method and consider a time factor. Under art. 12 paragraph 2 of Legislative Decree 139/2015, the Company has exercised the right not to apply the amortised cost method to the payables arising before the application of the new rule and that are still affecting the Financial Statements. The Company has exercised the right not to apply the amortised cost method to payables in cases where the effects are insignificant. For the amortised cost method, reference should be made to the section on receivables.

Payables for holidays accrued by employees and for deferred remuneration, including the amount due to social security institutions, are allocated based on the amount that should be paid in the event of termination of the employment relationship at the Financial Statements closing date.

Accrued expenses and deferred income

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

Booking Revenue

Revenues from sales of goods are booked upon transfer of ownership, which is normally identified with the delivery or shipment of goods.

Revenues of a financial nature and those deriving from the provision of services are booked using an accrual basis.

Costs

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

Financial income and charges

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

Income taxes

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

Other information

Repurchase transactions

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

Explanatory notes, assets

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

Fixed assets

Intangible fixed assets

Under article 10 of law 19 March 1983, no. 72, and mentioned by the subsequent monetary revaluation laws, no monetary revaluation has been carried out on balance sheet intangible assets.

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

Movements in intangible fixed assets

After booking the amortisation of € 1,391,088 for the year in the Income Statement, the intangible assets were € 4,278,744.

The table shows the movements in fixed assets.

	Start-up and expansion costs	Industrial patent and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the financial year					
Cost	6,610			1,050,549	1,057,159
Amortisation (Accumulated Amortisation)	3,810			632,486	636,296
Net Book Value	2,800			418,063	420,863
Changes during the financial year					
Merger by incorporation - Cost		1,497,144	1,164,897	301,777	2,963,818
Merger by incorporation – Accumulated Amortisation)		688,304	776,598	235,070	1,699,972
Increases resulting from acquisitions		568,718		3,370,711	3,939,429
Amortisation for the year		372,646	194,150	824,292	1,391,088
Other - Cost	(6,610)	(900)		(6,294)	(13,804)
Other - Accumulated Amortisation	(3,810)	(55,687)			(59,497)
Total changes	(2,800)	1,059,699	194,150	2,606,832	3,857,881
Year-end value					
Cost	0	2,064,962	1,164,897	4,716,743	7,946,602
Amortisation (Accumulated Amortisation)	0	1,005,263	970,748	1,691,848	3,667,858
Book Value	0	1,059,699	194,150	3,024,895	4,278,744

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Industrial patent and intellectual property rights

The "Industrial patent and intellectual property rights" item refers to software, particularly the new ERP information system "Microsoft Dynamics AX" project.

Goodwill

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

Other intangible fixed assets

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

The total amount on 31 December 2018 includes the residual net value on 31 December 2017, of € 418,063, of the multi-year placement charges on the AIM Italia trading system incurred by the acquiring Company.

Tangible fixed assets

The assets belonging to tangible fixed assets are booked on the date on which the transfer of the risks and benefits connected to the acquired asset took place. They are booked in the Financial Statements at purchase cost, increased by any additional charges incurred until the assets are ready for use and within the limits of their recoverable value.

These assets are shown in the Balance Sheet assets net of accumulated depreciation.

The depreciation of tangible fixed assets, the use of which is limited in time, was carried out using the following rates:

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

Any disposal of assets (sales, scrapping, etc.) that occurred during the financial year resulted in the cancellation of their residual value. Any difference between the book value and the divestment value was recorded in the Income Statement.

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

Movements in tangible fixed assets

Property, plant, and equipment, including the related accumulated depreciation, are € 144,783,440; the accumulated depreciation value is € 66,207,687.

The table below shows the movements in fixed assets.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under construction and payments on account	Total tangible fixed assets
Value at the beginning of the financial year						
Cost						0
Depreciation (Accumulated Depreciation)						0
Net Book Value	0	0	0	0	0	0
Changes during the financial year						
Merger by incorporation – Cost	33,928,845	53,477,313	5,922,613	4,545,182	19,546,725	117,420,678
Merger by incorporation - Accumulated Depreciation	14,439,290	38,562,909	3,994,722	3,131,046		60,127,967
Increases resulting from acquisitions	116,326	6,760,661	413,584	968,272	19,521,198	27,780,041
Reclassifications (of the net book value)	17,400	2,453,362	77,164	15,100	(2,563,026)	
Decreases deriving from disposals and divestments - Cost		203,572		105,254		308,826
Decreases deriving from disposals and divestments - Accumulated Depreciation		166,059		98,909		264,968
Depreciation for the year	1,179,441	3,799,130	832,833	533,284		6,344,688
Other changes - Cost	(4,200)				(104,254)	(108,454)
Other changes - Accumulated Depreciation						
Total changes	18,439,641	20,291,784	1,585,806	1,857,878	36,400,644	78,575,753
Year-end value						
Cost	34,058,371	62,487,764	6,413,361	5,423,300	36,400,644	144,783,440
Depreciation (Accumulated Depreciation)	15,618,731	42,195,980	4,827,555	3,565,421	0	66,207,687
NET Book Value	18,439,641	20,291,784	1,585,806	1,857,878	36,400,644	78,575,753

Buildings

The main increases for the year concerned the expansion of the production premises.

