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

31/12/2022 Consolidated Financial Statements

30 March 2023 Board of Directors

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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 Medioli

Marco Costaguta

Susanna Pedretti

Board of Statutory Auditors

Chairman

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 Medioli

Giorgio Ferraris

Report on Operations

Report on Operations: Summary

Directors' Report on Operations

Introduction

The 31 December 2022 Consolidated Financial Statements 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".

On 19 January 2021, Fine Foods acquired 100% of the shares of Pharmatek PMC S.r.l., an unlisted company based in Cremosano (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices.

On 08 October 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired 73 per cent of Euro Cosmetic S.p.A shares. This is a Trenzano-based company specialising in the contract development and manufacturing of cosmetic products. Fine Foods launched a takeover bid, finalised on 28 December 2021, which led to Euro Cosmetic S.p.A. stock delisting and acquiring 100% of its shares.

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

- Income statement and balance sheet figures as of 31 December 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 December 2021 includes the values of the parent company Fine Foods and the subsidiary Pharmatek while the subsidiary Euro Cosmetic's figures start from 1 October 2021.

Information on the Group companies

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). The Company, listed on the STAR segment of the MTA of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO). It develops and manufactures contract products for the pharmaceutical and nutraceutical industries. Fine Foods Group is also active in the cosmetics, biocides and medical devices industries with its acquisition of Pharmatek-PMC and the most recent Euro Cosmetic acquisition.

Founded in 1984, from a pharmaceutical and nutraceutical synergy, Fine Foods has been pursuing quality and innovation on behalf of its customers as its primary objective. With € 207 million revenue in 2022 and a 10.1 per cent CAGR over the last decade, it is a growing and future-oriented company. The sustainability of the business model and the holistic approach to ESG, together with product innovation, are drivers that will allow the Group to fully develop its intrinsic potential.

Fine Foods 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.

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. However, the Company has relationships with approximately 100 highly loyal customers, including major Italian and multinational pharmaceutical and nutraceutical companies including Amway, Adare, Aesculapius, Alfasigma, Alkaloid, Angelini, Aurobindo, Avon, Chiesi, Coop, DOC, Dompè, EG, ES Italia, Farma-Derma, Farmitalia, Fidifarm, Giuliani, Guna, Herbalife, IBSA, Italchimici, Italfarmaco, Krka, Menarini, Molteni, Novartis, NTC, Orion Corporation, Pensa, Perrigo, Pharma Line, Pharmanutra, Recordati, Sanofi, Società Prodotti Antibiotici, Teva, U.G.A., Uni. Far.Co, Uriach, Vemedia, Vesale, Viatris, Zentiva, and Zeta Farmaceutici.

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, dedusting, 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. The aim is to provide a central and standardised verification 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.

Verdellino-Zingonia plant:

- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: contract designing and manufacturing of invasive medical devices concerning body orifices for gastrointestinal and oral use on injured mucosa.
- FSSC 22000: is a certification scheme based on the ISO 22000 standard, which defines a food safety management system, integrated with the ISO/TS 22002-1 technical standard and FSSC 22000 additional requirements. Scope: production on behalf of third parties of food supplements and foods for special groups, in powder, granules, tablets and capsules. Plastic and polylaminate packaging.

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. In 2021 it became necessary to update the system following the new tax offences referred to in Article 25 quinquiesdecies and smuggling referred to in Article 25 sexiesdecies in Legislative Decree no. 231/2001. This updating included risk control for the offences referred to in the previous articles and a risk assessment review. During the 2022 financial year, Fine Foods' Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. They based their 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.

The subsidiary Pharmatek develops and manufactures contract products ranging from cosmetics (haircare, skincare, rinse-off products) to medical-surgical aids and medical devices.
Pharmatek is authorised by the Ministry of Health to produce PMCs (Medical-surgical aids) and has the following certifications:

- IFS HPC: certification scheme for suppliers and manufacturers of cosmetics, personal and household care products. Scope: production and packaging of oral hygiene products (e.g. mouthwash) and biocides used for human hygiene purposes.
- UNI EN ISO 9001: standard defining quality management system requirements. Scope: production of environmental and non-injured skin disinfectants and oral and skincare cosmetics.
- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: contract manufacturing, filling, and packaging of non-sterile medical devices in liquid form in single-dose, multi-dose, and tablets. Production and sale of non-sterile medical devices in effervescent tablets for cleaning orthodontic appliances. Managing instant ice production and sale.
- ICEA certification: Certification for developing, producing and selling products defined as Organic or Natural under the criteria and requirements set by the COSMOS standard.
- Certificate of conformity 205/CA/2019: this certification for organic cosmetics is a property of AIAB - Associazione Italiana per l'Agricoltura Biologica - and guarantees the adoption of a production methodology that involves the use of high-quality raw materials with a low environmental impact.
- Certificate of conformity 039/QV/2019: "Qualità Vegana" is a certification that aims to provide vegan consumers with information to make informed purchases.

The Euro Cosmetic subsidiary produces, markets, researches, and develops cosmetic products such as, but not limited to, liquid detergents for personal hygiene, skincare emulsions, oral hygiene, deodorants and alcohol-based perfumery under its own and third-party brands and the production of Surgical-Medical Aids.

The Quality Management System within Euro Cosmetic is kept under control and constantly improves using internal and external audit programmes which verify the following:

- compliance with GMPc requirements (UNI EN ISO 22716);
- compliance with UNI EN ISO 9001 requirements - Ed. 2015;

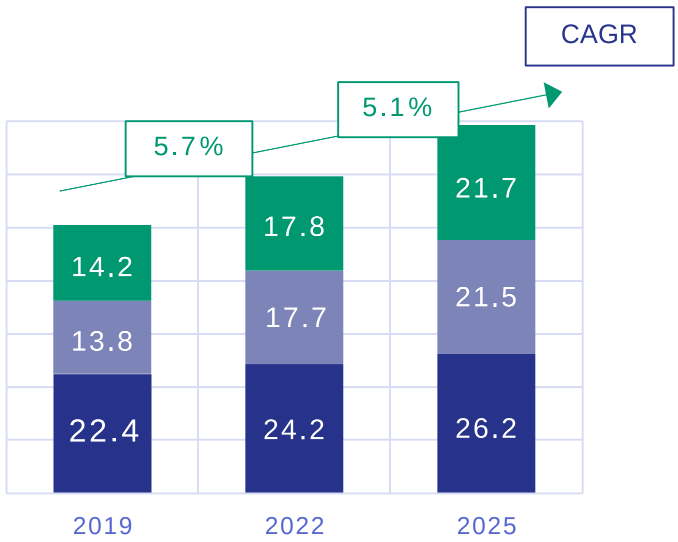
- compliance with the requirements for the production of medical-surgical aids (Executive Decree n. 24/2020);
- compliance with the requirements agreed with customers in the Technical Specifications and Quality Agreements;
- compliance with IFS – HCP requirements;
- compliance with COSMOS Natural & Organic requirements;
- compliance with ECO BIO COSMESI requirements;
- compliance with ECO CERT- ORGANIC AND NATURAL COSMETICS requirements;
- RSPO SCCS (Roundtable on Sustainable Palm Oil – Supply Chain Certification Standard).

The following image shows some of the group's products (Food, Pharma and Cosmetic Business Units):

Market development

Fine Foods is one of the players in the European nutraceutical market and is focused on contract manufacturing of food supplements. The nutraceutical market is the Group's primary target market, and where 57% of revenue from customer contracts was recorded in 2022.

The diagram below shows the data for the European Nutraceutical market in 2019-2025, in terms of value, divided into food supplements, functional beverages and foods. The European nutraceutical market has shown high and steady growth and is expected to maintain a positive trend in the coming years



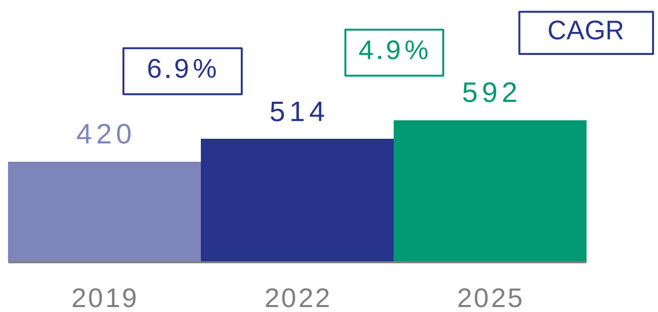
	CAGR 2019-2022	CAGR 2022-2025
Vitamins & Dietary Supplements	7.7%	6.8%
Functional Beverages	8.5%	6.7%
Functional Foods	2.6%	2.6%

Source: Euromonitor International, Consumer Health 2023 Edition/Health and Wellness 2022 Edition, Retail Value RSP, EUR Fixed Ex Rates, Current Prices

Within this market, the Group's target segment is the vitamins and dietary supplements segment in Europe. The segment's expected value is estimated to grow from € 17.8 billion 2022 to € 21.7 billion in 2025, with a CAGR '22-'25 of 6.8%. As of 31/12/2022, revenues from customer contracts generated by the Group's Nutraceutical business unit were € 117,813,880.

The Pharmaceutical market is the Group's second-largest market, where 26.5% of revenue from customer contracts was recorded in 2022. As of 31/12/2022, the Company recorded revenues of € 54,712,778 in the Pharma Business Unit, with an increase from € 39,487,968 in the previous year.

