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 € 22,601,885.30 Fully paid up
VAT number: 09320600969

Annual Financial Report

as of 31 December 2020

30 March 2021 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

Barbara Castelli

Auditing Company

EY S.p.A.

Report on Operations: Summary

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Introduction

The year's financial statements ended 31 December 2020 are the first prepared by Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter "the Company") under IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC, formerly IFRIC) and the former Standing Interpretations Committee (SIC) (hereafter "IAS/IFRS standards"), endorsed by the European Union following the entry into force of (EC) Regulation no. 1606/2002 issued by the European Parliament and the European Council in July 2002.

After starting the translisting procedure to the MTA market and possibly adhering to the STAR segment managed by Borsa Italiana, which took place on 9 November 2020, the Company has adopted international accounting standards. Under IFRS 1, the date of transition to IAS/IFRS of the annual Financial Statements is 1 January 2019.

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

Dear Shareholders, the draft Financial Statements for the year ended 31 December 2020 are being submitted to you for approval. Revenues increased compared to the previous year to reach € 171,955,007, the increased operating result was € 9,484,561, and the net profit was € 13,364,228.

Profit and loss figures

Economic indicators for the year *(In thousands of Euro)*	**31/12/2020**	**31/12/2019**
Revenues	171,955	159,672
EBITDA	21,121	17,508
Operating profit (EBIT)	9,485	8,148
Profit (Loss) for the financial year	13,364	(2,790)

The above table provides an initial outline of the Company's economic performance in 2020, described in detail later in the relevant sections of this Report and the explanatory notes.

Company Information

Fine Foods & Pharmaceuticals N.T.M. S.p.A., operating since 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 a constantly growing turnover which reached 172 million in 2020.

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, that focuses on small and medium-sized Italian companies with high growth potential, which receive strategic financial support to implement their development and internationalisation plans.

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

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

The following images show the Brembate plant from above.

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

The images below show the Zingonia plant from above.

Fine Foods does not have trademarks or hold any product patent rights. These remain the customer's property. The Company has relationships with approximately 100 loyal customers, including major Italian and multinational pharmaceutical and nutraceutical companies such as Amway, Aesculapius, Alfasigma, Alkaloid, Angelini, Apotex, Aptalis, Aurobindo, Avon, Bayer, Bial, Biopharm, Chiesi, Coop, Doc, Dompè, EG, Ennogen, Fairmed Healthcare, Farma-Derma, Fidifarm, Giuliani, Guna, Herbalife, IBSA, Italfarmaco, Krka, Laborest, Menarini, Molteni, Named, Nestlè, Novartis, Omega Pharma, Pensa, Pepsico, Pharmanutra, Pierre Fabre, Recordati, Sanofi, Sofar, Teva, Viatris, Zentiva.

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

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

Fine Foods N.T.M. S.p.A. adopts an Organisation, Management and Control System under Legislative Decree 231/2001 "regulating the administrative responsibility of legal persons, companies and associations, including those without legal status", which introduced into the Italian regulatory system the concept of administrative liability for legal persons resulting from the commission of a criminal offence. Supervising the operation and compliance with the rules and principles in this system is entrusted to a Supervisory Body with independent initiative and control powers.

Verdellino-Zingonia plant:

- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: designing and producing invasive medical devices concerning body orifices for gastrointestinal and oral use on injured mucosa.
- UNI EN ISO 22000: standard defining the food safety management system requirements. Scope: production and packaging, on behalf of third parties of food supplements and foods for special groups, in powder, granules, tablets and capsules.

Significant events

COVID-19 PANDEMIC EFFECT ON THE YEAR'S FINANCIAL STATEMENTS

The spread of Covid-19 was first reported in late 2019 when several cases showing symptoms of "pneumonia due to unknown causes" were identified in Wuhan, the capital of China's Hubei Province. On 31 December 2019, China alerted the World Health Organisation (WHO) to the new virus and on 30 January 2020, the WHO's International Health Regulations Emergency Committee declared the spread of Covid-19 as an "international public health emergency." Since that date, the virus has spread worldwide. On 11 March 2020, the WHO declared the spread of Covid-19 as a pandemic. Covid-19 has significantly impacted the world economy. Many countries have imposed travel restrictions on millions of people, and many more in different countries have been subject to quarantine measures. To support their economies, many governments announced measures to provide financial and non-financial assistance.

In the early months of 2020, companies have experienced reductions in revenues and supply chain difficulties due to lockdowns that, albeit with different timetable, have occurred in all major economies worldwide. The spread of the Covid 19 virus caused significant volatility in financial markets and commodity prices worldwide.

Fine Foods actions during 2020 focused on protecting its employees' health and safety. The Company immediately and rigorously implemented safety and prevention regulations in compliance with government protocols.

The Company's protocols are promptly updated if the governing bodies issue new directives that must be followed. Another important objective was maintaining business continuity, guaranteeing production and service levels appropriate to the various market scenarios and rapidly implementing remote working solutions for office personnel.

During 2020, the Company had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus") pandemic, including the adoption of anti-contagion protocols in line with the authorities' requirements. The COVID-19 pandemic and related regulatory compliance requirements have led to a slowdown in the Company's growth in sales volumes and turnover in the Italian and foreign markets in the first half of 2020 compared to the same period in 2019. The entire 2020 financial year was characterised by lower turnover growth for the Company compared to previous years. It is expected that in the first half of 2021, having already completed the regulatory compliance process, the effects of this slowdown will wear off. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Company operates may result in its exposure to the risk of a further slowdown or decline in its product sales. The possible occurrence of such circumstances could have significant adverse effects on business, economic and financial situation.

The Company has a favourable financial position and net result as of 31 December 2020, which allows it to face this particularly difficult period with cautious optimism. The main financial and operational risks to which the Company is exposed have been analysed (as described in the Report's relevant section). Regarding credit risk, it should be noted that the main Fine Foods counterparties, leading pharmaceutical and nutraceutical companies which had limited impact because of the pandemic, have substantially met their commercial deadlines. There were no supply chain issues or financial strains on the Company's strategic suppliers. Generally, the analysis carried out did not reveal any critical issues that could significantly impact the Company's economic and financial position.

TREASURY SHARES BUYBACK PROGRAMME

On 30 April 2020, the Fine Foods Shareholders' Meeting resolved on the revocation of the unexecuted part of the authorisation to purchase treasury shares which were approved by the Shareholders' Meeting on 14 December 2018 and informed the market. It provided the Board of Directors with a new mandate to purchase and dispose of treasury shares under articles 2357 and 2357-ter of the Civil Code. This new treasury share buyback programme was launched on 15 May 2020 implementing the 30 April 2020 Shareholders' Meeting resolution.

MTA - STAR MARKET TRANSLISTING

The Board of Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A., a company listed on AIM Italy, following what has already been communicated in the information document on the merger by incorporation of Fine Foods & Pharmaceuticals N.T.M. S.p.A. into Innova Italy 1 S.p.A. and in the 4 May 2020 press release, on 9 November 2020, resolved to launch activities for the translisting of its financial instruments on AIM Italia to the Mercato Telematico Azionario – MTA (Equities Market), organised and managed by Borsa Italiana, and possibly the STAR segment. If the conditions are met, the transaction will be submitted for approval to the Shareholders' Meeting to allow for application submission to Consob and Borsa Italiana S.p.A., scheduled for 21 April 2021. The Company has appointed Banca Akros S.p.A. as MTA market translisting Sponsor (possibly adhering to the STAR segment).

PHARMATEK ACQUISITION

On 16 November 2020, the Company has signed a binding term sheet acquiring the entire share capital of Pharmatek PMC S.r.l. (hereafter "Pharmatek"), held by the sole shareholder Marco Pessah. The Term Sheet sets the transaction's financial terms and contents of a management contract to give work continuity to Pharmatek CEO, Mr. Pessah, for the next three financial years. Under the Term Sheet, the price for acquiring 100% of Pharmatek, of a maximum of € 17.2 million, will be paid in cash and divided into a fixed component of € 11.2 million and a variable component of a maximum of € 6 million (earn-out). This variable component will be paid within the next three financial years.

Pharmatek is a company authorised by the Ministry of Health producing biocides, medical devices and cosmetics. Its acquisition allows Fine Foods to access new Contract Manufacturing market segments.

General economic performance

The IMF (International Monetary Fund), through the WEO (World Economic Outlook), a publication of reference evaluating the world economy, raised its estimates on the world's economic growth for 2020 and 2021. This upward adjustment reflects the positive effects of the start of vaccinations and the support measures launched at the end of 2020. However, these reasons for optimism are countered by uncertainties related to vaccination campaigns' effectiveness and speed, new waves of infections, and possible Covid-19 variants.

Total losses for global production due to the pandemic are estimated at USD 22 trillion in the 2020-2025 period and the global economic contraction in 2020, although lower than expected (-3.5% against -4.4% of initial forecasts), remains the worst since the Great Recession.

GDP (Gross Domestic Product) will grow by 5.5% in 2021 (+0.3% compared to previous estimates) and by 4.2% in 2022 (unchanged from previous estimates), rates that are still well below pre-pandemic levels. The IMF's forecasts for the Eurozone predict a 7.2% fall in GDP in 2020 (compared with -8.3% estimated in October), while for 2021 the recovery will stop at 4.2% (5.2% in the previous estimate). The IMF explained that between the return of contagions and lockdowns, the economy weakened by the end of 2020, with effects that will drag on into 2021. The IMF is revising its 2021 growth estimates for Germany, France and Spain downwards compared to October.

The German economy is expected to grow by 3.5% in 2021 (-0.7% compared to October's estimate) and 3.1% in 2022 (unchanged). French GDP is expected to grow by 5.5% in 2021 (-0.5%) and by +4.1% in 2022 (+1.2%), while Spain's GDP is expected to grow by 5.9% (-1.3%) in 2021 and by 4.7% in 2022 (+0.2%). The IMF pointed out that economic activity in the Euro area and the UK will remain below end-2019 levels at least until 2022. This trend is attributable to behavioural public health responses to infections, low mobility flexibility and adaptability of economic activity, pre-existing policy trends and structural rigidities. In the UK, the forecast is +4.5% for 2021 and +5% for 2022. Employment in the OECD area in Q3 2020 improved by 1.9 percentage points to 66.7%, after falling by 4.4 percentage points in Q2 due to the Covid-19 crisis. However, the employment rate remains 2.5 percentage points lower than in the first quarter, before the pandemic. The IMF's estimates of Italy's economic performance in 2020 improve, but those for the country's expected rebound worsen. After a lower-than-expected contraction in 2020, when GDP fell by 9.2 % compared to the -10.6 % forecast in October, the economy will grow by 3% in 2021, 2.2 percentage points less than the previous estimates. In 2022 the GDP is estimated to grow by 3.6% (+1% compared to the October estimates).

An Ufficio Studi di Confindustria report indicates that without actions to strengthen companies' financial situation, such as an extension of the debt duration, and without a turnover and cash flow recovery in 2021, across all industry and service sectors, the debt excess will jeopardise the flow of new productive investments in Italy.

The US will limit its 2020 damage to a contraction of 3.4% of GDP (compared to the 4.3% estimated in October), to rebound to 5.1% in 2021, due to the support measures launched in late 2020, to which the Biden administration's economic plan will contribute. Preliminary estimates show that the USD 1.9 trillion packages could boost GDP by 5% over the next three years, with a 1.25% boost already in 2021. The Federal Reserve Chairman made it clear that the US central bank is prepared to use every tool to support the economy for as long as necessary, following the European Central Bank's lead. The Federal Reserve added that a federal aid package to support struggling companies and jobless workers is essential to get the world's largest economy back on its feet.

The IMF predicts that emerging markets and developing economies will show divergent paths to recovery. Considerable differentiation is expected between China - where effective containment measures, a solid public investment response and central bank liquidity support have facilitated a strong recovery - and other economies. As indicated in the October 2020 WEO, the pandemic will reverse the last 20 years of poverty reduction progress. Nearly 90 million people are likely to fall below the minimum poverty line in the 2020-2021 period. China, which had already recovered by the end of 2020 (+6.5% GDP in the fourth quarter), is a different story. Despite the pandemic, which began in Wuhan a year ago, and despite all-out tensions with Trump's America, China will be the only major economy to escape recession, with growth at 2.3% in 2020 and accelerating to 8.1% in 2021. Worthy of note is the IMF's revised estimate for the Indian economy. After posting a -8% in 2020, it will return to growth, forecasting +11.5% for 2021 (estimate revised by +2.7 percentage points compared to October) and 6.8% for 2022. The Russian economy will halt its growth in 2020 (-3.6%), with rising forecasts at +3% for 2021 and +3.9% for 2022. Brazil, due to the global pandemic, experienced a 4.5% recession in 2020. According to the January WEO update, economists revised growth for 2021 upwards by 0.8 percentage points to +3.6%.

Regarding raw materials developments, the average oil price fell sharply during 2020, dropping by 32.7% to USD 41.26 per barrel. In the WEO latest update, published in January 2021, IMF economists revised the estimate of the arithmetic mean of prices of the three oil qualities UK Brent, Dubai Fateh and West Texas Intermediate (WTI) upwards. It forecast USD 50.03 per barrel for the end of 2021, which is still below the average price reached in 2019. The estimate for the end of 2022 was revised, and a decrease of 2.4 percentage points predicted. The price is now expected to be USD 48.82 per barrel.

Management Performance

The 2020 financial year that has just ended, despite the health emergency, sees the recent years' expansion confirmed. The Income Statement revenues item rose from € 159.7 million in 2019 to € 172 million in 2020, recording an 8% increase. Mainly the sales of the nutraceutical sector generate this growth. "Food" Business Unit's revenues are € 131.9 million in 2020 compared to € 119.2 million in 2019 and show a positive change of 11%. The "Pharma" segment's 2020 sales are substantially in line with 2019 figures, closing at € 40 million with a decrease of 1% compared to € 40.5 million in 2019.

Business outlook

According to various 2021 analyses, the second half of the year could see vaccines overcoming the pandemic crisis and a sustained economic recovery.

Before then, global economic performance will be volatile, especially in Europe, depending on contagion waves.

Global growth in 2021 is expected to be around 4.8%, offsetting the 4.1% decline in 2020 and bringing aggregate GDP back to pre-crisis levels. Asia will drive global recovery.

For Italy, 2021 could be a two-sided year, with downside risks in the first half of the year and an upside trend in the second half. In any case, it will take years to recover pre-COVID-19 levels. Overall, a GDP rebound of 4.7% is expected for 2021, after the 8.3% decline in 2020. The recovery will be more noticeable for investment than consumption.

Fiscal policy support will only be partially withdrawn. Although new stimulus measures are unlikely in the Eurozone or the United States, monetary policies will remain accommodating.

The current situation is characterised by the persistence of the health emergency's second wave. Its duration and possible effects are difficult to predict.

The new health crisis makes it even more complex to predict the duration of the recession caused by the pandemic's start in March 2020 and its effects on the global economy.

The excellent volume trend during 2020 is mainly due to Fine Foods products' essentiality. The company has demonstrated its ability to cope with the emergency and ensure production continuity. The positive trend in volumes in the first quarter of 2021 leads us to exclude negative effects in the current year.

Significant events occurred after the year-end

As described in the "significant events" section, on 19 January 2021, after favourable due diligence (e.g. legal, accounting, tax and business due diligence) and commitments undertaken under the binding term sheet signed on 16 November 2020, the Company acquired the entire share capital of Pharmatek PMC S.r.l. for € 17.2 million. Of this, € 11.2 million has been paid at this document's preparation date, and the additional € 6 million (earn-out) will be paid upon achievement of certain Pharmatek EBITDA levels for the next three years.

On 18 March 2021, the company signed a new Intesa San Paolo bank loan for € 8 million. The loan was disbursed on 23 March 2021 in a single instalment and expires on 18 September 2023. The applicable interest rate is equal to the one-month EURIBOR, which is increased by a fixed spread. This loan is not subject to financial constraints.

On 19 March 2021, the company signed a new Deutsche Bank loan of € 8.5 million. The loan was disbursed on 23 March 2021 in a single instalment which expires on 23 March 2023. The applicable interest rate is equal to the one-month EURIBOR, which is increased by a fixed spread. This loan is not subject to financial constraints.

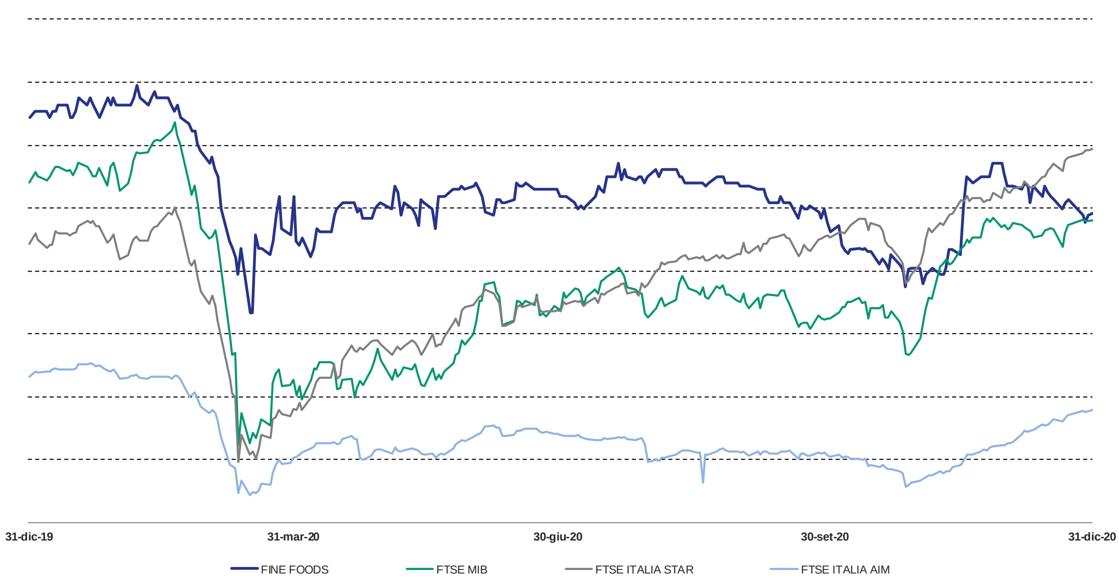
Fine Foods & Pharmaceuticals N.T.M. S.p.A. share price trend

As of 30 December 2020, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. share was listed at € 10.50 per share, a decrease of 12.5 percentage points than the listing as of 30 December 2019 (€ 12 per share).

Market capitalisation as of 30 December 2020 was € 247.5 million.

The diagram below shows the Fine Foods share performance compared with the leading stock market indices in the 2020 financial year:

DIAGRAM OF FINE FOODS SHARE AND AIM - MIB - STAR INDICES TREND



The table below shows the main share and stock market data as of 31 December 2020.

Share and stock market data	FY2020
First listing price (02/01/2020)	12.10
Maximum listing price	12.50
Minimum listing price	9.00
Last listing price (30/12/2020)	10.50
No. of listed outstanding shares	18,821,353
No. of unlisted outstanding shares	4,750,000
Total capitalisation	€ 247.5 M

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.

The following table shows the net financial debt according to the scheme established by Consob communication no. DEM/6064293 of 28 July 2006.

	Net financial debt - Consob resolution	**31/12/2020**	**31/12/2019**
A	Cash	5,240	7,558
B	Other liquid assets	3,337,277	2,619,914
C	Securities held for trading	71,608,964	72,167,993
D	**Liquidity A + B + C**	**74,951,481**	**74,795,465**
E	**Current financial receivables**	**-**	**-**
F	Current bank borrowings	236,105	7,101,885
G	Current portion of current debt	4,924,691	3,510,062
H	Other current financial liabilities	11,189,672	18,861,560

I	**Current financial debt F + G + H**	**16,350,468**	**29,473,507**
J	**Net current financial debt I - E - D**	**(58,601,012)**	**(45,321,958)**
K	Non-current bank borrowings	9,060,857	10,722,977
L	Issued bonds	6,632,483	9,896,567
M	Other non-current payables	147,179	317,251
N	**Net non-current financial debt K + L + M**	**15,840,518**	**20,936,795**
O	**Net financial debt J + N**	**(42,760,494)**	**(24,385,163)**

Working capital	**31/12/2020**	**31/12/2019**
Inventories	19,647,515	22,487,824
Trade receivables	12,660,157	17,093,400
Other current assets	3,292,257	2,518,563
Trade payables	(22,722,377)	(20,608,429)
Other current liabilities	(10,040,527)	(5,839,768)
Provisions for risks and charges / deferred taxes	(414,035)	(920,113)
Total working capital (A)	***2,422,990***	***14,731,478***
Fixed assets	**31/12/2020**	**31/12/2019**
Tangible fixed assets	93,413,964	89,332,612
Intangible assets and rights of use	1,865,973	1,885,624
Other receivables and non-current assets	1,607,531	1,437,424
Employee severance indemnities and other provisions	(1,062,790)	(1,099,905)
Total fixed assets (B)	***95,824,677***	***91,555,756***
Net Invested Capital (A) + (B)	***98,247,667***	***106,287,233***
Sources	**31/12/2020**	**31/12/2019**
Shareholders' equity	141,008,161	130,672,396
Net financial debt	(42,760,494)	(24,385,163)
Total Sources	***98,247,667***	***106,287,233***

Net invested capital as of 31 December 2020 amounted to € 98.2 million (€ 106.3 million as of 31 December 2019) and is covered by:

- Shareholders' equity, € 141.0 million (€ 130.70 million as of 31 December 2019);
- The positive net financial position of € 42.8 million (compared to a positive net financial position of € 24.4 million as of 31 December 2019).

