

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 € 22,564,035.30 fully paid up

VAT number: 09320600969



30 June 2019 Half-year Financial Report

05 September 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

Half-year Report on Operations

30/06/2019 Interim Statements

The 30 June 2019 Half-year Financial Report ("Half-year or Interim Statements") of Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods S.p.A." or the "Company") was prepared under article 18 of the of the AIM Italia Issuers' Regulations.

This Half-year Report is the first intermediate situation after the completion of the extraordinary merger transaction involving the Companies Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A.

The 30/06/2019 Interim Statements show excellent results. Production value increased to € 88,630,223, the difference between the production value and cost was € 4,306,160 and net profit reached € 3,217,549.

<i>Values expressed in €</i>		30/06/2019	31/12/2018
Balance sheet			
Assets			
A	Receivables from shareholders for unpaid called up share capital	-	-
B	Fixed assets	86,567,913	82,854,497
C	Current assets	129,013,384	123,901,575
D	Accruals and deferrals	102,754	94,349
	Total assets	<u>215,684,051</u>	<u>206,850,421</u>
Liabilities			
A	Shareholders' equity	147,482,010	149,165,395
B	Provisions for risks and charges	-	-
C	Employee severance indemnity	1,020,239	1,021,636
D	Payables	67,140,623	56,619,801
E	Accruals and deferrals	41,179	43,589
	Total liabilities	<u>215,684,051</u>	<u>206,850,421</u>

Values expressed in €

30/06/2019 30/06/2018

Income Statement

A	Production value	88,630,223	71,370,473
B	Total production costs	<u>84,324,063</u>	<u>67,937,588</u>
	Difference between production value and costs	4,306,160	3,432,885
C	Financial income (charges)	403,934	458,255
D	Adjustments to the value of assets:	<u>(217,529)</u>	-
	Earnings before taxes	4,492,565	3,891,140
22	Financial year income taxes	1,316,458	1,162,888
	Deferred (prepaid) taxes	<u>(41,442)</u>	<u>(77,296)</u>
23	Profit (loss) for the financial year	<u><u>3,217,549</u></u>	<u><u>2,805,548</u></u>

General information and business performance

Fine Foods & Pharmaceuticals N.T.M. S.p.A., 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 € 83 million turnover in the first half of 2019.

Significant events

The important Zingonia-Verdellino and Brembate production sites expansion works, which started in the first half of 2016, have been completed, and total 28,700 and 12,700 square metres.

At the end of the work, the Zingonia-Verdellino and Brembate investments amounted to € 19.7 million and € 15.2 million respectively with an increase during the period of € 1.6 and € 0.5 million. This allowed Fine Foods to increase the surface area of its plants (80 per cent increase in Zingonia-Verdellino and 120 per cent in Brembate), to meet the growing demand for additional volumes by new and existing customers, which involves the installation of additional production lines during the second half of 2019.

Management Performance

The half-year just ended confirmed the expansion trend of recent years.

The revenue result was gratifying: item A1 of the Income Statement (Revenues from sales and services) went from € 70.5 million in the first half of 2018 to € 83.1 million in the first half of 2019, increasing by 17.9%. This growth is generated by the turnover of the two sectors where the Company operates. The revenues of the "Food" Business Unit amounted to € 63.1 million in the first half of 2019 compared to € 51.3 million in the first half of 2018 and showed an increase of 23 per cent. The "Pharma" segment sales in the first half of 2019 reached € 20 million with an increase of four per cent compared to € 19.2 million in the first half of 2018.

At the end of the first half of 2019, the Nembro plant production activity was mothballed (only two rented sheds continue to be used as warehouses), to focus pharmaceutical activities at the more modern Brembate plant - one of the two expansion works just completed. In the above period, in addition to machinery, all production and related complementary activities (e.g. laboratory analyses) were transferred from Nembro to Brembate with a temporary increase in costs that will be offset in the future with synergy and efficiency improvements.

This transfer required a series of regulatory activities for which it was necessary to agree with customers on rescheduling pharmaceutical product deliveries, without affecting their business activities. This caused a delay in the "Pharma" sector sales growth, which will be recovered during the second half of 2019.

Under Significant Events, the Company has undertaken the preparatory activities for new production lines, which will continue in the second half of 2019, with a consequent impact on the current financial year costs. The most heavily affected expense items relate to direct labour, which includes company employees, non-recurring costs for temporary work, transportation and third-party storage costs.

Management and coordination activities

We certify 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.