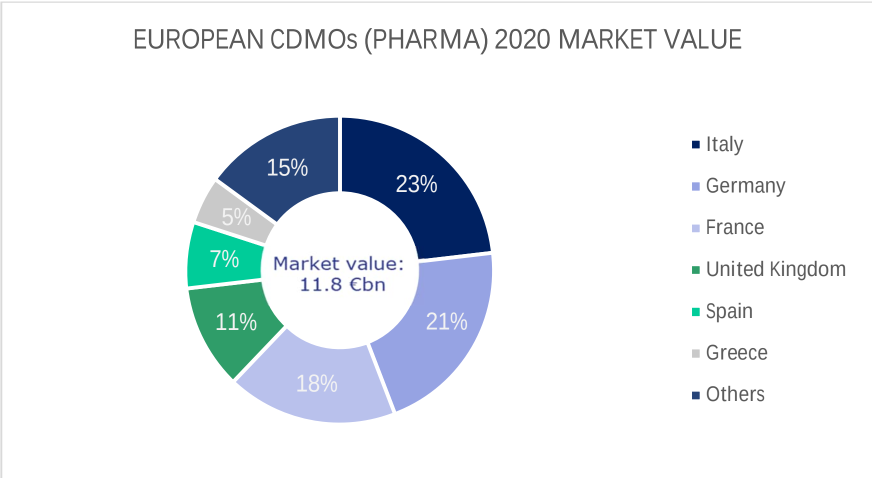
The diagram below shows this market trend and the forecast for the European pharmaceutical production value. A CAGR '22-'25 of 4.9% was recorded for the relevant period.



Source: Euromonitor International, Industrial, Pharmaceuticals, 2022 Edition, Production MSP, EUR Fixed Ex Rates, Current Prices

The pharmaceutical market was stable with customers loyal to their suppliers. Expected growth can be seen in the development of CDMOs that produce medicines for pharmaceutical companies (i.e. Fine Foods). The expected demand for pharmaceutical products is steadily growing due to the increase in the average age of the world's population and the rise in health standards adopted, especially in developed countries.

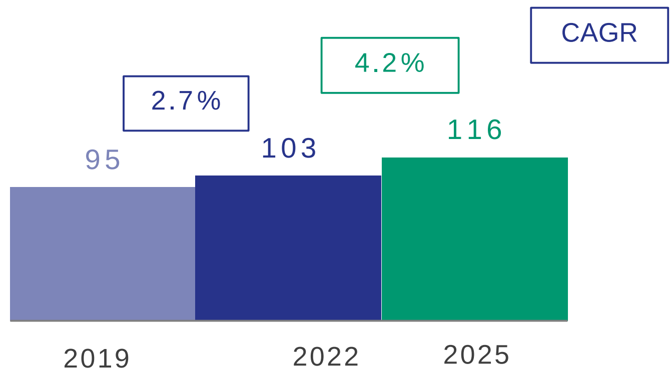
As for the pharmaceutical market composition, the Issuer segment targets the Pharmaceutical CDMO, which in 2020 in Europe was:



Source: Prometeia – Farmindustria 2022

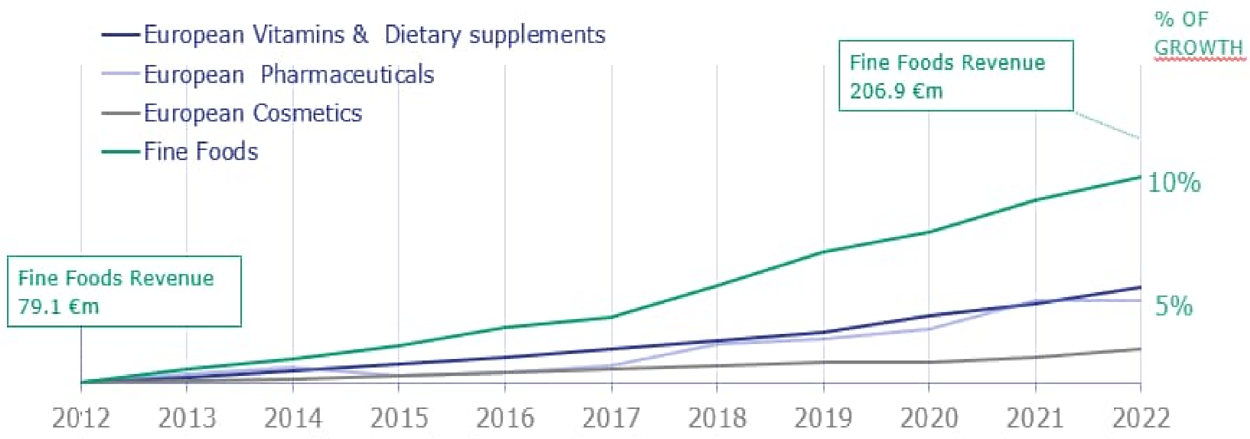
The Group's third-largest market is where the two subsidiaries, Pharmatek and Euro Cosmetic, operate, where 16.5% of revenues from contracts with customers in 2022 were recorded, amounting to € 34,325,917.
These figures aggregate the values of the following categories: "Cosmetics" refers to the aggregation of Euromonitor's "Bath and Shower", "Deodorants", "Hair Care" and "Skin Care" categories. "Biocides" refers to the aggregation of the Euromonitor's "Oral Care", "Dermatologicals", "Surface Care" and "Adult Mouth Care" categories.

The diagram below shows the European trend and forecast for this market, in terms of value. The European cosmetics and biocides market is expected to accelerate its growth in the coming years. A CAGR '22-'25 of 4.2% was recorded for the relevant period.



Source: Euromonitor International, Consumer Health 2023 Edition/Beauty and Personal Care 2022 Edition /Home Care Edition 2022, Retail Value RSP, EUR Fixed Ex Rates, Current Prices

The above analysis showed that Fine Foods is outperforming the market and its competitors. The reference markets showed high and steady growth and resilience during recessions. Despite this, Fine Foods has significantly outperformed its reference end markets over the past decade, with sales in 2022 at 2.6 times the level achieved in 2012.



Sources: Euromonitor International, Industrial, Pharmaceuticals, 2022 Edition Production MSP, EUR Fixed Ex Rates, Current Prices. Consumer Health, 2023 Edition, Retail Value RSP, EUR Fixed Ex Rates, Current Prices

Significant events

Merger by incorporation of "PHARMATEK PMC S.R.L." into "EURO COSMETIC S.P.A"

By a 13 October 2022 resolution, the Shareholders' Meetings approved the planned Merger by incorporation of "PHARMATEK PMC S.R.L." into "EURO COSMETIC S.P.A." The proposed merger was implemented using a simplified procedure under Art. 2505 of the Italian Civil Code.

On 27 December 2022, the merger deed of Pharmatek PMC S.r.l. into Euro Cosmetic S.p.A. was signed. The merger will produce its legal, accounting and tax effects as of 1 January 2023.

The directors of the company resulting from the merger started the rationalisation of the industrial footprint of the two subsidiaries, which in the short term requires the merger of the two businesses at the Trenzano plant where Euro Cosmetic is based. As part of this reorganisation, Pharmatek's Financial Statements for the year ended 31 December 2022 (and with an impact on the Group's 2022 Consolidated Financial Statements) included the costs associated with this transaction, mainly relating to:

- Restoration of the plant where Pharmatek's production is located;
- Monetary outlays for the liquidation of personnel who did not agree to relocate to the new production site;
- Write-downs of non-functional machinery and equipment following the subsidiary's exit from non-strategic businesses, and restatement of depreciation of leasehold improvements due to their revised useful life.

INTESA loan 70 million

On 25 February 2022, Intesa Sanpaolo and Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods") have signed a € 70 million financing deal to support growth and development projects. Intesa Sanpaolo acted as the loan's sole financial *arranger.* The € 70 million seven-year loan will partly reorganise financial debt by replacing short-term credit lines with medium-long term debt. It will open the door to Fine Foods' further growth-by-acquisition plans. The loan provides for financial covenants based on the following indicators to be calculated on the Group's Consolidated Financial Statements:

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

Euro Cosmetic Acquisition - Leakage Receivable

As disclosed in the Financial Statements for the year ended 31 December 2021, Fine Foods notified Euro Cosmetic's former shareholders (MD and Findea) of its Leakage Reimbursement Request on 29 December 2021, under the "Locked Box" Agreement, for € 6,733,938.

The main leakage in the contract was due to:

- any distribution of dividends, whether in cash or in kind or other forms of distribution of capital, profits or reserves resolved, paid or made, capital reductions, the redemption of shareholdings or purchase of shareholdings, any redemption of financial instruments;
- any payment made in favour of Company Related Parties, Sellers or Seller Related Parties or Seller and Company governing bodies' members;
- any investment in fixed assets (tangible or intangible) or disposal of assets for more than € 10,000 (ten thousand);
- any agreement or undertaking (including by modifying the existing contracts' terms and conditions) to carry out any of the foregoing.

Fine Foods Directors requested a leading independent consulting firm to identify and assess the Leakage that occurred during the reference period and the related amount to be requested from the Sellers as Leakage reimbursement. This confirmed the value of € 6,733,938 On 31 December 2021, the directors obtained a legal opinion on the contract's correct interpretation and the independent consultant considered it reasonable to believe that the Leakage Reimbursement Request was made by the Company under contractual terms.

Fine Foods' notice was acknowledged and contested by the Sellers and, under the Contract, the matter was referred to an arbitrator (the "Expert"), appointed at the Company's request on 16 March 2022 by the Arbitration Board of the Milan Chamber of Arbitration. During the arbitration, the parties filed notes and documents and meetings were held with legal counsel before the Arbitrator. On 2 September 2022, the Company and Sellers filed their final notes and a further meeting was held on 6 September 2022.