Without the debt generated by the listed and unlisted warrants, the net financial position would be € 53.8 million as of 31 December 2020 (€ 43 million as of 31 December 2019).

Net working capital as of 31 December 2020 was € 2.4 million compared to € 14.7 million at the end of the previous year. This improvement is generated by a positive change in trade receivables (€ 4.4 million), inventories (€ 2.8 million) and trade payables (€ 2.1 million).

Tangible fixed assets increased by € 4 million against investments of € 15 million, net of depreciation of € 11 million.

Financial indicators

Indicator	31/12/2020	31/12/2019	Calculation Method
Capital structure margin	45,728,224	39,454,160	Shareholders' equity - Property, plant and machinery - Other intangible assets - Rights of use
Asset ratio	1.5	1.4	Shareholders' equity/(Property, plant and machinery - Other intangible assets - Rights of use)
Liquidity margin	41,790,522	38,485,724	Total current assets - Inventories - Total current liabilities
Current ratio	1.9	1.7	(Total current assets - Inventories)/Total current liabilities
DSO	27	39	(Trade receivables/Sales revenues)*365
DPO	80	79	(Trade payables/Raw material purchase cost)*365
DIO	68	87	(Inventories/Cost of Raw Materials)*365

Financial situation

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

Income Statement

Item	31/12/2020	%	31/12/2019	%	Absolute change	% Changes
Revenues from contracts with customers	171,955,007	100%	159,672,133	100%	12,282,874	7.69%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(108,828,064)	(63.29%)	(96,607,941)	(60.50%)	(12,220,123)	12,65%
VALUE ADDED	**63,126,943**	**36.71%**	**63,064,192**	**39.50%**	**62,751**	**0.10%**
Other income	4,997,187	2.91%	1,941,129	1.22%	3,056,058	157.44%
Costs for services	(14,975,285)	(8.71%)	(17,207,866)	(10.78%)	2,232,581	(12.97%)
Personnel costs	(30,972,513)	(18.01%)	(28,477,578)	(17.84%)	(2,494,935)	8.76%
Other operating costs	(1,055,019)	(0.61%)	(1,811,789)	(1.13%)	756,770	(41.77%)
EBITDA	**21,121,314**	**12.28%**	**17,508,088**	**10.97%**	**3,613,225**	**20.64%**
ADJUSTED EBITDA	**22,287,286**	**12.96%**	**20,280,422**	**12.70%**	**2,006,864**	**9.90%**
Amortisation, depreciation, and write-downs	(11,636,753)	(6.77%)	(9,360,029)	(5.86%)	(2,276,724)	24.32%
EBIT	**9,484,561**	**5.52%**	**8,148,060**	**5.10%**	**1,336,501**	**16.40%**
ADJUSTED EBIT	**10,650,533**	**6.19%**	**10,920,393**	**6.84%**	**(269,860)**	**(2.47%)**
Financial income	57,308	0.03%	3,055	0.02%	54,253	1775.88%
Financial charges	(510,567)	(0.30%)	(522,644)	(0.33%)	12,077	(2.31%)
Changes in fair value of financial assets and liabilities	7,652,331	4.45%	(7,513,584)	(4.71%)	15,165,915	N/A
INCOME BEFORE TAXES	**16,683,632**	**9.70%**	**114,887**	**0.07%**	**16,568,746**	**14421.78%**
ADJUSTED INCOME BEFORE TAXES	**12,984,162**	**7.55%**	**15,535,728**	**9.73%**	**(2,551,566)**	**(16.42%)**
Income taxes	(3,319,404)	(1.93%)	(2,905,150)	(1.82%)	(414,254)	14.26%
Profit (loss) for the financial year	**13,364,228**	**7.77%**	**(2,790,264)**	**(1.75%)**	**16,154,492**	**N/A**
ADJUSTED income/(loss)	**9,339,451**	**5.43%**	**11,857,097**	**7.43%**	**(2,517,646)**	**(21.23%)**

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

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

Revenues from contracts with customers	***171,955,007***	***159,672,133***
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(108,828,064)	(96,607,941)
Value Added	***63,126,943***	***63,064,192***

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

	31/12/2020	31/12/2019
Profit/(loss) for the financial year (1)	***13,364,228***	***(2,790,264)***
Income taxes	3,319,404	2,905,150
Income before taxes (2)	***16,683,632***	***114,887***
Changes in fair value of financial assets and liabilities	(7,652,331)	7,513,584
Financial charges	510,567	522,644
Financial income	(57,308)	(3,055)
EBIT (3)	***9,484,561***	***8,148,060***
Amortisation	11,636,753	9,360,029
EBITDA (4)	***21,121,314***	***17,508,088***

Extraordinary and non-recurring items that have been adjusted during the period ended 31 December 2020 and 31 December 2019 are shown in the table below. For further details, please refer to what is reported below.

	31/12/2020	31/12/2019
Relocation costs		2,482,742
Translisting costs	331,106	289,592
Non-recurring Covid costs	834,867	
Total non-recurring income and charges (5)	***1,165,973***	***2,772,334***

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

ADJ EBITDA (4) + (5)	***22,287,286***	***20,280,422***
ADJ EBIT (3) + (5)	***10,650,533***	***10,920,393***
Income before taxes	***16,683,632***	***114,887***
Change in FV Warrant	(4,865,443)	12,648,508
Non-recurring income and charges (5)	1,165,973	2,772,334
ADJ Income before taxes	***12,984,162***	***15,535,728***
Income taxes	(3,319,404)	(2,905,150)
*tax effect on non-recurring income and charges (5) * 27.9%*	*(325,306)*	*(773,481)*
ADJ income/(loss)	***9,339,451***	***11,857,097***

Revenues from sales and services increased from € 159.7 million in 2019 to € 172 million in 2020, recording an increase of 8%.

Other revenues and income amounted to € 5 million compared to € 1.9 million in 2019, increasing by € 3.1 million.

Raw material costs on sales revenues, of approximately 63%, slightly increased compared to the 2019 Financial Statements.

Personnel costs amounted to € 31 million, with an increase of € 2.5 million compared to FY 2019. This change is attributable to contractual increases and productivity gains and the stock grant incentive plan share for top management for the 2018-2021 period.

As of 31 December 2020, EBITDA reached € 21.1 million, up from € 17.5 million in the previous year. The revenue percentage increased from 11% as of 31 December 2019 to 12.3% as of 31 December 2020.

EBIT amounted to € 9.5 million compared to € 8.1 million as of 31 December 2019. The lower increase recorded compared to EBITDA is the effect of higher depreciation and amortisation recorded during 2020.

During 2019, there were non-recurring costs for the closure of the Nembro plant and the consequent transfer of production and related regulatory activities to Brembate (€ 1,243,000), and costs for the start-up of the two new expansions at Zingonia and Brembate (€ 1,239,000) and extraordinary consultancy costs (€ 290,000).

During 2020, non-recurring costs of € 835,000 were incurred due to the Covid 19 pandemic. These costs relate to the purchase of personal protective equipment, workplace sanitisation, the implementation of smart working, and for direct personnel costs deriving from a reorganisation of shifts.
In the event of the translisting to MTA (Italian Equities Market), the company incurred extraordinary consultancy costs for € 331,000.

These EBITDA Adjustments have been adjusted for the related tax effect (27.9% tax rate) for calculating Adjusted Profit (Loss).

Adjusted EBITDA amounted to € 22.3 million, up from € 20.3 million in the previous year. The revenue percentage increased from 12.7% as of 31 December 2019 to 13% as of 31 December 2020.

The Adjusted Income Before Taxes is presented net of the change in fair value of listed and unlisted warrants, for a total of € 4,865,000 in 2020 and € (12,649,000) in 2019. The adjustment deriving from the warrants valuation freezing in the Income Statement is without any tax effects.

Alternative Performance Indicators

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

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

- these indicators are constructed exclusively from historical data and are not indicative of the company's future performance;
- APIs are not required by the International Financial Reporting Standards (IFRS) and, although derived from the Company's Financial Statements, are not subject to audit;
- the APIs must not be considered as a replacement for the indicators provided for by the International Financial Reporting Standards (IFRS);

- these APIs should be read alongside the financial information derived from the Company's Financial Statements;
- the definitions of the indicators used, since they do not derive from the reference accounting standards, may not be consistent with those adopted by other groups/companies or comparable to them;
- the APIs used have been developed with continuity and uniformity of definition and representation for periods when financial information is included in these Financial Statements.

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

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

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

Main risks and uncertainties for the Company

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

Liquidity risk

The Company monitors the liquidity shortage risk using a liquidity planning tool. The Company's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines and loans, mortgages and bonds. The Company's policy is to keep loan numbers due in the next 12 months within 60%. As of 31 December 2020, 41% of the Company's debt is due in less than one year (2019: 58%), calculated based on the debts' book value on the Financial Statements. The Company has assessed the risk concentration and debt refinancing and concluded that it is low. Access to funding sources is sufficiently available, and debts due within 12 months can be extended or refinanced with existing lenders.

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

31 December 2020	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Other current financial liabilities (Warrants)	10,997,144	10,997,144		
Bonds	9,930,025	3,297,542	6,632,483	
Non-current bank borrowings	9,060,857		6,570,599	2,490,257
Current bank borrowings	1,863,255	1,863,255		
Non-current lease payables	147,179		147,179	
Current lease payables	192,529	192,529		
Total financial liabilities	**32,190,987**	**16,350,470**	**13,350,261**	**2,490,257**

31 December 2019	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Other current financial liabilities (Warrants)	18,583,904	18,583,904		
Bonds	9,896,567		9,896,567	
Non-current bank borrowings	10,722,977		6,578,872	4,144,105
Current bank borrowings	10,611,947	10,611,947		
Non-current lease payables	317,251		317,251	
Current lease payables	277,656	277,656		
Total financial liabilities	**50,410,302**	**29,473,506**	**16,792,690**	**4,144,105**

Interest rate risk

This risk refers to financial instruments on which interest accrues, which are recorded in the statement of financial position (particularly, bank borrowings, loans, leases, etc.), which are at variable rates and not hedged by derivative financial instruments.

The Company's financial debt is almost equally distributed between fixed-rate (Bonds) and variable-rate (Bank borrowings).

Risks related to the COVID-19 virus (Coronavirus)

During 2020, the Company had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus") pandemic, including the adoption of anti-contagion protocols in line with the authorities' requirements. The COVID-19 pandemic and related regulatory compliance requirements have led to a slowdown in the Issuer's growth in sales volumes and turnover in the Italian and foreign markets in the first half of 2020 compared to the same period in 2019. The entire 2020 financial year was characterised by lower turnover growth for the Company compared to previous years. It is expected that in the first half of 2021, having the Issuer already completed the regulatory compliance process, the effects of this slowdown will wear off. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Issuer operates, it could be exposed to the risk of a further slowdown or decline in its product sales.

Risks related to the concentration of revenues on major customers

The Company has a significant concentration of revenues on its main customers. The loss of one or more of these relationships would have a significant impact on revenues. Most of the contracts with the Company's main customers do not have minimum guaranteed quantities. The Company generates a significant portion of its revenues from a limited number of customers, particularly its first five customers, and relies on the continued growth of its relationships with them. During the year ended 31 December 2020, the main customers cumulatively accounted for approximately 77% of the Company's turnover. The continuity in the commercial relationship with customers is a consequence of the Company contract development and manufacturing organisation (CDMO) sector. This sector is highly regulated, making it difficult for competing contract manufacturers to enter.

Contracts with significant customers are typically multi-year supply framework agreements that do not provide for guaranteed annual minimums. Given the well-established commercial partnership between the parties, and the reasons highlighted above, the company believes that there are no elements that reasonably lead the Issuer to presume that these contracts will not be renewed. This includes significant agreements with major customers expiring within 2021. Normally, the Issuer and its contractual counterparties continue their commercial relations independently of formal contract renewals.

There is no certainty that these relationships will continue or that one or more of these major customers will experience a material adverse change in their economic and financial situation, resulting in a reduction in production. Even if the relationship continues, there is no certainty that the Company will obtain contractual conditions that are at least similar to those of the current contracts.

Risks related to contractual relationships with customers

The Company is exposed to the risk deriving from the possible non-compliance of its products with the contract provisions that regulate relationships with customers and orders received and deriving from the possible customer withdrawal or contract termination if there is a change of share capital control, with potential negative effects on business, economic and financial situation.

The Company supplies its pharmaceutical and nutraceutical products to customers by entering into multi-year product development and supply contracts. Based on such contracts, Fine Foods is identified as the developer of certain pharmaceutical or nutraceutical formulations and the manufacturer based on such formulations. In most cases, the intellectual property developed remains with the customer. Under these framework contracts, the Company undertakes to manufacture and deliver products based on orders received each time from the customer.

The Company is subject to the risk related to products encountering unexpected development or production problems or defects or do not fully conform to technical specifications. The risk is that there may be cost increases (due to replacements, rework or recalls), delivery delays, contractual penalties or compensation payments, or contract termination.

In some cases contracts with customers allow the possibility of withdrawal at any time and without the obligation to provide a reason with written notice. They might also allow early termination if there is failure to comply with the contract terms without remedying the situation or inability to comply with the service standards on several occasions (or delays or revocation of authorisations by the relevant authorities). Some contractual clauses provide that termination may be exercised if the Company is involved in a transaction implying a change of control of its share capital (either generally or favouring customer competitors).

When a customer exercises the right of withdrawal or terminates the contract (due to non-performance, defect, delay or change of control) there can be no assurance that the Company can replace the customer or acquire new customers or that the price at which the products are sold to new customers will maintain product profitability.

Credit risk

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

Price risk

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

Risk of changes in cash flows

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

Tax risks

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

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

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

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

Risks related to supplier relationships

The Company risks increased costs for the procurement of materials or raw materials necessary to carry out its business, possible delays in production due to the more difficult availability of raw materials, with adverse effects on the Company's business, economic and financial situation. The Company needs to procure materials or raw materials (active ingredients (API), excipients and packaging materials) to carry out its business. These are supplied through procurement channels that are restricted, i.e. subject to prior assessment by the internal quality system or customer’s specific authorisation. At the date of this document's preparation, there is no supplier of raw material concentration risk. However, the production cycle could be interrupted or affected by delays in the supply of such raw materials by suppliers or if they become unavailable or unreasonably available due to events beyond the directors' control. In such cases, the Company may be forced to incur increased costs for the procurement of materials or raw materials necessary to carry out its business or a delay in the related production due to the more difficult availability of such raw materials.

Manufacturer's liability risks

The Company faces risks related to the products' nature, which could have side effects, or undesired and unexpected effects, on consumers' health. This could expose the Company to possible liability action or claims for compensation, with potentially adverse effects on the its economic and financial situation.

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Risks related to the pharmaceutical and nutraceutical market performance

The Company risks not adapting to market evolution in the reference sectors quickly enough due to moderate or highly competitive pressure, and a high local and international regulatory level, with potentially adverse effects on the Company's economic and financial situation. The Company pays the utmost attention to the quality and safety of its production processes to limit these risks, and is committed to ensuring that the plants used meet the highest safety standards by making investments. In the various contracts stipulated with customers for production on behalf of third parties, the Company regulates its own and customer's liabilities. An insurance policy has been signed with a leading insurance company to cover any damages suffered by customers or third parties as a result of the use of the Company's products. The liability limit is € 8 million for each event which is deemed adequate by the Issuer against the Company's risks.

Risks related to the failure to implement or delays in implementing the industrial strategy and growth by acquisitions

The Company risks failing to implement its strategy to increase its revenues and profitability levels and pursue its growth and development objectives by increasing its production capacity and carrying out extraordinary transactions that would allow it to grow by acquisitions. As part of its growth by acquisition strategy, the Company is exposed to risks typically related to this type of transaction. These circumstances could have a significant adverse effect on the Issuer's economic and financial situation.

Key non-financial indicators

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

- Fine Foods maintains consolidated and continuous relationships with more than 100 customers;
- The Company can count on 101 production lines located in the various plants;
- Fine Foods produces more than 1,300 Stock-Keeping Units (SKUs);
- The Company has more than 600 employees, of which about 11 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 May 2020, 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.
The next maintenance visit is planned for mid-May 2021.

A management system illustrates how to intervene if harmful events occur.
During 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 and Brembate 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 on 01 December 2020, version no. 14.

In September 2020, the Company was certified under ISO 45001:2018, the international standard for an occupational health and safety management system (previously, the reference standard to which the Company complied with was OHSAS 18001:2007).

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.

On 29 May 2020, INAIL recognised an occupational disease for two employees. In both cases, INAIL is investigating the Employer's liability. If the Employer's liability is established, INAIL will claim reimbursement from the Employer for the costs incurred or to be incurred for benefits, ancillary charges and interest.

In November 2020, an occupational disease complaint was filed, to which INAIL has not yet replied.

During the 2020 financial year, the Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. It based its findings on the evidence of the assigned activities performance and deemed the control system correct and generally supplemented by a constant procedure updating process. This applied even during the Covid emergency.

Personnel Management Information

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

Attention was paid to personnel's professional growth. In 2020, 1660 training courses and seminars were held, for all levels, making 10,924 hours of training. These aimed at increasing technical skills and maintaining an adequate level of quality, safety, hygiene and environment skills.

Plant	Number of courses	Total hours
ZINGONIA	677	6,367
BREMBATE	983	4,557
TOTAL	**1,660**	**10,924**

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.

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

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

This process involved the following phases:

- identifying exposure to possible hazards related to the methods, products, and operations carried out;

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

Research and development

Fine Foods 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

During 2020, the Company distributed a profit of € 0.12 per share to the parent company Eigenfin S.r.l. as per the shareholders' resolution approving the 2019 Financial Statements.

Related Party Relationships

On 31 March 2020, the Board of Directors adopted a procedure for related party transactions, under Article 2391-bis of the Italian Civil Code and Article 4 of the "Regulations for transactions with related parties" issued by Consob with Resolution no. 17221 of 12 March 2010, as amended. This procedure is available on the Company's website (https://www.finefoods.it/). During the 2020 financial year, transactions between the Company and related parties identified under the provisions of international accounting standard IAS 24 included the remuneration of Directors and the allocation of stock grants to corporate officers with strategic responsibilities, carried out under applicable regulations, based on assessments of mutual interest and economic benefit. For details of the transactions carried out and the related income statement, please refer to note 2.3 of the Financial Statements. The assignment of stock grant rights, in the meaning of the Procedure for Related Party Transactions adopted by the Company, is excluded from the Procedure application, since, under this Procedure Article 13, letter f) compensation plans based on Financial Instruments approved by the shareholders' meeting on 14.12.2018 fall within the list of excluded transactions.

Treasury shares buyback programme

On 15 May 2020, the Company's Board of Directors resolved to launch the treasury share buyback programme to implement and comply with the authorisation to buyback and dispose of treasury shares approved by the 30 April 2020 Shareholders' Meeting.

The Programme has the following objectives (i) stabilisation, liquidity support and market efficiency, (ii) to obtain a securities portfolio ("securities stock") to be used for any extraordinary transactions, including exchanges of equity investments with other parties, including any bonds convertible into Company shares or bonds with warrants, and dividends in shares. The Board of Directors may add additional objectives or modify those existing in the Programme under the 30 April 2020 Shareholders' Meeting authorising resolution and current legislation, in which case the market will be promptly notified.

The purchases may involve a maximum number of revolving ordinary shares (meaning the maximum number of treasury shares held in the portfolio each time) of 2,000,000 ordinary shares, even if carried out in several tranches, within the legal limits and authorisation under the 30 April 2020 resolution. The maximum value of the Company's ordinary shares that may be purchased under this Programme has been set at Euro 26,000,000.

The Programme will last 18 months after the 30 April 2020 authorising resolution date, unless there is an early interruption which will be legally reported to the Market. The arrangement in one or more issues of treasury shares is without time limits.

Purchases under the Programme will be made on AIM Italia at a price not higher than the highest price between the last independent transaction and the price of the AIM Italia highest current independent offer or a different price under Art. 3 of MAR (Market Abuse Regulation). The unit price, as provided for in the 30 April 2020 shareholders' authorisation, may not be more than 15 per cent lower or higher than the official stock exchange price of the shares recorded by Borsa Italiana S.p.A. in the session before each transaction. Following the 2020 Resolution, no volume exceeding 25 per cent of the average daily volume of shares traded on AIM Italia each trading day may be purchased during the 20 trading days before each purchase date or at a different volume under Art. 3 of Delegated Regulation (EU) 2016/1052 which supplements MAR and, under the 30 April 2020 resolution.