Balance Sheet Assets

Item	30/06/2019	%	31/12/2018	%	Absolute variation	% Variation
WORKING CAPITAL	129,116,202	59.86%	123,597,907	59.75%	5,518,295	4.46%
Immediate Liquidity	2,497,770	1.16%	74,771,628	36.15 %	(72,273,858)	(96.66)%
Liquid assets	2,497,770	1.16%	74,771,628	36.15 %	(72,273,858)	(96.66)%
Deferred liquidity	96,301,498	44.65%	26,838,860	12.98%	69,462,638	258.81%
Short-term receivables under Current Assets	28,254,498	13.10%	26,744,511	12.93%	1,509,987	5.65%
Financial assets	67,944,246	31.50%			67,944,246	100%
Accrued income and prepaid expenses	102,754	0.05%	94,349	0.05%	8,405	8,91%
Inventories	30,316,934	14.06%	21,987,419	10.63%	8,329,515	37.88%
FIXED ASSETS	86,567,913	40.14%	83,252,514	40.25%	3,315,399	3.98%
Intangible fixed assets	3,825,132	1.77%	4,278,744	2.07%	(453,612)	(10.60)%
Tangible fixed assets	82,742,781	38.36%	78,575,753	37.99%	4,167,028	5.30%
Long/medium-term receivables under Current Assets			398,017	0.19%	41,442	10.41%
TOTAL APPLICATION OF FUNDS (Total Assets)	215,684,115	100%	206,850,421	100%	8,833,694	4.27%

Balance Sheet Liabilities

Item	30/06/2019	%	31/12/2018	%	Absolute variation	% Variation
THIRD-PARTY CAPITAL	68,202,041	31.62%	57,685,026	27.89%	10,517,015	18.23%
Current liabilities	48,149,610	22.32%	34,060,538	16.47%	14,089,072	41.36%
Short-term payables	48,108,431	22.31%	34,016,949	16.45%	14,091,482	41.42%
Accrued expenses and deferred income	41,179	0.02%	43,589	0.02%	(2,410)	(5.53)%
Consolidated liabilities	20,052,431	9.30%	23,624,488	11.42%	(3,572,057)	(15.12)%
Medium/long term payables	19,032,192	8.82%	22,602,852	10.93%	(3,570,660)	(15.80)%
Severance Indemnity	1,020,239	0.47%	1,021,636	0.49%	(1,397)	(0.14)%
OWNERS' EQUITY	147,482,075	68.38%	149,165,395	72.11%	(1,683,320)	(1.13)%
Share Capital	22,564,035	10.46%	22,563,970	10.91%	65	0%
Reserves	121,700,491	56.43%	118,297,101	57.19%	3,403,390	2.88%
Profits (losses) carried forward			(381,962)	(0.18)%	381,962	(100)%
Profit (loss) for the financial year	3,217,549	1.49%	8,686,286	4.20%	(5,468,737)	(62.96)%
TOTAL SOURCES (Total Liabilities)	215,684,116	100%	206,850,421	100%	8,833,695	4.27%

Financial situation

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

Item	30/06/2019	%	30/06/2018	%	Absolute variation	%
Revenues from sales and services	83,140,551	100%	70,543,526	100%	12,597,025	17.86%
+ Change in inventories	9,079,514	10.92%	1,890,695	2.68%	7,188,819	380.22%
- Raw materials	58,247,492	70.06%	43,572,050	61.77%	14,675,442	33.68%
VALUE ADDED	33,972,573	40.86%	28,862,171	40.91%	5,110,402	17.71%
+ Other revenues	797,903	0.96%	553,204	0.78%	244,699	44.23%
- Overheads	8,874,305	10.67%	8,456,625	11.99%	417,680	4.94%
- Personnel cost	15,174,047	18.25%	12,183,045	17.27%	2,991,002	24.55%
- Other operating charges	958,708	1.15%	576,346	0.82%	382,362	66.34%
EBITDA	9,763,416	11.74%	8,199,359	11.62%	1,564,057	19.08%
- Amortisation, depreciation, and write-downs	5,457,256	6.56%	4,766,474	6.76%	690,782	14.49%
EBIT	4,306,160	5.18%	3,432,885	4.87%	873,275	25.44%
+ Financial income	675,882	0.81%	689,772	0.98%	(13,890)	(2.01)%
- Financial charges	253,727	0.31%	252,708	0.36%	1,019	0.40%
- Foreign currency exchange gains and losses	18,221	0.02%	(21,191)	(0.03)%	39,412	(185.98)%
- Adjustments to the value of assets	217,529	0.26%	-	-	217,529	-
INCOME BEFORE TAXES	4,492,565	5.40%	3,891,140	5.52%	601,425	15.46%

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- Financial year income taxes	1,275,016	1.53%	1,085,592	1.54%	189,424	17.45%
NET INCOME	3,217,549	3.87%	2,805,548	3.98%	412,001	14.69%

Main risks and uncertainties for the Company

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 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

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) annually;
- The Company has more than 600 employees, including company and temporary employees.

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 May 2019, the Company underwent an environmental certification 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 first half of 2019, there were no events that caused damage to the environment for which the Company was found guilty, 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 health and safety, the Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised in Version 9 on 15/04/2019.

The Company holds the OHSAS 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 the first half of 2019 106 training courses and seminars were held, involving 385 participants. These aimed at increasing technical skills and maintaining an adequate level of quality, safety, hygiene and environment skills.

During the first half of 2019 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

Fine Foods works in the contract development and manufacturing of solid oral forms for the pharmaceutical and nutraceutical industries. The research and development work stems from a structured collaboration with customers aimed at providing them with new formulations for their products, guaranteeing their effectiveness, quality and innovation.

The costs incurred for product research and development are not capitalised but are included in operating costs and charged to the income statement.