In October 2022, Fine Foods received the Expert's Report on the Leakage Reimbursement Request against the former Euro Cosmetic's shareholders. Based on this Report, Fine Foods was granted a reimbursement of € 3,466,976 for purchase price adjustment - out of € 6,733,938 million originally requested. The Company has recorded € 3,266,960 write-down of receivables in financial charges. The Expert did not deem this portion of the receivable admissible, even if, in their opinion, a Contract literal interpretation suggests that the Leakage reimbursement request should have been entirely granted to the acquiring party.

Subsequently, Fine Foods requested the Sellers to pay the amount defined by the Expert. Since the Sellers failed to do so, and the conditions were met, the Company applied for and obtained a Court of Milan order for the payment of its claim. The petition and payment order were served on the Sellers on 17 February 2023. The Sellers opposed, contesting the debt by the 29 March 2023 deadline. Proceedings on the merits will be opened and the Court will establish the existence and amount of Fine Foods' claim. At the first hearing (which is likely to take place after the holiday period but before the end of the current year), the Company will apply for the provisional enforcement of the opposed payment order.

The Directors mandated the consulting firm PWC to carry out Corporate Intelligence - Reputational Due Diligence for the Sellers (MD and Findea) to identify solvency and payment risks.

Following these analyses, the consultant concluded that, based on the latest Seller's available data, there were no elements that could compromise the companies' solvency in paying the debt to Fine Foods. As provided in Article 12 of the Agreement "(...) Sellers are jointly and severally liable for all obligations and commitments undertaken under this Agreement").

General economic performance

The global economy continues to face difficult challenges due to the lingering effects of three issues: the Russian invasion of Ukraine, a cost-of-living crisis caused by severe inflationary pressures, and the Chinese economy slowdown. The Russian invasion of Ukraine continues to destabilise the global economy, leading to a severe energy crisis in Europe that is increasing the cost of living and hampering economic activity. Raw material prices in Europe, especially gas, have more than quadrupled since 2021. The conflict has driven up global food prices and the resulting inflationary pressures have triggered a rapid tightening of monetary conditions, along with a sharp appreciation of the US dollar against most other currencies. Tighter global monetary and financial conditions are emerging, weighing down demand and gradually taming inflation.

New challenges related to geopolitical uncertainty arising from the conflict between Russia and Ukraine are negatively impacting global economic growth, which is expected to be 1.3% in 2023, compared to an average growth of 2.7% over the past 10 years and 3.1% in 2022. Inflation reached particularly high levels globally, the OECD average for 2022 is 9.4%, compared to 1.6% in 2013-2019. The significantly higher price level compared to the pre-pandemic period negatively affects growth prospects, and results from the strong Central Banks' reaction.

The world economy showed a growth of 3.4% in 2022, down from 6.2% in 2021 (related to the post-COVID recovery) and the most recent projections of the World Economic Outlook (International Monetary Fund) forecast positive but lower growth values for 2023 (1.3% growth) and 2024 (3.1% growth). This is due to the performance of the two main world economies: the US with a low growth forecast between 1.2% and 1.4%, with inflation cooled by the Federal Reserve's rate measures, and the Chinese that remains high (between 5.2% and 4.4%) but lower than the past trend due to the financial stress suffered by the real estate sector and less dynamism in the economy linked to a slowdown in structural social reforms.

Manufacturing activities were hit by slowdowns during 2022 especially in Europe due to the Russian-Ukrainian conflict. This led to a shock in international trade and on raw material and energy costs, which are only recently starting to return to more reasonable levels (although still much higher than 2021) with a strong induced inflation that the European Central Bank countered with major interest rate increases. The first economic indications for 2023 in the US showed a high inflation but still good employment rate, which, if confirmed in the coming months, could call for further rate measures in the presence of better than expected economic growth.

After having well managed the post-Brexit changes in 2021 and further economic brakes caused by the geopolitical crisis between Russia and Ukraine in 2022, the Eurozone is maintaining higher-than-expected growth in the first months of 2023 with an evident drop in inflation that could lead to a gradual reduction of the European Central Bank's expansive financial policies accompanied by a strong fiscal impulse with the new Green Deal programme to facilitate the ecological transition in all industrial sectors. Eurozone growth is at 3.5% for 2022 and is expected to be 0.8% next year. The general economic scenario is worsening; however, 2022 was a year of strong growth because of the first three quarters. In the next two years, the European Commission expects the energy shock to be overcome and a gradual slowdown in the inflation rate. The forecast for the inflation rate in 2024 is +2.3%, close to the Central Bank's target, and +1.1% for GDP.

Globally, growth in emerging countries is expected to be 4% in 2023 with an average growth in countries with developed economies of 1.2% and a slight improvement in 2024 of only a fraction of a percentage point. The world GDP level and outlook for 2023 remain positive, but with weakened average growth due to lower momentum from countries with advanced economies, while the world growth leader will be India, followed by China and the other Asian countries.

Management Performance

Economic indicators for the year *(In thousands of Euro)*	31/12/2022	31/12/2021
Revenues	*206,853*	*194,850*
EBITDA	*15,409*	*19,562*
Operating profit (EBIT)	*(1,011)*	*5,034*
Profit (Loss) for the financial year	*(9,501)*	*(1,427)*

The table above provides an initial outline of the Group's financial performance as of 31 December 2022:

in summary, revenues increased compared to the previous year to € 206,852,576 (+6.2%), confirming the Fine Foods Group's historical growth trend. Part of this increase was due to the acquisition of Euro Cosmetic on 1 October 2021, which brought in revenues of € 25.4 million in FY2022.

The Pharma Business Unit confirmed the increase in turnover to € 54,712,778 as of 31 December 2022, and recorded an increase of 38.6% compared to the previous year-end of € 39,487,968. The contribution of the new Cosmetic Business Unit in 2022, resulting from the acquisitions in 2021, was € 34,339,943, with an increase compared to the previous year-end of € 16,300,893. On a like-for-like basis (Full Year 2022 vs. Full Year 2021), the BU recorded a turnover increase of € 2,425,398 (+7.6%). The Food Business Unit Revenues in 2022 were € 117,813,880, compared to € 139,060,965 in 2021. This result was mainly attributable to a production decrease in markets affected by the Russian-Ukrainian conflict and a slowdown in customers' activities in the Multilevel Marketing sector. They saw a sales drop following the recovery of the post-Covid economy.

The Food Business Unit result in 2022 was largely offset by increases in turnover in the Pharma and Cosmetic BUs.

The Group's revenues in the second half of 2022 grew and showed an important progression, reaching € 106.3 million, up from the first half of 2022 (€ 100.6 million) and the last half of 2021 (€ 95.2 million).

The gross operating result or EBITDA (€ 15,409,006 as of 31 December 2022) was negatively affected by the economic situation. This resulted in production chain inefficiencies (primarily related to procurement and price increase of raw materials) and a significant increase in energy costs (which impacted the EBITDA margin reduction by approximately 2%). Energy costs of € 6.5 million in 2022, with a revenue percentage of 3.1% (€ 2.6 million, with a revenue percentage of 1.3% in 2021), showed a significant increase compared to the average 2021 before the price increases since the last quarter.

The operating result or EBIT (of € -1,011,413 as of 31 December 2022) showed a decrease generated by the above EBITDA reduction, an increase in depreciation and amortisation for the period and the write-down of specific subsidiary Pharmatek assets and production lines, which impacted for € 949,000.

The result for the period was also affected by the negative change in the fair value of the securities portfolio held by the Parent Company (€ -7.7 million), a loss on financial receivables (€ -3.3 million), and a greater impact of financial expenses (€ 2.2 million in 2022, up from the previous year due to the new loans and interest rates worsening).

Fine Foods economic performance

The 2022 revenues of the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. were € 172,526,658, compared to € 178,548,663 in the previous year, with a decrease of 3.4%. The Company's turnover in the food sector, which accounts for about 68.3% of total turnover, decreased during 2022, losing 15.3% compared to previous year. This result was mainly attributable to a production decrease in markets affected by the Russian-Ukrainian conflict and a slowdown in our customers' activities in the Multilevel Marketing sector. They saw a sales drop following the recovery of the post-Covid economy.

The Pharma sector grew significantly in 2022, with an increase of 38.6% compared to 2021.

The gross operating result or EBITDA of 14,127,635 as of 31 December 2022 (18,251,386 as of 31 December 2021) was negatively affected by the factors described above in the Group's financial performance, including increases in energy costs, difficulties in obtaining raw materials and packaging and related price increases.

The operating result or EBIT showed a decrease generated by the above reduction in EBITDA, higher amortisation and depreciation.

The result for the period was impacted by the financial receivable write-down (see the Leakage section) and the securities portfolio negative performance.

Pharmatek economic performance

Pharmatek's sales revenues were € 8,896,229 as of 31 December 2022, compared to € 11,670,212 in the previous year, registering a decrease of 23.8%. This decrease was due to interrupted business relations with some large-scale retail customers, with whom the Company had realised sales of sanitising gels during the Covid 19 pandemic. There was also a hailstorm which caused extensive damage to offices and industrial buildings, resulting in a temporary halt to production.

EBITDA decreased significantly, from € 1,849,741 in the previous year to a negative € 231,781 as of 31 December 2022. The gross operating result was negatively impacted by the revenue trend as above mentioned and an increase in personnel costs, mainly attributable to the early termination of employment relationships, for which indemnities (€ 328,000) were recorded in the Income Statement.

The Pharmatek (merged by incorporation into Euro Cosmetic) 2022 Financial Statements closed with a loss for the year, due to the write-down of the "Pharmaqui" brand and non-strategic production lines.

