

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 € 22,770,445.02 Fully paid up
VAT number: 09320600969



Interim Financial Report as of 31 March 2022

13 May 2022 Board of Directors

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

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CORPORATE POSITIONS

Board of Directors

Chairman and CEO

Marco Francesco Eigenmann

CEO

Giorgio Ferraris

Directors

Ada Imperadore

Adriano Pala Ciurlo

Chiara Mediolì

Marco Costaguta

Susanna Pedretti

Board of Statutory Auditors

Chairperson

Laura Soifer

Statutory Auditors

Luca Manzoni

Mario Tagliaferri

Auditing Company

EY S.p.A.

Manager responsible for preparing the Company's Financial Reports

Pietro Bassani

Appointed by the Board of Directors on 21 April 2021 under Article 27-bis of the Articles of Association.

Committees

Control and Risk Committee

Ada Imperadore

Susanna Pedretti

Supervisory Body

Cristiana Renna

Paolo Villa

Susanna Pedretti

Remuneration Committee

Ada Imperadore

Susanna Pedretti

Related Party Committee

Ada Imperadore

Susanna Pedretti

Environmental, Social and Governance (ESG) Committee

Ada Imperadore

Chiara Mediolì

Giorgio Ferraris

Consolidated income statement

<i>(amounts in € units)</i>	3 months 31 March 2022	3 months 31 March 2021
Revenues and income		
Revenues from contracts with customers	50,754,911	51,330,701
Other revenues and income	159,075	118,882
Total revenues	50,913,987	51,449,583
Operating costs		
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	30,918,254	31,114,768
Personnel costs	9,391,616	8,930,995
Costs for services	6,254,710	4,254,931
Other operating costs	386,242	385,057
Amortisation, depreciation, and impairment losses	3,552,684	3,102,178
Total operating costs	50,503,506	47,787,929
Changes in fair value of financial assets and liabilities	(2,357,415)	(400,109)
Financial income	3,725	22,477
Financial charges	(324,536)	(164,742)
Income before taxes	(2,267,745)	3,119,279
Income taxes	214,306	1,334,397
Profit/(loss) for the financial year	(2,482,051)	1,784,882

Consolidated comprehensive income statement

<i>(amounts in € units)</i>	3 months 31 March 2022	3 months 31 March 2021
Profit/(loss) for the financial year (A)	(2,482,051)	1,784,882
Components that will not be subsequently reclassified to profit/(loss) for the financial year		
Revaluation of net employee benefit liabilities/assets	-	-
Tax effect	-	-
Other comprehensive income (B) components	-	-
Comprehensive profit/(loss) (A+B)	(2,482,051)	1,784,882

Consolidated statement of financial position

<i>(amounts in € units)</i>	31 March 2022	31/12/2021
Assets		
Non-current assets		
Property, plant and machinery	103,759,204	102,886,510
Goodwill	15,907,954	15,907,954
Other intangible fixed assets	2,674,222	2,767,176
Rights of use	5,984,602	5,978,887
Non-current financial assets	237,333	237,333
Deferred tax assets	3,266,883	3,482,100
Total non-current assets	131,830,198	131,259,960
Current assets		
Inventories	37,382,553	35,050,484
Trade receivables	42,391,220	29,433,391
Tax receivables	2,421,853	2,421,853
Other current assets	9,150,014	9,554,455
Current financial assets	75,525,619	77,971,110
Cash and other liquid assets	29,733,762	17,118,957
Total current assets	196,605,021	171,550,251
Total assets	328,435,219	302,810,211
Shareholders' equity		
Share Capital	22,770,445	22,770,445
Other reserves	132,499,930	132,615,098
Employee benefit reserve	(71,012)	(71,012)
FTA reserve	(6,669,789)	(6,669,789)
Profits carried forward	(1,380,070)	-
Profit/(loss) for the financial year	(2,482,051)	(1,426,751)
Total Shareholders' Equity	144,667,453	147,217,991
Non-current liabilities		
Bonds	3,326,070	3,322,876
Non-current bank borrowings	94,112,575	35,298,177
Employee benefits	2,882,751	3,010,691
Provisions for risks and charges	35,489	35,489
Provision for deferred taxes	1,073,432	1,081,159
Non-current lease payables	3,014,750	3,137,292
Other non-current financial liabilities	-	-
Total non-current liabilities	104,445,065	45,885,684
Current liabilities		
Bonds	3,313,249	3,310,176
Current bank borrowings	33,714,404	64,920,523
Trade payables	32,401,071	32,532,117
Taxes payable	35,506	5,536
Current lease payables	777,853	774,991
Other current financial liabilities	-	-
Other current liabilities	9,080,617	8,163,193
Total current liabilities	79,322,700	109,706,536
Total Shareholders' equity and Liabilities	328,435,218	302,810,211