Plant

The new acquisitions shall improve the already excellent level of functionality and the technology of the plant and machinery that the Company provides for its customers and enhance the production capacity, formats, available types and flexibility of use.

All new investments shall enhance production activity, particularly product quality and environmental sustainability.

Several investments in new machinery and plant for the Brembate pharmaceutical site and the Zingonia nutraceutical site were made.

In compliance with European regulations, the Company invested in the serialisation of pharmaceutical products to enable their traceability.

Equipment

The acquisitions refer to production and laboratory equipment for the Zingonia dietetic and food plant and the Brembate pharmaceutical plant.

The investments include new tools to improve Zingonia and Brembate Research and Development laboratory and Quality Control.

Other fixed assets

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

Tangible fixed assets under construction and payments on account

The above item includes the costs for the construction works at Brembate and Zingonia, the cost of prefabricated buildings, new plant and machinery. The value of the investments made in 2018 amounted to € 15.2 million, of which € 4.3 million was earmarked for the Brembate site and € 10.9 million for Zingonia.

On 31 December 2018 advances to suppliers for the purchase of tangible assets amounted to € 3,632,717 and mainly referred to plant and machinery.

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

During 2008, the Verdellino and Brembate operating properties were revalued based on paragraphs 16 to 23 of Article 15 of Decree-Law no. 185 of 29 November 2008, converted with amendments by Law no. 2 of 28 January 2009, which permitted revaluing properties of companies that do not adopt international accounting standards in the preparation of their Financial Statements, as described below.

Previously, the Company had carried out a revaluation based on law no. 266/05 with related realignment. Fixed assets consisting of "land and buildings" were previously subjected to voluntary revaluation, which was limited to the maximum objectively determined asset use-value.

The revaluation made in 2008 permits a higher value attributed to the assets to become valid for tax purposes starting from the 2013 financial year. If there is a disposal, the tax validity starts from 01/01/2014.

As of 2013, depreciation on the revaluation started to be deducted for tax purposes. Portions from previous years will be deducted after the end of the statutory depreciation process.

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

Financial leases

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

Current assets

Inventories

Asset inventories are valued at the lower of purchase or production cost and realisable value based on market trends.

The purchase cost includes any directly attributable ancillary charges.

The production cost does not include indirect costs as they were objectively unattributable.

At the end of the financial year under review, a prudent write-down was made of the inventory relating to goods expiring, not moving, "rejected" or destroyed during the first few months of 2019. The total write-down was € 650,000.

The value of year-end inventories is made up of € 12,907,823 of raw materials, ancillary materials, and consumables, € 3,839,982 of work in progress and semi-finished products and € 5,239,614 of finished products and goods.

These values have undergone an overall increase of € 4,941,338 compared to the Fine Foods (Acquired Company) previous year's Financial Statements generated by the expansion of the business recorded during the period.

Receivables booked in current assets

The receivables under current assets have been booked in the Financial Statements according to the amortised cost method, as defined by art. 2426 par. 2 of the Civil Code, considering the time factor and the estimated realisable value, under art. 2426, paragraph 1, no. 8 of the Civil Code.

The presumable realisable value adjustment was carried out through the allocation of a bad debt provision.

For those receivables for which the application of the amortised cost or discounting method was irrelevant, the recording has been maintained using the presumed realisable value to represent the company's equity and financial situation correctly. This happened for receivables due within 12 months or, using the amortised cost method, when the transaction costs, commissions or any other difference between the initial value and the due date value were insignificant or, in the case of discounting, when there was an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.

Changes and due date of receivables booked in current assets

The following table shows information relating to changes in receivables booked in current assets.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Trade receivables	-	21,546,545	21,546,545
Tax receivables	124,250	4,768,394	4,892,644

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Deferred tax assets	-	398,017	398,017
Receivables from others	-	305,322	305,322
Total	124,250	27,018,278	27,142,528

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

Breakdown of receivables booked in current assets by geographical area

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

Geographical area	Trade receivables booked in current assets	Tax receivables booked in current assets	Deferred tax assets booked in current assets	Receivables from others booked in current assets	Total Receivables booked in current assets
Italy	12,421,598	4,892,644	398,017	305,322	18,017,581
Abroad	9,124,947	-	-	-	9,124,947
Total	21,546,545	4,892,644	398,017	305,322	27,142,528

Trade receivables

The "Trade receivables " item is increased compared to the Acquired Company previous year Financial Statements due to a turnover increase and a failure to resort to factoring, as was the case in December 2017.

The nominal value adjustment of trade receivables to the presumed realisable value was obtained by recording a specific bad debt provision, the movements of which are shown below:

Movements in the bad debt provision under Article 71 of Presidential Decree 917/1986	2018
Balance at the beginning of the financial year	0
Merger contribution	453,235
Uses during the year	0
Provisioning	110,105
Balance at the end of the financial year	563,340

Tax receivables

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

Tax receivables detail	2018	2017
VAT Credit	3,902,774	58,848
IRES Credit	716,572	20,396
Receivables for withholding taxes on credit interest	242,198	45,006
Receivables for IRES repayment for IRAP deduction on personnel costs	27,929	0
Receivables for energy account withholdings	3,171	0

Balance at the end of the financial year	4,892,644	124,250

Prepaid tax receivables

The temporary differences that led to the recording of prepaid income tax, determined by applying the tax rates in force, related to the inventory write-down and goodwill amortisation. The tax effect booked in the Financial Statements is € 181,350 for the inventory write-down and € 216,667 for goodwill amortisation.