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

In the first half of 2019, no subsidiary, associated, parent companies or companies controlled by the parent companies' transactions took place, except for the dividend paid to the parent company of € 0.10 for each share held, as resolved by the 30 April 2019 Shareholders' Meeting.

Treasury shares

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 30 June 2019, Fine Foods purchased on AIM Italia, managed by Borsa Italiana S.p.A., 262,431 treasury shares, equal to 1.1564% of the share capital, at the weighted average price of € 10.1692, for a total value of € 2,668,716.

Parent Company shares

The Company has never owned parent Company shares.

Business outlook

Following previously defined 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 half-year, the Company will consolidate the strategy that has been its main feature in recent years – this strategy's effectiveness can be seen in the results achieved: Fine Foods will keep focusing on its current and potential customers' satisfaction by offering a highly professional and reliable quality service.

We note that July 2019 had a record turnover of more than € 20 million.

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

Significant events after the end of the period

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

Group Relationships

As of 30 June 2019, Eigenfin S.r.l. held 51.24 % of Fine Foods' share capital. There are no commercial or financial relationships in progress with this Company.

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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 first half of 2019.

Branch offices

The Company's branch operating offices are shown below:

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

Verdellino-Zingonia, 05/09/2019

**For the Board of Directors
Chairman**

Marco Francesco Eigenmann

Financial Statements

Balance Sheet

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

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	30/06/2019	31/12/2018
due within 12 months	825,800	305,322
<i>Total receivables</i>	<i>28,254,498</i>	<i>27,142,528</i>
III - Current financial assets	-	-
6) other securities	67,944,246	-
<i>Current financial assets</i>	<i>67,944,246</i>	-
IV - Liquid assets	-	-
1) bank and postal deposits	2,489,841	74,764,972
3) cash and cash equivalents on hand	7,929	6,656
<i>Total liquid assets</i>	<i>2,497,770</i>	<i>74,771,628</i>
<i>Total current assets (C)</i>	<i>129,013,448</i>	<i>123,901,575</i>
D) Accruals and deferrals	102,754	94,349
<i>Total assets</i>	<i>215,684,115</i>	<i>206,850,421</i>
Liabilities		
A) Shareholders' equity	147,482,074	149,165,395
I- Share Capital	22,564,035	22,563,970
II - Share premium reserve	86,743,750	86,743,750
IV - Legal reserve	5,000,000	5,000,000
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	6,072,106	-
Merger surplus reserve	26,553,351	26,553,351
<i>Total other reserves</i>	<i>32,625,457</i>	<i>26,553,351</i>
VIII - Profits (losses) carried forward	-	(381,962)
IX - Profit (loss) for the year	3,217,549	8,686,286
X - Negative reserve for treasury shares in the portfolio	(2,668,716)	-
Total Shareholders' Equity	147,482,074	149,165,395
C) Employee severance indemnity	1,020,239	1,021,636
D) Payables		
1) bonds	9,877,782	9,859,540
due after 12 months	9,877,782	9,859,540
4) Bank Borrowing	21,632,801	18,252,486
due within 12 months	12,478,391	5,509,174
due after 12 months	9,154,410	12,743,312
7) trade payables	29,297,550	23,871,811
due within 12 months	29,297,550	23,871,811
12) taxes payable	1,412,434	837,220
due within 12 months	1,412,434	837,220

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

Income Statement

	30/06/2019	30/06/2018
A) Production value		
1) revenues from sales and services	83,140,551	70,543,526
2) changes in inventories of work in progress, semi-finished and finished products	4,691,769	273,743
5) other revenues and income	-	-
Other	797,903	553,204
<i>Total other revenues and income</i>	797,903	553,204
<i>Total production value</i>	88,630,223	71,370,473
B) Production costs		
6) raw materials, ancillary materials, consumables, and goods	58,247,492	43,572,050
7) services	8,331,565	7,918,976
8) use of third-party assets	542,740	537,649
9) personnel	-	-
a) wages and salaries	11,192,171	9,276,810
b) social security contributions	3,391,471	2,386,997
c) severance indemnity	586,155	519,238
e) other costs	4,250	-
<i>Total personnel costs</i>	15,174,047	12,183,045
10) amortisation, depreciation, and write-downs	-	-
a) amortisation of intangible assets	746,283	888,351
b) depreciation of tangible assets	3,840,162	3,172,344
d) write-downs of receivables included in current assets and liquid assets	120,811	162,039
<i>Total amortisation, depreciation, and write-downs</i>	4,707,256	4,222,734
11) changes in inventories of raw materials, ancillary materials, consumables, and goods	(3,637,745)	(1,073,212)
14) other operating charges	958,708	576,346
<i>Total production costs</i>	84,324,063	67,937,588
Difference between production value and costs (A - B)	4,306,160	3,432,885
C) Financial income and charges		
16) other financial income	-	-
c) from securities included in current assets other than equity investments	674,060	-
d) income other than the above	-	-
Other	1,822	689,772