The buyback of treasury shares will be made through Banca Akros S.p.A. acting as an appointed intermediary to independently coordinate the Programme and without being influenced by the Company. This is conducted under the applicable regulations and on the AIM Italia multilateral trading system to ensure equal treatment between shareholders. On AIM Italia multilateral trading system this provision does not apply to purchases of treasury shares or parent company shares held by employees of the issuing company, subsidiaries or parent company shares and shares assigned or subscribed under articles 2349 and 2441, paragraph 8, of the Civil Code, or resulting from remuneration plans approved by the ordinary Shareholders' Meeting. Adequate communication of any buyback and disposal of treasury shares will be provided under the applicable information requirements.

The table below summarises the situation regarding treasury shares as of 31/12/2020 and the movements during the year.

	Number	%	Fees Euro
Initial balance	450,591	1.9640	4,712,245
Purchased shares	366,217	1.5013	4,047,042
Shares allocated free of charge	-	-	-
Shares sold	-	-	-
Shares cancelled due to excess capital	-	-	-
Shares cancelled to cover losses	-	-	-
Final balance	816,808	3.4653	8,759,287

As of 19 March 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. holds 886,590 treasury shares equal to 3.7613% of the share capital, at a weighted average price of € 10.7261, for a total value of € 9,509,691.

Under art. 2357-ter of the Civil Code, the purchase of treasury shares involved booking a "Negative reserve for treasury shares in the portfolio" in balance sheet liabilities. The number of treasury shares held by the company having recourse to the risk capital market does not exceed one-fifth of the share capital, as required by art. 2357 of the Civil Code.

2018-2021 Fine Foods N.T.M. S.P.A. stock grant incentive plan S.P.A. 2018-2021

On 14 December 2018, the Ordinary Shareholders' Meeting approved the medium-long term stock grant incentive plan for the Company and its subsidiaries' management.

The Shareholders' Meeting authorised the buyback and disposal of ordinary treasury shares under the terms contained in the explanatory report approved by the Board of Directors on 23 November 2018.

The Plan provides for the free assignment to the rights beneficiaries to receive ordinary shares up to 440,000 shares at the end of the vesting period (31 December 2021). This is subject to the achievement of pre-determined performance objectives identified by the governing body and the maintenance of the beneficiaries' employment relationship with the Company at the end of the vesting period.

Following the approval of the last Financial Statements included in the vesting period by the Company Shareholders' Meeting, once the Plan activation condition has been achieved, each beneficiary can exercise all or part of the exercisable rights, receive the shares if Performance Indicator targets are met.

On 19 December 2019, the Company completed the buyback of treasury shares to service the "2018-2021 FINE FOODS N.T.M. S.p.A. stock grant incentive plan" set at 440,000 ordinary shares.

Parent Company shares

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

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

The Company has not undertaken any financial risk management policies, as it is not considered relevant to our Company.

Branch offices

The Company's branch operating offices are shown below:

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

Personal data protection - Privacy

Under EU Regulation 2016/679, General Data Protection Regulation ("GDPR"), the Company has implemented a corporate organisation system for the protection of personal data to comply with the EU regulatory framework, which strengthens Privacy and the individuals' data protection rights.

Proposals of the Board of Directors to the Shareholders' Meeting

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

1. approve the annual Financial Statements for the year ended 31/12/2020, which show a net profit of € 13,364,228;
2. distribute a dividend of € 0.14 for each share with rights;
3. allocate the remainder to the Reserve.

Verdellino, 30/03/2021

for the Board of Directors
Chairman

Marco Francesco Eigenmann

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

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

FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

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Income Statement

	Notes	Year ended 31 December 2020	2019
Revenues and income			
Revenues from contracts with customers	*2.1*	171,955,007	159,672,133
Other income	*2.2*	4,997,187	1,941,129
Total revenues		**176,952,194**	**161,613,263**
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	*2.3*	(108,828,064)	(96,607,941)
Personnel costs	*2.4*	(30,972,513)	(28,477,578)
Costs for services	*2.5*	(14,975,285)	(17,207,866)
Other operating costs	*2.6*	(1,055,019)	(1,811,789)
Amortisation, depreciation, and write-downs	*2.7*	(11,636,753)	(9,360,029)
Total operating costs		**(167,467,634)**	**(153,465,203)**
Changes in fair value of financial assets and liabilities	*2.8*	7,652,331	(7,513,584)
Financial income	*2.9*	57,308	3,055
Financial charges	*2.10*	(510,567)	(522,644)
Income before taxes		**16,683,632**	**114,886**
Income taxes	*2.11*	(3,319,404)	(2,905,150)
Profit/(loss) for the financial year		**13,364,228**	**(2,790,264)**
Profit/(loss) per share			
▶ Basic – profit for the year attributable to the Company ordinary shareholders	*2.12*	**0.58**	**(0.12)**
▶ Diluted – profit for the year attributable to the Company ordinary shareholders	*2.12*	**0.55**	**(0.12)**

Comprehensive income statement

	Notes	Year ended 31 December 2020	2019
Profit /(loss) for the financial year (A)		**13,364,228**	**(2,790,264)**
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		(17,381)	(63,778)
Tax effect		4,172	15,307
Other comprehensive income (B) components		**(13,210)**	**(48,471)**
Comprehensive profit/(loss) (A+B)		**13,351,018**	**(2,838,735)**

Statement of financial position

		As of 31 December		As of 1 January
(amounts in € units)	**Notes**	**2020**	**2019**	**2019**
Assets				
Non-current assets				
Property, plant and machinery	*3.1*	93,413,964	89,332,612	78,575,754
Other intangible fixed assets	*3.2*	1,510,516	1,273,296	1,059,699
Rights of use	*3.3*	355,457	612,328	857,091
Deferred tax assets	*3.4*	1,607,531	1,437,424	1,661,946
Total non-current assets		**96,887,467**	**92,655,660**	**82,154,490**
Current assets				
Inventories	*3.6*	19,647,515	22,487,824	21,987,420
Trade receivables	*3.7*	12,660,157	17,093,400	21,379,867
Tax receivables	*3.8*	-	140,661	716,572
Other current assets	*3.9*	3,292,257	2,377,902	4,575,742
Current financial assets	*3.10*	71,608,964	72,167,993	-
Cash and other liquid assets	*3.11*	3,342,518	2,627,472	74,637,090
Total current assets		**110,551,410**	**116,895,252**	**123,296,691**
Total assets		**207,438,877**	**209,550,913**	**205,451,181**
Shareholders' equity				
Share Capital	*4.1*	22,601,885	22,564,043	22,563,970
Other reserves	*4.1*	123,847,446	123,552,274	121,499,329
Employee benefit reserve	*4.1*	(61,681)	(48,471)	-
FTA reserve	*4.1*	(9,883,868)	(12,605,185)	(12,726,822)
Profits carried forward	4.1	(8,859,849)	-	(381,962)
Profit/(loss) for the financial year	4.1	13,364,228	(2,790,264)	8,686,286
Total Shareholders' Equity		**141,008,161**	**130,672,396**	**139,640,801**
Non-current liabilities				
Bonds	*4.2*	6,632,483	9,896,567	9,859,540
Non-current bank borrowings	*4.3*	9,060,857	10,722,977	12,743,312
Employee benefits	*4.6*	1,062,790	1,099,905	1,088,321
Provision for deferred taxes	*3.5*	414,035	920,113	-
Non-current lease payables	*3.3*	147,179	317,251	567,485
Total non-current liabilities		**17,317,343**	**22,956,813**	**24,258,659**
Current liabilities				
Bonds	*4.2*	3,297,542	-	-
Current bank borrowings	*4.4*	1,863,255	10,611,947	5,509,174
Trade payables	*4.7*	22,722,377	20,608,429	23,871,811
Taxes payable	*4.8*	2,480,968	252,744	126,762
Current lease payables	*3.3*	192,529	277,656	274,798
Other current financial liabilities	*4.5*	10,997,144	18,583,904	6,057,032
Other current liabilities	*4.9*	7,559,559	5,587,024	5,712,144
Total current liabilities		**49,113,373**	**55,921,704**	**41,551,721**
Total Shareholders' equity and Liabilities		**207,438,877**	**209,550,913**	**205,451,181**

Cash Flow Statement

		Year ended 31 December	
(amounts in € units)	**Notes**	**2020**	**2019**
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**13,364,228**	**(2,790,264)**
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	2.7	10,728,103	8,579,989
Amortisation and impairment of intangible fixed assets	2.7	626,440	508,145
Amortisation of rights of use	2.7	282,210	271,894
Financial income	2.9	(57,308)	(529)
Financial charges	2.10	506,839	484,433
Changes in fair value of financial assets and liabilities	2.8	(7,652,331)	7,513,584
Financial charges on financial liabilities for leases	3.3	3,728	5,713
Income taxes		3,831,332	1,745,209
Personnel costs for stock grants		1,016,101	693,085
Gains on the disposal of property, plant and machinery		14,136	(22,932)
Current assets write-downs		2,971,512	789,494
Net change in severance indemnity and pension funds		(62,478)	(65,121)
Net change in deferred tax assets and liabilities		(672,013)	1,159,941
Interest paid		(445,277)	(476,691)
Income taxes paid		(1,289,441)	(1,759,889)
Changes in net working capital:			
(Increase)/decrease in inventories		(66,257)	(1,376,343)
(Increase)/decrease in trade receivables		4,368,298	4,372,911
(Increase)/decrease in other non-financial assets and liabilities		885,175	2,789,293
Increase/(decrease) in trade payables		2,113,948	(3,263,382)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**17,102,716**	**21,948,804**
Investments:			
Investments in tangible fixed assets	3.1	(14,945,472)	(19,409,161)
Disposal of tangible fixed assets	3.2	121,881	95,245
Investments in intangible fixed assets	3.1	(863,370)	(721,452)
Net (investments)/disposals in financial assets	3.10	3,345,917	(67,033,068)
NET CASH FLOWS FROM INVESTMENTS		**(12,341,043)**	**(87,068,436)**
Financing:			
New financing		-	1,500,000
Funding repayment		(10,377,355)	(3,483,308)
Increase/(decrease) in financial liabilities		-	5,102,773
Principal payments - lease liabilities	3.3	(280,828)	(274,798)
Dividends paid to the parent company's shareholders	4.1	(2,743,472)	(2,232,218)
Increase/(decrease) in capital	4.1	37,842	73
Sale/(purchase) of treasury shares	4.1	(4,047,042)	(4,712,245)
Other changes in shareholders' equity		-	-
CASH FLOWS FROM FINANCING		**(17,410,856)**	**(4,099,724)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**715,045**	**(72,009,620)**

Cash and short-term deposits as of 1 January 2,627,472

74,637,090

Cash and short-term deposits as of 31 December	3,342,518	2,627,472

Shareholders' equity changes

	Notes	Share Capital	Legal reserve	Negative reserve for treasury shares in the portfolio	Merger surplus reserve	Share premium reserve	Extraordinary reserve	Other reserves	FTA reserve	Employee benefit reserve	Profits/losses carried forward	Profit/loss for the financial year	Total Shareholders' equity
Balance as of 1 January 2019	*4.1*	**22,563,970**	**5,000,000**		**29,741,389**	**86,743,750**	**-**	**14,190**	**(12,726,822)**	**-**	**(381,962)**	**8,686,286**	**139,640,801**
Profit/(loss) for the financial year												(2,790,264)	**(2,790,264)**
Other income statement components										(48,471)			**(48,471)**
Comprehensive profit/(loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,471)**	**-**	**(2,790,264)**	**(2,838,735)**
Dividends												(2,232,218)	**(2,232,218)**
Stock Grant								693,084					**693,084**
Purchase of treasury shares				(4,712,245)									**(4,712,245)**
Warrant exercise		73							121,636				**121,709**
2019 profit allocation							6,072,106				381,962	(6,454,068)	**-**
Balance as of 31 December 2019	*4.1*	**22,564,043**	**5,000,000**	**(4,712,245)**	**29,741,389**	**86,743,750**	**6,072,106**	**707,274**	**(12,605,186)**	**(48,471)**	**-**	**(2,790,264)**	**130,672,396**
Profit/(loss) for the financial year												13,364,228	**13,364,228**
Other income statement components										(13,210)			**(13,210)**
Comprehensive profit/(loss)										**(13,210)**		**13,364,228**	**13,351,018**
Dividends												(2,743,472)	**(2,743,472)**
Stock Grant								1,016,101					**1,016,101**
Purchase of treasury shares				(4,047,042)									**(4,047,042)**
Warrant exercise		37,842							2,721,318				**2,759,160**
2020 profit allocation							6,069,585				(8,859,849)	2,790,264	**-**
Balance as of 31 December 2020	*4.1*	**22,601,885**	**5,000,000**	**(8,759,287)**	**29,741,389**	**86,743,750**	**12,141,691**	**1,723,375**	**(9,883,868)**	**(61,681)**	**(8,859,849)**	**10,620,756**	**141,008,161**

31 DECEMBER 2020 FINANCIAL STATEMENTS

1. Corporate information

The publication of the Fine Foods & Pharmaceuticals N.T.M. S.p.A. Financial Statements for the financial year ended 31 December 2020 was authorised on 30 March 2021 and submitted to the shareholders' meeting for examination and approval for filing at the Company's registered office.

Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter referred to as "Fine Foods" or the "Company"), registered and domiciled in Bergamo, is a joint-stock company, with its registered office in Via Berlino 39, Verdellino - Zingonia (BG). Operating since 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).

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. It focuses on small and medium-sized Italian companies with high growth potential, which receive strategic financial support to implement their development and internationalisation plans.

1.1 Contributions, Company incorporation and significant events

The Company entered the stock market through a "reverse acquisition" transaction, in which a private company becomes a "listed company" following its acquisition by an already listed investment vehicle (SPAC) and through an exchange of shares. A brief overview of the transaction is provided below.

On 19 September 2018, and with an effective date of 1 October 2018, the merger transaction involving Innova Italy 1 S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A. was completed.

Innova Italy 1 S.p.A. was a Special Purpose Acquisition Company ("SPAC"), set up in Italy to find the necessary and functional financial resources to make an equity investment by placing the relevant financial instruments investors and the consequent listing on AIM Italia. Innova Italy 1 S.p.A., using a merger of Fine Foods & Pharmaceuticals N.T.M S.p.A., implemented its investor programme.

The acquisition took place through the merger by the incorporation of Fine Foods into Innova.

The company resulting from the merger, "surviving entity", took the business name of "Fine Foods & Pharmaceuticals N.T.M S.p.A."

On 19 January 2021, following the commitments undertaken under the binding term sheet signed on 16 November 2020, the Company acquired the entire share capital of Pharmatek PMC S.r.l. This transaction is part of the Company's expansion process by acquisitions, started in previous years, aiming to consolidate its position in the pharmaceutical and nutraceutical CDMO market and other adjacent markets, including biocides, cosmetics and medical devices.

The transaction's consideration is € 11.2 million, subject to a price-adjustment of € 6 million if specific EBITDA targets are achieved over the next three years. The total disbursement, including earn-outs, is estimated at €17.2 million.

1.2 Covid-19 pandemic effect on the year's Financial Statements

The spread of Covid-19 was firstly reported in late 2019 when several cases showing symptoms of "pneumonia due to unknown causes" were identified in Wuhan, the capital of China's Hubei Province. On 31 December 2019, China alerted the World Health Organisation (WHO) to the new virus and on 30 January 2020, the WHO's International Health Regulations Emergency Committee declared the spread of Covid-19 as an "international public health emergency." Since that date, the virus has spread worldwide. On 11 March 2020, the WHO declared the spread of Covid-19 as a pandemic. Covid-19 has significantly impacted the world economy. Many countries have imposed travel restrictions on millions of people, and many more in different countries have been subject to quarantine measures. To support their economies, many governments announced measures to provide financial and non-financial assistance.

In the early months of 2020, companies have experienced reductions in revenues and supply chain difficulties due to lockdowns that, albeit with different timetable, have occurred in all major economies worldwide. The spread of the Covid 19 virus caused significant volatility in financial markets and commodity prices worldwide.

Fine Foods actions during 2020 focused on protecting its employees' health and safety. The Company immediately and rigorously implemented safety and prevention regulations in compliance with government protocols.

The Company's protocols are promptly updated if the governing bodies issue new directives that must be followed. Another important objective was maintaining business continuity, guaranteeing production and service levels appropriate to the various market scenarios and rapidly implementing remote working solutions for office personnel.

During 2020, the Company had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus") pandemic, including the adoption of anti-contagion protocols in line with the authorities' requirements. The COVID-19 pandemic and related regulatory compliance requirements have led to a slowdown in the Company's growth in sales volumes and turnover in the Italian and foreign markets in the first half of 2020 compared to the same period in 2019. The entire 2020 financial year was characterised by lower turnover growth for the Company compared to previous years. It is expected that in the first half of 2021, having already completed the regulatory compliance process, the effects of this slowdown will wear off. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Company operates may result in its exposure to the risk of a further slowdown or decline in its product sales. The possible occurrence of such circumstances could have significant adverse effects on business, economic and financial situation.

The Company has a favourable financial position and net result as of 31 December 2020, which allows it to face this particularly difficult period with cautious optimism. The main financial and operational risks to which the Company is exposed have been analysed (as described in the Report's relevant section). Regarding credit risk, it should be noted that the main Fine Foods counterparties, leading pharmaceutical and nutraceutical companies which had limited impact because of the pandemic, have substantially met their commercial deadlines. There were no supply chain issues or financial strains on the Company's strategic suppliers. Generally, the analysis carried out did not reveal any critical issues that could significantly impact the Company's economic and financial position.

1.3 Going concern

These Financial Statements have been prepared on a going concern basis. Considering the Covid-19 pandemic effects on the world economy, the Company's equity and financial structure and future profitability prospects, the directors believe that this assumption is appropriate.

1.4 Accounting principles

1.4.1 Principles followed when preparing the Financial Statements

The Financial Statements for the year ended 31 December 2020 have been prepared under the International Accounting Standards - IAS and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the European Union under (EC) Regulation no. 1606/2002 at the end of the financial year. All of the above standards and interpretations are referred to as 'IAS/IFRS' (see section 5 Appendix on the transition to international accounting standards).

1.4.2 Financial Statements content and format

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

- ***Statement of financial position***: through the separate presentation of current/non-current assets and liabilities, as specified in paragraph 2.2 below. "Classification criteria"
- ***Income statement***: it shows the items by nature and provides the most explanatory information.
- ***Statement of other comprehensive income:*** includes other income and charge items allowed to be booked in equity under IAS/IFRS.
- ***Cash flow statement:*** shows the cash flows of operating, investing and financing activities as required by IAS 7.
- ***Statement of changes in shareholders' equity:*** shows the overall result for the year and further movements in the Company's risk capital.

1.5 Classification criteria

1.5.1 Current/non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies other liabilities as non-current.

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

The income statement is classified by nature, as it is considered that this representation is the one that best provides a fair view of the Company's operations.

The Company has decided to present two separate statements, an income statement and another comprehensive income statement (OCI), rather than a single statement combining the two.

The statement of cash flows is presented using the indirect method.

1.6 Summary of significant accounting policies

1.6.1 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction at the valuation date during an ordinary transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place:

- in the main market for the asset or liability;

or

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

The main or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured by adopting the assumptions that market participants would use in pricing the asset or liability, assuming that they are acting in their best economic interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset to its highest and best use or by selling it to another market participant who would use it to its highest and best use.

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

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

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

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

The Company's Financial Statements show financial assets and financial liabilities, and derivative instruments at fair value. For these items, the Company defines whether transfers have occurred between the hierarchy levels by reviewing the categorisation (based on the lowest level input, which is significant for the fair value measurement) at each reporting date.

At each balance sheet date, the Company's management analyses changes in the value of assets and liabilities for which revaluation or restatement is required under the Company's accounting policies.

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

With external experts' support, Management compares each change in each asset and liability fair value with the relevant external sources to determine whether the change is reasonable.

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

The following table sets out the fair value measurement hierarchy for the Company's assets and liabilities as of 31 December 2020 and 31 December 2019.

31 December 2020	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	71,608,964	71,608,964	71,608,964		
Cash and other liquid assets	3,342,518	3,342,518	3,342,518		
Total financial assets	**74,951,482**	**74,951,482**	**74,951,482**		
Financial liabilities					
Other current financial liabilities (Warrants)	10,997,144	10,997,144	10,997,144		
Current bonds	3,297,542	3,297,542		3,297,542	
Non-current bonds	6,632,483	6,632,483		6,632,483	
Non-current bank borrowings	9,060,857	9,060,857		9,060,857	
Current bank borrowings	1,863,255	1,863,255		1,863,255	
Non-current lease payables	147,179	147,179		147,179	
Current lease payables	192,529	192,529		192,529	
Total financial liabilities	**32,190,987**	**32,190,987**	**10,997,144**	**21,193,844**	**-**

31 December 2019	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	72,167,993	72,167,993	72,167,993		
Cash and other liquid assets	2,627,472	2,627,472	2,627,472		
Total financial assets	**74,795,465**	**74,795,465**	**74,795,465**		
Financial liabilities					
Other current financial liabilities (Warrants)	18,583,904	18,583,904	18,583,904		
Bonds	9,896,567	9,896,567		9,896,567	
Non-current bank borrowings	10,722,977	10,722,977		10,722,977	
Current bank borrowings	10,611,947	10,611,947		10,611,947	
Non-current lease payables	317,251	317,251		317,251	
Current lease payables	277,656	277,656		277,656	
Total financial liabilities	**50,410,302**	**50,410,302**	**18,583,904**	**31,826,398**	

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

1.6.2 Revenues from contracts with customers

Fine Foods & Pharmaceuticals N.T.M. S.p.A., deals with the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries.