Receivables from others

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

Receivables from others detail	2018
Advances for participation in 2019 exhibitions	135,368
INAIL Credit	50,911
From suppliers for advances not on fixed assets	109,817
Deposits	8,000
Other receivables	1,226
Balance at the end of the financial year	305,322

Liquid assets

Liquid assets are valued at nominal value.

The following table shows information on liquid asset changes.

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Bank and postal deposits	100,935,188	(26,170,216)	74,764,972
Cash and cash equivalents on hand	-	6,656	6,656
<i>Total</i>	<i>100,935,188</i>	<i>(26,163,560)</i>	<i>74,771,628</i>

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

Accrued income and prepaid expenses

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

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

	Value at the beginning of the financial year	Changes during the financial year	Year-end value
Accrued income	294,257	(283,251)	11,006
Prepaid expenses	3,500	79,843	83,343
Total accrued income and prepaid expenses	297,757	(203,408)	94,349

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

Accrued income detail	2018	2017
Interest income on savings bonds	0	293,225
Interest income on bank deposits	0	1,032
Energy account accrued amount	11,006	0
Balance at the end of the financial year	11,006	294,257

Prepaid expenses detail	2018	2017
Use of the registered office	0	3,500
R&D technical consulting	947	0
Membership fees	21,320	0
Personnel research courses	855	0
Exhibitions and meetings	10,051	0
Advertising	484	0
Nembro rentals	31,253	0
EDP fees	18,433	0
Balance at the end of the financial year	83,343	3,500

Capitalised financial charges

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

Explanatory Notes, liabilities and Shareholders' equity

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

Shareholders' equity

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

Changes in Shareholders' equity items

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

	Value at the beginning of the financial year	Allocation of previous year's result - Other allocations	Other changes - Increases	Other changes - Decreases	Operating result	Year-end value
Share Capital	10,256,250	-	12,307,720	-	-	22,563,970
Share premium reserve	91,743,750	-	-	5,000,000	-	86,743,750
Legal reserve	-	-	5,000,000	-	-	5,000,000
Merger surplus reserve	-	-	26,553,351	-	-	26,553,351
Total other reserves	-	-	26,553,351	-	-	26,553,351
Profits (losses) carried forward	(194,550)	(187,412)	-	-	-	(381,962)
Profit (loss) for the financial year	(187,412)	187,412	-	-	8,686,286	8,686,286
Total	101,618,038	-	43,861,071	5,000,000	8,686,286	149,165,395

The increase in the Share Capital derives for a nominal € 12,307,500 from the issue of new shares for share swap purposes and € 220 from the conversion of 92,600 Warrants.

The merger surplus Reserve is the difference between the Shareholders' equity of the acquired company on the accounting transaction effective date and the nominal value of the above Share Capital increase.

A portion of the Share Premium Reserve was converted into a Legal Reserve as per 14 December 2018 Shareholders' Meeting resolution.

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

Movements in Shareholders' equity	Share Capital	Share premium reserve	Legal reserve	Merger surplus reserve	Profits (losses) carried forward	Profit (loss) for the financial year	Total
31/12/2016	10,256,250	91,743,750				(194,550)	101,805,450
Allocation of the 2016 financial year result					(194,550)	194,550	0
Profit for the 2017 financial year						(187,412)	(187,412)

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31/12/2017	10,256,250	91,743,750			(194,550)	(187,412)	101,618,038
Allocation of the 2017 financial year result					(187,412)	187,412	0
Share capital increase	12,307,720						12,307,720
Share swap surplus				26,553,351			26,553,351
Resolution for the Legal Reserve establishment		(5,000,000)	5,000,000				0
Profit for the 2018 financial year						8,686,286	8,686,286
31/12/2018	22,563,970	86,743,750	5,000,000	26,553,351	(381,962)	8,686,286	149,165,395

All subscribed shares have been fully paid up.

Availability and use of Shareholders' equity

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

Description	Amount	Origin/Nature	Possible use	Available amount
Share Capital	22,563,970	Capital	B	-
Share premium reserve	86,743,750	Capital	A;B;C	86,743,750
Legal reserve	5,000,000	Capital	A;B	-
Merger surplus reserve	26,553,351	Capital	A;B	-
Total other reserves	26,553,351	Capital		-
Profits (losses) carried forward	(381,962)			-
Total	140,479,109			86,743,750
Non-distributable amount				381,962
Residual distributable amount				-
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other				

€ 381,962 of losses carried forward by the Acquiring Innova Italy 1 cannot be distributed.

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

Employee severance indemnity

The severance indemnity has been calculated under art. 2120 of the Civil Code, considering the legal provisions, contract specifications and professional categories. It includes the accrued annual instalments and the revaluations made using ISTAT coefficients.