Euro Cosmetic economic performance

Euro Cosmetic was included in the consolidation as of 01 October 2021; the figures in the consolidated Income Statement for 2021 include figures for the last quarter of 2021, while the Income Statement as of 31 December 2022 includes them in full.

A comparison of the like-for-like data (full year 2022 vs. full year 2021) showed that Euro Cosmetic 2022 turnover increased from € 20.2 million as of 31 December 2021 to € 25.4 million as of 31 December 2022. EBITDA increased (from € 1.1 million to € 1.5 million, +32%) while EBIT closed negative, although with an improvement (€ -57,000 as of 31 December 2022 vs. € -273,000 as of 31 December 2021) due to higher depreciation and amortisation for the period. The result for the period reflects the EBIT trend.

Business outlook

Despite the great uncertainty in global markets, the world economy will show a fair growth level in 2023, although lower than 2022, with a recovery expected in 2024. Strong growth can be expected in the emerging economies, led by India, and substantial resilience in Europe, China, the Middle East and the US. A full and stable restart of European and world trade will only be possible with the end of hostilities between Russia and Ukraine and restoration of normal trade relations between the US, EU and China.

Eurozone growth is at 3.5% for 2022 and is expected to be 0.8% next year. In the next two years, the European Commission expects the energy shock to be overcome and a gradual slowdown in the inflation rate. The forecast for the inflation rate in 2024 is +2.3%, close to the Central Bank's target, and +1.1% for GDP.

Although the Italian economy suffered the impact of the pandemic more than the Eurozone average, the rebound in 2021 and the first half of 2022 allowed Italy to outperform the other major European economies compared to pre-pandemic levels. After a physiological slowdown in Q3 2022, production fell slightly between Q4 2022 (-0.6%) and Q1 2023 (-0.3%). The momentum related to the gap to be closed compared to the pre-pandemic period is exhausted, while the negative effects of higher energy prices are fully manifesting. From Q2 2023, GDP dynamics should turn positive again, although to a limited extent (+0.2% on average per quarter).

OECD economists expect US economy to grow by 0.5% in 2023 (+ 1.5% in 2022), with inflation and tight financial conditions affecting spending. Inflationary pressures, driven by strong demand, supply constraints and rising raw material prices following Russia's war against Ukraine, may prove persistent, prompting further monetary tightening. Inflation in the United States may have peaked. Tightening monetary policy started earlier in the US than most other major advanced economies, inflation is expected to progress faster in bringing inflation back on target than in the Eurozone.

Economic growth in China is expected to increase to 4.4% in 2023, in line with 2022, according to the IMF. Amid increasing difficulties, growth will be supported by investments in climate transition and the advancement of infrastructure projects. Real estate investments will remain weak due to continued defaults among developers and falling price expectations. Exports will remain relatively strong as companies continue to increase their market shares.

As for the emerging economies, the Indian economy is expected to grow real GDP by 6.2% in FY2023.

Considering the results achieved in the last financial year, the Fine Foods Group is ready to meet the challenges of the current and future financial years. The goal is returning to historical growth and margin trends in the shortest possible time, compatibly with the international geo-political and macroeconomic situation.

Fine Foods sees innovation as the driving force behind its growth - an essential aspect of its competitive strategy, a value shared between company functions, and a distinctive trait among CDMO market players. A relentless search for customer satisfaction drives the company's focus on research and development, continuous innovation, quality and sustainability with a dynamic and proactive approach.

The Group will develop the business along three main lines - Pharma, Food and Cosmetics - by strengthening corporate functions' activities.

The Pharma BU is expected to significantly grow due to the multi-year agreements signed with important customers. In addition, the Fine Foods Board of Directors meeting of 30 March 2023 approved a production plant expansion.

The integration and optimisation of the Cosmetic BU processes will be completed to generate future business opportunities, helped by synergies with the other BUs. In the short term, as described above, the activities in the Cremasco region plants will be merged into the Trenzano plant to achieve synergies and economies of scale, due to the merger of the two subsidiaries, which will start producing its accounting effects from 1 January 2023.

Fine Foods will seize any opportunities for growth through external lines.

Fine Foods controls each production process phase, from the raw material suppliers selection to the care of finished product details, and will update its technology to guarantee business continuity safeguarding its customer needs.

It will optimise its fixed and variable cost structure by exploiting BUs synergies.

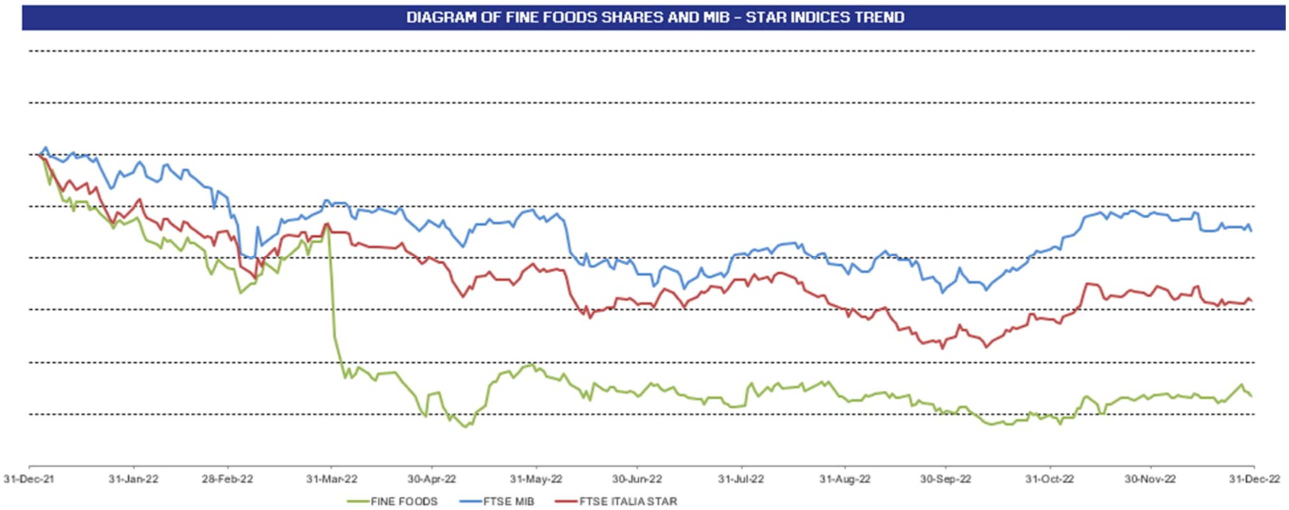
Fine Foods is recognised for its structural solidity and flexibility, professionalism, and swiftness in handling internal and external customer requests. Our business model is fuelled by focusing on human resources, the environment, product safety and health, governance and transparency. The Groups believes in a fair and sustainable future, creating long-term value for the benefit of its stakeholders and contributing to the development and well-being of the communities in which it operates. Fine Foods has been a benefit corporation since April 2021 and strives to return the value it receives.

ESG issues for Fine Foods are a structured set of activities and the Group intends to continue its sustainability programme in the future.

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

As of 30 December 2022, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. share was listed at € 8.34 per share, with a decrease of 46.5 percentage points than the listing as of 30 December 2021 (€ 15.40 per share).
Market capitalisation as of 30 December 2022 was € 213.2 million.

The diagram below shows the Fine Foods share performance compared with the leading stock market indices in the 2022 financial year:



The table below shows the main share and stock market data as of 31 December 2022.

Share and stock market data	2022 financial year
First listing price (03/01/2022)	15.60
Maximum listing price	15.60
Minimum listing price	7.40
Last listing price (30/12/2022)	8.34
No. of listed outstanding shares	22,060,125
No. of unlisted outstanding shares	3,500,000
Total capitalisation	€ 213.2 million

Market capitalisation as of 31 December 2022 was higher than the Group's shareholders' equity as of 31 December 2022.

Balance sheet and financial position

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

Thousands of Euro	31 December 2022	31 December 2021
A. Liquid assets	10,232	17,119

B. Cash or cash equivalents	-	-
C. Other current financial assets	66,513	77,971
D. Liquidity (A) + (B) + (C)	76,745	95,090
E. Current financial receivables	-	-
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	10,821	58,903
F. Current portion of non-current financial debt	29,744	10,169
G. Current financial debt (E + F)	40,565	69,072
- guaranteed	-	-
- secured by collateral	5,908	5,709
- not guaranteed	34,657	63,363
H. Net current financial debt (G - D)	(36,180)	(26,018)
I. Non-current financial debt (excluding current portion and debt instruments)	79,796	38,435
J. Debt instruments	-	3,323
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	79,796	41,758
- guaranteed	-	-
- secured by collateral	9,654	15,387
- not guaranteed	70,142	26,371
M. Total Financial Debt (H + L)	43,616	15,740

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

Working capital	31 December 2022	31 December 2021
Inventories	40,422,499	35,050,484
Trade receivables	39,347,321	29,433,391
Other current assets	8,158,442	11,976,309
Trade payables	(33,450,468)	(32,532,117)
Other current liabilities	(10,018,421)	(8,102,391)
Provisions for risks and charges / deferred taxes	(281,658)	(1,116,648)
Total working capital (A)	*44,177,716*	*34,709,029*
Fixed assets	31 December 2022	31 December 2021
Tangible fixed assets	104,162,050	102,886,510
Intangible assets and rights of use	22,851,617	24,654,016
Other receivables and non-current assets	8,133,533	3,719,434
Employee severance indemnities and other provisions	(2,419,013)	(3,010,691)
Total fixed assets (B)	*132,728,186*	*128,249,269*
Net Invested Capital (A) + (B)	*176,905,903*	*162,958,298*

Sources	31 December 2022	31 December 2021
Shareholders' equity	133,289,763	147,217,991
Net financial debt	43,616,140	15,740,307
Total Sources	*176,905,903*	*162,958,298*

Net invested capital as of 31 December 2022 was € 176.9 million (€ 162.9 million as of 31 December 2021) and was covered by:

- Shareholders' equity of € 133.3 million (€ 147.2 million as of 31 December 2021): as of 31 December 2022, it was mainly impacted by the loss for the year and the dividend distribution.
- Net financial position was negative for € 43.6 million (€ 15.7 million as of 31 December 2021); The negative change of €27.9 million was mainly due to the increase in Commercial Net Working Capital, net CAPEX made in the period of about €14.9 million, and the dividends distributed in H1 2022 (€3.9 million) following the resolution to approve the Financial Statements for the year ended 31 December 2021.