Consolidated cash flow statement

	3 months 31 March 2022	3 months 31 March 2021
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	(2,482,051)	1,784,882
Adjustments to reconcile profit after tax with net cash flows:		
Depreciation and impairment of property, plant and machinery	3,113,071	2,783,753
Amortisation and impairment of intangible fixed assets	206,442	217,406
Amortisation of rights of use	233,172	101,019
Other write-downs of fixed assets	-	-
Financial income	(3,725)	(22,477)
Financial charges	308,376	160,270
Changes in fair value of financial assets and liabilities	2,357,415	400,109
Financial charges on financial liabilities for leases	16,160	4,472
Income taxes	6,816	1,217,959
Personnel costs for stock grants	-	253,331
Gains on the disposal of property, plant and machinery	(25,693)	(68,403)
Current assets write-downs	431,196	420,360
Net change in severance indemnity and pension funds	(131,071)	17,327
Net change in deferred tax assets and liabilities	207,490	116,438
Interest paid	(317,681)	(142,264)
Income taxes paid	-	-
Changes in net working capital:		
(Increase)/decrease in inventories	(2,611,262)	(4,282,062)
(Increase)/decrease in trade receivables	(13,108,309)	(12,502,683)
(Increase)/decrease in other non-financial assets and liabilities	1,345,019	(3,723,699)
Disposal of assets held for sale	-	200,000
Increase/(decrease) in trade payables	(132,568)	3,476,861
NET CASH FLOWS FROM OPERATING ACTIVITIES	(10,587,204)	(9,587,401)
Investments:		
Investments in tangible fixed assets	(4,000,246)	(1,921,620)
Disposal of tangible fixed assets	40,174	76,533
Investments in intangible fixed assets	(113,488)	(123,897)
Net (investments)/disposals in financial assets	88,076	9,144
Acquisition of Subsidiaries	-	(9,645,232)
NET CASH FLOWS FROM INVESTMENTS	(3,985,483)	(11,605,072)
Financing:		
New financing	71,970,006	27,086,444
Funding repayment	(44,355,461)	(316,133)
Principal payments - lease liabilities	(358,566)	(99,487)
Dividends paid to the parent company's shareholders	-	-
Share capital increase	-	26
Sale/(purchase) of treasury shares	(68,486)	(800,652)
CASH FLOWS FROM FINANCING	27,187,492	25,870,199
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,614,805	4,677,725
Cash and short-term deposits as of 1 January	17,118,957	3,342,518
Cash and short-term deposits as of 31 March	29,733,762	8,020,242

Consolidated Shareholders' equity changes

	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 2022	22,770,445	5,000,000	(15,939,707)	29,741,389	86,743,750	19,556,720	7,512,947	(6,669,789)	(71,011)	-	(1,426,751)	147,217,991
Profit/(loss) for the financial year											(2,482,051)	(2,482,051)
Other income statement components												
Comprehensive profit/(loss)	-	-	-	-	-	-	-	-	-	-	(2,482,051)	(2,482,051)
Dividends												-
Stock Grant												-
Purchase of treasury shares			(68,486)									(68,486)
Warrant exercise												-
2021 profit allocation						(46,682)				(1,380,070)	1,426,751	-
Balance as of 31 March 2022	22,770,445	5,000,000	(16,008,194)	29,741,389	86,743,750	19,510,039	7,512,947	(6,669,789)	(71,011)	(1,380,070)	(2,482,051)	144,667,454

Explanatory Notes

Accounting Standards and consolidation

From the opening of trading on 12 July 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. was listed on the STAR Segment of the Mercato Telematico Azionario ("MTA") organised and managed by Borsa Italiana S.p.A.. At the end of the process, which has received Consob and Borsa Italiana approval, the Company's ordinary shares are traded on the main list.

The Fine Foods Group's Interim Financial Report as of 31 March 2022 has been prepared under the Stock Exchange Regulations, which set the publication of the Interim Financial Reports as a requirement for maintaining a listing on the MTA - STAR segment.

