

## THE BOARD APPROVED THE 31 DECEMBER 2018 FINANCIAL STATEMENTS

### FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A. CLOSED 2018 WITH STRONG GROWTH:

**REVENUES + 17%,**

**EBITDA + 20%**

**NET PROFIT + 40%**

Verdellino, 28 March 2019

The Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board of Directors:

- Approved the draft financial statements;
- Proposed the distribution of a dividend for the 2018 financial year of € 0.10 per share;
- Convened the Ordinary Shareholders' Meeting for 30 April 2019 on the first call.

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#### Summary results

The figures for the FY 2017, and the comments below relate only to Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter "Fine Foods").

Thousands of Euro	FY 2018	FY 2017	Difference	Difference in %
Revenues	139,387	119,586	19,801	17%
EBITDA <sup>(1)</sup>	18,679	15,522	3,157	20%
EBITDA Margin <sup>(2)</sup>	13.4%	13.0%		
Net profit	8,686	6,187	2,499	40%
Shareholders' equity	149,165	38,861	110,305	
Net Financial Position <sup>(3)</sup>	(46,660)	20,449	(67,109)	

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

- ✓ Revenues generated by the "Food" Business Unit: € 105,633,000 (FY 2017: € 91,576,000; + 15%)
  
- ✓ Revenues generated by the "Pharma" Business Unit: € 33,753,000 (FY 2017: € 28,010,000; + 21%)
  
- ✓ EBITDA Margin: 13.4% (FY 2017: 13%)
  
- ✓ Shareholders' Equity increased by € 110,305,000
  
- ✓ The Net Financial Position is positive for € 46,660,000 against a negative value of € 20,449,000 for FY 2017.

The Fine Foods & Pharmaceuticals N.T.M. S.p.A. Board of Directors (a company listed on AIM Italia and a leading independent Italian company in the Contract Development and Manufacturing Organisation (CDMO) of solid oral forms for the pharmaceutical and nutraceutical industries) today approved the 31 December 2018 Draft Financial Statements.

The Chief Executive Officer, Giorgio Ferraris, commented:

*"The excellent results achieved in the last financial year are more exciting because we were engaged in three extraordinary activities: the expansion of the Zingonia plant (food supplements), the expansion of the Brembate plant (pharmaceutical products) and the Stock Exchange listing. The high level of satisfaction of our stakeholders, starting with our employees, is the key to understanding the financial results. The only drawback was that we did not stick to our motto "NO SURPRISES", achieving a result much higher than expected."*

## BUSINESS COMBINATION

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

The merger's assets and liabilities effect, the appointment of new corporate bodies and the independent auditors 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 will apply from the same date.

The Company resulting from the merger took the business name "Fine Foods & Pharmaceuticals N.T.M. S.p.A."

## 31 DECEMBER 2018 INCOME STATEMENT AND BALANCE SHEET DATA

The Financial Statements are prepared under Italian accounting principles and subject to auditing.

For a better understanding, the following table compares the 2017 figures of the Acquiring Company Innova Italy 1 S.p.A., as shown in the diagrams attached to this press release, and the 31 December 2017 Financial Statements of Fine Foods N.T.M. S.p.A.

The comments below are related to the changes between the Fine Foods 2018 and 2017 data.

### Profit and loss figures

Thousands of Euro	FY 2018	FY 2017 Innova Italy	FY 2017 Fine Foods
Revenues	139,387	-	119,586
EBITDA <sup>(1)</sup>	18,679	(248)	15,522
EBIT <sup>(4)</sup>	10,183	(667)	8,963
Financial Management Income	248	479	(438)
Income before taxes	10,431	(188)	8,525
Net profit	8,686	(188)	6,187

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

**Revenues** for 2018 amounted to around € 139 million, with an overall increase of 17 per cent, compared to € 120 million in 2017 thanks to a positive contribution from both business areas: "Food" and "Pharma." No M&A transactions were performed during the financial year, and this performance is attributable to the organic growth component of the Company.

**EBITDA** amounted to approximately € 18.7 million and recorded an increase of more than € 3 million compared to the previous year, increasing the revenue percentage from 13 to 13.4%.

**EBIT** amounted to approximately € 10.2 million and showed a percentage increase of 14% compared to the previous year.

The year's **Financial Management Income** benefited from the income accrued on the current accounts that Innova Italy restricted at the time of establishment.

The **Earnings before taxes** showed a significant increase compared to 2017 thanks to the better result of the ordinary and financial management.