The provision amount is booked net of the advances paid and the quotas used for the employment termination during the year and represents the amount owed to employees at the Financial Statements closing date.

The following table shows information on changes in the employee severance indemnity.

Severance indemnity provision movement detail	31/12/2017	Merger contribution	Paid 2018	Accrued 2018	Substitute tax on the revaluation of employee severance indemnity	31/12/2018
	0	1,210,403	214,562	30,148	4,353	1,021,636

The increases relate to the merger contribution of the Acquired Company Fine Foods for € 1,210,403 and the annual revaluation of the severance indemnity fund before the substitute tax on the revaluation.

Uses relate to payments for terminations or advances.

The movements of the severance indemnity paid to INPS and the complementary social security funds are shown below:

Detail of severance indemnity paid to funds	31/12/2017	Merger contribution	Paid 2018	Accrued 2018	Substitute tax on the revaluation of employee severance indemnity	31/12/2018
INPS Treasury	0	3,483,035	408,021	658,184	12,785	3,720,413
Private pension funds	0	2,677,250	0	453,355	0	3,130,605
Total	0	6,160,285	408,021	1,111,539	12,785	6,851,018

Payables

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

Based on the provisions of article 12, paragraph 2 of Legislative Decree 139/2015, the Company applied the amortised cost method exclusively to payables booked in the Financial Statements from 2016 (regarding the Acquired Company values).

Payables changes and due date

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

	Value at the beginning of the financial year	Changes during the financial year	Year-end value	Amount due within 12 months	Amount due after 12 months	Which has a residual duration of more than five years
Bonds payable	-	9,859,540	9,859,540	-	9,859,540	-
Bank Borrowing	1,570	18,250,916	18,252,486	5,509,174	12,743,312	4,963,306

	Value at the beginning of the financial year	Changes during the financial year	Year-end value	Amount due within 12 months	Amount due after 12 months	Which has a residual duration of more than five years
Trade payables	158,450	23,713,361	23,871,811	23,871,811	-	-
Taxes payable	-	837,220	837,220	837,220	-	-
Payables due to pension and social security institutions	-	1,673,423	1,673,423	1,673,423	-	-
Other payables	-	2,125,321	2,125,321	2,125,321	-	-
Total	160,020	56,459,781	56,619,801	34,016,949	22,602,852	4,963,306

Bonds

The main features of bonds which amount to € 9,859,540, are described below:

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

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

The information requirements set out in the contract in the event of extraordinary transactions have been met.

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

Bank Borrowing

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

Item	Payables for short-term loans	Payables for medium-term loans	Total
4) Bank Borrowing	5,509,174	12,743,312	18,252,486

The following table shows the items' composition:

Payables due to banks detail	2018	2017
Within 12 months		
Current accounts	0	1,570
Loans and mortgages - amount due within 12 months	5,509,174	0
Total payable within 12 months	5,509,174	1,570

After 12 months	2018	2017
MPS unsecured loan	1,250,000	0
MedioCredito mortgage loan	10,868,312	0
MedioCredito unsecured loan	625,000	
Total payable after 12 months	12,743,312	0

Total	18,252,486	1,570
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The debt for the mortgage loan subscribed in 2016 by the Acquired Company Fine Foods expiring on 30 June 2027, for which interest is payable as indicated below, and the related costs, were initially booked at the value determined by discounting future cash flows at the estimated contractual interest rate. The difference between the initial booked value of the debt (€ 13,336,000) and the forward value (€ 13,500,000) will be booked in the Income Statement as a financial charge over the debt duration using the effective interest rate method.

Below are the 06/08/2016 mortgage loan contract main features:

- Total amount € 15,000,000;
- Amount disbursed at signing € 5,000,000;
- Amount disbursed during 2017 € 5,000,000;
- Amount disbursed during 2018 € 3,500,000;
- Subsequent disbursements, for a total amount of € 1,500,000, based on the work progress;
- Rate: Six-month Euribor + 1%.

The information requirements set out in the contract in the event of extraordinary transactions have been met.

Trade payables

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

Trade payables detail	2018	2017
Trade payables in Italy and abroad	22,607,981	112,138
Payables for invoices to be received	1,554,955	46,312
From suppliers for credit notes to be received	(291,125)	0
Total	23,871,811	158,450

Taxes payable

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

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

Taxes payable detail	2018
Substitute tax on severance indemnity	19,575
Fasi social security institute	960
Payables for withholding taxes on employees	688,488
Payables for withholding taxes on self-employment	1,435
Payables for IRAP	126,762
Total	837,220

Payables due to pension and social security institutions

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

Payables due to pension and social security institutions detail	2018
Payables to INPS	927,835
Payables to INPS for solidarity contribution	1,186
Payables to Cassa Vita (life insurance fund)	888
Payables to Previndai	35,089
Payables to Inail	51,777
Payables to private funds	24,669
Payables to Alifond	75,629
Accrued contributions on fourteenth-month salary	158,024
Accrued contributions on accrued holidays	398,326
Total	1,673,423