The Interim Financial Report has 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 applicable at the end of the period. The accounting standards and assessment criteria adopted to prepare the Interim Financial Report are consistent with those used in the 31 December 2021 Financial Statements to which reference is made.

The tables shown in this document have been constructed as follows:

- Income statement and balance sheet figures as of 31 March 2022 refer to the consolidation of the Fine Foods Group, which includes the parent company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.
- The comparative balance sheet as of 31 December 2021 relates to the consolidation of the Fine Foods Group, which includes the parent company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.
- The comparative income statement as of 31 March 2021 includes the values of the parent company Fine Foods and the subsidiary Pharmatek but not the values of the subsidiary Euro Cosmetic, which was consolidated as of 1 October 2021.

The Interim Financial Report as of 31 March 2022 is not subject to auditing by the auditing company.

Net Financial Position

The diagram below shows the net financial debt under Consob recommendation of 21 April 2021 and ESMA32-382-1138 guidelines.

<i>Thousands of Euro</i>	31 March 2022	31/12/2021
A. Liquid assets	29,734	17,119
B. Cash or cash equivalents	-	-
C. Other current financial assets	75,526	77,971
D. Liquidity (A) + (B) + (C)	105,259	95,090
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	18,995	58,836
F. Current portion of non-current financial debt	18,811	10,169
G. Current financial debt (E + F)	37,806	69,006
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	22,124	51,980
- <i>not guaranteed</i>	15,681	17,026
H. Net current financial debt (G - D)	(67,454)	(26,084)

I. Non-current financial debt (excluding current portion and debt instruments)	97,127	38,435
J. Debt instruments	3,326	3,323
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	100,453	41,758
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	17,914	18,347
- <i>not guaranteed</i>	82,539	23,411
M. Total Financial Debt (H + L)	33,000	15,674

As of 31 March 2022, current financial assets were € 75,525,619 (compared to € 77,971,110 as of 31 December 2021). This is detailed below:

<i>(Amounts in Euro units)</i>	31 March 2022	31/12/2021
Other Fine Foods securities	68,583,012	71,028,503
Other Euro Cosmetic securities	208,671	208,671
Leakage receivable	6,733,936	6,733,936
Total current financial assets	75,525,619	77,971,110

In January 2019, the Parent 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 the international accounting standard IFRS 9 - Financial Instruments - these instruments were recorded at Fair value at the reference date:

- As of 31 December 2021, the portfolio Fair value was € 71,028,000.
- From 1 January 2022 to 31 March 2022, no withdrawals were made.
- As of 31 March 2022, the negative change in Fair value amounted to € 2,445,000, bringing the portfolio's total value to € 68,583,000.

In the last quarter of 2021, Fine Foods obtained a credit line, financed by Intesa San Paolo S.p.A., usable for short-term financing and valid until 31 March 2022 for € 38.5 million. This credit line was converted into a structured medium-term loan during 2022. On 25 February 2022 Intesa Sanpaolo and Fine Foods carried out a financing transaction for € 70 million to support its growth and development projects. Intesa Sanpaolo acted as the loan's sole financial arranger. The € 70 million seven-year loan will partly reorganise the current financial debt, and partly open the door to Fine Foods' further growth-by-acquisition plans.

The loan provides for financial covenants based on the following indicators:

- NFP / EBITDA
- NFP / EQUITY
- EBITDA/Financial charges

Reclassified Balance Sheet

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

Working capital	31 March 2022	31/12/2021
Inventories	37,382,553	35,050,484
Trade receivables	42,391,220	29,433,391
Other current assets	11,571,867	11,976,309
Trade payables	(32,401,071)	(32,532,117)
Other current liabilities	(9,116,123)	(8,168,729)
Provisions for risks and charges / deferred taxes	(1,108,920)	(1,116,648)
Total working capital (A)	48,719,525	34,642,690
Fixed assets	31 March 2022	31/12/2021
Tangible fixed assets	103,759,204	102,886,510
Intangible assets and rights of use	24,566,778	24,654,016
Other receivables and non-current assets	3,504,216	3,719,434
Employee severance indemnities and other provisions	(2,882,751)	(3,010,691)
Total fixed assets (B)	128,947,447	128,249,269
Net Invested Capital (A) + (B)	177,666,973	162,891,959
Sources	31 March 2022	31/12/2021
Shareholders' equity	144,667,453	147,217,991
Net financial debt	32,999,520	15,673,968
Total Sources	177,666,973	162,891,959

Net invested capital as of 31 March 2022 amounted to € 177.7 million (€ 163 million as of 31 December 2021) and is covered by:

- Shareholders' equity of € 144.7 million (€ 147.2 million as of 31 December 2021);
- The net financial position of € 33 million (compared to a net financial position of € 15.7 million as of 31 December 2021).