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

Cash Flow Statement, indirect method

	Amount as at 30/06/2019	Amount as at 30/06/2018
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the financial year	3,217,549	2,805,548
Income taxes	1,275,016	1,085,591
Interest expenses (Income)	(422,155)	(437,062)
(Gains)/Losses deriving from asset disposals	(449,729)	(5,492)
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals</i>	<i>3,620,681</i>	<i>3,448,585</i>
Adjustments for non-monetary items with no impact on the net working capital		
Allocation to Provisions	14,888	1,155,547
Depreciation of fixed assets	4,586,445	4,060,695
Write-downs for permanent losses in value	217,529	
<i>Total adjustments for non-monetary items with no impact on the net working capital</i>	<i>4,818,862</i>	<i>5,216,242</i>
<i>2) Cash flow before changes in net working capital</i>	<i>8,439,543</i>	<i>8,664,827</i>
Changes in net working capital		
Decrease/(Increase) in inventories	(8,329,514)	(18,393,037)
Decrease/(Increase) in trade receivables	(1,968,524)	(31,792,523)
Increase/(Decrease) in trade payables	5,425,739	26,227,963
Decrease/(Increase) in accrued income and prepaid expenses	(8,405)	(589,206)
Increase/(Decrease) in accrued expenses and deferred income	(2,409)	46,398
Other decreases/(increases) of net working capital	2,553,078	4,633,254
<i>Total changes in net working capital</i>	<i>(2,330,036)</i>	<i>(19,867,151)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>6,109,507</i>	<i>(11,202,324)</i>
Other adjustments		
Interest received/(paid)	422,155	437,062
(Income taxes paid)	(1,275,016)	(1,085,591)
Other collections/(payments)	(16,300)	
<i>Total other adjustments</i>	<i>(869,161)</i>	<i>(648,529)</i>
Cash flow from operating activities (A)	5,240,346	(11,850,853)
B) Cash flows deriving from investments		
Tangible fixed assets		
(Investments)	(8,038,324)	(69,562,065)
Disposals	44,848	5,271
Intangible fixed assets		
(Investments)	(292,671)	(3,241,060)

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

Explanatory Notes

Introduction

Fine Foods & Pharmaceuticals N.T.M. S.p.A. is a company listed on the Alternative Investment Market (hereafter AIM Italia), managed by Borsa Italiana S.p.A., since 1 October 2018.

The explanatory notes on the 30 June 2019 Half-year Report refer to the Balance Sheet, Income and Cash Flows Statements on 30 June 2019.

The Cash Flow Statement shows the positive or negative changes in the cash and cash equivalents that took place in the first half of 2019. It was prepared using the OIC 10 accounting standard, adopting the "cash flow from operating activities determined using the indirect method" layout.

The 30 June 2019 Interim Statements consisted of the Balance Sheet, Income and Cash Flow Statements and Explanatory Notes corresponding to the regularly kept accounting records and are prepared using OIC principles.

The 30 June 2019 Interim Statements show a net profit of € 3,217,549 after amortisation and depreciation of € 4,586,445 and provision of income taxes of € 1,275,016.

Based on the economic performance and the sound financial position, the directors believe that the Company can continue its operations and have prepared the 30 June 2019 Half-year Report based on the going concern principle.

Drafting and valuation criteria and principles

The Interim Statements are based on criteria and principles used for the preparation of the 31 December 2018 Financial Statements to which reference should be made.

The valuation principles adopted for the 30 June 2019 Interim Statements comply with applicable civil law.

The Interim Statements preparation follows the OIC 30 Accounting Standard relating to Interim Statements.

The book values are represented in units of Euro by rounding off the related amounts.

When reviewing the Company's economic, financial and operational performance in the first half of 2019, the Company's activities, relations with the Parent Company, significant events that took place during the first half of the year, and the business outlook, reference should be made to the Report on Operations, prepared by the Company's Directors to accompany these Half-yearly Interim Statements.

Description of the main items in the Balance Sheet and Income Statement

The notes on the Company's items in the 30 June 2019 Interim Statements are set out below, with the corresponding 31 December 2018 values for the Balance Sheet items and 30 June 2018 for the Income Statement items.

Assets**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 as required by the OIC 9 accounting standard, no indicators of potential permanent losses in the value of intangible assets were found.

Movements in intangible fixed assets

After booking the amortisation of € 746,283 in the Income Statement, the intangible assets were € 3,825,132.

The table shows the movements in fixed assets.

	Industrial patents and intellectual property rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Value as at 31 December 2018				
Cost	2,064,962	1,164,897	4,716,743	7,946,602
Amortisation	1,005,262	970,748	1,691,848	3,667,858
Book value	1,059,700	194,150	3,024,895	4,278,744
Changes during the period				
Increases resulting from acquisitions	292,671			292,671
Amortisation for the period	211,049	97,075	438,158	746,283
Other - Cost	0		0	0
Other - Accumulated Amortisation	0			0
<i>Total changes</i>	<i>81,622</i>	<i>(97,075)</i>	<i>(438,158)</i>	<i>(453,612)</i>
Value at end of the period				
Cost	2,357,633	1,164,897	4,716,743	8,239,273
Amortisation	1,216,312	1,067,822	2,130,007	4,414,141
Book value as at 30 June 2019	1,141,321	97,075	2,586,736	3,825,132

Industrial patents and intellectual property rights

The "Industrial patent and intellectual property rights" item refers to the "Microsoft Dynamics AX" ERP information system 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 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 assets" item includes the costs incurred by the Company for the implementation of the Business Combination. These are costs for legal, notary, tax, corporate and financial assistance relating to the transaction.