Working capital as of 31 December 2022 was € 44.2 million compared to € 34.7 million at the end of the previous financial year. This increase was due to the growth in trade receivables (from €29.4 million to €39.3 million as of 31 December 2022, which are linked to a turnover increase), and the increase in inventories (€35.1 million on the previous financial year closing date, against €40.4 million as of 31 December 2022), which increased sharply due to the unavailability of raw and packaging materials. Other current assets and liabilities showed a positive trend (from €3.9 million to €1.9 million), due to a VAT credit reduction of €5.1 million.

Tangible Fixed Assets increased by approximately €1.2 million in 2022, due to net investments of €14.5 million and depreciation for the period of €13.3 million.

Intangible fixed assets and rights of use were €22.9 million as of 31 December 2022 (€24.7 million at the end of the previous year). This decrease was mainly due to the impairment of the "Pharma QUI" brand of the subsidiary Pharmatek for €609,000.

Financial indicators

Indicator	31 December 2022	31 December 2021	Calculation Method
Capital structure margin	6,276,096	19,677,464	Shareholders' equity - Property, plant and machinery - Other intangible assets - Rights of use
Asset ratio	1.0	1.2	Shareholders' equity/(Property, plant and machinery - Other intangible assets - Rights of use)
Liquidity margin	40,216,748	26,793,230	Total current assets - Inventories - Total current liabilities
Current ratio	1.5	1.2	(Total current assets - Inventories)/Total current liabilities
DSO	69	55	(Trade receivables/Sales revenues)*365
DPO	95	100	(Trade payables/Raw material purchase cost)*365
DIO	115	108	(Inventories/Cost of Raw Materials)*365

For the calculation of the DSO, DPO and DIO indices in 2021, given the interim acquisition of Euro Cosmetic, the Balance Sheet values relating to this company have been recalculated.

Financial situation

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

Income Statement

Item	31 December 2022	%	31 December 2021	%	Absolute change	% Changes
Revenues from contracts with customers	206,852,576	100%	194,849,556	100%	12,003,020	6.2%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(128,033,375)	(61.9%)	(118,684,269)	(60.9%)	(9,349,106)	7.9%
VALUE ADDED	78,819,201	38.1%	76,165,287	39.1%	2,653,914	3.5%
Other revenues and income	1,467,151	0.7%	395,003	0.2%	1,072,148	271.4%
Costs for services	(25,190,520)	(12.2%)	(20,839,099)	(10.7%)	(4,351,421)	20.9%
Personnel costs	(38,300,569)	(18.5%)	(34,823,128)	(17.9%)	(3,477,441)	10.0%
Other operating costs	(1,386,257)	(0.7%)	(1,336,324)	(0.7%)	(49,932)	3.7%
EBITDA	15,409,006	7.4%	19,561,738	10.0%	(4,152,732)	(21.2%)
ADJUSTED EBITDA	15,737,236	7.6%	21,165,902	10.9%	(5,428,667)	(25.6%)
Amortisation, depreciation, and impairment losses	(16,420,419)	(7.9%)	(14,527,508)	(7.5%)	(1,892,911)	13.0%
EBIT	(1,011,413)	(0.5%)	5,034,230	2.6%	(6,045,643)	(120.1%)
ADJUSTED EBIT	265,459	0.1%	7,714,066	4%	(7,448,608)	(96.6%)
Financial income	59,214	0%	36,202	0%	23,012	63.6%
Financial charges	(2,246,228)	(1.1%)	(763,305)	(0.4%)	(1,482,923)	194.3%
Loss on financial receivables	(3,266,960)	(1.6%)	-	0%	(3,266,960)	N/A
Changes in fair value of financial assets and liabilities	(7,733,525)	(3.7%)	(8,897,380)	(4.6%)	1,163,855	(13.1%)
INCOME BEFORE TAXES	(14,198,912)	(6.9%)	(4,590,253)	(2.4%)	(9,608,660)	209.3%
ADJUSTED INCOME BEFORE TAXES	(12,922,041)	(6.2%)	10,826,386	5.6%	(23,748,426)	(219.4%)
Income taxes	4,697,768	2.3%	3,163,501	1.6%	1,534,267	48.5%
Profit (loss) for the financial year	(9,501,145)	(4.6%)	(1,426,751)	(0.7%)	(8,074,393)	565.9%
ADJUSTED income/(loss)	(8,580,520)	(4.1%)	10,185,380	5.2%	(18,765,900)	(184.2%)

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:

	31 December 2022	*31 December 2021*
Revenues from contracts with customers	206,852,576	194,849,556
Costs for consumption of raw materials, change in inventories of finished goods	(128,033,375)	(118,684,269)

and work in progress		
Value Added	78,819,201	76,165,287

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

	31 December 2022	*31 December 2021*
Profit/(loss) for the financial year (1)	*(9,501,145)*	*(1,426,751)*
Income taxes	4,697,768	3,163,501
Income before taxes (2)	*(14,198,912)*	*(4,590,253)*
Changes in fair value of financial assets and liabilities	7,733,525	8,897,380
Loss on financial receivables	3,266,960	-
Financial charges	2,246,228	763,305
Financial income	(59,214)	(36,202)
EBIT (3)	*(1,011,413)*	*5,034,230*
Amortisation	16,420,419	14,527,508
EBITDA (4)	*15,409,006*	*19,561,738*

Extraordinary and non-recurring items that have been adjusted during the period ended 31 December 2022 and 31 December 2021 are shown in the table below. For further details, please refer to what is reported below.

	31 December 2022	*31 December 2021*
Translisting and M&A costs	-	1,604,164
Non-recurring income and charges attributable to Pharmatek	328,230	-
Total non-recurring income and charges (5)	*328,230*	*1,604,164*

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)	*15,737,236*	*21,165,902*
Trademark and non-strategic assets write-downs (6)	*948,642*	*1,075,672*
ADJ EBIT (3) + (5) + (6)	*265,459*	*7,714,066*
Income before taxes	*(14,198,912)*	*(4,590,253)*
Change in FV Warrant	-	12,736,802
Non-recurring income and charges (5)	328,230	1,604,164
Trademark impairment (6)	948,642	1,075,672
ADJ Income before taxes	*(12,922,041)*	*10,826,386*
Income taxes	4,697,768	3,163,501
tax effect on non-recurring income and charges	(356,247)	*(3,804,507)*
ADJ income/(loss)	*(8,580,520)*	*10,185,380*

Before commenting on the Group's financial performance, the consolidation for the year ended 31 December 2021 included the Parent Company, and the subsidiaries Pharmatek, consolidated as of 1 January 2021, and Euro Cosmetic, as of 1 October 2021.

Revenues from sales and services increased from € 195 million as of 31 December 2021 to € 207 million as of 31 December 2022, with an increase of 6.2%, despite the international economic and geopolitical situation. This growth was also attributable to the acquisition of Euro Cosmetic in the last quarter of 2021 which resulted in revenues of € 25,443,714 in 2022 (compared to € 20,244,333 as of 31 December 2021). The Pharma and Cosmetic BUs revenues offset the drop in turnover of the Food BU.

Raw material costs on sales revenues, of approximately 61.9%, increased compared to the end of the previous year (60.9%).

Cost of Services increased by € 4.4 million from € 20.8 million as of 31 December 2021 to € 25.2 million at year-end 2022. This was mainly due to the increase in the cost of electricity and natural gas, which strongly impacted the Income Statement (+€ 3.9 million; impact on turnover from 1.3% to 3.1%).

Personnel Costs were € 38.3 million, with an increase of € 3.5 million compared to the same period in FY2021, attributable to the organisational structure strengthening, particularly indirect personnel and charges incurred in the subsidiary Pharmatek for the indemnities paid to some employees for employment early termination.

As of 31 December 2022, Group's EBITDA was € 15.4 million (7.4% Ebitda Margin), down from € 19.6 million in the previous year (10% Ebitda Margin). This reduction was due to the economic situation, resulting in production chain inefficiencies (primarily related to procurement and price increase of raw materials) and a significant increase in energy costs (which impacted the EBITDA margin reduction by approximately 2%).

EBIT was negative for € (1) million compared to € 5 million as of 31 December 2021. The EBIT decrease reflected the EBITDA reduction, increase in depreciation and amortisation for the period and asset write-downs occurred during the reporting period in the Pharmatek Financial Statements.

Income Before Taxes as of 31 December 2022 was negative for € (14.2) million compared to € (4.6) million in the previous year. This loss was almost entirely attributable to the negative result of financial operations: financial charges for € 2.2 million (up from the previous year due to the new loans and interest rates worsening), negative change in Fair Value of the Parent Company's asset securities management for € 7.7 million in 2022, and a loss on financial receivables for € 3.3 million. Despite the negative fair value of the securities management in FY2022, the overall management showed a positive performance of about €4 million as of 31 December 2022;

During 2021, non-recurring charges related to the Company's admission and translisting to the STAR segment, and non-recurring charges for the acquisitions made during the year for a total of € 1.6 million were incurred.