Working capital as of 31 March 2022 was € 48.7 million compared to € 34.6 million at the end of the previous financial year, due to an increase in inventories, which was preparatory to the supply chain crisis management, and an increase in trade receivables due to a higher percentage of customers with longer payment terms.

This trend was evident in the net financial position as of 31 March 2022.

Fixed assets as of 31 March 2022 showed a balance of € 128.9 million, in line with 31 December 2021 (€ 128.2 million).

Reclassified Income Statement

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

Item	31 March 2022	%	31 March 2021	%	Absolute change	% Changes
Revenues from contracts with customers	50,754,911	100%	51,330,701	100%	(575,789)	(1%)
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(30,918,254)	(61%)	(31,114,768)	(61%)	196,515	(1%)
VALUE ADDED	19,836,658	39%	20,215,932	39%	(379,274)	(2%)
Other revenues and income	159,075	0%	118,882	0%	40,193	34%
Costs for services	(6,254,710)	(12%)	(4,254,931)	(8%)	(1,999,778)	47%
Personnel costs	(9,391,616)	(19%)	(8,930,995)	(17%)	(460,621)	5%
Other operating costs	(386,242)	(1%)	(385,057)	(1%)	(1,185)	0%
EBITDA	3,963,165	8%	6,763,831	13%	(2,800,666)	(41%)
Amortisation, depreciation, and impairment losses	(3,552,684)	(7%)	(3,102,178)	(6%)	(450,506)	15%
EBIT	410,481	1%	3,661,653	7%	(3,251,172)	(89%)
Financial income	3,725	0%	22,477	0%	(18,752)	(83%)
Financial charges	(324,536)	(1%)	(164,742)	(0%)	(159,794)	97%
Changes in fair value of financial assets and liabilities	(2,357,415)	(5%)	(400,109)	(1%)	(1,957,306)	489%
INCOME BEFORE TAXES	(2,267,745)	(4%)	3,119,279	6%	(5,387,024)	(173%)
ADJUSTED INCOME BEFORE TAXES	(2,267,745)	(4%)	4,467,568	9%	(6,735,313)	(151%)
Income taxes	214,306	0%	1,334,397	3%	(1,120,091)	(84%)
Profit (loss) for the financial year	(2,482,051)	(5%)	1,784,882	3%	(4,266,933)	(239%)
ADJUSTED income/(loss)	(2,482,051)	(5%)	3,132,745	6%	(5,614,796)	(179%)

The table below shows the reconciliation between Income before taxes and the profit (loss) for the period and the related Adjusted values.

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

	31 March 2022	31 March 2021
Revenues from contracts with customers	50,754,911	51,330,701
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(30,918,254)	(31,114,768)
Value Added	19,836,658	20,215,932

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

	31 March 2022	31 March 2021
Profit (loss) for the financial year	(2,482,051)	1,784,882
Income taxes	(214,306)	(1,334,397)

Income before taxes	(2,267,745)	3,119,279
Changes in fair value of financial assets and liabilities	2,357,415	400,109
Financial charges	324,536	164,742
Financial income	(3,725)	(22,477)
EBIT	410,481	3,661,653
Amortisation	3,552,684	3,102,178
EBITDA	3,963,165	6,763,831

Due to the non-recurring cost resulting from the change in Fair Value of the Warrants, the income before taxes and profit for the first quarter of 2021 have been adjusted under the reconciliation shown in the table below.

Income before taxes	(2,267,745)	3,119,279
Change in FV Warrant	-	1,773,504
ADJ Income before taxes	(2,267,745)	4,892,783
Income taxes	(214,306)	(1,334,397)
Tax effect on change in FV Warrants	-	(425,641)
ADJ income/(loss)	(2,482,051)	3,132,745

Revenues from customer contracts in the first quarter of 2022 were € 50.8 million, slightly down from the first quarter of 2021 but recovering compared to the fourth quarter of 2021 (€ 50 million). The contribution of the new Cosmetics Business Unit in the first quarter of 2022 was € 9.4 million, of which Pharmatek € 3.2 million and Euro Cosmetic € 6.2 million. The revenues of this BU in the first quarter of 2021 were generated only by Pharmatek for € 3 million.