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

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

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

1.6.3 Income taxes

<u>Current taxes</u>

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

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

<u>Deferred taxes</u>

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

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

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

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

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

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

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

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

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

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

Indirect taxes

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

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

1.6.4 Foreign currency transactions and balances

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

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

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

1.6.5 Dividends

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

1.6.6 Property, plant and machinery

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

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

Table of depreciation rates		
	Food	**Pharma**
Industrial buildings based on their type	3%	5.50%
Light construction	10%	10%
Generic plant, based on their type	7.50%	10%
Specific plant and machinery, based on their type	14%	12%
Industrial and commercial equipment, based on their type	20%	40%
Other assets: Furniture and furnishings	12%	-
Other assets: Electronic office machines	20%	-
Other assets: Transport vehicles	20%	-
Other assets: Cars	25%	-

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

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

1.6.7 Leases

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

The Company as lessee

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

Financial charges are allocated to the income statement.

Leased assets are depreciated over the lease duration.

The entity records the following in its Financial Statements:

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

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

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

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

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

The Company as lessor

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

Financial charges

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

1.6.8 Intangible assets

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

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

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

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

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

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

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

1.6.9 Financial Instruments - Recording and valuation

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

i) Financial assets Initial recording and valuation

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

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

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

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

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

Subsequent valuation

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

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

Financial assets at amortised cost (debt instruments)

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

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

and

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

and

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

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

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

Investments in equity instruments

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

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

Cancellation

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

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

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

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

At the date of these Financial Statements, the Company holds an investment portfolio that includes financial and liquidity instruments, transferred and managed through a primary credit institution, measured at fair value in the income statement. For further details, please refer to paragraph 3.22 "Current financial assets."

ii) Financial liabilities

Recording and initial measurement

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

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

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

Subsequent valuation

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

Financial liabilities at fair value in the income statement

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

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

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

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

Loans and receivables

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

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

Cancellation

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

1.6.10 Derivative financial instruments and hedge accounting

Initial recording and subsequent valuation

These derivative financial instruments are initially recorded at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are accounted for as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, hedges are of three types:

- fair value hedges where the exposure is hedged against changes in the fair value of the recorded asset or liability or an unrecorded binding commitment;
- cash flow hedges where the exposure is hedged against the variability of cash flows attributable to a particular risk associated with all recorded assets or liabilities or a highly probable planned transaction or foreign currency risk on an unrecorded binding commitment;
- hedging a net investment in a foreign operation.

When entering into a hedge transaction, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and pursued strategy.

The hedging relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedge effectiveness requirements:

- there is a financial relationship between the hedged item and the hedging instrument;
- the credit risk effect does not prevail over the changes in value resulting from the financial relationship;

- the hedging ratio of the hedging relationship is the same as that resulting from the hedged item amount and the hedging instrument amount that the Company uses to hedge that amount of the hedged item.

Cash flow hedges

The profit or loss portion on the hedged instrument related to the effective part of the hedge is recorded in other comprehensive income in the "cash flow hedge" reserve, while the ineffective portion is recorded directly in profit/(loss) for the financial year. The cash flow hedge reserve is adjusted to the lower of the cumulative profit or loss on the hedging instrument and the cumulative change in the hedged item's fair value.

1.6.11 Warrants

Warrants are financial instruments that give the holder the right (but not an obligation) to buy ("warrant call"), subscribe or sell ("warrant put") a quantity of securities ("underlying") at a predefined price ("strike price") and within a fixed term (after which the financial instrument cannot be exercised and will be cancelled), usually more than one year, according to a certain ratio ("exercise ratio"). Based on this ratio, each warrant is associated with a multiple, representing the underlying quantity controlled by the instrument, i.e. it expresses how many warrants must be "used" to subscribe for a share.

The warrants' price is closely related to the value of the underlying share and represents the "premium" that must be paid to subscribe for the share at the set price. They can be bought or sold separately from the shares that gave rise to their allocation.

The issue of the warrants accounting classification in Financial Statements prepared under IAS/IFRS must be addressed in the light of IAS 32 "Financial Instruments: Presentation", effective for financial years beginning on or after 1 January 2005.

Please note IAS 32 distinguishes a financial liability from an equity instrument.

A financial liability is defined as "any liability that is:

A. a contractual obligation to:

- deliver cash or another financial asset to another entity;

or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

B. a contract that will or may be settled in the entity's equity instruments and is:

- a non-derivative, for which the entity is or may be required to deliver a variable number of the entity's equity instruments;

or

- a derivative that will or may be settled other than by exchanging a fixed amount of cash or another financial asset with a fixed number of the entity's equity instruments."

An equity instrument is defined as any contract that represents a residual interest in the entity's assets after deducting its liabilities. For this purpose, rights, options or warrants entitling the holder to a fixed number of the entity's equity instruments for a set amount of any currency are counted as equity instruments if the entity offers them pro-rata to holders of the same class of its non-derivative equity instruments.

An entity shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets all the requirements and shall reclassify it from the date when the instrument ceases to have all the features or meet all the conditions described above.

IAS 32 requires that from the issuer's perspective, a financial instrument classification be defined based on its substance as opposed to its legal form. "Substance" is defined as the holder's legal rights to the instrument.

For warrants that provide for a variable conversion ratio, the IAS 32.16.b).ii requirement is not met, as these instruments will be settled with a variable number of the issuer's shares (paragraph 5.2) and are identifiable as financial liabilities.

For warrants that provide for conversion into a fixed number of shares for which the conversion ratio is fixed, the requirement of IAS 32.16.b).ii is met because they will be settled by delivery of a set number of the issuer's shares and are therefore identifiable as equity instruments.

1.6.12 Inventories

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

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

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

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

1.6.13 Impairment of non-financial assets

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

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

The Company bases its impairment test on the most recent budgets and forecast calculations, prepared separately for each cash-generating unit to which individual assets are allocated. These budgets and forecast calculations generally cover three years. A long-term growth rate is calculated to project future cash flows beyond the third year.

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

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

1.6.14 Cash and short-term deposits

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

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

1.6.15 Provisions for risks

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

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

1.6.16 Employee benefit liabilities

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

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

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

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

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

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

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

1.6.17 Share-based payments

The Company's employees (including executives) receive part of their remuneration in the form of share-based payments, i.e. employees provide services in exchange for shares ("equity-settled transactions").

The fair value defines the cost of equity-settled transactions at the date the grant is made using an appropriate valuation method.

This cost, together with the corresponding increase in equity, is recorded in personnel expenses over the period in which the conditions for achieving objectives or service performance are met. The cumulative costs recorded for these transactions at the end of each reporting period until the vesting date match the vesting period's expiry and the best estimate of the number of participating instruments that will vest. The cost or revenue in the profit/(loss) for the financial year is the change in the cumulative cost recorded at the beginning and end of the year.

Service or performance conditions are not considered when defining the fair value at the grant date. However, the probability that these conditions will be met is considered when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the grant date. Any other conditions attached to the plan that do not result in a service obligation are not treated as vesting conditions. Non-vesting conditions are reflected in the plan fair value and result in the immediate recording of the plan cost unless there are service or performance conditions.

No cost is recorded for rights that do not vest because performance or service conditions are not met. When rights include a market or non-vesting condition, they are treated as if they had vested regardless of whether the market or other non-vesting conditions to which they are subject are met. This is on the understanding that all other performance or service conditions must be met.

If the plan terms are changed, the minimum cost to be recorded is the fair value at the grant date in the absence of the change, assuming that the original plan conditions are met. A cost is recorded for any modification that increases the payment plan's total fair value, or is otherwise favourable to employees; this cost is measured based on the modification date. When the entity or counterparty cancels a plan, any remaining element of the plan's fair value is booked in the income statement immediately.

1.6.18 Standards issued but not yet effective

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

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

- The meaning of a right to defer the due date
- The right of deferment must exist at the end of the financial year
- Classification is not affected by the probability that the entity will exercise its right of deferment

- Only if a derivative embedded in a convertible liability is an equity instrument does the liability due date not impact its classification

The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Company is evaluating the impact that the amendments will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts accounted for by the parent, considering the parent's date of transition to IFRS. This amendment applies also to associates or joint ventures that elect to apply paragraph D16 (a) of IFRS 1.

The amendments will be effective for financial years beginning on or after 1 January 2022 and early application is permitted.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, IASB issued amendments to IAS 37 to specify what costs an entity should consider in assessing whether a contract is onerous or loss-making.

The amendment requires the application of a directly related cost approach. Costs directly related to a contract for providing goods or services include incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty under the contract.

The amendments will be effective for financial years beginning on or after 01 January 2022. The Company will apply these amendments to contracts where it didn't meet its obligations at the beginning of the financial year in which it first applies them.

1.7 Operating sectors: disclosure

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

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

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

31 December 2020	**Food**	**Pharma**	**Total sectors**
Revenues and income			
Revenues from contracts with customers	131,933,337	40,021,670	171,955,007
Other income	4,291,068	706,119	4,997,187
Total revenues	**136,224,405**	**40,727,789**	**176,952,194**
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	90,994,881	17,833,183	108,828,064
Personnel costs	17,788,976	13,183,537	30,972,513
Costs for services	9,847,240	5,128,045	14,975,285
Other operating costs	713,482	341,537	1,055,019
Amortisation, depreciation, and write-downs	6,126,553	5,510,200	11,636,753
Total operating costs	125,471,132	41,996,501	167,467,634
OPERATING RESULT	**10,753,273**	**(1,268,712)**	**9,484,561**

31 December 2019	**Food**	**Pharma**	**Total sectors**
Revenues and income			
Revenues from contracts with customers	119,160,579	40,511,554	159,672,133
Other income	1,305,075	636,055	1,941,129
Total revenues	**120,465,654**	**41,147,609**	**161,613,263**
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	78,628,110	17,979,831	96,607,941
Personnel costs	16,476,576	12,001,002	28,477,578
Costs for services	11,692,792	5,515,075	17,207,866
Other operating costs	663,739	1,148,050	1,811,789
Amortisation, depreciation, and write-downs	4,614,587	4,745,442	9,360,029
Total operating costs	**112,075,804**	**41,389,399**	**153,465,203**
OPERATING RESULT	**8,389,850**	**(241,790)**	**8,148,060**

31 December 2020				
	Food	**Pharma**	**Non-sector**	**Total**
Assets				
Non-current assets				
Property, plant and machinery	51,560,087	41,853,878	-	93,413,964
Other intangible fixed assets	981,835	528,680	-	1,510,516
Rights of use	236,691	118,766	-	355,457
Deferred tax assets	-	-	1,607,531	1,607,531
Total non-current assets	**52,778,613**	**42,501,324**	**1,607,531**	**96,887,467**
Current assets				
Inventories	13,932,543	5,714,973	-	19,647,515
Trade receivables	8,659,755	4,000,402	-	12,660,157
Tax receivables	-	-	-	-
Other current assets	1,415,672	285,503	1,591,082	3,292,257
Current financial assets	-	-	71,608,964	71,608,964
Cash and other liquid assets	-	-	3,342,518	3,342,518
Total current assets	**24,007,970**	**10,000,877**	**76,542,563**	**110,551,410**
Total assets	**76,786,583**	**52,502,201**	**78,150,094**	**207,438,877**
Shareholders' equity				
Share Capital	-	-	22,601,885	22,601,885
Other reserves	-	-	123,847,446	123,847,446
Employee benefit reserve	-	-	(61,681)	(61,681)
FTA reserve	-	-	(9,883,868)	(9,883,868)
Profits carried forward	-	-	(8,859,849)	(8,859,849)
Profit/(loss) for the financial year	-	-	13,364,228	13,364,228
Total Shareholders' equity	-	-	141,008,161	141,008,161
Non-current liabilities				
Bonds	-	-	6,632,483	6,632,483
Non-current bank borrowings	-	-	9,060,857	9,060,857
Employee benefits	704,706	358,084	-	1,062,790

Provision for deferred taxes	-	-	414,035	414,035
Non-current lease payables	98,816	48,362	-	147,179
Total non-current liabilities	803,522	406,447	16,107,375	17,317,343
Current liabilities				
Bonds			3,297,542	3,297,542
Current bank borrowings	-	-	1,863,255	1,863,255
Trade payables	17,417,429	5,304,948	-	22,722,377
Taxes payable	-	-	2,480,968	2,480,968
Current lease payables	139,531	52,997	-	192,529
Other current financial liabilities	-	-	10,997,144	10,997,144
Other current liabilities	4,192,149	3,055,237	312,173	7,559,559
Total current liabilities	21,749,109	8,413,182	18,951,081	49,113,373
Total Shareholders' equity and Liabilities	22,552,632	8,819,629	176,066,617	207,438,877

31 December 2019				
	Food	**Pharma**	**Non-sector**	**Total**
Assets				
Non-current assets				
Property, plant and machinery	50,795,238	38,537,374	-	89,332,612
Other intangible fixed assets	827,642	445,654	-	1,273,296
Rights of use	374,316	238,012	-	612,328
Deferred tax assets	-	-	1,437,424	1,437,424
Total non-current assets	**51,997,196**	**39,221,040**	**1,437,424**	**92,655,660**
Current assets				
Inventories	16,310,216	6,177,609	-	22,487,824
Trade receivables	11,294,128	5,799,272	-	17,093,400
Tax receivables	-	-	140,661	140,661
Other current assets	255,373	113,116	2,009,413	2,377,902
Current financial assets	-	-	72,167,993	72,167,993
Cash and other liquid assets	-	-	2,627,472	2,627,472
Total current assets	**27,859,717**	**12,089,997**	**76,945,539**	**116,895,252**
Total assets	**79,856,912**	**51,311,037**	**78,382,964**	**209,550,913**
Shareholders' equity				
Share Capital	-	-	22,564,043	22,564,043
Other reserves	-	-	123,552,274	123,552,274
Employee benefit reserve	-	-	(48,471)	(48,471)
FTA reserve	-	-	(12,605,185)	(12,605,185)
Profits carried forward	-	-	-	-
Profit/(loss) for the financial year	-	-	(2,790,264)	(2,790,264)
Total Shareholders' equity	**-**	**-**	**130,672,396**	**130,672,396**
Non-current liabilities				
Bonds	-	-	9,896,567	9,896,567
Non-current bank borrowings	-	-	10,722,977	10,722,977
Employee benefits	667,937	431,967	-	1,099,905
Provision for deferred taxes	-	-	920,113	920,113
Non-current lease payables	217,504	99,747	-	317,251
Total non-current liabilities	**885,441**	**531,714**	**21,539,657**	**22,956,813**
Current liabilities				

Current bank borrowings	-	-	10,611,947	10,611,947
Trade payables	15,074,732	5,533,697	-	20,608,429
Taxes payable	-	-	252,744	252,744
Current lease payables	158,191	119,465	-	277,656
Other current financial liabilities	-	-	18,583,904	18,583,904
Other current liabilities	3,192,153	2,354,806	40,066	5,587,024
Total current liabilities	**18,425,076**	**8,007,967**	**29,488,660**	**55,921,704**
Total Shareholders' equity and Liabilities	**19,310,517**	**8,539,682**	**181,700,713**	**209,550,913**

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

As for the aggregation of revenues, the Company generates a significant part of its turnover from a limited number of customers, the first five customers, in the financial year ended 31 December 2020, cumulatively accounted for approximately 77% of the turnover.

The breakdown of revenues by geographical area is shown in paragraph "1.9. Revenues from contracts with customers."

1.8 Capital management

For Company's capital managing purposes, capital is the issued share capital, convertible preferred shares, the share premium reserve and other capital reserves attributable to the Company's shareholders. The capital management primary objective is to maximise its value for shareholders. The Company manages the capital structure and makes adjustments based on economic conditions and financial covenant requirements. To maintain or adjust the capital structure, the Company may intervene on dividends paid to shareholders, repay the capital to shareholders or issue new shares. The Company controls capital using a gearing ratio, which is the ratio of net debt to total capital plus net debt. The Company's policy is to maintain this ratio below 40%. In 2019 and 2020, as the Company's net financial position is positive (net cash), this target is achieved by definition.

	2020	2019
Interest-bearing loans and borrowings other than convertible preferred shares	10,924,111	21,334,924
Bonds payable	9,930,025	9,896,567
Payables from derivative instruments - warrants	10,997,144	18,583,904
Lease payables	339,707	594,906
Less: liquid assets and short-term deposits	(3,342,518)	(2,627,472)
Less: current financial assets	(71,608,964)	(72,167,993)
Net debt	**(42,760,494)**	**(24,385,163)**
Shareholders' equity	141,008,161	130,672,396
Equity and net debt	**98,247,667**	**106,287,233**
Gearing ratio	(44%)	(23%)

1.9 Financial risk management

1.9.1 Liquidity risk

The Company monitors the liquidity shortage risk using a liquidity planning tool. The Company's objective is to maintain a balance between continuity in the availability of funds and flexibility of use with tools such as credit lines and loans, mortgages and bonds. The Company's policy is to keep loan numbers due in the next 12 months within 60%. As of 31 December 2020, 41% of the Company's debt is due in less than one year (2019: 58%), calculated based on the debts' book value on the Financial Statements. The Company has assessed the risk concentration and debt refinancing and concluded that it is low. Access to funding sources is sufficiently available, and debts due within 12 months can be extended or refinanced with existing credit institutions.

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

31 December 2020	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Other current financial liabilities (Warrants)	10,997,144	10,997,144		
Bonds	9,930,025	3,297,542	6,632,483	
Non-current bank borrowings	9,060,857		6,570,599	2,490,257
Current bank borrowings	1,863,255	1,863,255		
Non-current lease payables	147,179		147,179	
Current lease payables	192,529	192,529		
Total financial liabilities	**32,190,987**	**16,350,470**	**13,350,261**	**2,490,257**

31 December 2019	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Other current financial liabilities (Warrants)	18,583,904	18,583,904		
Bonds	9,896,567		9,896,567	
Non-current bank borrowings	10,722,977		6,578,872	4,144,105
Current bank borrowings	10,611,947	10,611,947		
Non-current lease payables	317,251		317,251	
Current lease payables	277,656	277,656		
Total financial liabilities	**50,410,302**	**29,473,506**	**16,792,690**	**4,144,105**

1.9.2 Interest rate risk

This risk refers to financial instruments on which interest accrues, which are recorded in the statement of financial position (particularly, bank borrowings, loans, leases, etc.), which are at variable rates and not hedged by derivative financial instruments.

The Company's financial debt is almost equally distributed between fixed-rate (Bonds) and variable-rate (Bank borrowings).

1.9.3 Risks related to the COVID-19 virus (Coronavirus)

During 2020, the Company had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus') pandemic, including the adoption of anti-contagion protocols in line with the authorities' requirements. The COVID-19 pandemic and related regulatory compliance requirements have led to a slowdown in the Issuer's growth in sales volumes and turnover in the Italian and foreign markets in the first half of 2020 compared to the same period in 2019. The entire 2020 financial year was characterised by lower turnover growth for the Company compared to previous years. It is expected that in the first half of 2021, having the Issuer already completed the regulatory compliance process, the effects of this slowdown will wear off. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Issuer operates, it could be exposed to the risk of a further slowdown or decline in its product sales.

1.9.4 Risks of concentration on customers

The Company has a significant concentration of revenues on its main customers. The loss of one or more of these relationships would have a significant impact on revenues. Most of the contracts with the Company's main customers do not have minimum guaranteed quantities. The Company generates a significant portion of its revenues from a limited number of customers, particularly its first five customers, and relies on the continued growth of its relationships with them. During the year ended 31 December 2020, the main customers cumulatively accounted for approximately 77% of the Company's turnover. The continuity in the commercial relationship with customers is a consequence of the Company contract development and manufacturing organisation (CDMO) sector. This sector is highly regulated, making it difficult for competing contract manufacturers to enter.

Contracts with significant customers are typically multi-year supply framework agreements that do not provide for guaranteed annual minimums. Given the well-established commercial partnership between the parties, and the reasons highlighted above, the company believes that there are no elements that reasonably lead the Issuer to presume that these contracts will not be renewed. This includes significant agreements with major customers expiring within 2021. Normally, the Issuer and its contractual counterparties continue their commercial relations independently of formal contract renewals.

There is no certainty that these relationships will continue or that one or more of these major customers will experience a material adverse change in their economic and financial situation, resulting in a reduction in production. Even if the relationship continues, there is no certainty that the Company will obtain contractual conditions that are at least similar to those of the current contracts.

1.9.5 Risks related to contractual relationships with customers

The Company is exposed to the risk deriving from the possible non-compliance of its products with the contract provisions that regulate relationships with customers and orders received and deriving from the possible customer withdrawal or contract termination if there is a change of share capital control, with potential negative effects on business, economic and financial situation.