Other payables

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

Other payables detail	2018
Remuneration to be paid	81,251
Payables for thirteenth-month salary accrued	224
Payables for fourteenth-month salary accrued	488,814
Payables for unused accrued holidays	1,275,854
Payables for compensation to directors	80,000
Customer credit balance	66,303
Payables for exemption contribution for disabled people	38,608
Insurance payables	90,004
Other payables and rounding up	4,263
Total	2,125,321

Breakdown of payables by geographical area

The following table shows the breakdown of payables by geographical area

Geographical area	Bonds	Bank Borrowing	Trade payables	Taxes payable	Payables due to pension and social security institutions	Other payables	Payables
Italy	9,859,540	18,252,486	19,355,532	837,220	1,673,423	2,125,321	52,103,522
Abroad	-	-	4,516,279	-	-	-	4,516,279
Total	9,859,540	18,252,486	23,871,811	837,220	1,673,423	2,125,321	56,619,801

Payables secured by collateral on corporate assets

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

	Payables backed by mortgages	Total payables secured by collateral	Payables unsecured by collateral	Total
Bonds payable	9,859,540	9,859,540	-	9,859,540
Bank Borrowing	10,868,312	10,868,312	7.384.174	18,252,486
Trade payables	-	-	23,871,811	23,871,811
Taxes payable	-	-	837,220	837,220
Payables due to pension and social security institutions	-	-	1,673,423	1,673,423
Other payables	-	-	2,125,321	2,125,321
Total payables	20,727,852	20,727,852	35,891,949	56,619,801

Financing by Company shareholders

The Company has not received any financing from its shareholders.

Accrued expenses and deferred income

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

Accrued expenses detail	2018
Interest payable on Bonds	39,267
Interest payable on unsecured loans	4,322
Total	43,589

Explanatory Notes, Income Statement

The Income Statement shows the net result for the year.

It provides a representation of management operations, through a summary of revenues and expenses that have contributed to determining the net result. The revenues and expenses, booked in the Financial Statements under article 2425-bis of the Civil Code, are distinguished according to the relevant management: operating, ancillary, and financial activities.

Ordinary activities create income components through ongoing operations and in the sector relevant to their performance. These components identify and qualify the distinctive aspect of the Company's financial activity.

The financial activity consists of transactions that generate financial income and charges.

The marginal ancillary activities consist of transactions that generate income which is part of ordinary activities but are not part of operating or financial activities.

The analysis of the composition of the Income Statement items and the comments on the general income and charges trend is described in the Report on Operations accompanying the 31 December 2018 Financial Statements.

Production value

Revenues are booked in the Financial Statements on an accrual basis, net of returns, rebates, discounts, and premiums, and related taxes.

The asset sales revenues are booked when the substantial and non-formal transfer of ownership has taken place, assuming the transfer of risks and benefits as the reference parameter for the substantial transfer.

Revenues deriving from the provision of services are booked when the service is provided or performed. If there are ongoing services, the related revenues are booked for the accrued portion.

Production value detail	2018
Revenues from sales and services	139,386,516
Changes in product inventories	2,683,761
Other revenues and income	1,816,897
Total	143,887,174

Breakdown of revenues from sales and service by business category

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

Business category	Current year value
Product sales	139,242,173
Revenues from services	144,343
Total	139,386,516

Breakdown of revenues from sales and services by geographical area

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

Geographical area	Current year value
Italy	52,406,671
Abroad	86,979,845
Total	139,386,516

The incidence of foreign turnover on the total for the financial year was 60 per cent; therefore, there were no significant deviations from the same breakdown for the previous year of the Acquired Company Fine Foods.

The Acquired Company Fine Foods booked an increase in its revenues from € 119.6 million in 2017 to € 139.4 million in 2018 with an increase of 16.6%. This growth is generated by the turnover of the two sectors where the Company operates. The revenues of the "Food" Business Unit amounted to € 105,633,296 in 2018 compared to € 91,575,724 in 2017 and showed an increase of 15 per cent. The "Pharma" segment sales in 2018 reached € 33,753,220 with an increase of 21 per cent compared to € 28,010,404 in the previous year.

Other Revenues detail	2018
Press Expenses	157,129
Laboratory Tests	203,379
Packaging charges	260,422
Charges for other expenses	685,765
Capital gains	15,483
Contingencies	494,719
Total	1,816,897

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

Production costs

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

Production costs detail	2018	2017	Changes
Raw materials, ancillary materials, consumables, and goods	87,399,687	0	87,399,687
Services	15,843,159	225,880	15,617,279
Use of third-party assets	1,051,680	19,838	1,031,842
Personnel	22,678,537	0	22,678,537
Amortisation, depreciation, and write-downs	7,845,881	419,412	7,426,469
Changes in inventories of raw materials and goods	(2,257,578)	0	(2,257,578)

Other provisions	0	0	0
Other operating charges	1,142,695	1,775	1,140,920
Total	133,704,061	666,905	133,037,156

The incidence of costs for raw materials, ancillary materials, consumables and goods on sales in the financial year, equal to approximately 60 per cent, is substantially in line with that booked in 2017 by the Acquired Company Fine Foods.