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 annual 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 period resulted in the cancellation of their residual value. Any difference between the book value and the disposal value was recorded in the Income Statement.

Any write-down was unnecessary, as required by the OIC 9 accounting standard, 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 € 152,646,082; the accumulated depreciation is € 69,903,303.

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 as at 31 December 2018						
Cost	34,058,371	62,487,764	6,413,361	5,423,300	36,400,644	144,783,440
Amortisation	15,618,731	42,195,980	4,827,555	3,565,421	0	66,207,687
Book value	18,439,641	20,291,784	1,585,806	1,857,878	36,400,644	78,575,753
Changes during the period						
Increases resulting from acquisitions	134,711	1,910,337	252,515	761,628	4,979,134	8,038,324
Reclassifications (of the net book value)	18,961,577	16,557,048	703,653	12,350	(36,234,628)	-
Decreases deriving from disposals and divestments - Cost		14,000	679	156,377		171,056
Decreases deriving from disposals and divestments - Accumulated depreciation		12,600	611	131,335		144,546
Amortisation for the period	749,747	2,353,890	417,458	319,067		3,840,162
Other changes - Cost					(4,626)	(4,626)
Other changes - Accumulated Depreciation						-
<i>Total changes</i>	<i>18,346,540</i>	<i>16,112,096</i>	<i>538,641</i>	<i>429,869</i>	<i>31,260,119</i>	<i>4,167,026</i>
Value at end of the period						
Cost	53,154,659	80,941,149	7,368,849	6,040,901	5,140,524	152,646,082
Depreciation (Accumulated Depreciation)	16,368,478	44,537,270	5,244,402	3,753,154	0	69,903,303
Book value as at 30 June 2019	36,786,181	36,403,880	2,124,447	2,287,747	5,140,524	82,742,779

Buildings

The significant increase recorded under the "Buildings" item in the first half of 2019 derives from the completion of the works to expand the Zingonia-Verdellino (28,700 square metres) and Brembate (12,700 square metres). A substantial portion of these costs was incurred and recorded in fixed assets under construction as at 31 December 2018.

Plant and Machinery

Most of the acquisitions recorded in the period concern the new machinery and plant that came into operation following the expansion of the Brembate pharmaceutical plant and the Zingonia nutraceutical plant. A substantial portion of these costs was incurred and recorded under fixed assets under construction as at 31 December 2018.

Equipment

The acquisitions refer to production and laboratory equipment for the Zingonia nutraceutical 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 30 June 2019 item included advances to suppliers for the purchase of tangible assets totalling € 5,140,124 and refer to plant and machinery purchases.

Following the completion of the expansion of the Zingonia-Verdellino and Brembate production sites, € 34.9 million was reclassified under their item headings. After their entry into operation, these assets depreciated in the first half of 2019.

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.

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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 end of the period, 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.

As at 30 June 2019, a write-down of the inventory was carried out, relating to goods expiring, not moving or "rejected"; the amount of the overall write-down made was € 750,000.

The following table shows information on inventory changes.

	30/06/2019	31/12/2018	Changes
raw materials, ancillary materials, and consumables	16,545,568	12,907,823	3,637,745
work in progress and semi-finished products	4,883,899	3,839,982	1,043,917
finished products and goods	8,887,467	5,239,614	3,647,853
<i>Total</i>	<i>30,316,934</i>	<i>21,987,419</i>	<i>8,329,515</i>

These values have undergone an overall increase of € 8,329,515 compared to the previous year's Financial Statements, generated by the expansion of the business. In June 2019, the Company accumulated stocks to meet the many orders to be delivered in the following months; particularly July 2019 which had a record € 20 million turnover.

Receivables booked in current assets

Receivables under current assets are booked in the Financial Statements using the amortised cost method, based on the time factor and the estimated realisable value.

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.

	30/06/2019	31/12/2018	Changes	Amount as at 30/06/2019 payable within 12 months
Trade receivables	23,515,069	21,546,545	1,968,524	23,515,069
Tax receivables	3,474,171	4,892,644	(1,418,473)	3,474,171
Deferred tax assets	439,459	398,017	41,442	439,459
Receivables from others	825,800	305,322	520,478	825,800
Total	28,254,499	27,142,528	1,111,971	28,254,499

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	10,488,219	3,474,171	439,459	825,800	15,227,649
Abroad	13,026,850	-	-	-	13,026,850
Total	23,515,069	3,474,171	439,459	825,800	28,254,499

Trade receivables

The "Trade Receivables" item increased compared to the previous year's Financial Statements due to a turnover increase.

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	30/06/2019
Balance as at 31 December 2018	563,340
Uses during the period	(36,980)
Provisioning	120,811
Balance as at 30 June 2019	647,171

Tax receivables

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

Tax receivables detail	30/06/2019	31/12/2018
VAT Credit	3,200,873	3,902,774
IRES Credit	0	716,572
Receivables for withholding taxes on credit interest	242,198	242,198
Receivables for IRES repayment for IRAP deduction on personnel costs	27,929	27,929
Receivables for energy account withholdings	3,171	3,171
Total	3,474,171	4,892,644

The change in VAT receivable during the first half of 2019 is determined by the compensation of € 700,000, annual limit for horizontal compensation, i.e. between different taxes.