The Company supplies its pharmaceutical and nutraceutical products to customers by entering into multi-year product development and supply contracts. Based on such contracts, Fine Foods is identified as the developer of certain pharmaceutical or nutraceutical formulations and the manufacturer based on such formulations. In most cases, the intellectual property developed remains with the customer. Under these framework contracts, the Company undertakes to manufacture and deliver products based on orders received each time from the customer.

The Company is subject to the risk related to products encountering unexpected development or production problems or defects or do not fully conform to technical specifications. The risk is that there may be cost increases (due to replacements, rework or recalls), delivery delays, contractual penalties or compensation payments, or contract termination.

In some cases contracts with customers allow the possibility of withdrawal at any time and without the obligation to provide a reason with written notice. They might also allow early termination if there is failure to comply with the contract terms without remedying the situation or inability to comply with the service standards on several occasions (or delays or revocation of authorisations by the relevant authorities). Some contractual clauses provide that termination may be exercised if the Company is involved in a transaction implying a change of control of its share capital (either generally or favouring customer competitors).

When a customer exercises the right of withdrawal or terminates the contract (due to non-performance, defect, delay or change of control) there can be no assurance that the Company can replace the customer or acquire new customers or that the price at which the products are sold to new customers will maintain product profitability.

1.9.6 Credit risk

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

1.9.7 Price risk

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

1.9.8 Risk of changes in cash flows

The risk of changes in cash flows is not considered significant in view of the Company's balance sheet. It is considered that the risks to which the business activity is exposed are not higher than those physiologically connected to the overall business risk.

1.9.9 Tax risks

The Company is subject to the taxation system under applicable Italian tax laws. Unfavourable changes to this legislation, and any Italian tax authorities or Law orientation related to the application, interpretation of tax regulations to determine the tax burden (Corporate Income Tax "IRES", Regional Tax on Production Activities "IRAP") and the Value Added Tax "VAT", could have significant negative effects on the Company's economic and financial situation.
The Company is exposed to the risk that the financial administration or law may adopt different interpretations or positions concerning tax and fiscal legislation from those adopted by Fine Foods in carrying out its business. Tax and fiscal legislation, and its interpretation, are complex elements due to the continuous legislation evolution and analysis from administrative and jurisdictional bodies.
The Company will periodically undergo inspections to verify such regulations' correct application and the correct payment of taxes. Disputes with Italian or foreign tax authorities could involve the Company in lengthy proceedings, resulting in the payment of penalties or sanctions, with possible significant adverse effects on its business, economic and financial situation.
Due to the complexity and continuous changes in tax and fiscal regulations and their interpretation, it is impossible to exclude that the financial administration or law may make interpretations, or take positions, that contrast with those adopted by the Company. This might result in negative consequences on its economic and financial situation.

1.9.10 Risks related to supplier relationships

The Company risks increased costs for the procurement of materials or raw materials necessary to carry out its business and possible delays in production due to the more difficult availability of raw materials.

The Company needs to procure materials or raw materials (active ingredients (API), excipients and packaging materials) to carry out its business. These are supplied through procurement channels that are restricted, i.e. subject to prior assessment by the internal quality system or customer’s specific authorisation. At the date of this document's preparation, there is no supplier of raw material concentration risk. However, the production cycle could be interrupted or affected by delays in the supply of such raw materials by suppliers or if they become unavailable or unreasonably available due to events beyond the directors' control. In such cases, the Company may be forced to incur increased costs for the procurement of materials or raw materials necessary to carry out its business or a delay in the related production due to the more difficult availability of such raw materials with adverse effects on the Company's business, economic and financial situation.

1.9.11 Manufacturer's liability risks

The Company faces risks related to the products' nature, which could have side effects, or undesired and unexpected effects, on consumers' health. This could expose it to possible liability action or claims for compensation. The Company pays the utmost attention to the quality and safety of its production processes to limit these risks, and is committed to ensuring that the plants used meet the highest safety standards by making investments. In the various contracts stipulated with customers for production on behalf of third parties, the Company regulates its own and customer's liabilities. An insurance policy has been signed with a leading insurance company to cover any damages suffered by customers or third parties as a result of the use of the Company's products. The liability limit is € 8 million for each event which is deemed adequate by the Issuer against the Company's risks.

1.9.12 Risks related to the failure to implement or delays in implementing the industrial strategy and growth by acquisitions

The Company risks failing to implement its strategy to increase its revenues and profitability levels and pursue its growth and development objectives by increasing its production capacity and carrying out extraordinary transactions that would allow it to grow by acquisitions. As part of its growth by acquisition strategy, the Company is exposed to risks typically related to this type of transaction. These circumstances could have a significant adverse effect on the Issuer's economic and financial situation.

1.10 Discretionary evaluations and significant accounting estimates

The Company's Financial Statements' preparation requires the directors to make discretionary evaluations, estimates, and assumptions that affect the amounts of revenues, costs, assets and liabilities, their information and disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could lead to outcomes that require a significant adjustment to the book value of these assets or liabilities in the future.

1.10.1 Discretionary assessments

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

Significant assessment in defining the lease term of contracts that contain an option to extend - The Company as lessee

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

The Company has the option to extend the lease or terminate it early for some of its leases. The Company assesses whether there is reasonable certainty of exercising the renewal options. The Company considers all factors noted that may result in an economic incentive to exercise renewal options or terminate the lease. After the effective date, the Company revises its estimates of the lease term if a significant event or change occurs in the circumstances within the Company's control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset) (see paragraph 3.16 'Leases').

1.10.2 Estimates and assumptions

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

Share-based payments

Estimating the fair value of share-based payments requires defining the most appropriate valuation system, which depends on the instruments' granting terms and conditions. This requires identifying data to feed into the valuation system, including assumptions about the options' exercise period, volatility, and stock return. For cash-settled share-based payments, it is necessary to remeasure the liability at the end of each reporting period and up to the settlement date, recording any change in fair value in the income statement. This requires a review of the estimates used at the end of each reporting period. The valuation of the assigned rights was made reflecting the financial market conditions. The fair value estimate is influenced by the number of rights that will accrue according to the rules provided by the performance conditions and each right's fair value (see paragraph 3.6 "Personnel costs" and 3.24 "Shareholders' equity").

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

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

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

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

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

Defined benefit plans (pension funds)

The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are defined using actuarial valuations. Actuarial valuations require the use of various assumptions that may differ from actual future developments. These assumptions define the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation and its long-term nature, these estimates are susceptible to assumption changes. All assumptions are reviewed annually.

Taxes

The Company is subject to the Italian tax and fiscal regime. The directors interpret these regulations when defining taxable income and quantifying the taxes to be paid. Deferred tax assets are recorded for unused tax losses to the extent that it is probable that taxable income will be available in the future to allow losses use. Significant estimation by management is required to determine the tax assets that can be booked based on the level of future taxable profits, the timing of their occurrence and the appropriate tax planning strategies.

Impairment of non-financial assets

Impairment occurs when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the sales costs and its use-value. The use-value calculation is based on a discounted cash flow model. The recoverable amount depends significantly on the discounted cash flow model's discount rate, the expected future cash flows, and the growth rate used for the extrapolation. The key assumptions used to define the recoverable amount for the various cash-generating units, including a sensitivity analysis, are described in detail in Note 1.22, "*Property, plant and machinery*" of these notes.

INCOME STATEMENT

1.1 Revenues from contracts with customers

Revenues as of 31 December 2020 were € 171,955,007, compared to € 159,672,133 in the previous year, with an increase of 8%, and relate to the two "Food" and "Pharma" segments. A breakdown by business unit and geographical area is provided below:

(Amounts in Euro units)	31 December 2020	31 December 2019
Business Unit – Food	131,933,337	119,160,579
Business Unit - Pharma	40,021,670	40,511,554
Total Revenues from contracts with customers	**171,955,007**	**159,672,133**

This shows that the Company's food sector turnover, accounting for approximately 77% of the turnover, is expanding, as it has done in recent years, growing by 11%. The Pharma sector is slightly down in 2020, with a decrease of 1% compared to 2019.

(Amounts in Euro units)	31 December 2020	31 December 2019
Italian Revenues	56,507,765	58,220,157
Foreign Revenues	115,447,242	101,451,976
Total Revenues from contracts with customers	**171,955,007**	**159,672,133**

The Company's turnover is mainly attributable to sales made abroad. In 2020 the Company invoiced 67% of its total turnover outside Italy, compared to 64% in the previous period.

1.2 Other income

As of 31 December 2020, the Company's other income was € 4,997,187 compared to € 1,941,129 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2020	31 December 2019
Other billing revenues	1,079,552	1,136,258
Reimbursement of production costs	3,417,359	21,908
Media expenses	183,112	212,303
Write-down adjustments to receivables and liquid assets	40,100	176,770
Packaging charges	107,721	186,212
Laboratory analysis charges	117,142	150,067
Capital gains	45,248	51,808
Allowances and rounding up	6,953	5,804
Total other income	**4,997,187**	**1,941,129**

Other billing revenues refer mainly to costs incurred by the Company and re-invoiced to customers for stability tests, storage of products, destruction of material, and document recording.
The Reimbursement for production costs item, in 2020, included € 3,343,000 received as compensation from one of the Company's primary customers for a production campaign correctly carried out by the Company but ended without the customer collecting the product.

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

As of 31 December 2020, the cost of raw materials and consumables, net of change in inventories, was € 108,828,064 compared to € 96,607,941 in the previous year, with an increase of 13%. A breakdown is provided below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Goods on purchase account	103,655,234	94,986,741
Raw materials, ancillary materials, and consumables	2,332,521	2,121,605
Change in inventories of raw materials, ancillary materials, consumables, and goods	1,624,778	610,146
Change in inventories of finished goods and work in progress	1,215,531	(1,110,551)
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	**108,828,064**	**96,607,941**

1.4 Personnel costs

As of 31 December 2020, the Company's personnel costs were € 30,972,513 compared to € 28,477,578 in the previous year, with an increase of 9%. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Wages and salaries	20,030,281	17,712,375
Social security contributions	6,798,837	6,037,103
Severance indemnity	1,302,709	1,183,196
Stock Grant	1,016,101	693,085
Other personnel costs	(600)	3,900
Temporary employment	1,825,185	2,847,919
Total personnel costs	**30,972,513**	**28,477,578**

Under the international accounting standard IFRS 2, the "Stock Grant" item reflects the free assignment to the beneficiaries of rights to receive shares at certain vesting conditions linked to the Company's performance. This stock grant plan will end on 31 December 2021.

1.4.1 Employment data

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

Employment data (expressed in units)	**31 December 2020**	**31 December 2019**
Executives	14	13
White-collar employees	188	171
Blue-collar employees	405	386
Total employees	**607**	**570**

1.5 Costs for services

As of 31 December 2020, the Company's service costs were € 14,975,285 compared to € 17,207,866 in the previous year, with a decrease of 13%. A breakdown is provided below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Ordinary maintenance costs	3,154,900	3,061,444
Temporary employment	289,492	346,568
Various utilities	2,306,313	2,393,837
Transport, fuel and tolls costs	696,037	1,726,110
Consultancy costs	1,520,168	1,411,180
Cleaning, pest control and surveillance costs	1,279,220	1,215,677
Statutory auditors and directors remuneration	966,236	1,172,538
Costs for processing goods on behalf of third parties	658,548	1,128,783
Rental, lease and miscellaneous costs	434,105	799,898
Luncheon vouchers	639,468	649,295
Trade fair and advertising costs	34,795	436,937
Waste, effluent and solid waste disposal	868,560	965,242
Insurance	360,197	364,623
Electronic Data Processing fees	297,701	346,145
Bank fees	378,815	345,500
External and ecological analyses	355,529	267,399
Qualifications and Calibration	236,615	164,123
Sales commissions	198,964	138,639
Other costs	299,622	273,930
Total service costs	**14,975,285**	**17,207,866**

The "Rental, lease and miscellaneous costs" item refers to short term and low-value contracts for which the Company took advantage of the exemption granted by the principle, as reported in paragraph "2.3.11 Leases".

Costs for trade fairs and advertising decreased significantly because, due to COVID, the Company did not organise and participate in the trade fairs it usually attends. Transport, fuel and tolls costs decreased significantly due to the travel restrictions imposed by anti-COVID regulations.

1.6 Other operating costs

Other operating costs as of 31 December 2020 were € 1,055,019 compared to € 1,811,789 in the previous year.

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Penalties and indemnities	42,617	952,474
Duties and taxes	473,620	519,564
Contingency liabilities	19,331	(18,674)
Capital losses	59,383	28,876
Membership Fees	131,421	129,165
Entertainment costs and gifts	13,100	64,085
Waste and reclamation costs	41,104	39,868
Costs for certifications, endorsements and Chamber of Commerce fees	16,823	16,049
Other operating costs	257,619	80,382
Total other operating costs	**1,055,019**	**1,811,789**

1.7 Amortisation, depreciation, and write-downs

As of 31 December 2020, the Company's depreciation, amortisation and write-downs were € 11,636,753 compared to € 9,360,029 in the previous year. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Depreciation of tangible assets	10,728,103	8,579,989
Amortisation of intangible assets	626,440	508,145
Amortisation of rights of use	282,210	271,894
Total amortisation, depreciation, and write-downs	**11,636,753**	**9,360,029**

1.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2020, changes in the fair value of financial assets and liabilities showed a positive balance of € 7,652,331 compared to a negative balance of € 7,513,584 in the previous year. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Change in fair value of other securities	2,786,888	5,134,924
Change in fair value of warrants	4,865,443	(12,648,508)
Total changes in Fair Value on financial assets and liabilities	**7,652,331**	**(7,513,584)**

The "*Changes in fair value of other securities*" item shows the change in fair value of securities held with a major credit institution, as mentioned in paragraph 3.23 "Current financial assets."

The "*Change in fair value of warrants*" item is the change in the market value of financial instruments issued by the Company. Specifically, the balance of € 4,865,443 is composed of € 2,666,243 listed warrants and € 2,199,200 unlisted warrants.

For further details on the financial instruments issued by the Company, please refer to paragraph 3.30 "Other non-current financial liabilities."

1.9 Financial income

As of 31 December 2020, the Company's financial income was € 57,308 compared to € 3,055 in the previous year. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Foreign exchange gains	56,988	2,526
Bank interest income	320	529
Total financial income	**57,308**	**3,055**

1.10 Financial charges

As of 31 December 2020, the Company's financial charges were € 510,567 compared to € 522,644 in the previous year. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Interest expenses on bonds	245,291	248,471
Interest expenses on financing and bank loans	90,076	147,766
Interest expenses on bank accounts	137,602	75,270
Foreign exchange losses	25,887	32,498
Financial charges on severance indemnity discounting	7,982	12,926
Interest on financial liabilities for lease	3,728	5,713
Total financial liabilities	**510,567**	**522,644**

1.11 Income taxes

The tax burden for 2020 was € 3,319,404 compared to € 2,905,150 in the previous year.

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Current taxes	3,831,332	1,745,209
Deferred tax assets and liabilities	(672,010)	1,159,941
Taxes from previous years	160,086	-
Total income tax	**3,319,404**	**2,905,150**

Taxes from previous years include the amounts that the Company paid in February 2021 following a voluntary correction of tax return.

The reconciliation between the income taxes recorded and the theoretical taxes resulting from the application of the rate in force in Italy to the pre-tax profit for the years ended 31 December 2019, and 2020 is as follows:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**
Pre-tax profit from operations on a going concern basis	16,683,632	114,524
Pre-tax profit/(loss) from discontinued operations	-	-
Accounting profit before tax	**16,683,632**	**114,524**
Theoretical income tax	**4,654,733**	**31,952**
Tax effect on permanent differences	(1,187,034)	3,558,746
Tax effect on temporary differences	462,559	65,089
Effect on tax benefits	(560,342)	(750,299)
Income taxes	**3,369,916**	**2,905,488**
Effective income tax rate:	**20%**	**2537%**

During the year, the effective tax rate changed from 2537% to 20%. This change is mainly attributable to tax recoveries related to the Warrants' valuation in the Financial Statements. As of 31 December 2019, this generated a write-down of € 12,648,508 compared to a revaluation of € 4,865,443 in the Financial Statements ended 31 December 2020.

Following the merger by incorporation of Fine Foods & Pharmaceuticals N.T.M. S.p.A. into Innova Italy 1 S.p.A. (with simultaneous change of the latter's company name to Fine Foods & Pharmaceuticals N.T.M. S.p.A.) which took place in September 2018, the subjective past tax positions of the incorporating Company Innova Italy 1 S.p.A. accrued at the merger's legal effectiveness date (i.e. past tax losses of € 377,180 and ACE benefit excess of € 3,755,205 that can be carried forward) are merged into and used by the merged company.

For details on deferred taxes, see 1.24 Deferred tax assets and note 1.25 Deferred tax provision.

1.12 Profit/(loss) per share

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

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

	2020	**2019**
Profit attributable to the Company's ordinary shareholders for basic earnings per share	**13,364,228**	**(2,790,264)**
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share purposes*	**23,182,141**	**22,692,566**

Ordinary Shares	18,482,141	17,992,566
Redeemable Shares	1,200,000	1,200,000
Multiple-voting Shares	3,500,000	3,500,000
Weighted average number of ordinary shares adjusted for dilution effect*	**24,459,745**	**23,876,945**
Ordinary Shares	18,482,141	17,992,566
Redeemable Shares	1,200,000	1,200,000
Multiple-voting Shares	3,500,000	3,500,000
Special Shares *	300,000	600,000
Convertible warrants	977,604	584,380
Basic EPS	**0.58**	**(0.12)**
Diluted EPS	**0.55**	**(0.12)**

** Special shares have not been considered in the calculation of basic EPS because redeemable and multiple-voting shares do not confer the same rights as ordinary shares as stated in the Articles of Association. When calculating the diluted EPS, the special shares held were considered at a ratio of 1 to 6 as required by the Articles of Association.*

*** The number of shares convertible through warrants has been calculated considering the Exercise Ratio provided by the Company's regulations.*

BALANCE SHEET

ASSETS

2.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2020 was € 93,413,965 compared to € 89,332,612 as of 31 December 2019. Changes in tangible fixed assets and their respective accumulated depreciation are shown below.

(Amounts in Euro units)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances to suppliers	**Total property, plant and machinery**
Historical cost - 1 January 2019	**34,058,372**	**62,487,765**	**6,413,360**	**5,423,300**	**36,400,643**	**144,783,440**
Increases	1,437,083	7,009,697	773,075	1,421,135	8,786,545	19,427,535
Decreases	(28,000)	(42,837)	(679)	(247,274)	-	(318,790)
Reclassifications	18,972,761	23,474,640	556,744	332,231	(43,336,376)	**-**
Other changes					(18,375)	**(18,375)**
Historical cost - 31 December 2019	**54,440,216**	**92,929,265**	**7,742,500**	**6,929,392**	**1,832,437**	**163,873,810**
Increases	1,695,955	4,035,297	831,545	680,149	7,835,478	15,078,423
Decreases	(11,024)	(1,053,896)	(25,315)	(167,716)		(1,257,951)
Reclassifications	479,477	4,487,492	59,604	183,700	(5,210,273)	**-**
Other changes					(132,952)	**(132,952)**
Historical cost - 31 December 2020	**56,604,623**	**100,398,158**	**8,608,334**	**7,625,525**	**4,324,691**	**177,561,331**
Accumulated depreciation - 1 January 2019	15,618,730	42,195,980	4,827,555	3,565,421	-	**66,207,686**
Increases	1,534,528	5,444,173	875,329	725,959	-	**8,579,989**
Decreases	(28,000)	(25,437)	(611)	(192,429)	-	(246,477)
Reclassifications						**-**
Accumulated depreciation - 31 December 2019	**17,125,258**	**47,614,716**	**5,702,273**	**4,098,951**	**-**	**74,541,198**
Increases	1,950,829	7,025,155	843,077	909,041	-	**10,728,102**
Decreases	(11,024)	(1,037,024)	(13,594)	(60,293)	-	**(1,121,934)**
Reclassifications						**-**
Accumulated depreciation - 31 December 2020	**19,065,063**	**53,602,847**	**6,531,757**	**4,947,699**	**-**	**84,147,365**
Net book value - 1 January 2019	**18,439,642**	**20,291,785**	**1,585,805**	**1,857,879**	**36,400,643**	**78,575,754**
Net book value - 31 December 2019	**37,314,958**	**45,314,549**	**2,040,227**	**2,830,441**	**1,832,437**	**89,332,612**
Net book value - 31 December 2020	**37,539,561**	**46,795,310**	**2,076,577**	**2,677,826**	**4,324,691**	**93,413,965**

In 2020, the main investments were installing a cogenerator at Zingonia and another at Brembate, purchasing a stripline with a cartoning machine for the Food sector and a sachet filling machine for the Pharma sector. As for assets under construction, investments made during the year refer to costs incurred for constructing the new Brembate warehouse.

Considering the Company's significant investments for the "Pharma" sector's expected development, the directors have prudently verified the net invested capital's recoverability from the related CGU.