In addition to the remuneration of Directors and Statutory Auditors, costs for services include: ordinary maintenance costs € 3,146,000, utilities € 2,170,000, consulting € 1,117,000, external work € 1,101,000, cleaning € 762,000, waste disposal € 651,000, luncheon vouchers € 569,000 promotional expenses € 568,000, transport costs € 384,000, and Insurance € 320,000.

The "Use of third-party assets" item includes the costs of renting the Nembro pharmaceutical plant and forklifts and pallet truck rental costs.

Other operating charges detail	2018	2017	Changes
Ordinary losses	4,347	0	4,347
Non recurring losses	119,652	0	119,652
Donations	50,000	500	49,500
Indirect taxes, duties, and contributions	444,531	1,160	443,371
Fines and penalties	7,067	44	7,023
Other non-financial costs and charges	517,098	71	517,027
Total	1,142,695	1,775	1,140,920

Financial Income and charges

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

Financial income detail	2018	2017	Changes
Interest income on bank accounts	746,702	479,493	267,209
Other income	5,279	0	5,279
Total	751,981	479,493	272,488

Financial charges detail	2018
Interest expenses on bank accounts	24,711
Interest expenses on bonds	259,843
Interest expenses on financing and bank loans	204,814
Interest expenses for deferments	871
Rebates and discounts payable	28,539

Total	518,778
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Breakdown of income from equity investments

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

Breakdown of interest and other financial charges by type of debt

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

	Bonds	Bank Borrowing	Other	Total
Interest and other financial charges	259,843	229,525	29,410	518,778

Foreign currency exchange gains/losses

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

Description	Financial Statements amount	Unrealised portion	Realised portion
<i>Foreign currency exchange gains and losses</i>	<i>14,962</i>		
Foreign currency exchange gains		-	38,991
Foreign currency exchange loss		-	24,029
Total item		-	14,962

Amount and nature of the individual exceptional revenue/cost items

Excluding the effects deriving from the extraordinary merger, the following is noted:
during the current financial year, no revenues or other income items deriving from exceptional events were booked;

during the current financial year, no costs deriving from exceptional events were booked.

Current, deferred and prepaid income taxes

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

Income taxes for the financial year detail	2018	2017
Current taxes		
* Ires	1,226,435	0
* Irap	639,042	0
Deferred/(Prepaid) income taxes		
* Ires	(103,643)	0
* Irap	(16,842)	0
Total	1,744,992	0

Reconciliation between the tax charge in the Financial Statements and the theoretical tax charge	Ires	Irap
Earnings before taxes	10,431,278	10,431,278
Tax adjustments, decreases and incentives	(5,321,134)	5,954,416
Taxable income	5,110,144	16,385,694
Rate	24%	3.90%
Current taxes	1,226,435	639,042

Deferred taxation

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

The Company determined the deferred taxation for IRES and IRAP.

The following tables provide:

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

Recording of deferred and prepaid taxes and consequent effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	1,426,590	1,426,590
Net temporary differences	(1,426,590)	(1,426,590)
B) Tax effects		
Deferred tax (assets)/liabilities at the beginning of the financial year	(238,741)	(38,791)
Deferred or prepaid (income)/expenses for the financial year	(103,643)	(16,842)
Deferred tax (assets)/liabilities at the end of the financial year	(342,384)	(55,633)

Deductible temporary differences detail

Description	Amount at the end of the previous financial year	Changes which occurred during the financial year	Amount at the end of the financial year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Inventory write-down provision	315,231	334,769	650,000	24	156,000	3.90	25,350
Goodwill accumulated amortisation	679,516	97,074	776,590	24	186,382	3.90	30,287
Total deductible temporary differences	994,747	431,843	1,426,590	24	342,382	3.90	55,637

Explanatory Notes, Cash Flow Statement

The Company has prepared a Cash Flow Statement, which is the summary document linking the changes occurred during the financial year in the company's assets with the changes in the financial situation. It highlights the values relating to the financial resources that the company needed during the year and the related uses.

Under the OIC 10 provision, the Company has adopted the indirect method where the cash flow is reconstructed by adjusting the financial year result of the non-monetary components.

Explanatory Notes, other information

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

Employment data

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

	Executives	White-collar employees	Blue-collar employees	Total employees
Average number	7	211	294	512

The number of employees is growing in line with previously planned investment initiatives (based on set growth targets).

The employment data details are provided below.

Employment data (expressed in units)	2018	2017
Executives	7	0
White-collar employees	211	0
Blue-collar employees	294	0
Total	512	0

The Acquired Company Fine Foods hired 80 new employees during 2018.

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

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

	Directors	Auditors
Remuneration	1,026,176	69,550

Fees due to the statutory auditor or Auditing Company

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

	Annual statutory audit	Total fees due to the statutory auditor or Auditing Company
Value	40,000	40,000

Categories of shares issued by the Company

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

	Initial number	Shares subscribed during the financial year, number	Final number
Ordinary Shares	10,000,000	7,842,202	17,842,202
Redeemable Shares	-	1,200,000	1,200,000
Multiple voting Shares	-	3,500,000	3,500,000
Special Shares	200,000	(50,000)	150,000
Total	10,200,000	12,492,202	22,692,202

In October 2018, in compliance with the provisions of article 6.4 (d) (i) of Fine Foods & Pharmaceuticals N.T.M. S.p.A. Articles of Association, 50,000 special shares (without voting rights), equal to 25 per cent of their total, were converted into 300,000 ordinary shares, without nominal value.