Non-recurring charges incurred in 2022 and were attributable to the subsidiary for the early termination of employment relationships for which indemnities were recorded in the Income Statement.

Adjusted EBITDA was € 15.7 million, down from € 21.2 million in the previous year. The revenue percentage increased from 10.9% as of 31 December 2021 to 7.6% as of 31 December 2022.

Asset write-downs recorded in 2022 and 2021 in the Pharmatek Financial Statements of € 0.9 million and €1.1 million respectively were accounted as non-recurring charges on EBIT.

The Income Before Taxes for 2021 was negatively impacted by the change in the fair value of (listed and unlisted) warrants for € 12.7 million.

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 investments, resource allocations 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 consolidated interim 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 tangible 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 companies or comparable to them.
- The ADJUSTED EBITDA is the operating result 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 ADJUSTED EBIT is the Company operating result 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 *ADJUSTED INCOME BEFORE TAX* is the Company income before taxes 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 ADJUSTED NET INCOME is the Company net result 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 Group

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

Liquidity risk

The Group monitors the liquidity shortage risk using a liquidity planning tool. The Group'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 Group's policy is to keep loan numbers due in the next 12 months around 60%. As of 31 December 2022, 34% of the Group's debt is due in less than one year (2021: 62.30%), calculated based on the book value of debts in the Consolidated Financial Statements. The Group has assessed the risk concentration with reference to 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 Group's due date profile of financial liabilities based on undiscounted contractually agreed payments.

31 December 2022	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	3,323,051	3,323,051		
Non-current bank borrowings	77,573,797		69,495,416	8,078,381
Current bank borrowings	36,590,346	36,590,346		
Non-current lease payables	2,222,216		1,986,323	235,893
Current lease payables	651,576	651,576		
Total financial liabilities	120,360,986	40,564,973	71,481,739	8,314,274

31 December 2021	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	6,633,052	3,310,176	3,322,876	-
Non-current bank borrowings	35,298,177	-	33,075,409	2,222,768
Current bank borrowings	64,986,862	64,986,862	-	-
Non-current lease payables	3,137,292	-	2,696,739	440,552
Current lease payables	774,991	774,991	-	-
Total financial liabilities	110,830,374	69,072,029	39,095,024	2,663,320

Interest rate risk

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

• Cash Flow Risk: this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)

• Fair Value Risk: this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Group is assessing instruments to hedge the interest rate variability on the Intesa 70 million loan. Considering the EURIBOR increase recorded between 2022 and 2023, Management does not exclude a renegotiation of the covenants.

Risks related to the COVID-19 virus (Coronavirus)

In 2020 and 2021, due to the COVID-19 pandemic and the consequent restrictive measures imposed by Italian and international legislation, the Group suffered a slowdown in the growth process of volumes sold and turnover in the Italian markets. The pandemic-related effects lasted until the end of FY2021, while no measurable effect occurred in 2022. The current pandemic management and control level is such that no measurable negative effects are expected in 2023. Any worsening in autumn of such circumstances could have significant adverse effects on the Group's economic, capital and financial situation.

To mitigate this risk, the Group set up a Covid Emergency Management Crisis Unit comprising the employer, its health, safety and environment delegates, Supply Chain Director, Engineering Director, Prevention and Protection Service Manager, HR Director, occupational physician and trade union representatives. This Unit transposes the new Covid decrees and ordinances and assesses their applicability and operational actions. Until December 2020, the Unit met monthly, from January 2023 the meetings will take place as needed.

The Group has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

Risks related to the concentration of revenues on major customers

The Group has a significant concentration of revenues on its main customers, amounting to approximately 58.1% on the top five customers as of 31 December 2022. The loss of one or more of these relationships would have a significant impact on Group revenues. Most of the contracts with the Group's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenues generated by the Group in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic and financial situation.

The Group mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, through commercial activities for acquiring new customers and M&A for identifying and acquiring target companies. This took place in 2021 with the acquisition of two companies (Pharmatek and Euro Cosmetic).

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 Group, 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 Group 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 Group'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 Group companies are 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 companies economic and financial situation.

The Group 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 Group 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 Group 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 companies 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 Group. This might result in negative consequences on its economic and financial situation.

Risks related to supplier relationships: shortages of raw and packaging materials

The Group risks increased costs for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with potential adverse effects on the Group's business, economic, capital and financial position. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

To mitigate these risks, Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Group maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

Energy cost risk

The Group risks significant increases in energy costs. In 2022, these costs increased more than 600%, impacting Fine Foods' Income Statement by about 3% of revenues compared to an average of 1% in previous years. However, the outlook for 2023 sees energy price volatility significantly downgraded. The supply of energy available for the European market and domestic energy stocks are the reasons why the estimated negative impacts on the Group's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

To mitigate this risk, the Group employed an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements (approx. 1% of the total energy demand).

Risks related to the Russian-Ukrainian conflict

The Group faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend in 2022, the risk is to be considered zero for this BU. The Food BU situation for 2023 remains uncertain and potentially capable of generating negative effects on the Group's economic, financial and capital position, although reduced compared to the impact estimated for 2022.

The Group's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

Manufacturer's liability risks

The Group faces risks related to products manufactured with a quality that does not comply with the customer's specifications which could have side effects, or undesired and unexpected effects, on consumers' health. This could expose the Group to possible liability action or claims for compensation, with potentially adverse effects on the Group's economic and financial position.

The Group's risk mitigating actions consist of a robust quality system and several certifications that ensure compliance with good manufacturing standards, while finished products and raw materials are scrupulously analysed to certify their compliance with release specifications.

The company has an international food alert and fraud monitoring system.

The Group stipulated a policy with a leading insurance company with a limit of € 5 million per event.

A further risk mitigating action is included in the Business Continuity Plan and concerns the continuous training of personnel involved in the product manufacturing process.

Risks related to production authorisations

The Group faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic and financial position.

During the many audits conducted by customers and authorities, the Group has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Group has a procedure for promptly handling any observations or deviations identified by the authorities.

Risks related to environmental, occupational health and safety regulations

The Group is exposed to the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Group's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the Group's economic and financial position.

To address these risks, the Group has a robust system for managing worker health and safety standards and environmental protection of the areas where the Group operates. The Group has ISO45001:2018 (S&SL) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

Risks related to the breach of the information system

The Group faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Group's economic and financial position.

The Group implements security procedures and policies to ensure proper IT systems management, and has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The Group has a disaster recovery plan to ensure the reliability of its IT systems. The Group's IT systems comply with the General Data Protection Regulation. The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

Risks related to human capital management

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Group operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Group to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Group's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models, implementing policies to enhance diversity, manage, promote and retain talent and skilled people. The Group invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. Ad hoc courses are planned to fill any skill gaps. Various communication channels between employees and management are in place, and meetings for sharing the Group's achieved objectives are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible working hours and working methods are implemented to improve personnel's work-life balance.

Risks related to climate change

As a result of climate change, the Group faces possible operational shutdowns due to extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Group's Income Statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures introducing carbon taxes.

To address this risk, a strategy to reduce carbon emissions is in place. The hierarchy of decarbonisation plan solutions in Fine Foods' strategy is as follows: installation of renewable energy plants, process and plant efficiency to reduce energy consumption and CO_2 emissions, purchase of green energy from the grid and supply chain engagement.

The Group employed an energy manager who oversees the implementation of measures to increase production sites' energy efficiency. Three Group plants have photovoltaic systems, totalling 850 Kw. This avoided more than 170 Tons of CO_2 emissions in 2022.

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:

- The Group maintains consolidated and continuous relationships with approximately 276 customers;
- The Group can count on 157 production lines located in the various plants;
- The Group produces approximately 2,700 Stock-Keeping Units (SKUs);
- The Group employs approximately 750 people.

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 June 2022, the Parent Company underwent an environmental recertification audit under the UNI EN ISO 14001:2015 standard, which certifies the presence of a management system to prevent air and water environmental issues.

The next maintenance visit is planned for 12, 13 and 14 April 2023.

A management system illustrates how to intervene if harmful events occur.

During the year, there were no events that caused damage to the environment for which the Group companies were found guilty, nor were sanctions or penalties imposed for environmental crimes or damages.

To protect the environment and follow the provisions of current legislation, Group companies give all the types of waste that are generated by the Zingonia - Verdellino, Brembate, Trenzano and Cremosano sites to authorised third parties.

Work Risk Assessment Document

Under Legislative Decree no. 81 of 09/04/2008 and Legislative Decree no. 106/09 and subsequent amendments, which contain reference standards for workplace health and safety, the Parent Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised on 01 June 2022, version no. 17.

The Pharmatek Risk Assessment Document (DVR) was updated on 30 June 2022 in version 02.

The first version of the Euro Cosmetic Risk Assessment Document was filed at the Company's registered office and revised on 18 May 2022 in edition no. 26.

Due to the merger by incorporation of Pharmatek into Euro Cosmetic and the acquisition of data emerging from the surveys carried out in the workplace, the Risk Assessment Document (DVR) is currently being updated.

In June 2022, the Parent Company underwent the annual audit for the ISO 45001:2018 certification, 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 first half of 2022, no accidents occurred at Fine Foods involving serious injuries to personnel enrolled in the employee register for which no company liability was ascertained.

Three occupational illness complaints were filed in May, July and December 2022.

The July 2022 complaint was not recognised by INAIL and, as a result, the Parent Company was not found liable.

The Parent Company is still waiting for a reply from INAIL for the complaints of May and December 2022.