The directors' main assumptions to draw up the plan concern the cash flows deriving from the Company's business plans, the discount rate (WACC) and the long-term growth rate of the business subject to impairment.
The CGU Pharma plan, covering the 2021-2023 timeframe, was approved, along with the directors' impairment test at the 30 March 2021 board of Directors meeting.
The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 1%.
Finally, the WACC defined by the directors is 8.12% and reflects the current market situation, current cost of money and implicit business risks.
The above analysis does not indicate any impairment of the capital invested in the Pharma BU.
A sensitivity analysis was carried out, concerning:

- Reduction in the expected volume of business by 3% for each plan year.
- Increase in WACC of 1%
- Decrease in the growth rate of 0.5%

In the above cases, no write-downs were necessary.

2.2 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2020 was € 1,510,515 compared to € 1,273,296 as of 31 December 2019.
Changes in intangible fixed assets and their respective amortisation provisions are shown below.

(Amounts in Euro units)	Industrial patents and intellectual property rights	**Total intangible fixed assets**
Historical cost - 1 January 2019	**2,064,962**	**2,064,962**
Increases	721,452	**721,452**
Decreases		**-**
Revaluations		**-**
Historical cost - 31 December 2019	**2,786,414**	**2,786,414**
Increases	863,370	**863,370**
Decreases		
Revaluations		
Historical cost - 31 December 2020	**3,649,784**	**3,649,784**
Amortisation provision - 1 January 2019	**1,005,263**	**1,005,263**
Increases	507,855	**507,855**
Decreases	-	-
Amortisation provision - 31 December 2019	**1,513,118**	**1,513,118**
Increases	626,150	**626,150**
Decreases	-	-
Amortisation provision - 31 December 2020	**2,139,268**	**2,139,268**
Net book value - 1 January 2019	**1,059,699**	**1,059,699**
Net book value - 31 December 2019	**1,273,296**	**1,273,296**
Net book value - 31 December 2020	**1,510,515**	**1,510,515**

Intangible fixed assets mainly refer to software licences.

2.3 Leases

The Company adopted IFRS 16 as of 1 January 2019.
The breakdown of the right of use by nature of the underlying assets is shown below:

(Amounts in Euro units)	**Property**	**Equipment**	**Total**
Right of use as of 1 January 2019	**773,168**	**83,923**	**857,091**

Increase		27,421	27,421
Right of use as of 31 December 2019	**773,168**	**111,344**	**884,512**
Increase		25,629	25,629
Right of use as of 31 December 2020	**773,168**	**136,973**	**910,141**
Amortisation provision - 1 January 2019	**-**	**-**	**-**
Increase	234,166	38,018	272,184
Amortisation provision as of 31 December 2019	**234,166**	**38,018**	**272,184**
Increase	234,166	48,334	282,500
Amortisation provision as of 31 December 2020	**468,332**	**86,352**	**554,685**
Net book value as of 1 January 2019	**773,168**	**83,923**	**857,091**
Net book value as of 31 December 2019	**539,002**	**73,326**	**612,328**
Net book value as of 31 December 2020	**304,836**	**50,621**	**355,457**

Below is a breakdown of the current and non-current liabilities arising from applying IFRS 16 as the Right of use as of 31 December 2019 and 31 December 2020.

Financial liability	
Financial liability as of 1 January 2019	**842,284**
Increases	27,421
Decreases	-
Interest	5,713
Fees	(280,511)
Financial liability as of 31 December 2019	**594,907**
Increases	25,629
Decreases	
Interest	3,728
Fees	(284,556)
Financial liability as of 31 December 2020	**339,708**
Short-term financial liability	192,529
Long-term financial liability	147,179

The main leases refer to the Company's two logistic centres for the Food sector and a factory that has been disused for more than a year (located in the municipality of Nembro), for which the lease contract will definitively end in May 2021.

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

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

2.4 Deferred tax assets

Deferred tax assets as of 31 December 2020 were € 1,607,531, compared to € 1,437,424 as of 31 December 2019, and are calculated on the portions of costs subject to deferred taxation under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a breakdown.

(Amounts in Euro units)	01 January 2019	2019 EC taxes	OCI	31 December 2019

Deferred tax assets for inventory write-down	181,350	63,037		244,387
Deferred tax assets for goodwill amortisation	270,835	(27,084)		243,751
Deferred tax assets for employee bonus provision	278,245	(143,010)		135,235
Deferred tax assets for equity transaction costs	830,106	(226,966)		603,140
Deferred tax assets for other items	101,410	94,194	15,307	210,911
Total deferred tax assets	**1,661,946**	**(239,829)**	**15,307**	**1,437,424**

(Amounts in Euro units)	**01 January 2020**	**2020 EC taxes**	**OCI**	**31 December 2020**
Deferred tax assets for inventory write-down	244,387	566,545		810,932
Deferred tax assets for goodwill amortisation	243,751	(27,084)		216,667
Deferred tax assets for employee bonus provision	135,235	(135,235)		-
Deferred tax assets for equity transaction costs	603,140	(226,969)		376,171
Deferred tax assets for other items	210,911	(5,452)	(1,698)	203,761
Total deferred tax assets	**1,437,424**	**171,805**	**(1,698)**	**1,607,531**

Deferred tax assets recorded on equity transaction costs refer to tangible fixed assets booked in the 2019 Financial Statements prepared under national accounting standards (OIC) and written down during FTA.

2.5 Provision for deferred taxes

As of 31 December 2020, the Company's deferred tax provision was € 414,035 compared to € 920,113 as of 31 December 2019 and was calculated under applicable rates at the reporting date (IRES 24% and IRAP 3.9%).

Below is a detail of the transactions that generated deferred taxes and their impact on the Income Statement and Shareholders' equity as of 31 December 2020.

(Amounts in Euro units)	**01 January 2019**	**2019 financial year**	**OCI**	**31 December 2019**
Deferred taxes lease IFRS 16	-	810		810
Deferred taxes on changes in fair value and other securities	-	919,303		919,303
Deferred taxes on stock grant plans	--	-		-
Total deferred taxes	**-**	**920,113**		**920,113**

(Amounts in Euro units)	**31 December 2019**	**FY2020**	**OCI**	**31 December 2020**
Deferred taxes lease IFRS 16	810	(386)		424
Deferred taxes on changes in fair value and other securities	919,303	(919,303)		-
Deferred taxes on stock grant plans	-	413,610		413,610
Total deferred taxes	**920,113**	**(506,078)**		**414,035**

Deferred tax liabilities recorded as a change in the fair value of securities were calculated on the difference in value between the securities portfolio booked under national and international accounting standards. When defining current taxes as of 31 December 2020, these were reversed following this asset's tax alignment.

2.6 Inventories

Inventories net of the related provision for finished products and goods as of 31 December 2020 was € 19,647,515 compared to € 22,487,824 as of 31 December 2019.

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
Raw materials, ancillary materials, and consumables	13,579,465	13,173,615	13,557,824
Raw, ancillary materials and consumables write-down provision	(2,906,567)	(875,938)	(650,000)

Work in progress and semi-finished products	2,051,209	3,030,866	3,839,982
Finished products and goods	6,923,407	7,159,281	5,239,614
Total inventories	**19,647,515**	**22,487,824**	**21,987,420**

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.

Changes in the obsolescence provision are shown below:

Balance as of 1 January 2019	**650,000**
Provision Allocation	875,938
Provision Use	(650,000)
Balance as of 31 December 2019	**875,938**
Provision Allocation	2,906,567
Provision Use	(875,938)
Balance as of 31 December 2020	**2,906,567**

The inventory obsolescence provision accrued as of 31 December 2020 was € 2,906,567 and covered the write-downs carried out following the expiry of goods and a series of finished product batches that have not been taken back by the customer but which have been subject to indemnification with full reimbursement of the costs incurred as described in the notes to the income statement.

Uses for the year are those disposals made in 2020 concerning expired or non-conforming batches.

2.7 Trade receivables

As of 31 December 2020, trade receivables were € 13,317,204 (€ 17,685,502 as of December 2019), net of the related bad debt provision of € 657,048 (€ 592,102 as of 31 December 2019).

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

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
ITALY trade receivables	7,223,993	10,161,449	12,984,938
EEC trade receivables	4,736,003	5,950,212	6,302,259
NON-EEC trade receivables	1,357,208	1,573,841	2,822,688
Total trade receivables	**13,317,204**	**17,685,502**	**22,109,885**

As of 31 December 2020, invoices to be invoiced were € 3,586,539, referring mainly to price adjustments applied by one of the main customers. This invoice was issued when drafting these Financial Statements.

The first five customers represent 59% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 7.8 million.

Changes in the bad debt provision are summarised below:

Balance as of 1 January 2019	**730,018**
Provision Allocation	-
Provision Use	(51,472)
Provision Release	(86,444)
Balance as of 31 December 2019	**592,102**
Provision Allocation	64,946
Provision Use	**-**
Balance as of 31 December 2020	**657,048**

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

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
ITALY trade receivables	6,965,820	9,569,347	12,254,920
EEC trade receivables	4,393,909	5,950,212	6,302,259
NON-EEC trade receivables	1,300,428	1,573,841	2,822,688
Total trade receivables	**12,660,157**	**17,093,400**	**21,379,867**

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

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

The following table shows the ageing of trade receivables:

(Amounts in Euro units)

31 December 2020	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	7,223,993	6,595,629	368,446	13,613	91,037	4,474	150,794
EEC	4,736,003	4,159,733	214,690	152,000	1,115	59,618	148,847
Non-EEC	1,357,208	709,349	590,811	2,091	2,147	15,199	37,612
Gross trade receivables	**13,317,204**	**11,464,711**	**1,173,947**	**167,704**	**94,299**	**79,292**	**337,252**
% write-down of receivables	4.93%	-	-	87.18%	100%	100%	100%
Bad debt provision	(657,048)	-	-	(146,205)	(94,299)	(79,292)	(337,252)
Net trade receivables	**12,660,157**	**11,464,711**	**1,173,947**	**21,499**	**-**	**-**	**-**

2.8 Tax receivables

As of 31 December 2020, tax receivables were € 0 compared to € 140,661 on 31 December 2019. This is detailed below:

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
IRES receivables	-	-	716,572
IRAP receivables	-	140,661	-
Total tax receivables	**-**	**140,661**	**716,572**

2.9 Total current assets

Total other current assets as of 31 December 2020 were € 3,292,257 compared to € 2,377,903 as of 31 December 2019. The table below provides a breakdown.

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
VAT receivables	939,832	1,805,008	3,902,774
Receivables for withholding tax on collected coupons, dividends and realised capital gains	528,562	173,924	242,198
Receivables for IRES repayment for IRAP deduction on personnel costs	-	27,929	27,929
Receivables for energy account withholdings	2,688	2,553	3,171
Accrued income and prepaid expenses	116,601	163,417	94,349
Other receivables	1,584,574	205,072	305,322
Tax receivables for facilitated investments	120,000	-	-
Total other current assets	**3,292,257**	**2,377,903**	**4,575,743**

The "Accrued income and prepaid expenses" item mainly refers to accrued energy account fees and EDP fees.

The "Other receivables" item mainly refers to advances to suppliers for goods and services and advances for trade fair participation.

2.10 Current financial assets

As of 31 December 2020, current financial assets were € 71,608,964 (against € 72,167,993 as of 31 December 2019). This is detailed below:

(Amounts in Euro units)	31 December 2020	31 December 2019
Other securities	71,608,964	72,167,993
Total current financial assets	**71,608,964**	**72,167,993**

In January 2019, the Company appointed a leading Credit Institution to perform a discretionary and individualised management service on an investment portfolio that includes financial instruments and liquidity. As required by IFRS 9 - Financial Instruments - these instruments were recorded at Fair value at the reference date.

- As of 31 December 2019, the portfolio Fair value was € 72,167,993. This amount includes the increased liquidity resulting from the realisation of capital gains/losses during the period and the collection of dividends on equity securities and bond coupons.
- As of 31 December 2020, the portfolio Fair value decreased by € 559,000 despite the withdrawal of € 2,500,000, to a total of € 71,608,964.

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

Portfolio allocation	31 December 2020	31 December 2019
Shares	**29.13%**	**29.23%**
Equity securities	15.73%	17.85%
Equity funds	12.50%	10.77%
Options	0.90%	0.61%
Bonds	**69.14%**	**67.42%**
Bonds	12.90%	4.41%
Bond funds	56.24%	63.01%
Alternative investments	**0.92%**	**2.60%**
Alternative funds	0.92%	2.60%
Liquid assets	**0.81%**	**0.75%**

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

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

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

Currency exposure	Gross Exposure	Net Exposure
Euro	86.89%	86.89%
Pounds Sterling	1.97%	1.97%
U.S. dollars	8.88%	8.88%
Japanese Yen	2.26%	2.26%

Although issued mainly within the European Union, the diverse geographic and currency distribution of securities held requires deciphering their exchange rate risk. This is understood as the risk that the fair value or future cash flows of exposure will change as a result of exchange rates changes.

The following table shows sensitivity to a possible change in interest rates (from -10 to +10 percentage points) on securities and other variables held constant.

Currency	+10%		-10%	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
	Gross PL impact	Gross PL impact	Gross PL impact	Gross PL impact
US dollar	(578,217)	(765,062)	706,710	935,075
Japanese YEN	(147,246)	(143,609)	179,968	175,522
Pounds Sterling	(128,385)	(110,927)	156,915	135,578
Swiss Franc	-	(23,104)	-	28,239

The table shows how an appreciation of the Euro of 10 percentage points would allow the Company to obtain a profit of approximately 1.5 percentage points on the portfolio value.

INTEREST RATE RISK: Interest rate risk is represented by the exposure to variability in the fair value or future cash flows of financial assets or liabilities due to changes in market interest rates.

	+1%		-1%	
	31 December 2019	**31 December 2020**	**31 December 2019**	**31 December 2020**
Bonds	55,127	265,018	(55,127)	(265,018)

The table shows the change in the value of bonds as a function of +/-1 percentage point.

2.11 Cash and other liquid assets

As of 31 December 2020, the Company's cash and liquid assets were € 3,342,518 compared to € 2,627,472 as of 31 December 2019. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
Bank and postal deposits	3,337,277	2,619,914	74,630,434
Cash and cash equivalents on hand	5,240	7,558	6,656
Total cash and other liquid assets	**3,342,518**	**2,627,472**	**74,637,090**

SHAREHOLDERS' EQUITY

2.1 Shareholders' equity

For the share capital please refer to paragraph 4.3 "Categories of shares issued by the Company."
All subscribed shares have been fully paid up.
Other reserves are detailed below:

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
Legal reserve	5,000,000	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(8,759,287)	(4,712,245)	-
Merger surplus reserve	29,741,389	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750	86,743,750
Extraordinary reserve	9,398,219	6,072,106	-
Reserve for share-based payments	1,723,375	707,275	14,190
Total reserves	**123,847,446**	**123,552,274**	**121,499,329**

Availability and use of Shareholders' equity

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

(Amounts in Euro units)	Amount	Origin/Nature	Use	Available amount
Share Capital	22,601,885	Capital	B	-
Legal reserve	5,000,000	Capital	-	-
Negative reserve for treasury shares in the portfolio	(8,759,287)	Capital	-	(8,759,287)
Merger surplus reserve	29,741,389	Capital	A,B	-
Share premium reserve	86,743,750	Capital	A,B,C	86,743,750
Extraordinary reserve	9,398,219	Profits	A,B,C	9,398,219
Reserve for employee stock option plans	1,723,375		-	-
FTA reserve	(9,883,868)		-	-
Employee benefit reserve	(61,681)	Capital	-	-
Profits carried forward	(8,859,849)	Profits	A,B,C	(8,859,849)
Operating result	13,364,228	Profits	A,B,C	13,364,228
Total Shareholders' equity	**141,008,161**			**91,887,061**

Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other

Categories of shares issued by the Company

The following table shows the number and nominal value 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	18,142,929	678,424	18,821,353
Redeemable Shares	1,200,000	-	1,200,000

Multiple-voting Shares	3,500,000	-	3,500,000
Special Shares	100,000	(50,000)	50,000
Total	**22,942,929**	**628,424**	**23,571,353**

In January 2020, 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. The remaining increase of 378,424 ordinary shares derives from the conversion of listed warrants during 2020.

a) Listed Warrants

The value of the shares that holders will obtain on conversion will be based on the average monthly share price, € 0.1 subscription price and € 9.5 strike price, capped at € 13. Consequently, the Listed Warrants convertible into a variable number of shares must be classified by the issuer as financial liabilities.

b) Unlisted Warrants

The share numbers that warrant holders will obtain upon conversion in the first five years is fixed. The share numbers that warrant holders will receive upon conversion in the sixth and seventh years will be based on the average monthly share price, € 0.1 subscription price, and € 9.0 strike price, capped at € 12.4. Consequently, warrants convertible into a variable number of shares must be classified by the issuer as financial liabilities.

Warrants issued by the Company can be classified as financial liabilities. Consequently they are valued i) at fair value, upon initial recording, as required by IFRS 9 for all financial instruments; ii) and at fair value on later measurement dates, with changes in fair value recorded in the issuer's income statement, given the warrants' features. These are financial instruments that are treated as derivatives for accounting purposes.

The Fine Foods & Pharmaceuticals N.T.M. S.p.A. Ordinary Shares and Warrants were listed on the AIM Italia/Mercato Alternativo del Capitale multilateral trading system, organised and managed by Borsa Italiana S.p.A., with Borsa Italiana S.p.A. Notice dated 17 October 2016. Trading started on 19 October 2016. On 1 October 2018, upon the merger between Fine Foods and Pharmaceuticals N.T.M. S.p.A. and Innova Italy 1 S.p.A., the financial instruments name was changed from Innova Italy 1 S.p.A. to Fine Foods and Pharmaceuticals N.T.M. S.p.A. As of 1 January 2020, Fine Foods and Pharmaceuticals N.T.M. S.p.A. was included in the list of publicly traded companies with a significantly widespread shareholder base under art. 2-bis of Consob Regulation no. 11971 of 1999.

The Company is constantly engaged in buy-back activities (repurchase of its shares on the market), which indicates that the Company believes in its own structural and market growth and that its value is reflected in the negative reserve for the treasury shares in the portfolio. The buy-back plan initially covers the stock grant plans issued simultaneously with the AIM Italia market listing. Above all, it is aimed at future acquisitions and synergies to enhance the planned growth phase.

LIABILITIES

2.2 Bonds

As of 31 December 2020, the Company's bonds were € 9,930,025 compared to € 9,896,567 as of 31 December 2019. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
Bonds payable - Non-current liabilities	6,632,483	9,896,567	9,896,567
Bonds payable - Current liabilities	3,297,542	-	-
Total bonds	**9,930,025**	**9,896,567**	**9,859,540**

Bonds payable originated in 2016 with a duration of seven years, bearing interest and related costs were valued at amortised cost using the effective interest rate method, under IFRS 9 "Financial Instruments."

The main features of bonds are described below:

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

These Bonds comply with the following Covenants (economic-financial parameters:

- the EBITDA and Net Financial Charges ratio recorded based on the latest Financial Statements, or the latest half-yearly statement must be greater than 5.00 (as adjusted with the Subscriber's consent);
- the Net Financial Debt to EBITDA ratio, as disclosed in the latest annual or interim Financial Statements, shall not exceed 4.00;
- the Net Financial Debt to Equity ratio, as disclosed in the latest annual or interim Financial Statements, shall not exceed 1.50.

At the date of the Financial Statements, these ratios were met.

2.3 Non-current bank borrowings

As of 31 December 2020, non-current bank borrowings were € 9,060,857 compared to € 10,722,977 as of 31 December 2019. This is detailed below:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
MPS unsecured loan	-	-	1,250,000
Mediocredito mortgage loan	9,060,857	10,722,977	10,868,312
Mediocredito unsecured loan	-	-	625,000
Total non-current bank borrowings	**9,060,857**	**10,722,977**	**12,743,312**

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

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

- Total amount € 15,000,000;
- Amount disbursed at signing € 5,000,000;
- Amount disbursed during 2017 € 5,000,000;
- Amount disbursed during 2018 € 3,500,000;

- Amount disbursed during 2019 € 1,500,000;
- Rate: Six-month Euribor + 1%.
- There are no financial constraints on the loan

2.4 Current bank borrowings

As of 31 December 2020, current bank borrowings were € 1,863,255, compared to € 10,611,947 as of 31 December 2019, broken down as follows:

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
Invoice advances	236,105	7,101,885	-
Loans and mortgages - amount due within 12 months	1,627,149	3,510,062	5,509,174
Total current bank borrowings	**1,863,255**	**10,611,947**	**5,509,174**

2.5 Other current financial liabilities

As of 31 December 2020, the Company's non-current financial liabilities were € 10,997,144 compared to € 18,583,904 as of 31 December 2019. This is detailed below.

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
Listed warrants	4,796,344	10,183,904	3,337,032
Unlisted warrants	6,200,800	8,400,000	2,720,000
Total other non-current financial liabilities	**10,997,144**	**18,583,904**	**6,057,032**

As described in paragraph 1.1, "Contributions and Company incorporation", during the reverse acquisition, the Company issued:

- 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 7 June 2018 Board of Directors Report accompanying the Merger Plan as published on the Company's website http://www.finefoods.it.

These are in addition to the warrants already issued before the SPAC (formerly Innova Italy 1 S.p.A. warrants) transaction.