With the annual VAT declaration for the 2018 tax period, a reimbursement of € 2,700,000 was requested.

Deferred tax assets

The temporary differences that led to the recording of deferred tax assets, 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 € 209,250 for the inventory write-down and € 230,209 for goodwill amortisation.

Receivables from others

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

Receivables from others detail	30/06/2019	31/12/2018
Advances for participation in exhibitions	104,793	135,368
INAIL Credit	138,222	50,911
From suppliers for advances not on fixed assets	563,637	109,817
Deposits	0	8,000
Other receivables	19,148	1,226
Total	825,800	305,322

Current financial assets**Changes in current financial assets***Other Securities*

The following table shows information on current asset changes.

Item description	30/06/2019	31/12/2018	Changes
Investment Securities Account	67,944,246	-	67,944,246

In February 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that includes financial instruments and liquidity. Fine Foods entered a total of € 68 million in the Financial Statements against the above investment portfolio, as at 30 June 2019; this includes the higher/lower liquidity deriving from the realisation of capital gains/losses during the period and dividends on shares and bond coupons. To adjust the value of some of the Securities in the portfolio to their market listing as at 30 June 2019, the Company booked a write-down for a total of € 217,529.

As at 30 June 2019 the total portfolio fair value amounted to € 69.8 million; the gradual investment of the transferred liquidity led, in the short term of five months, to a positive result of € 2.3 million which was not yet booked in the financial statements.

Liquid assets

Liquid assets are valued at nominal value.

The following table shows the information on liquid asset changes from 31 December 2018 to 30 June 2019. The decrease in the "Bank and postal deposits" item derives from the transfer of liquidity from current accounts to the asset management account referred to in the previous paragraph "Current financial assets."

	30/06/2019	31/12/2018	Changes
Bank and postal deposits	2,489,841	74,764,972	(72,275,131)
Cash and cash equivalents on hand	7,929	6,656	1,273
Total	2,497,770	74,771,628	(72,273,858)

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 or several years.

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

	30/06/2019	31/12/2018	Changes
Accrued income	44,006	11,006	33,000
Prepaid expenses	58,748	83,343	(24,595)
Total	102,754	94,349	8,405

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The following tables show the items' composition:

Accrued income detail	30/06/2019	31/12/2018
Contingent assets for energy account repayment	44,006	11,006
Total	44,006	11,006

Prepaid expenses detail	30/06/2019	31/12/2018
R&D technical consulting	947	947
Membership fees	21,320	21,320
Personnel research courses	0	855
Exhibitions and meetings	12,191	10,051
Advertising	172	484
Nembro rentals	21,183	31,253
EDP fees	2,935	18,433
Total	58,748	83,343

Liabilities and Shareholders' equity**Shareholders' equity**

The following table details the movements in Shareholders' equity:

	Balance as at 31/12/2018	Allocation of operating result	Dividends	Other movements	Operating result	Balance as at 30/06/2019
I- Share Capital	22,563,970			65		22,564,035
II- Share premium reserve	86,743,750					86,743,750
III - Revaluation reserve						-
IV - Legal reserve	5,000,000					5,000,000
V - Statutory reserves	-					-
VI - Other reserves:	-					-
- Merger reserve	26,553,351					26,553,351
- Extraordinary reserve	-	8,304,324	(2,232,218)			6,072,106
VIII - Profits (losses) carried forward	(381,962)	381,962				
IX - Profit (loss) for the year	8,686,286	(8,686,286)			3,217,549	3,217,549
X - Negative reserve for treasury shares in the portfolio	-			(2,668,716)		(2,668,716)
Total	149,165,395	-	(2,232,218)	(2,668,651)	3,217,549	147,482,074

All subscribed shares (with no nominal value) have been fully paid up.

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 period 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	31/12/2018	Paid on 30/06/2019	Accrued on 30/06/2019	Substitute tax on the revaluation of employee severance indemnity	30/06/2019
	1,021,636	(14,442)	14,889	(1,844)	1,020,239

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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	31/12/2018	Paid on 30/06/2019	Accrued on 30/06/2019	Substitute tax on the revaluation of employee severance indemnity	30/06/2019
INPS Treasury	3,720,413	(26,805)	361,370	(6,714)	4,048,264
Private pension funds	2,890,996	-	249,388	-	3,140,384
Total	6,611,409	(26,805)	610,758	(6,714)	7,188,648

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. 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.