For the features of each category of Shares listed above, please refer to Article 6 of the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Articles of Associations.

Securities issued by the Company

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

Details on other financial instruments issued by the Company

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

- 5,000,000 Warrants, of which 92,600 were exercised as of 31 December 2018, exercisable under Article 3 of the "Fine Foods & Pharmaceuticals N.T.M. S.p.A." Warrant Regulations published on the Company's website <http://www.finefoods.it> These instruments were issued for subscribing shareholders and are listed on the AIM Italia trading system organised and managed by Borsa Italiana S.p.A.
- 4,000,000 unlisted and non-transferable warrants up to 20 months from the Effective Merger Date, which grant the right to subscribe newly issued shares of the merger-resulting Company and exercisable under the methods and terms indicated in the of the 7 June 2018 Board of

Directors Report accompanying the Merger Plan as published on the Company's website <http://www.finefoods.it>

The conditions for exercising the Warrants are linked to a formula that includes the following variables: average monthly price, strike price and subscription price.

The possible transfer methods and the financial and administrative rights of these instruments follow the Articles of Association, Warrant Regulations and the related legal provisions.

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

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

	Amount
Guarantees	25,041,732
Collateral securities	25,000,000

Information on assets and financing for a specific transaction

Assets for a specific transaction

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

Financing for a specific transaction

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

Related party transaction information

Other than the remuneration of directors, certain categories of employees and the Stock Grant plan approved on 14 December 2018, the Company has no relationships with related parties.

Information on agreements not resulting from the Balance Sheet

During the financial year, no agreement was made that did not result from the Balance Sheet.

Information on significant events occurring after the year-end

Under point 22-quater of art. 2427 of the Civil Code, no events occurred after the year-end that had a significant impact on the financial position, operations and cash flows.

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

Under article 2427, paragraph 1, number 22 quinquies and sexies of the Civil Code, the Parent Company that prepares the consolidated Financial Statements is EIGENFIN S.r.l. with its registered

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

office in Zingonia-Verdellino, where a copy of these Consolidated Financial Statements will be filed.

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

We certify that no derivative financial instrument was subscribed.

Proposed allocation of profits or loss coverage

Dear Shareholders, considering the above, the governing body proposes:

- 1) to approve the Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2018 Financial Statements, which show a net profit of € 8,686,286;
- 2) to distribute a dividend of € 0.10 for each share with rights,
- 3) to cover the acquiring Innova Italy 1 S.p.A. losses of previous years of € 381.962;
- 4) to allocate the remainder to the Extraordinary Reserve.

Explanatory Notes, final part

Dear Shareholders,

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

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

Zingonia/Verdellino, 28/03/2019

For the Board of Directors

Marco Francesco Eigenmann, Chairman

This Financial Report as of 31 December 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**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 balance sheet as of December 31, 2018, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

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 ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. (previously Innova Italy 1 S.p.A.) for the year ended as of December 31, 2017 it has been audited by another auditor who, on March 15, 2018, expressed an unmodified opinion on this financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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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 the 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's 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 modify 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.
- Evaluate 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 communicate 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the report on operations of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as of December 31, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. S.p.A. as of December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as of December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Brescia, Italy
April 12, 2019

*This report has been translated into the English language
solely for the convenience of international readers.*

BOARD OF STATUTORY AUDITORS REPORT ON THE 31 DECEMBER 2018 FINANCIAL STATEMENTS PREPARED UNDER ART. 2429, PARAGRAPH 2, OF THE CIVIL CODE

To the Shareholders' Meeting of **FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.**

registered office in Zingonia Verdellino (BG), via Berlino, 39

Subject: Board of Statutory Auditors Report on the 31 December 2018 Financial Statements prepared under art. 2429, paragraph 2, of the Civil Code

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

The Governing Body has made available the following documents approved on 28 March 2019, for the financial year ended 31 December 2018:

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

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

General introduction

Merger

Following the 10 July 2018 Shareholders' Meeting resolution, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. (acquired company) merger into Innova Italy 1 S.p.A. (acquiring company - Special Purpose Acquisition Company (SPAC) listed on the AIM Italia multilateral trading system on 17 October 2016), incorporation deed was signed on 19 September 2018 and effective from 1 October 2018.

The merger led to significant changes in the Company's assets and financial structure, including the Company's name and corporate purpose which became that of the acquired company Fine Foods & Pharmaceuticals N.T.M. S.p.A.

More detailed information is provided in the Report on Operations in the "Company Information" section in the "Significant events" and "Merger" paragraphs.