- 5,000,000 Warrants, of which 1,905,984 were exercised as of 31 December 2020, 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.

Accounting considerations regarding the accounting of warrants issued by the Company are set out below:

Warrants are financial instruments that give the holder the right (but not an obligation) to buy ("warrant call"), subscribe or sell ("warrant put") a quantity of securities ("underlying") at a predefined price ("strike price") and within a fixed term (after which the financial instrument cannot be exercised and will be cancelled), usually more than one year, according to a certain ratio ("exercise ratio"). Based on this ratio, each warrant is associated with a multiple, representing the underlying quantity controlled by the instrument, i.e. it expresses how many warrants must be "used" to subscribe for a share.

The warrants' price is closely related to the value of the underlying share and represents the "premium" that must be paid to subscribe for the share at the set price. They can be bought or sold separately from the shares that gave rise to their allocation.

The issue of the warrants accounting classification in Financial Statements prepared under IAS/IFRS must be addressed in the light of IAS 32 "Financial Instruments: Presentation", effective for financial years beginning on or after 1 January 2005.

Please note IAS 32 distinguishes a financial liability from an equity instrument.

a) Listed Warrants

The share numbers that warrant holders obtain upon conversion varies within the range of € 9.5 and € 13. Consequently, the Listed Warrants convertible into a variable number of shares must be classified by the issuer as financial liabilities.

b) Unlisted Warrants

The shares numbers that warrant holders obtain upon conversion in the first five years is fixed. The share numbers that warrant holders obtain upon conversion in the sixth and seventh years varies within the range of € 9.5 and € 13. Consequently, warrants convertible into a variable number of shares must be classified by the issuer as financial liabilities.

Warrants issued by the Company can be classified as financial liabilities. Consequently they are valued i) at fair value, upon initial recording, as required by IFRS 9 for all financial instruments; ii) and at fair value on later measurement dates, with changes in fair value recorded in the issuer's income statement, given the warrants' features. These are financial instruments that are treated as derivatives for accounting purposes.

2.6 Employee benefits

As of 31 December 2020, the Employee benefits item was € 1,062,790 compared to € 1,099,905 as of 31 December 2019. This item refers exclusively to provisions set aside for severance indemnities.

(Amounts in Euro units)	
Balance as of 1 January 2019	**1,088,321**
Provision Use	(65,120)
Discounting interest previous year	12,926
Actuarial profits and losses	63,778
Balance as of 31 December 2019	**1,099,905**
Provision Use	(62,478)
Discounting interest current year	7,982
Actuarial profits and losses current year	17,381
Balance as of 31 December 2020	**1,062,790**

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

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

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

The table below shows the financial technical bases used:

	31 December 2020	**31 December 2019**	**1 January 2019**
Annual discount rate	0.34%	0.77%	1.57%
Annual inflation rate	0.80%	1.20%	1.50%
Severance indemnity increase annual rate	2.10%	2.40%	2.63%

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

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

Sensitivity analysis of the main valuation parameters	DBO as of 31 December 2020	DBO as of 31 December 2019
Turnover rate +1%	1,052,729	1,090,365
Turnover rate -1%	1,074,056	1,110,617
Inflation rate +0.25%	1,079,655	1,117,641
Inflation rate -0.25%	1,046,268	1,082,538
Discount rate +0.25%	1,036,196	1,072,005
Discount rate -0.25%	1,090,429	1,128,926

Service cost and duration	2020	2019
Future annual service cost	-	-
Plan duration	10.8	10.9

Estimated future disbursements - Years	2020	2019
1	65,219	69,801
2	47,399	76,073
3	45,806	46,710
4	44,273	45,259
5	48,590	43,846

2.7 Trade payables

Trade payables as of 31 December 2020 were € 22,722,377, compared to € 20,608,429 as of 31 December 2019, broken down geographically as follows:

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
Trade payables in ITALY	16,721,145	16,963,031	19,355,532
EEC trade payables	5,523,393	3,111,036	3,902,312
NON-EEC trade payables	477,839	534,362	613,967
Total trade payables	**22,722,377**	**20,608,429**	**23,871,811**

2.8 Taxes payable

Total taxes payable as of 31 December 2020 were € 2,480,968, compared to € 252,744 as of 31 December 2019, and are broken down as follows:

(Amounts in Euro units)	31 December 2020	31 December 2019	1 January 2019
Payables for IRES	2,345,854	252,744	-
Payables for IRAP	135,114	-	126,762
Total taxes payable	**2,480,968**	**252,744**	**126,762**

2.9 Other current liabilities

Total other current liabilities as of 31 December 2020 were € 7,559,559, compared to €5,587,024 as of 31 December 2019, and are broken down as follows:

(Amounts in Euro units)	**31 December 2020**	**31 December 2019**	**1 January 2019**
Payables due to pension and social security institutions	2,386,984	1,831,664	1,674,383
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	3,700,207	2,638,244	3,005,496
Payables for withholding taxes on employees	618,996	630,096	688,487
Payables for withholding taxes on self-employment	8,169	4,127	1,435
Substitute tax on severance indemnity	19,127	20,336	19,575
Accrued expenses and deferred income	152,067	40,066	43,589
Other payables	674,008	422,491	279,178
Total other current liabilities and payables	**7,559,559**	**5,587,024**	**5,712,144**

The other payables item includes payables to the insurance company, to directors for unpaid remuneration and advances received from customers.

3. Other information

3.1 Commitments and guarantees

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

3.2 Contingent liabilities

At the date of this document's preparation, there were no contingent liabilities to be reported in the financial position or to be disclosed, other than those already disclosed in note 1.20 income taxes.

3.3 Grants, contributions and similar

On the obligation to disclose in the Explanatory Notes any sums of money received during the year as grants, contributions, remunerated appointments and any financial advantages from public administrations, the Company certifies that no sum of money has been received.

3.4 Related party transaction information

Other than the remuneration of directors, certain categories of employees and the Stock Grant plan approved on 14 December 2018, during 2020, the Company did not enter into any transactions with related parties that were under unusual market conditions.

(Amounts in Euro units)	**31 December 2020**
Directors' remuneration	900,000
Stock Grant	1,016,101

Remuneration paid to the board of statutory auditors was € 65,520.

The statutory auditors' remuneration is shown below:

(Amounts in Euro units)	**31 December 2020**
Auditing Company remuneration for audit services	40,000
Auditing Company remuneration for audit services for certification purposes	130,464
Auditing Company remuneration for other services	8,790

3.5 Events after the Financial Statements date

On 19 January 2021, under the binding term sheet signed on 16 November 2020, the Company completed the acquisition of the entire share capital of Pharmatek PMC S.r.l.

The transaction's consideration is € 11.2 million, subject to a price-adjustment of € 6 million if specific EBITDA targets are achieved over the next three years. The total disbursement, including earn-outs, is estimated at €17.2 million.

On 18 March 2021, the Company signed a new Intesa San Paolo bank loan for € 8 million. The loan was disbursed on 23 March 2021 in a single instalment and expires on 18 September 2023. The applicable interest rate is equal to the one-month EURIBOR, which is increased by a fixed spread. This loan is not subject to financial constraints.

On 19 March 2021, the Company signed a new Deutsche Bank loan of € 8.5 million. The loan was disbursed on 23 March 2021 in a single instalment which expires on 23 March 2023. The applicable interest rate is equal to the one-month EURIBOR, which is increased by a fixed spread. This loan is not subject to financial constraints.

3.6 Business outlook

According to various 2021 analyses, the second half of the year could see vaccines overcoming the pandemic crisis and a sustained economic recovery.

Before then, global economic performance will be volatile, especially in Europe, depending on contagion waves.

Global growth in 2021 is expected to be around 4.8%, offsetting the 4.1% decline in 2020 and bringing aggregate GDP back to pre-crisis levels. Asia will drive global recovery.

For Italy, 2021 could be a two-sided year, with downside risks in the first half of the year and an upside trend in the second half. In any case, it will take years to recover pre-COVID-19 levels. Overall, a GDP rebound of 4.7% is expected for 2021, after the 8.3% decline in 2020. The recovery will be more noticeable for investment than consumption.

Fiscal policy support will only be partially withdrawn. Although new stimulus measures are unlikely in the Eurozone or the United States, monetary policies will remain accommodating.

The current situation is characterised by the persistence of the health emergency's second wave. Its duration and possible effects are difficult to predict.

The new health crisis makes it even more complex to predict the duration of the recession caused by the pandemic's start in March 2020 and its effects on the global economy.

The excellent volume trend during 2020 is mainly due to Fine Foods products' essentiality. The Company has demonstrated its ability to cope with the emergency and ensure production continuity. The positive trend in volumes in the first quarter of 2021 leads us to exclude negative effects in the current year.

3.7 Proposed allocation of the operating result

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

- approve the Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2020 Financial Statements, which show a net profit of € 13,364,228;
- distribute a dividend of € 0.14 for each share with rights;
- allocate the remainder to Other reserves.

4. Appendix on the transition to international accounting standards

Under IFRS 1, the previous year's balances have to be restated in the FTA for comparability purposes, showing the adjustments made following the adoption of international accounting standards.

4.1 Reconciliation between Italian and international accounting standards

4.1.1 Introduction

Fine Foods & Pharmaceutical N.T.M. S.p.A has prepared its first IFRS Financial Statements as of 31 December 2020.

As required by IFRS 1 for comparability purposes, the date of transition to international accounting standards has been set at 1 January 2019.

Considering the above and the Recommendation of the Committee of European Securities Regulators (CESR) published on 30 December 2003, to guarantee sufficient comprehensibility during the transition to the new Financial Statements rules, the information required by the international accounting standard IFRS 1 "First-time adoption of International Financial Reporting Standards" is shown below. This includes reconciliations required by paragraphs 39 and 40 of the same standard, accompanied by the related explanatory notes on drafting criteria and component items.

This information relates to the impact that the conversion to International Financial Reporting Standards (IFRS) has had, for the 2018 and 2019 financial years, on the economic and financial performance and cash flows.

The following have been prepared:

- notes regarding the rules for the first-time application of IFRS (IFRS 1) and other selected IFRSs, including the Directors' assumptions about the IFRS standards and interpretations that have come into effect and the accounting policies adopted in preparing the first Financial Statements under IFRS as of 31 December 2020;
- a reconciliation of Shareholders' equity under previous GAAP and Shareholders' equity recorded under IFRSs at the following dates:
    - first date of the comparative year of transition to IFRSs (1 January 2019);
    - closing date of the financial year ended 31 December 2019 under the previous standards;
    - reconciliation of the income statement reported in the 2019 Financial Statements prepared under previous standards with the income statement resulting from the application of IFRS for the same year;
- comments to the reconciliation statements;
- analytical reconciliation statements of balance sheets as of 1 January 2019 and of the 2019 income statement as of 31 December 2019.

As explained in more detail below, the IFRS balance sheet and income statement have been obtained by making the appropriate IFRS reclassifications and adjustments to the final data, prepared under Italian law, to reflect the changes in presentation, recording and valuation criteria required by IFRS.

The information contained in this section is intended to provide a comprehensive overview of the transition process to international accounting standards for Fine Foods & Pharmaceuticals N.T.M. S.p.A.

4.2 Presentation basis of financial data restated under IFRS as of 31 December 2019

The purpose of the financial data restated under IFRS is to represent the balance sheet, economic and financial position of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as of 31 December 2019 under the described measurement and valuation criteria set out in the IFRS endorsed by the European Commission.

The financial data restated under IFRS has been obtained by making the following adjustments to the final data, prepared under applicable regulations, interpreted by the accounting principles set out by the National Councils of Chartered Accountants and Organismo Italiano di Contabilità (OIC) (Italian Accounting Body) (hereafter 'Italian accounting principles'), and the appropriate IFRS adjustments and reclassifications to reflect the changes in presentation, recording and valuation criteria required by IFRS.

The effects of the transition to IFRS derive from changes in accounting principles and, consequently, as required by IFRS 1, are reflected in the initial Shareholders' equity at the transition date. The transition to IFRS entailed maintaining the estimates previously formulated according to Italian accounting principles unless the adoption of IFRS required the formulation of estimates using different methods.

The adjustments were prepared under the IFRS accounting standards in force as of 31 December 2019, adopted by the International Accounting Standards Board (IASB) and endorsed by the European Commission, and the interpretations of the International Financial Reporting Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The European Commission's endorsement process and the adjustment and interpretation activities of the official bodies responsible for this are continuously evolving.

4.3 Application rules, accounting options adopted upon adoption of IFRS and IFRS accounting standards

Notes to the first-time adoption of international accounting standards (IFRS1)

The following choices were made regarding the options provided by IFRS:

Financial Statements presentation

For the Balance Sheet, the "current/non-current" criterion has been adopted, while for the Income Statement, the format with costs classified by nature has been adopted; this has entailed the reclassification of the historical Financial Statements prepared according to the formats provided for by Legislative Decree no. 139/2015.

Optional exemptions provided for by IFRS on the first-time adoption of IFRS

- business combinations: IFRS 1 states that at the transition date, IFRS 3 "Business combinations" does not need to be applied retrospectively to business combinations that occurred before the IFRS transition date.
- employee benefits: cumulative actuarial profits and losses from the plan's inception until the IAS/IFRS transition date have been recorded directly in Shareholders' equity at the transition date 1 January 2019.

Accounting chosen under the IFRS accounting options

- valuation of tangible and intangible assets with a finite useful life: following initial recording at cost, IAS 16 and IAS 38 provide that these assets may be valued at cost and amortised or at fair value.
  Fine Foods & Pharmaceuticals N.T.M. S.p.A has chosen to adopt the cost method.

4.4 Main impact of applying IFRS **on** the opening balance sheet as of 1 January 2019 and Financial Statements as of 31 December 2019

4.4.1 Reconciliation of Shareholders' equity as of 1 January 2019 and 31 December 2019

(Amounts in Euro units)		Shareholders' equity as of 1 January 2019	2019 Operating result	OCI	Other changes	Shareholders' equity as of 31 December 2019
Total Shareholders' equity under Italian accounting principles	**Notes**	**149,165,394**	**6,069,585**	**-**	**(6,944,390)**	**148,290,589**
IFRS16 - Leases	**6.5.1**	-	2,094			2,094
IAS 19 - Employee Benefits – Severance indemnity	**6.5.2**	(50,681)	2,397	(48,471)		(96,755)
IAS 19 - Employee production bonuses	**6.5.3**	(881,108)	452,865			(428,243)
IAS 36 – Goodwill	**6.5.4**	(139,982)	139,982			-
IAS 38 - Intangible assets	**6.5.5**	(25,088)	25,088			-
IAS 32 - Equity transaction costs	**6.5.6**	(2,145,185)	586,531			(1,558,654)
IFRS 2 - Stock Grant Plans	**6.5.7**	3,406	(526,744)		693,085	169,746
IFRS 9 - Other Securities	**6.5.8**	-	2,910,850			2,910,850
IFRS 9 – Write-down of receivables	**6.5.9**	(126,675)	126,675			-
IFRS 9 - Liquid assets	**6.5.9**	(102,249)	68,647			(33,601)
IFRS 9 -Warrants	**6.5.10**	(6,057,032)	(12,648,508)		121,636	(18,583,904)
Total Shareholders' equity under international accounting standards		**139,640,801**	**(2,790,539)**	**(48,471)**	**(6,129,669)**	**130,672,120**

4.5 Explanatory notes to the reconciliation statements

The individual adjustment items are shown in the table before tax.
The major IFRS adjustments made to the values determined under Italian accounting principles are listed below.

4.5.1 Leases

IFRS 16 defines the criteria for the recording, valuation, presentation in the Financial Statements and additional information of lease agreements and provides for their accounting using the financial method. IFRS 16 supersedes IAS 17 and related interpretations and defines a lease as a contract that grants the lessee the right to use an asset for a period in exchange for consideration. It follows that the standard applies to all contracts that establish the right of use by the entity (subject to optional exclusions). The standard requires lessees to record leases in the Financial Statements, with the right to use an asset recorded in the balance sheet ("right of use") and a financial liability ("lease liability") as the obligation to pay future lease payments recorded in the balance sheet. The approach adopted in the first application phase is non-retrospective, i.e.: right of use = financial liability; it follows that the Shareholders' equity is not modified during FTA.

Adopting IFRS 16 resulted in the following entries as of 1 January 2019:

- Recording non-current assets of € 857,000. These assets represent the discounted use-value of assets subject to rights of use by Fine Foods & Pharmaceuticals N.T.M. S.p.A. This includes the reclassification made for improvements to third party assets capitalised by the Company of € 15,000.

- Recording non-current financial liabilities of € 567,000 and current financial liabilities of € 275,000. These liabilities represent the financial obligation related to the cash flows' present value paid to the lease counterparties for contracts outstanding as of 1 January 2019.

Given the non-retrospective adoption, Shareholders' equity is not affected at the date of transition.

Adopting IFRS 16 resulted in the following entries as of 31 December 2019:

- Recording non-current assets of € 612,000. These assets represent the discounted use-value of assets subject to rights of use. This includes the reclassification made for improvements to third party assets capitalised by the Company of € 15,000.
- Recording non-current financial liabilities of € 317,000 and current financial liabilities of € 278,000. These liabilities represent the financial obligation related to the cash flows' present value paid to the lease counterparties for contracts outstanding as of 31 December 2019.
- Recording amortisation of € 272,000, financial charges of € 6,000 and write-off of service costs of € 281,000; the effect on the income statement (net of deferred taxation of € 1,000) is an increase in profit for the year of € 2,000.

Final Shareholders' equity increased by the higher profit in the income statement of € 2,000.

4.5.2 Employee benefits - Severance indemnity

According to international accounting standards, considering the International Accounting Standard Board (IASB) and International Financial Reporting Interpretation Committee (IFRIC) instructions, the employee severance indemnity is identified among post-employment benefits as a defined-benefit plan. The standard showing its accounting, presentation in the Financial Statements and valuation method is IAS 19. This standard requires that the employee severance indemnity be calculated using actuarial methods.

Adopting IAS 19 resulted in the following entries as of 1 January 2019:

- Higher non-current liabilities due to the recording of a higher severance indemnity of € 67,000 due to the actuarial valuation method.
- Recording deferred tax assets of € 16,000.
- Recording an FTA reserve as a reduction of the Shareholders’ equity of € 51,000.

Adopting IAS 19 resulted in the following entries as of 31 December 2019:

- Higher non-current liabilities due to the recording of a higher severance indemnity of € 127,000 due to the actuarial valuation method.
- Recording deferred tax assets of € 31,000.
- Recording lower personnel costs of € 16,000 and higher financial charges of € 13,000; the income statement’s effect (net of deferred taxation of € 1,000) is an increase in profit for the year of € 2,000.
- Recording € 48,000 net actuarial benefits in the statement of comprehensive income.

Recording a final Shareholders’ equity decreased by € 97,000.

4.5.3 Employee production bonuses

IAS 19 includes the short-term employee benefits, i.e., those benefits paid to employees within 12 months from the service date. This includes costs and obligations arising from performance bonuses that companies pay to their employees. From this point of view, for Fine Foods & Pharmaceuticals N.T.M. S.p.A., transition to the international accounting standards affects the accrual of bonuses.

As for employee bonuses, the adoption of international accounting standards resulted in the following entries as of 1 January 2019:

- Recording higher current liabilities of € 1,159,000.
- Recording deferred tax assets of € 278,000.
- Recording an FTA reserve as a reduction of the Shareholders’ equity of € 881,000.

As for employee bonuses, the adoption of international accounting standards resulted in the following entries as of 31 December 2019:

- Recording higher current liabilities of € 563,000.
- Recording deferred tax assets of € 135,000.

- Recording lower personnel costs of € 596,000. The income statement's effect (net of deferred taxation of € 143,000) is an increase in profit for the year of € 453,000.

Recording a final Shareholders' equity decreased by € 428,000.

4.5.4 Goodwill

IAS 36 defines that an entity shall ensure that its assets are booked at a value that does not exceed their recoverable amount. An asset is recorded at a value higher than its recoverable value if its book value exceeds the amount obtained from the use or sale of the asset. For Fine Foods & Pharmaceuticals N.T.M. S.p.A. Financial Statements purposes, this standard applies to the impairment of goodwill (recorded under intangible fixed assets) arising from the incorporation of Omicron Pharma S.r.l. in 2010. This goodwill was deemed unlikely to be recoverable, given that the cash flows generated by the CGU in question come from the activity of the Nembro plant (closed in 2019); at the transition date, the Business Plan shows cash flows for one year only and with no terminal value. It was decided to derecognise the entire goodwill when the international accounting standards were first adopted.

Adopting IAS 36 resulted in the following entries as of 1 January 2019:

- Derecognising the net book value of goodwill of € 194,000.
- Recording deferred tax assets of € 54,000.
- Recording an FTA reserve as a reduction of Shareholders' equity of € 140,000.

Adopting IAS 36 resulted in the following entries as of 31 December 2019:

- Recording lower depreciation costs of € 194,000. The income statement's effect (net of deferred taxation of € 54,000) is an increase in profit for the year of € 140,000.
- The reduction in Shareholders' equity recorded as of 1 January 2019 through the First Time Adoption Reserve is entirely offset by lower costs in the 2019 financial year.