Payables changes and due date

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

	30/06/2019	31/12/2018	Changes	Amount as at 30/06/2019 payable within 12 months	Amount as at 30/06/2019 payable after 12 months
Bonds payable	9,877,782	9,859,540	18,242	-	9,877,782
Bank Borrowing	21,632,801	18,252,486	3,380,315	12,478,391	9,154,410
Trade payables	29,297,550	23,871,811	5,425,739	29,297,550	-
Taxes payable	1,412,434	837,220	575,214	1,412,434	-
Payables due to pension and social security institutions	1,987,288	1,673,423	313,865	1,987,288	-
Other payables	2,932,768	2,125,321	807,447	2,932,768	-
Total	67,140,623	56,619,801	10,520,822	48,108,431	19,032,192

Bonds

The main features of Bonds, which amount to € 9,877,782, 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 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 items' composition:

Bank Borrowing detail	30/06/2019	31/12/2018
Within 12 months		
Current accounts and invoice advances	4,646,231	0
Financing and bank loans	4,508,179	5,509,174
Total payable within 12 months	9,154,410	5,509,174
After 12 months		
MPS unsecured loan	625,000	1,250,000
MedioCredito mortgage loan	11,540,891	10,868,312
MedioCredito unsecured loan	312,500	625,000
Total payable after 12 months	12,478,391	12,743,312
Total	21,632,801	18,252,486

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, net of capital repayments already made as at 31 December 2018 and 30 June 2019 (€ 13,174,000) and the forward value (€ 13,333,000) is

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booked in the Income Statement as a financial charge over the debt duration using the effective interest rate method.

Below are the 06 August 2016 mortgage loan contract main features:

- Total amount € 15,000,000;
- Amount disbursed at signing € 5,000,000;
- Amount disbursed during 2017 € 5,000,000;
- Amount disbursed during 2018 € 3,500,000;
- Amount disbursed during the first half of 2019 € 1,500,000;
- Rate: Six-month Euribor + 1%.

Trade payables

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

Trade payables detail	30/06/2019	31/12/2018
Trade payables in Italy and abroad	25,840,152	22,607,981
Payables for invoices to be received	3,521,132	1,554,955
From suppliers for credit notes to be received	(63,734)	(291,125)
Total	29,297,550	23,871,811

Taxes payable

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

Taxes payable detail	30/06/2019	31/12/2018
Substitute tax on severance indemnity	22,975	19,575
Fasi social security institute	0	960
Payables for withholding taxes on employees	644,486	688,488
Payables for withholding taxes on self-employment	18,324	1,435
Payables for IRES	470,540	0
Payables for IRAP	256,109	126,762
Total	1,412,434	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	30/06/2019	31/12/2018
Payables to INPS	1,143,187	927,835
Payables to INPS for solidarity contribution	1,110	1,186

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Payables to Cassa Vita (life insurance fund)	982	888
Payables to Previdai	25,905	35,089
Payables to Inail	0	51,777
Payables to private funds	25,068	24,669
Payables to Alifond	78,394	75,629
Accrued contributions on thirteenth and fourteenth-month salary	182,743	158,024
Accrued contributions on accrued holidays	529,899	398,326
Total	1,987,288	1,673,423

Other payables

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

Other payables detail	30/06/2019	31/12/2018
Remuneration to be paid	100,956	81,251
Payables for thirteenth-month salary accrued	569,274	224
Payables for fourteenth-month salary accrued	408	488,814
Payables for unused accrued holidays	1,694,198	1,275,854
Payables for salary-deducted loans	12,456	0
Payables for compensation to directors	70,000	80,000
Advances from customers	312,487	66,303
Payables for exemption contribution for disabled people	45,962	38,608
Insurance payables	90,004	90,004
Payables for the Board of Statutory Auditors' remuneration	32,760	0
Other payables	4,263	4,263
Total	2,932,768	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	9,877,782	21,632,801	23,091,133	1,412,434	1,987,288	2,932,768	60,934,206
Abroad	-	-	6,206,417	-	-	-	6,206,417
Total	9,877,782	21,632,801	29,297,550	1,412,434	1,987,288	2,932,768	67,140,623

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	9,877,782	9,877,782	-	9,877,782
Bank Borrowing	13,174,070	13,174,070	8,458,731	21,632,801
Trade payables	-	-	29,297,550	29,297,550
Taxes payable	-	-	1,412,434	1,412,434
Payables due to pension and social security institutions	-	-	1,987,288	1,987,288
Other payables	-	-	2,932,768	2,932,768
Total	23,051,852	23,051,852	44,088,771	67,140,623

Accrued expenses and deferred income

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

Accrued expenses detail	30/06/2019	31/12/2018
Interest payable on Bonds	38,653	39,267
Interest payable on unsecured loans	2,526	4,322
Total	41,179	43,589

Income Statement

The Income Statement shows the net result for the half-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 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 Half-year Report on Operations.

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 costs are booked for the accrued portion.

Production value detail	30/06/2019	30/06/2018	Changes
Revenues from sales and services	83,140,551	70,543,526	12,597,025
Changes in product inventories	4,691,769	273,743	4,418,026
Other revenues and income	797,903	553,204	244,699
Total	88,630,223	71,370,473	17,259,750

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 period value
Product sales	83,031,417
Revenues from services	109,134
Total	83,140,551

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 period value
Italy	30,357,998
Abroad	52,782,553
Total	83,140,551

The effect of foreign turnover on the total for the period was approximately 63%.

Fine Foods booked an increase in its revenues from € 70.5 million as at 30 June 2018 to € 83.1 million as at 30 June 2019 with an increase of 17.9%. This growth is generated by the turnover of the two sectors where the Company operates.