As for Pharmatek and Euro Cosmetic, 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. There are no cases of occupational disease.

During the 2022 financial year, Fine Foods' Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. They based their 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 Group situation and management performance, some information relating to personnel management is provided.

Attention was paid to personnel's professional growth. 2022, 3274 training courses and seminars were held, for all levels, making 10,444 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	1,023	4,399
BREMBATE	2,204	4,715
Pharmatek (Cremosano)	6	90
Euro Cosmetic (Trenzano)	41	1240
TOTAL	3,274	10,444

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 is active in the contract manufacturing and development of oral solid forms for the pharmaceutical and nutraceutical industries. Through its subsidiaries Pharmatek PMC S.r.l. And euro Cosmetic S.p.A., the Group manufactures and develops, including on its own behalf, medical-surgical aids, disinfectant and hygienic products, and cosmetics.

Research and development come from a structured cooperation with customers aimed at providing them with new formulations for their products, ensuring 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 2022, the Parent Company distributed a profit of € 0.16 per share to the holding company Eigenfin S.r.l. as per the shareholders' resolution approving the 2021 Financial Statements.

During 2022, the Parent Company did not have any significant financial or commercial transactions with the Pharmatek PMC S.r.l. and Euro Cosmetic S.p.A. subsidiaries.

Related Party Relationships

On 30 March 2022, the Parent Company's Board of Directors updated the 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. Considering the new Fine Foods Group corporate structure after the acquisition of the Euro Cosmetic S.p.A. shareholding, it was appropriate to draft an amendment to the definition of "Transactions of Negligible Amount" and further formal amendments were made for a better understanding of the Procedure. This procedure is available on the Company's website (https://www.finefoods.it/).

During FY2022, transactions between the Company and related parties identified under the provisions of international accounting standard IAS 24 included the remuneration of Directors, established under applicable regulations, based on assessments of mutual interest and economic benefit.

Treasury shares buyback programme

On 13 May 2022, the Parent 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 10 May 2022 Shareholders' Meeting.

The Programme will last 18 months after the 10 May 2022 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.

The table below summarises the situation regarding treasury shares as of 31/12/2022:

	Number	Fees Euro
Initial balance	1,305,931	15,939,707
Purchased shares	101,316	870,796
Shares allocated free of charge	(385,000)	(3,130,050)
Shares sold		
Shares cancelled due to excess capital		
Shares cancelled to cover losses		
Final balance	1,022,247	13,680,453

As of 30 March 2023, Fine Foods & Pharmaceuticals N.T.M. S.p.A. holds a total of 1,033,043 treasury shares equal to 4.0416% of the share capital. The change compared to 31 December 2022 derives from the purchases made from 1 January to 30 March equal to 10,796 shares.

Under at. 2357-ter of the Civil Code, the purchase of treasury shares involved booking a "Negative reserve for treasury shares in portfolio" under liabilities in the consolidated interim Financial Statements. 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 Article 2357 of the Civil Code.

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

Events following the end of the financial year

No significant events occurred after the end of the financial year.

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.

Consolidated Non-Financial Statement

The 2021 Consolidated Non-Financial Statement prepared under Legislative Decree no. 254/2016 is contained in a separate report from the Report on Operations.

Verdellino, 30 March 2023

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), Italy
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

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 December 2022

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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Consolidated Income Statement

	Notes	Year ended 31 December 2022	2021
Revenues and income			
Revenues from contracts with customers	*2.1*	206,852,576	194,849,556
Other revenues and income	*2.2*	1,467,151	395,003
Total revenues		208,319,727	195,244,559
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	*2.3*	128,033,375	118,684,269
Personnel costs	*2.4*	38,300,569	34,823,128
Costs for services	*2.5*	25,190,520	20,839,099
Other operating costs	*2.6*	1,386,257	1,336,324
Amortisation, depreciation, and impairment losses	*2.7*	16,420,419	14,527,508
Total operating costs		209,331,140	190,210,329
Operating result		(1,011,413)	5,034,230
Changes in fair value of financial assets and liabilities	*2.8*	(7,733,525)	(8,897,380)
Loss on financial receivables	*2.9*	(3,266,960)	-
Financial income	*2.10*	59,214	36,202
Financial charges	*2.11*	(2,246,228)	(763,305)
Income before taxes		(14,198,912)	(4,590,253)
Income taxes	*2.12*	4,697,768	3,163,501
Profit/(loss) for the financial year		(9,501,145)	(1,426,751)
Earnings/(loss) per share			
▸ Basic – profit for the year attributable to the Company ordinary shareholders	*2.13*	(0.37)	(0.06)
▸ Diluted – profit for the year attributable to the Company ordinary shareholders	*2.13*	(0.37)	(0.06)

Consolidated comprehensive Income Statement

	Notes	2022	2021
Profit /(loss) for the financial year (A)		(9,501,145)	(1,426,751)
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		364,734	(12,277)
Tax effect		(87,536)	2,946
Other comprehensive income (B) components		277,198	(9,330)
Comprehensive profit/(loss) (A+B)		(9,223,947)	(1,436,081)

Consolidated statement of financial position

(amounts in € units)	Notes	As of 31 December 2022	As of 31 December 2021
Assets			
Non-current assets			
Property, plant and machinery	3.1	104,162,050	102,886,510
Goodwill	3.2	15,907,954	15,907,954
Other intangible fixed assets	3.3	1,780,551	2,337,675
Rights of use	3.4	5,163,111	6,408,388
Other non-current assets	3.5	820,871	237,333
Deferred tax assets	3.6	7,312,662	3,482,100
Total non-current assets		135,147,200	131,259,960
Current assets			
Inventories	3.8	40,422,499	35,050,484
Trade receivables	3.9	39,347,321	29,433,391
Tax receivables	3.10	2,268,044	2,421,853
Other current assets	3.11	5,890,398	9,554,455
Current financial assets	3.12	66,512,584	77,971,110
Cash and other liquid assets	3.13	10,232,262	17,118,957
Total current assets		164,673,109	171,550,251
Total assets		299,820,309	302,810,211
Shareholders' equity			
Share Capital	4.1	22,770,445	22,770,445
Other reserves	4.1	126,461,456	132,615,098
Employee benefit reserve	4.1	206,186	(71,012)
FTA reserve	4.1	(6,669,789)	(6,669,789)
Profits carried forward	4.1	22,610	-
Profit/(loss) for the financial year	4.1	(9,501,145)	(1,426,751)
Total Shareholders' equity		133,289,763	147,217,991
Non-current liabilities			
Bonds	4.2	-	3,322,876
Non-current bank borrowings	4.3	77,573,797	35,298,177
Employee benefits	4.5	2,419,013	3,010,691
Provision for risks and charges	4.6	41,105	35,489
Provision for deferred taxes	3.7	240,553	1,081,159
Non-current lease payables	3.4	2,222,216	3,137,292
Total non-current liabilities		82,496,684	45,885,684
Current liabilities			
Bonds	4.2	3,323,051	3,310,176
Current bank borrowings	4.4	36,590,346	64,986,862
Trade payables	4.7	33,450,468	32,532,117
Taxes payable	4.8	-	5,536
Current lease payables	3.3	651,576	774,991
Other current liabilities	4.9	10,018,421	8,096,854
Total current liabilities		84,033,862	109,706,537
Total Shareholders' equity and Liabilities		299,820,309	302,810,211

Consolidated cash flow statement

		Year ended 31 December	
(amounts in € units)	Notes	2022	2021
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(9,501,145)	(1,426,751)
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	2.7	13,267,935	11,803,980
Amortisation and impairment of intangible fixed assets	2.7	905,136	961,416
Amortisation of rights of use	2.7	1,298,706	635,684
Other write-downs of fixed assets	2.7	948,642	1,089,827
Impairment of financial receivables	2.9	3,266,960	-
Financial income	2.10	(40,528)	(36,202)
Financial charges	2.11	2,179,317	745,520
Changes in fair value of financial assets and liabilities	2.8	7,733,525	8,897,380
Financial charges on financial liabilities for leases	3.3	66,911	17,785
Income taxes	2.12	68,715	(1,301,460)
Personnel costs for stock grants	2.4	-	1,058,445
Gains on the disposal of property, plant and machinery	2.2	(64,906)	(74,899)
Current assets write-downs	3.8,3.9	726,198	1,067,378
Net change in severance indemnity and pension funds	4.6	(278,278)	(78,497)
Net change in provisions for risks and charges	4.7	39,000	-
Net change in deferred tax assets and liabilities	3.6,3.7	(4,758,703)	(1,880,025)
Interest paid	2.10	(2,156,964)	(712,535)
Income taxes paid	2.11	-	(5,220,015)
Changes in net working capital:			
(Increase)/decrease in inventories	3.8	(5,944,094)	(9,992,403)
(Increase)/decrease in trade receivables	3.9	(10,064,999)	(7,927,964)
(Increase)/decrease in other non-financial assets and liabilities		5,078,594	(5,944,081)
Disposal of assets held for sale		-	495,000
Increase/(decrease) in trade payables	4.7	918,351	1,995,703
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,688,374	(5,826,715)
Investments:			
Investments in tangible fixed assets	3.1	(15,026,843)	(14,849,438)
Disposal of tangible fixed assets	3.1	209,017	239,717
Investments in intangible fixed assets	3.3	(957,395)	(1,070,725)
Net (investments)/disposals in financial assets	3.12	460,635	4,419,883
Pharmatek and Euro Cosmetic acquisition	3.2	-	(18,353,280)
Other financial receivables	3.12	-	(6,733,936)
NET CASH FLOWS FROM INVESTMENTS		(15,314,586)	(36,347,779)
Financing:			
New financing	4.3,4.4	72,744,341	90,066,513
Funding repayment and bonds	4.2,4.3,4.4	(62,175,238)	(12,313,170)
Principal payments - lease liabilities	3.3	(1,091,921)	(520,326)
Minority share acquisitions	3.2	-	(11,064,496)
Dividends paid to the Parent Company's shareholders	4.1	(3,866,869)	(3,205,727)
Increase/(decrease) in capital	4.1	-	168,560