4.5.5 Intangible assets

IAS 38 requires entities to record an intangible asset only if specific conditions of identifiability, control and future usefulness are met. At the transition date, intangible fixed assets recorded under Italian accounting principles included multi-year charges booked in the income statement as they did not meet the requirement of future usefulness.

Adopting IAS 38 resulted in the following entries as of 1 January 2019:

- Derecognising other intangible fixed assets of € 35,000.
- Recording deferred tax assets of € 10,000.
- Recording an FTA reserve as a reduction of Shareholders' equity of € 25,000.

Adopting IAS 38 resulted in the following entries as of 31 December 2019:

- Recording lower depreciation and write-down costs of € 35,000. The income statement's effect (net of deferred taxation of € 10,000) is an increase in profit for the year of € 25,000.
- The reduction in Shareholders' equity recorded as of 1 January 2019 through the First Time Adoption Reserve is entirely offset by lower costs in the 2019 financial year.

4.5.6 Equity transaction costs

As of 1 January 2019, the Company recorded under intangible fixed assets the costs incurred by the SPAC Innova Italy 1 in 2016 for AIM listing purposes and consultancy costs, placement fees and similar incurred in 2018 for the merger between Innova Italy 1 and Fine Foods and the corresponding increase in Share Capital.

The interpretation requires that the transaction is similar to a "reverse acquisition". In this case international accounting standards require that the legal acquiree (Fine Foods) takes the role of accounting acquirer. The Interpretation Committee noted that under the guidelines in paragraph 13 of IFRS 2, any difference between the fair value of the shares assumed to have been issued by the accounting acquirer (Fine Foods) and the fair value of the net assets of the accounting acquiree (Innova) represents the service received from the accounting acquirer and should be considered as payment for the service of listing its shares and booked as a cost for the period.

As part of the transition to IFRS, the Company has recorded the following entries as of 1 January 2019:

- Reducing other intangible fixed assets of € 2,975,000.
- Recording deferred tax assets of € 830,000.
- Recording an FTA reserve as a reduction of Shareholders' equity of € 2,145,000.

Adopting international accounting standards resulted in the following entries as of 31 December 2019:

- Reducing other intangible fixed assets of € 2,162,000.
- Recording deferred tax assets of € 603,000.
- Recording lower amortisation of € 813,000. The income statement's effect (net of deferred taxation of € 227,000) is an increase in profit for the year of € 587,000.

Recording a final Shareholders' equity decreased by € 1,559,000.

4.5.7 Stock grant plans

Adopting international accounting standards resulted in recording Other non-current financial liabilities related to the share-based plan reserved for the Company's executives approved during the 2018 financial year, under the IFRS 2 requirements.
Particularly for the Fine Foods N.T.M. S.P.A. 2018-2021 Stock Grant Incentive Plan, the Company recorded as of 1 January 2019:

- Increase in the Other reserves item of € 14,000;
- Recording deferred tax assets of € 3,000.
- Recording an FTA reserve as a reduction of the Shareholders' equity of € 11,000.

Adopting IFRS 2 resulted in the following entries as of 31 December 2019:

- Increase in the Other reserves item of € 707,000.
- Recording deferred tax assets of € 170,000.
- Recording of higher personnel costs of € 693,000. The income statement's effect (net of deferred taxation of € 166,000) is a decrease in profit for the year of € 527,000.

Recording a final Shareholders' equity increased by € 170,000.

4.5.8 Asset management - Other securities

Under IFRS 9, Fine Foods does not adopt a "Held to collect" business model, nor a business model based on financial instruments' sale. The Company Asset management during the 2019 financial year is valued at Fair Value to Profit & Loss.
Adopting IFRS 9 resulted in the following entries as of 31 December 2019:

- Increase in current financial assets of € 3,831,000.
- Increase in the provision for deferred taxes of € 919,000.
- Recording a positive result in financial management of € 3,830,000 in the income statement. The income statement's effect (net of deferred taxation of € 919,000) is an increase in profit for the year of € 2,911,000.

Recording a final Shareholders' equity increased by € 2,911,000.

4.5.9 Write-downs of receivables and liquid assets

IFRS 9 introduces a new classification and valuation model for financial assets based on the business model and cash flow compositions. The new IFRS 9 provisions:

(i) require applying the classification and valuation model for financial assets based on the financial instrument characteristics and business model adopted by the company;
(ii) introduce new financial assets impairment method, which takes into account expected credit losses over the life of a financial asset; and

(iii) amend the provisions on hedge accounting.

Adopting IFRS 9 primarily affects trade receivables and liquid assets. These items must be shown net of the expected loss.
Adopting IFRS 9 for the expected credit loss valuation, resulted in the following entries on 1 January 2019:

- Decrease in current assets of € 301,000, of which € 135,000 related to applying the expected credit loss to liquid assets and € 167,000 related to the expected credit loss to trade receivables.
- Recording deferred tax assets of € 72,000.
- Recording an FTA reserve as a reduction of the Shareholders' equity of € 229,000.

Adopting IFRS 9 resulted in the following entries as of 31 December 2019:

- Decrease in current assets of € 44,000 referring to liquid assets.
- Recording deferred tax assets of € 11,000.
- Recording other income for the release of impairment losses realised as of 1 January 2019 of € 177,000 and reduction of write-downs of € 80,000. The income statement's effect (net of deferred taxation of € 62,000) is an increase in profit for the year of € 195,000.

Recording a final Shareholders' equity decreased by € 34,000.

4.5.10 Warrants

Under IFRS 9, warrants with variable conversion assumptions are considered as a debt instrument; they must be classified as financial liabilities and valued at fair value. The related changes in fair value must be recorded in the income statement.

The transition to IFRS resulted in the following entries as of 1 January 2019:

- Increase in non-current financial liabilities of € 6,057,000;
- Recording an FTA reserve as a reduction of the Shareholders' equity of € 6,057,000.

Adopting IFRS 9 resulted in the following entries as of 31 December 2019:

- Increase in non-current financial liabilities of € 18,584,000;
- Recording a negative change in fair value of € 12,649,000; the income statement's effect is a reduction in profit of € 12,649,000.

Recording a final Shareholders' equity decreased by € 18,584,000.

Reconciliation of the balance sheet as of 1 January 2019 and 31 December 2019

Reconciliation of the balance sheet as of 1 January 2019

(Amounts in Euro units)

Balance Sheet	ITA GAAP reclassified IFRS balance sheet 1 January 2019	IFRS adjustments	IAS/IFRS balance sheet as of 1 January 2019
Assets			
Non-current assets			
Property, plant and machinery	78,575,754	-	78,575,754
Goodwill	194,150	(194,150)	-
Other intangible fixed assets	4,084,594	(3,024,895)	1,059,699
Rights of use	-	857,091	857,091
Deferred tax assets	398,017	1,263,929	1,661,946
Total non-current assets	**83,252,515**	**(1,098,025)**	**82,154,490**
Current assets			
Inventories	21,987,420	-	21,987,420
Trade receivables	21,546,545	(166,678)	21,379,867
Tax receivables	716,572	-	716,572
Other current assets	4,575,742	-	4,575,742
Cash and other liquid assets	74,771,628	(134,538)	74,637,090
Total current assets	**123,597,906**	**(301,216)**	**123,296,691**
Total assets	**206,850,421**	**(1,399,241)**	**205,451,181**
Shareholders' equity			
Share Capital	22,563,970	-	22,563,970
Other reserves	118,297,101	3,202,228	121,499,329
FTA reserve	-	(12,726,822)	(12,726,822)
Profits carried forward	(381,962)	-	(381,962)
Operating result	8,686,286	-	8,686,286
Total Shareholders' equity	**149,165,394**	**(9,524,594)**	**139,640,801**
Non-current liabilities			
Bonds	9,859,540	-	9,859,540
Non-current bank borrowings	12,743,312	-	12,743,312
Employee benefits	1,021,636	66,685	1,088,321
Non-current lease payables	-	567,485	567,485
Total non-current liabilities	**23,624,489**	**634,170**	**24,258,658**
Current liabilities			
Current bank borrowings	5,509,174	-	5,509,174
Trade payables	23,871,811	-	23,871,811
Taxes payable	126,762	-	126,762
Current lease payables	-	274,798	274,798
Other current financial liabilities	-	6,057,032	6,057,032
Other current liabilities	4,552,791	1,159,353	5,712,144
Total current liabilities	**34,060,538**	**7,491,183**	**41,551,721**
Total Shareholders' equity and Liabilities	**206,850,421**	**(1,399,241)**	**205,451,181**

Reconciliation of the balance sheet as of 31 December 2019
(Amounts in Euro units)

Balance Sheet	ITA GAAP reclassified IFRS balance sheet 31/12/2019	IFRS adjustments	IAS/IFRS balance sheet 31/12/2019
Assets			
Non-current assets			
Property, plant and machinery	89,332,612	-	89,332,612
Other intangible fixed assets	3,449,609	(2,176,313)	1,273,296
Rights of use	-	612,328	612,328
Deferred tax assets	488,138	949,287	1,437,424
Total non-current assets	**93,270,358**	**(614,698)**	**92,655,660**
Current assets			
Inventories	22,487,824	-	22,487,824
Trade receivables	17,093,400	-	17,093,400
Tax receivables	140,661	-	140,661
Other current assets	2,377,902	-	2,377,902
Current financial assets	68,337,565	3,830,428	72,167,993
Cash and other liquid assets	2,671,684	(44,212)	2,627,472
Total current assets	**113,109,037**	**3,786,216**	**116,895,253**
Total assets	**206,379,395**	**3,171,518**	**209,550,913**
Shareholders' equity			
Share Capital	22,564,043	-	22,564,043
Other reserves	119,656,961	3,895,313	123,552,274
Other income statement components	-	(48,471)	(48,471)
FTA reserve	-	(12,605,186)	(12,605,186)
Operating result	6,069,585	(8,859,849)	(2,790,264)
Total Shareholders' equity	**148,290,589**	**(17,618,193)**	**130,672,396**
Non-current liabilities			
Bonds	9,896,567	-	9,896,567
Non-current bank borrowings	10,722,977	-	10,722,977
Employee benefits	972,595	127,310	1,099,905
Provision for deferred taxes	-	920,113	920,113
Non-current lease payables	-	317,251	317,251
Total non-current liabilities	**21,592,139**	**1,364,673**	**22,956,813**
Current liabilities			
Current bank borrowings	10,611,947	-	10,611,947
Trade payables	20,608,429	-	20,608,429
Taxes payable	252,744	-	252,744
Current lease payables	-	277,656	277,656
Other current financial liabilities	-	18,583,904	18,583,904
Other current liabilities	5,023,547	563,477	5,587,024
Total current liabilities	**36,496,667**	**19,425,037**	**55,921,704**
Total Shareholders' equity and Liabilities	**206,379,395**	**3,171,518**	**209,550,913**

Reconciliation of the income statement by nature for the financial year as of 31 December 2019

(Amounts in Euro units)

Income statement by nature	ITA GAAP reclassified IFRS income statement 31/12/2019	IFRS adjustments	IAS/IFRS income statement 31/12/2019
Revenues			
Revenues	159,672,133	-	159,672,133
Other income	1,764,360	176,770	1,941,130
Total revenues	**161,436,493**	**176,770**	**161,613,263**
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(96,607,941)	-	(96,607,941)
Personnel costs	(25,548,529)	(81,130)	(25,629,659)
Costs for services	(20,336,296)	280,511	(20,055,785)
Other operating costs	(1,811,789)	-	(1,811,789)
Amortisation, depreciation, and write-downs	(10,210,810)	850,781	(9,360,029)
Total operating costs	**(154,515,365)**	**1,050,162**	**(153,465,203)**
Operating result	**6,921,128**	**1,226,932**	**8,148,060**
Financial management			
Changes in fair value of financial assets and liabilities	-	(7,513,584)	(7,513,584)
Financial income	1,592,175	(1,589,120)	3,055
Financial charges	(788,630)	265,985	(522,644)
Total financial management	**803,546**	**(8,836,719)**	**(8,033,173)**
Income before taxes	**7,724,674**	**(7,609,787)**	**114,886**
Income taxes	(1,655,089)	(1,250,062)	(2,905,150)
Net result for the year	**6,069,585**	**(8,859,849)**	**(2,790,264)**

Reconciliation of the cash flow statement as of 31 December 2019
(amounts in Euro units)

Cash flow statement - indirect method	ITA GAAP reclassified IFRS cash flow statement 31 December 2019	IFRS adjustments	IAS/IFRS cash flow statement 31 December 2019
Profit from operating activities after tax	**6,069,585**	**(8,859,849)**	**(2,790,264)**
Adjustments to reconcile pre-tax profit with net cash flows:			
Depreciation and impairment of property, plant and machinery	8,579,989		8,579,989
Amortisation and impairment of intangible fixed assets	1,550,587	(1,042,442)	508,145
Amortisation of rights of use		271,894	271,894
Other write-downs of fixed assets			
Financial income	(418,342)	412,017	(6,325)
Financial charges	489,904	12,926	502,830
Changes in fair value of financial assets and liabilities		7,513,584	7,513,584
Financial costs on financial liabilities for leases		5,713	5,713
Income taxes	1,655,089	1,250,064	2,905,150
Personnel costs for stock grants		693,085	693,085
Profits on the disposal of property, plant and machinery	(915,412)	892,479	(22,932)
Current assets write-downs	956,171	(166,678)	789,494
Net change in severance indemnity and pension funds	(49,042)	(16,079)	(65,121)
Interest paid	(71,562)	(417,730)	(489,292)
Income taxes paid	(1,655,089)		(1,655,089)
Changes in net working capital:			
(Increase)/decrease in inventories	(1,376,343)		(1,376,343)
(Increase)/decrease in trade receivables	4,372,911		4,372,911
(Increase)/decrease in other non-financial assets	3,280,368	(595,876)	2,684,492
Increase/(decrease) in trade payables	(3,263,382)		(3,263,382)
Net cash flows from operating activities	**13,135,847**	**8,812,957**	**21,948,803**
Investments:			
Investments in tangible fixed assets	(19,409,161)		(19,409,161)
Disposal of tangible fixed assets	95,245		95,245
Investments in intangible fixed assets	(721,452)		(721,452)
Net investments in financial assets	(67,445,084)	412,016	(67,033,068)
Net cash flows from investments	**(87,480,452)**	**412,016**	**(87,068,436)**
Financing:			
New financing	1,500,000		1,500,000
Funding repayment	(3,483,308)		(3,483,308)

(Increase)/decrease in financial receivables			
Increase/(decrease) in financial liabilities	5,102,773		5,102,773
Principal payments - lease liabilities		(274,799)	(274,798)
Dividends paid to the parent company's shareholders	(2,232,218)		(2,232,218)
Increase/(decrease) in capital	73		73
Sale/(purchase) of treasury shares	(4,712,245)		(4,712,245)
Cash flows from financing	**(3,824,925)**	**(274,799)**	**(4,099,723)**
Net change in cash and liquid assets	**(72,099,945)**	**90,325**	**(72,009,620)**

These Financial Statements, which comprise the following statements: Financial Position, profit/(loss) for the year, other comprehensive income, changes in equity, Cash Flow and the Explanatory Notes, represent truthfully and correctly the balance sheet and financial position, the net result for the financial year and are consistent with the accounting records.

Verdellino (BG), 30 March 2021

THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

Financial statements as at 31 December 2020

Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 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 statement of financial position as at 31 December 2020, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The prior year financial statements, presented as comparative figures to the current year financial statements, prepared in accordance with the International Financial Reporting Standards from the financial statements as at 31 December 2019, previously prepared in accordance with Italian generally accepted accounting principles and audited by another auditor who expressed an unmodified opinion on 15 April 2020.
Notes 4 to the financial statements "Appendix on the transition to international accounting standards" describes the effects of the transition from Italian generally accepted accounting principles to International Financial Reporting Standards as adopted by the European Union and includes the required information for the reconciliation statements ad required by IFRS 1.

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

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

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

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 at 31 December 2020, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bergamo, 31 March 2021

EY S.p.A.
Signed by: Marco Malaguti, Auditor

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 2020 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 2020 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, although in waive of prevision of article 2429, co. 1, c.c., has made available the following documents approved on 30 March 2021, for the financial year ended 31 December 2012:

- Draft Financial Statements, and Financial Report;
- 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 foreword

Fine Foods & Pharmaceuticals N.T.M. S.p.A. is a listed company from 1 October 2018 to AIM Italia / Alternative Capital Market, organized and managed by Borsa Italiana ("AIM Italia"). The Company, due to its status, has been registered as of January 1, 2020 in the list of "issuers of financial instruments spread among the public to a significant extent" pursuant to art. 2-bis of Consob Regulation No 11971 of 1999.

On 9 November 2020, the Board of Directors decided to start the activities related to the transition from the trading of its financial instruments on AIM Italia to the admission to listing of the same on the Electronic Stock Market (MTA), organized and managed by Borsa Italiana, possibly star segment. Using the conditions, the transaction will be submitted for approval by the Shareholders' Meeting for the submission of the related applications to Consob and Borsa Italiana S.p.A. scheduled for April 21, 2021. The Company has awarded Banca Akros S.p.A. the position of Sponsor for the transition to the MTA market (possibly star segment).

On 19 January 2021, following the commitments made pursuant to the binding term sheet signed on 16 November 2020, the Company implemented the acquisition of the entire share capital of Pharmatek PMC S.r.l. for a price of Euro 11.2 million subject to price adjustment of Euro 6 million in the event of the achievement of certain EBITDA targets for the next three years. The total disbursement including earn-outs is currently estimated at Euro 17.2 million.

Company acknowledgement, risk assessment and report on the assigned tasks

The Board of Statutory Auditors 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 has not changed during the year and is in compliance with its corporate purpose;
- the organisational structure and the IT structure is substantially unchanged;
- the human resources making up the "*workforce*" are non substantially changed, considered the company evolution;
- 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 (2020) and the previous (2019). It is possible to see how the Company operated in 2020 in ways comparable to the previous year and consequently 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 entire fiscal year in which regular meetings were held, under art. 2404 of the Civil Code. Minutes for those meeting have been drafted and signed for unanimous approval.

It should be highlighted that since February 2020 the surveillance activity has essentially taken place in the context of the emergency health situation due to the pandemic spread of COVID 19 and the related measures restrictive to circulation, issued by government authorities to protect the health of citizens. Consequently, the Activities of the Statutory Auditors were carried out within the framework (i) of a remodulated organization of the process also shared by the Company, based on a wide use of smart working and (ii) of different ways to interface with company referents and collection of evidence through the predominant use of documentation and information in electronic format transmitted with remote communication techniques.

Performed activity

During the recurring audits the Board of Statutory Auditors improved its acknowledgement of 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.

All over the year the Board of the statutory Auditors noted that:

- the internal administrative personnel responsible for recording the corporate events 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 unchanged 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;
- we monitored the fulfilment related to the permanence on AIM Market;
- 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;

1. during the year, the Board of Statutory Auditors has delivered a favourable opinion on the withdrawal for good cause of the existing contract between Deloitte & Touche S.p.A. and Fine Foods & Pharmaceuticals N.T.M. S.p.A. with the task of legal review for the three-year period 2018-2020 and at the same time issued a reasoned proposal for the assignment of the nine yearly task of legal audit of the accounts to EY S.p.A.in accordance with art. 13 and 17 of Legislative Decree No. 39/2010;

- with reference to the pandemic situation that affected the 2020 financial year, the Company has promptly implemented all general activities and specific, organizational and prevention measures, in order to contain the spread of covid-19 contagion, while also respecting the legislative provisions.

Comments and proposals regarding the Financial Statements and their approval

The Governing Body approved the draft Financial Statements for the year ended 31 December 2019. These statements consist of the Statement of balance sheet and financial statements, Income Statement for the year, Prospectus of other components of the total income statement, Financial Statement Prospectus, Statement of changes in equity.

The Company has availed itself of the right to draw up the financial statements in accordance with international accounting standards (IAS and International Financial Reporting Standards – IFRS)) issued by the International Accounting Standard Board (IASB) and adopted by the European Union pursuant to Regulation (EC) No 1606/2002 in force at the end of the financial year.

It is noted that this financial statements is the first to be drawn up in accordance with the IAS/IFRS, although they are not the mandatory for the Company. The date of transition to these principles was identified on 1 January 2019.

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 EY 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:

- 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;
- for comparative purposes, the corresponding data from the previous year have been reclassified in accordance with the regulations of the IAS/IFRS International Accounting Standards;
- the Financial Report under the chapter "Transitional Appendix to International Accounting Standards" lists the effects of the transition to IAS/IFRS and the related reconciliation prospectuses provided for by IFRS 1;
- 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;
- 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 Financial Report, 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 2020, as evident from the reading of the Financial Statements, is positive for € 13.264.228.

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 2020 Financial Statements as drafted and proposed by the Governing Body.

With the approval of the financial statements at 31 December 2020, the terms of office of the Board of Directors and the Board of Statutory Auditors expire. The Shareholders' Meeting is therefore invited to take a decision on the matter.

Bergamo, 31 march 2021

The Board of Statutory Auditors

Paolo Villa

Marco Antonio Manzoni

Barbara Castelli