Other Revenues detail	30/06/2019	30/06/2018	Changes
Press Expenses	46,706	24,688	22,018
Laboratory Tests	60,055	97,536	(37,481)
Packaging charges	58,450	57,629	821
Charges for other expenses	509,895	301,239	208,656
Capital gains	23,814	9,838	13,976
Contingencies	98,983	62,274	36,709
Total	797,903	553,204	244,699

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	30/06/2019	30/06/2018	Changes
Raw materials, ancillary materials, consumables, and goods	58,247,492	43,572,050	14,675,442
Services	8,331,565	7,918,976	412,589
Use of third-party assets	542,740	537,649	5,091
Personnel	15,174,047	12,183,045	2,991,002
Amortisation, depreciation, and write-downs	4,707,256	4,222,734	484,522
Changes in inventories of raw materials and goods	(3,637,745)	(1,073,212)	(2,564,533)
Other operating charges	958,708	576,346	382,362
Total	84,324,063	67,937,588	16,386,475

The incidence of costs for raw materials, ancillary materials, consumables and goods, net of the change in inventories of raw materials and goods, on the Value of Production, is 62% which is in line with what was recorded in the first half of 2018.

In addition to the pro rata remuneration of Directors and Statutory Auditors, costs for Services include: ordinary maintenance, utilities, transport, consulting, outsourcing, cleaning, waste disposal, luncheon vouchers, promotional expenses and Insurance.

The "Use of third-party assets" item includes the rental costs for third-party warehouses, forklifts, and pallet truck rental costs.

Other operating charges detail	30/06/2019	30/06/2018	Changes
Ordinary losses	5,475	4,346	1,129
Non recurring losses	282,240	52,021	230,219
Donations	0	50,000	(50,000)
Indirect taxes, duties, and contributions	271,905	165,390	106,515
Fines and penalties	2,844	3,380	(536)
Other costs and charges	396,244	301,209	95,035
Total	958,708	576,346	382,362

Financial income and charges

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

Financial income detail	30/06/2019	30/06/2018	Changes
Interest income on bank accounts	0	687,003	(687,003)
Dividends on other Securities	230,383	0	230,383
Gains on the sale of other Securities	443,677	0	443,677
Other income	1,822	2,769	(947)
Total	675,882	689,772	(13,890)

Financial charges detail	30/06/2019	30/06/2018	Changes
Interest expenses on bank accounts	35,935	15,025	20,910
Interest expenses on bonds	129,406	111,878	17,528
Interest expenses on financing and bank loans	74,292	123,579	(49,287)
Interest expenses for deferments	40	0	40
Losses on the sale of other Securities	12,286	0	12,286
Rebates and discounts payable	1,768	2,226	(458)
Total	253,727	252,708	1,019

Foreign currency exchange gains/losses

The Foreign currency exchange gains/losses are shown below

Exchange rate differences details	30/06/2019	30/06/2018	Changes
Realised foreign currency exchange gains	1,855	33,500	(31,645)
Realised foreign currency exchange losses	(20,076)	(12,309)	(7,767)
Total	(18,221)	21,191	(39,412)

Adjustments to the value of assets and liabilities:**Write-downs**

The above item includes the write-downs of securities included under current assets following the comparison of their purchase value with the presumable realisable value on the market. As at 30 June 2019, the Company booked a write-down for a total of € 217,529.

Amount and nature of the individual exceptional revenue/cost items

During the first half of 2019, no revenues or other income items deriving from exceptional events were booked and no costs deriving from exceptional events were booked.

Current, deferred and prepaid income taxes**Current taxes**

The Company has estimated the taxes based on the application of current tax regulations.

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.

Cash Flow Statement

The Company has prepared a Cash Flow Statement, which is the summary document linking the changes occurred during the period in the company's assets with the changes in the financial

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situation. It highlights the values relating to the financial resources that the company needed during the period 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 period result of the non-monetary components.

Other information

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	9	232	305	546

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

During the first half of 2019, 35 new employees were hired.

Categories of shares issued by the Company

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

	Initial number	Shares subscribed during the period, number	Final number
Ordinary Shares	17,842,202	646	17,842,848
Redeemable Shares	1,200,000	-	1,200,000
Multiple voting Shares	3,500,000	-	3,500,000
Special Shares	150,000	-	150,000
Total	22,692,202	646	22,692,848

During the first half of 2019, the Company issued 646 shares following the exercise of 56,260 warrants.

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

We confirm that the Company has issued the following financial instruments:

- 5,000,000 Warrants, of which 148,860 were exercised as of 30 June 2019, 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 on the guarantees.

	Amount
Guarantees	25,000,000
Collateral securities (mortgage on the property of Verdellino in favour of Mediocredito and Sace)	25,000,000

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 period, no agreement was made that did not result from the Balance Sheet.

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

The Parent Company that prepares the Consolidated Financial Statements is EIGENFIN S.r.l. with its registered office in Zingonia-Verdellino, where a copy of the 31 December 2018 Consolidated Financial Statements is filed.

Zingonia/Verdellino, 05/09/2019

**For the Board of Directors
Chairman**

Marco Francesco Eigenmann

This 30 June 2019 Half-year Financial Report 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.