**Net Profit** grew by around € 2.5 million compared to the previous financial year, closing at € 8.7 million.

#### Balance Sheet Data

Thousands of Euro	FY 2018	FY 2017 Innova Italy	FY 2017 Fine Foods
Fixed assets	82,854	421	58,557
Net Working Capital	19,662	(158)	3,260
Other receivables and payables	1,011	422	(1,297)
Severance Indemnity	(1,022)	-	(1,210)
Net Invested Capital	<b>103,527</b>	<b>843</b>	<b>61,817</b>
Shareholders' equity	149,165	101,618	38,861
Net Financial Position <sup>(3)</sup>	(46,660)	(100,934)	20,449

**Fixed assets** increased by approximately € 24 million compared to the previous financial year; this item includes total investments of approximately € 32 million. From this, about € 15 million was earmarked for the completion of the Brembate and Zingonia production site expansion and about 11 million for purchases of new machinery, plants, and equipment for the pharmaceutical and nutraceutical industries.

**Net Working Capital** grew due to the important expansion of revenues detailed above.

The **Other receivables and payables** item shows a positive balance as at 31 December 2018, strongly influenced by the high VAT credit at the end of the period, for which reimbursement will be requested during 2019.

**Shareholders' equity** was € 149.2 million, the increase is mainly due to the effects of the Business Combination compared to the previous financial year.

The **Net Financial Position** was positive, with about € 47 million. The change compared to the previous financial year is strongly influenced by the liquidity collected by Innova and transferred to the Company resulting from the merger. These liquid assets partly financed the ongoing investments.

## **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 Capital Market, 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.

## **BUSINESS OUTLOOK**

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.

## PROFIT ALLOCATION PROPOSAL

The Board of Directors proposed the following to the Shareholders' Meeting:

- ✓ 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;
- ✓ to distribute a dividend of € 0.10 for each share with rights, representing more than 25% of net profit;
- ✓ to cover the acquiring Innova Italy 1 S.p.A. losses of previous years of € 381.962;
- ✓ to allocate the remainder to the Extraordinary Reserve.

The ex-dividend date is 6 May 2019, *recorded* on 7 May 2019 and the payment will start on 8 May 2019.

## ORGANISATION, MANAGEMENT AND CONTROL SYSTEM UNDER LEGISLATIVE DECREE NO. 231/2001

The Board of Directors approved the Organisation, Management and Control System, consisting of:

- General section;
- Special section;
- Code of Ethics;
- Disciplinary System;
- Risk Assessment;
- List of offences.

## CORPORATE GOVERNANCE PROCEDURES

The Board of Directors has updated and approved the following Corporate Governance procedures:

- Communication of inside information;
- Related Party Transactions;
- Internal dealing;
- Nomad disclosure obligations.

## **FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A. ORDINARY SHAREHOLDERS' MEETING CONVOCAZIONE**

The Board of Directors resolved to call the ordinary Shareholders' Meeting, according to the financial calendar, for 30 April 2019 on the first call, with the following Agenda:

1. 31 December 2018 Financial Statements, related and consequent resolutions:
  - ✓ Approval of the 31 December 2018 Financial Statements, accompanied by the Directors' Annual Report; Report of the Board of Statutory Auditors and of the Auditing Company; related and consequent resolutions;
  - ✓ Allocation of operating profit and dividend distribution.

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This press release is available on the Fine Foods website [www.finefoods.it](http://www.finefoods.it), in the Investor relations / Press Releases section.

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Fine Foods & Pharmaceuticals N.T.M. S.p.A., founded in 1984, is the leading independent Italian company in the contract development and manufacturing organisation (CDMO) of solid oral forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market for its high-quality products and has long-term relationships with most of its customers (more than one hundred). It has more than 500 employees and generated about 60 per cent of its sales volumes abroad in 2018.

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For information:

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

Investor Relations

Tel. +39 035 4821382

[ir@finefoods.it](mailto:ir@finefoods.it)

**Banca Akros S.p.A.**

Nomad

Viale Eginardo 29, Milan

[ecm@bancaakros.it](mailto:ecm@bancaakros.it)

## 31 DECEMBER 2018 FINANCIAL STATEMENTS

### BALANCE SHEET

	31/12/2018	31/12/2017
<b>Assets</b>		
<b>B) Fixed assets</b>		
I - Intangible fixed assets	-	-
1) installation 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 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 tangible fixed assets (B)</i>	<i>82,854,497</i>	<i>420,863</i>
<b>C) Current assets</b>		
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 21,987,419 -</i>		
II - Receivables	-	-
1) trade receivables 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) prepaid taxes	398,017	-