Company acknowledgement, risk assessment and report on the assigned tasks

The Board of Statutory Auditors, in office since 1 October 2018, took note of the following company information:

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

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

It was possible to confirm that:

- the type of business performed by the company changed during the year along with its corporate purpose, and coincides with that exercised by the acquired company;
- the organisational structure changed because of the merger;
- the acquired company's IT structures, adopted by the company resulting from the merger, remained unchanged;
- the human resources making up the "*workforce*" of the acquired company increased due to the company growth;
- the above is indirectly confirmed by comparing the results of the values expressed in the income statement for the last two years, i.e. the year under review (2018) and the previous (2017), and in the statements contained in the "Balance sheet and financial position" section of the Report on Operations, where the comparison with the 2017 financial year of the acquired company was reported. It is possible to see how the acquired company operated in 2018 compared to the previous year. Our audit used these assumptions after checking the substantial comparability of the values and results from the previous year.

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

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

The Board activities covered the period between 1 October 2018 to 31 December 2018 and only one meeting was held, under art. 2404 of the Civil Code. Minutes for that meeting have been drafted and signed for unanimous approval. The Board acknowledges that during 2019 and until today the Supervisory Body has met three times (23 January, 18 March and today).

Performed activity

During the individual audit carried out between 1 October 2018 and 31 December 2018, the Board assessed the individual auditors' professionalism, competence, integrity, and independence requirements, based on their professional curricula submitted to the company and declarations. No shortcomings were found regarding each member's suitability or in the body's composition. The board acknowledged the merger, verified the correct keeping of the mandatory books, checked compliance with the main tax obligations and planned its activities.

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

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

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

The Board noted:

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

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

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

- the decisions taken by the Shareholders and the Governing Body complied with the law and the Company's Articles of Association. Their decisions were not imprudent and did not compromise the integrity of the Company's assets;
- enough information was acquired about the general management performance and its evolution, and the most significant transactions, by size or characteristics, carried out by the Company;
- the transactions complied with the law and the Company's Articles of Association and did not conflict with the resolutions adopted by the Shareholders' Meeting or compromise the integrity of the Company's assets;
- no specific remarks are made regarding the adequacy of the company's organisational structure, the adequacy of the administrative and accounting system, or its reliability in correctly representing operating events;
- no further significant events emerged that require reporting during the supervisory activity;
- no action was taken for Governing Body omissions under art. 2406 of the Civil Code;
- no complaints have been received under art. 2408 of the Civil Code;
- no complaints have been made under art. 2409, paragraph 7, of the Civil Code;
- during the year, the Board did not issue legally required opinions.

Comments and proposals regarding the Financial Statements and their approval

The Governing Body approved the draft Financial Statements for the year ended 31 December 2018. These statements consist of the Balance Sheet, Income Statement, Cash Flow Statement, and Explanatory Notes.

Additionally:

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

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

- as indicated in the first part of the Explanatory Notes, the 31 December 2018 Financial Statements are the first after the merger by incorporation of Innova Italy (acquiring company) and Fine Foods (acquired company). The related civil, accounting and tax effects will start from 1 January 2018. While preparing the 2018 Financial Statements, comparative figures as at 31 December 2017 of Innova Italy (acquiring company) have been shown, however, in 2018 a comparison between the two years was not significant.
- To help understand the 31 December 2018 Financial Statements, a summary statement of the 31 December 2018 balance sheet, and income statement data has been prepared and included in the Report on Operations, compared with the same documents for 2017 but referring only to the acquired company Fine Foods & Pharmaceuticals N.T.M. S.p.A.
- The valuation criteria for the assets and liabilities items subject to this mandatory requirement have been checked and comply with the provisions of art. 2426 of the Civil Code;
- attention was paid to the layout of the draft Financial Statements, and its general legal compliance regarding its preparation and structure and no comments about this matter need to be highlighted in this report;
- legal compliance concerning the Report on Operations' preparation has been verified, and no comments about this matter need to be highlighted in this report;
- in preparing the Financial Statements, the Governing Body did not derogate from legal provisions under art. 2423, par. 4, of the Civil Code;
- the Financial Statements were checked to ensure that they complied with the events and information that became known following the performance of the Board of Statutory Auditors typical duties, and no comments about this matter need to be highlighted in this report;
- we acknowledge the existence of the "*goodwill*" item which is amortised on a systematic basis over a period of 10 years;
- as for the financial instruments issued by the company, the Explanatory Notes show that the Company has issued 5,000,000 Warrants listed on the AIM Italia trading system and 4,000,000 unlisted Warrants;
- the commitments, guarantees and contingent liabilities have been fully explained;
- the Supervisory Body report was reviewed, and no critical issues emerged regarding the organisation system which needed to be highlighted in this report;
- as for the Governing Body proposal to allocate the net profit for the year shown at the end of the Explanatory Notes, the Board has nothing to observe, however, it points out that this decision is up to the Shareholders' Meeting.

Financial year result

The net result ascertained by the Governing Body for the year ended 31 December 2018, as evident from the reading of the Financial Statements, is positive for € 8,686,286.

Conclusions

Based on the above and according to the Board of Statutory Auditors' knowledge and found in the periodic checks carried out, we unanimously believe that there are no reasons to prevent your approval of the 31 December 2018 Financial Statements as drafted and proposed by the Governing Body.

Bergamo, 12 April 2019

**The Board of Statutory
Auditors**

Paolo Villa

Marco Antonio Manzoni

Paolo Prandi