<i>(Amounts in Euro units)</i>	31 March 2022	31 March 2021
Business Unit – Food	29,539,379	38,309,096
Business Unit – Pharma	11,852,533	9,993,872
Business Unit – Cosmetics	9,363,000	3,027,733
Total Revenues from contracts with customers	50,754,911	51,330,701

The Food Business Unit showed a decrease (-23%) compared to the same period of the previous year, while the Pharma BU showed a growth of 19%. The Cosmetics Business Unit showed an increase in revenues due to a growth in turnover of Pharmatek (+6% compared to the first quarter of 2021) and the acquisition of Euro Cosmetic, which took place in the last quarter of 2021.

Despite the reduction in revenues between Q1 2022 and Q1 2021 for the Food BU, the result is in line with the average historical trend of recent years: Q1 2021 recorded extraordinary revenue generated by the pandemic.

Pharma BU, which had contracted during the pandemic, returned to average pre-COVID 19 sales levels in the quarter.

The decline in the Food Business Unit is almost entirely offset by increases in turnover in the Pharma and Cosmetics BUs.

EBITDA in the first quarter was € 4 million, down from € 6.8 million of the first quarter of the previous financial year. The EBITDA margin decreased from 13% to 8%, due to the current economic situation that generated, as in Q4 2021, inefficiencies in the production chain and a significant increase in energy costs (which impacted more than 2% of the reduction in EBITDA margin), transport and logistics.

EBITDA Margin in Q1 2022 compared to Adjusted EBITDA Margin in Q4 2021 showed a significant increase from 4.7% to 7.8%.

This improvement is due to the actions implemented by the Group including the chargeback of increased raw and packaging material costs to customers and the reduction of production downtime, due to stock management policies.

The Group's EBIT in the first quarter of 2022 was € 0.4 million compared to € 3.7 million in the same period of the previous financial year, with a decrease mainly due to the reduction in EBITDA and a slight increase in depreciation and amortisation for the period.

Changes in Fair Value in the first quarter of 2022 of financial assets and liabilities showed a negative balance of € 2,357,415 compared to a negative balance of € 400,109 in the first quarter of 2021. This is detailed below:

<i>(Amounts in Euro units)</i>	31 March 2022	31 March 2021
Change in fair value of other securities	(2,357,415)	1,373,395
Change in fair value of warrants		(1,773,504)
Total changes in Fair Value on financial assets and liabilities	(2,357,415)	(400,109)

The "Changes in fair value of other securities" item showed the change in fair value of securities held by the parent company.

The "Change in fair value of warrants" item is the change in the market value of Fine Foods listed and unlisted warrants between 1 January and 31 March 2021. These financial instruments were fully converted as of 30 June 2021.

Adjusted Income Before Taxes was net of the change in fair value of the warrants, totalling € 1.8 million as of 31 March 2021; this non-recurring charge is shown net of the tax effect (only IRES) on Adjusted profit in the first quarter of 2021.

Events following the end of the period

No significant events occurred after the end of the period.

Business outlook

Despite the continuation of difficulties in 2022 reported at the end of 2021, including increasing energy costs, material shortages, and the problems arising from the geo-political situation, the Management believes that the Group can face the current year's challenges due to the actions it has taken. It expects to return to historical growth trends by the end of this year or as soon as these critical issues are resolved.

In addition to the policies on the chargeback of raw and packaging materials to its customers and management of inventories, the Group has installed two photovoltaic systems at the Trezano (BS) and Brembate (BG) plants. Benefits of these initiatives are expected in Q2 2022. The parent Company applied to the relevant authorities for the "White Certificates" deriving from the activation of the co-generators.

Development and integration activities of the companies acquired in 2021 continue to generate future business opportunities in the cosmetics sector due to synergies with the parent company.

Declaration of the Manager in charge under Article 154-bis of Legislative Decree no. 58/98

Under paragraph 2 of Article 154-bis of Legislative Decree no. 58/1998 (Consolidated Law on Finance), the Manager in charge of preparing the company's financial reports, Pietro Bassani, certifies that the accounting information contained in the Interim Financial Report as of 31 March 2022 of Fine Foods & Pharmaceuticals N.T.M. S.p.A. reflects the accounting documents, books and records.

Verdellino-Zingonia, 13 May 2022

The Manager
preparing the corporate
accounts
Pietro Bassani