	31/12/2018	31/12/2017
5-quarter) from others	305,322	-
due within 12 months	305,322	-
<i>Total receivables 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>
<b>D) Accruals and deferrals</b>	<b>94,349</b>	<b>297,757</b>
<i>Total assets</i>	<i>206,850,421</i>	<i>101,778,058</i>
<b>Liabilities</b>		
<b>A) Shareholders' equity</b>	<b>149,165,395</b>	<b>101,618,038</b>
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 26,553,351</i>	<i>-</i>	
VIII - Profits (losses) carried forward	(381,962)	(194,550)
IX - Profit (loss) for the financial year	8,686,286	(187,412)
Total Shareholders' equity	149,165,395	101,618,038
<b>C) Employee severance indemnity</b>	<b>1,021,636</b>	<b>-</b>
<b>D) Payables</b>		
1) bonds	9,859,540	-
due after 12 months	9,859,540	-
4) payables due to banks	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	-

	31/12/2018	31/12/2017
14) other payables	2,125,321	-
due within 12 months	2,125,321	-
<i>Total payables</i>	<i>56,619,801</i>	<i>160,020</i>
<b>E) Accruals and deferrals</b>	<b>43,589</b>	<b>-</b>
<i>Total liabilities</i>	<i>206,850,421</i>	<i>101,778,058</i>

## INCOME STATEMENT

	31/12/2018	31/12/2017
<b>A) Production value</b>		
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>Total production value</i>	<i>143,887,174</i>	-
<b>B) Production costs</b>		
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>	-
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>
<b>Difference between value and production costs (A - B)</b>	<b>10,183,113</b>	<b>(666,905)</b>
<b>C) Financial income and charges</b>		
16) other financial income	-	-
d) income other than the above	-	-
other	751,981	479,493

	31/12/2018	31/12/2017
<i>Total income other than the above</i>	751,981	479,493
<i>Total other financial income</i>	751,981	479,493
17) interest and other financial charges	-	-
other	518,778	-
<i>Total interest and other financial charges</i>	518,778	-
17-bis) foreign currency conversion gains and losses	14.962	-
<i>Total financial income and charges (15 + 16-17 + -17-bis)</i>	248,165	479,493
<b>Earnings before taxes (A-B+-C+-D)</b>	<b>10,431,278</b>	<b>(187,412)</b>
<b>20) Current, deferred, and prepaid income taxes for the financial year</b>		
current taxes	1,865,477	-
deferred and prepaid taxes	(120,485)	-
<i>Total</i>	<i>current, deferred and prepaid income taxes for the financial year</i>	<i>1,744,992</i>
<b>21) Profit (loss) for the financial year</b>	<b>8,686,286</b>	<b>(187,412)</b>

## CASH FLOW STATEMENT, INDIRECT METHOD

	Amount as at	Amount
	as at 31/12/2018	as at 31/12/2018
<b>A) Cash flows from operating activities (indirect method)</b>		
Profit (loss) for the financial year	8,686,286	(187.412)
Income taxes	1,744,992	
Interest payable/(receivable)	(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 that have not been offset in the net working capital		
<del>Fund Provisions</del>	<del>1,021,636</del>	
Amortisation and depreciation of fixed assets	7,735,776	419,412
<i>Total adjustments for non-monetary items that have not been offset in the net working capital</i>	<i>8,757,412</i>	<i>419,412</i>
<i>2) Financial 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) Financial 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 funds)		(2,287)
<i>Total other adjustments</i>	<i>(1,511,789)</i>	<i>477,206</i>
<b>Cash flow from operating activities (A)</b>	<b>(2,976,813)</b>	<b>(63,508)</b>
<b>B) Financial flows deriving from investments</b>		
Tangible fixed assets		
(Investments)	(84,964,299)	
Disposals	54,994	

	Amount as at 31/12/2018	Amount as at 31/12/2017
Intangible fixed assets		
(Investments)	(5,248,969)	(1,655)
<b>Financial flow from investments (B)</b>	<b>(90,158,274)</b>	<b>(1,655)</b>
<b>C) Financial flows deriving from financing</b>		
Third-party financing		
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	
<b>Financial flow from financing (C)</b>	<b>66,971,527</b>	<b>746</b>
<b>Increase (decrease) in liquid assets (A ± B ± C)</b>	<b>(26,163,560)</b>	<b>(64,417)</b>
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		