Sale/(purchase) of treasury shares	4.1	(870,796)	(7,180,420)
CASH FLOWS FROM FINANCING		4,739,517	55,950,934
NET CHANGE IN CASH AND CASH EQUIVALENTS		(6,886,695)	13,776,440
Cash and short-term deposits as of 1 January		17,118,957	3,342,518
Cash and short-term deposits as of 31 December		10,232,262	17,118,957

Consolidated 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 31 December 2020	*4.1*	22,601,885	5,000,000	(8,759,287)	29,741,389	86,743,750	9,398,219	1,723,375	(9,883,868)	(61,681)	(8,859,849)	13,364,228	141,008,161
Profit/(loss) for the financial year												(1,426,751)	(1,426,751)
Other income statement components										(9,330)			(9,330)
Comprehensive profit/(loss)										(9,330)		(1,426,751)	(1,436,081)
Dividends							(3,205,727)						(3,205,727)
Stock Grant								1,058,445					1,058,445
Purchase of treasury shares				(7,180,420)									(7,180,420)
Warrant exercise		168,560						11,660,019	3,214,079		8,859,849		23,902,506
Consolidation difference of Euro Cosmetic minority shares								(6,928,892)					(6,928,892)
2020 profit allocation							13,364,228					(13,364,228)	-
Balance as of 31 December 2021	*4.1*	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												(9,501,145)	(9,501,145)
Other income statement components										277,198			277,198
Comprehensive profit/(loss)										277,198		(9,501,145)	(9,223,947)
Dividends							(3,866,869)						(3,866,869)
IRS derivatives provision								33,384					33,384
Stock Grant				3,130,050				(3,130,050)					-
Purchase of treasury shares				(870,796)									(870,796)
2021 profit allocation							(1,449,361)				22,610	1,426,751	-
Balance as of 31 December 2022		22,770,445	5,000,000	(13,680,454)	29,741,389	86,743,750	14,240,490	4,416,281	(6,669,789)	206,186	22,610	(9,501,145)	133,289,763

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

1. Corporate information

Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2022 Consolidated Financial Statements were authorised by the Board of Directors on 30 March 2023.

The acquisition of the subsidiaries Pharmatek PMC S.r.l. in January 2021 and Euro Cosmetic S.p.A. in October 2021, as detailed below, imposes the preparation of the Consolidated Financial Statements and consolidated interim Financial Reports.

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

- Income statement and balance sheet figures as of 31 December 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 December 2021 includes the values of the parent company Fine Foods and the subsidiary Pharmatek while the subsidiary Euro Cosmetic's figures start from 1 October 2021.

The Parent Company Fine Foods & Pharmaceutical 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) in Italia. The Company, listed on the STAR segment of the MTA of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO). It develops and manufactures contract products for the pharmaceutical and nutraceutical industries. Fine Foods Group is also active in the cosmetics, biocides and medical devices industries with its acquisition of Pharmatek-PMC S.r.l. and the most recent Euro Cosmetic S.p.A. acquisition.

Founded in 1984, from a pharmaceutical and nutraceutical synergy, Fine Foods has been pursuing quality and innovation on behalf of its customers as its primary objective. With € 207 million revenue in 2022 and more than a ten per cent CAGR over the last decade, Fine Foods is a growing and future-oriented company. The sustainability of the business model and the holistic approach to ESG, together with product innovation, are drivers that will allow the Group to fully develop its intrinsic potential.

These Financial Statements have been drawn up in Euro.

The accompanying financial statements of Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

1.1 Significant events for the period

Merger by incorporation of "PHARMATEK PMC S.R.L." into "EURO COSMETIC S.P.A"

By a 13 October 2022 resolution, the Shareholders' Meetings approved the planned Merger by incorporation of "PHARMATEK PMC S.R.L." into "EURO COSMETIC S.P.A." The proposed merger was implemented using a simplified procedure under Art. 2505 of the Italian Civil Code.

On 27 December 2022, the merger deed of Pharmatek PMC S.r.l. into Euro Cosmetic S.p.A. was signed. The merger will produce its legal, accounting and tax effects as of 1 January 2023.

As a result of the merger, Pharmatek's business will be transferred to the Euro Cosmetic-owned facilities located in Trenzano (BS) by 31 December 2023.

As a result of this transaction, Pharmatek directors recorded the changed assumptions and outlook when preparing the 31 December 2022 Financial Statements. These changes involved:

- Provisions for third-party assets restoration costs, and for agreed severance payments for employees who will not accept the relocation.
- Writing-off the net book value of leasehold improvements as of 31/12/2023 with a consequent increase in depreciation for FY2022.

• Write-down of the production lines that will not be transferred to Trenzano (possible scrapping or sale at a price lower than the net book value).

INTESA loan 70 million

On 25 February 2022, Intesa Sanpaolo and Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods") have signed a € 70 million financing deal to support growth and development projects. Intesa Sanpaolo acted as the loan’s sole financial arranger. The € 70 million seven-year loan will partly reorganise financial debt by replacing short-term credit lines with medium-long term debt. It will open the door to Fine Foods’ further growth-by-acquisition plans. The loan provides for financial covenants based on the following indicators to be calculated on the Consolidated Financial Statements:

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

Euro Cosmetic Acquisition - Leakage Receivable

As disclosed in the Financial Statements for the year ended 31 December 2021, Fine Foods notified Euro Cosmetic's former shareholders (MD and Findea) of its Leakage Reimbursement Request on 29 December 2021, under the "Locked Box" Agreement, for € 6,733,938.

The main leakage in the contract was due to:

• any distribution of dividends, whether in cash or in kind or other forms of distribution of capital, profits or reserves resolved, paid or made, capital reductions, the redemption of shareholdings or purchase of shareholdings, any redemption of financial instruments;

• any payment made in favour of Company Related Parties, Sellers or Seller Related Parties or Seller and Company governing bodies’ members;

• any investment in fixed assets (tangible or intangible) or disposal of assets for more than € 10,000 (ten thousand);

• any agreement or undertaking (including by modifying the existing contracts’ terms and conditions) to carry out any of the foregoing.

Fine Foods Directors requested a leading independent consulting firm to identify and assess the Leakage that occurred during the reference period and the related amount to be requested from the Sellers as Leakage reimbursement. This confirmed the value of € 6,733,938 On 31 December 2021, the directors obtained a legal opinion on the contract’s correct interpretation and the independent consultant considered it reasonable to believe that the Leakage Reimbursement Request was made by the Company under contractual terms.

Fine Foods' notice was acknowledged and contested by the Sellers and, under the Contract, the matter was referred to an arbitrator (the "Expert"), appointed at the Company's request on 16 March 2022 by the Arbitration Board of the Milan Chamber of Arbitration. During the arbitration, the parties filed notes and documents and meetings were held with legal counsel before the Arbitrator. On 2 September 2022, the Company and Sellers filed their final notes and a further meeting was held on 6 September 2022.

In October 2022, Fine Foods received the Expert's Report on the Leakage Reimbursement Request against the former Euro Cosmetic’s shareholders. Based on this Report, Fine Foods was granted a reimbursement of € 3,466,976 for purchase price adjustment - out of € 6,733,938 million originally requested. The Company has recorded € 3,266,960 write-down of receivables in financial charges. The Expert did not deem this portion of the receivable admissible, even if, in their opinion, a Contract literal interpretation suggests that the Leakage reimbursement request should have been entirely granted to the acquiring party.

Subsequently, Fine Foods requested the Sellers to pay the amount defined by the Expert. Since the Sellers failed to do so, and the conditions were met, the Company applied for and obtained a Court of Milan order for the payment of its claim. The petition and payment order were served on the Sellers on 17 February 2023. The Sellers opposed, contesting the debt by the 29 March 2023 deadline. Proceedings on the merits will be opened and the Court will establish the existence and amount of Fine Foods' claim. At the first hearing (which is likely to take place after the holiday period but before the end of the current year), the Company will apply for the provisional enforcement of the opposed payment order.

The Directors mandated the consulting firm PWC to carry out Corporate Intelligence - Reputational Due Diligence for the Sellers (MD and Findea) to identify solvency and payment risks.

Following these analyses, the consultant concluded that, based on the latest Seller's available data, there were no elements that could compromise the companies' solvency in paying the debt to Fine Foods. As provided in Article 12 of the Agreement "(...) Sellers are jointly and severally liable for all obligations and commitments undertaken under this Agreement").

1.2 Current international crisis impact

The 2022 turnover was impacted by the ongoing conflict between Russia and Ukraine due to a decline in product sales. This reduction involves products bought by Fine Foods customers for subsequent resale to crisis-affected countries in Eastern Europe. However, there are no business partners whose headquarters are in an at-risk area.

Except for the previous paragraph, the Directors do not believe that the current economic contingency will significantly affect the sales volumes expected in 2023.

The 2022 margins were affected by the continuing increase in energy costs, shortages in the supply of materials and an increase in their prices.

1.3 Going concern

These Financial Statements have been prepared on a going concern basis. Considering the company's balance sheet and financial structure and future profitability prospects, the directors consider this assumption appropriate.

1.4 Form and content of the 31 December 2022 Consolidated Financial Statements

1.4.1 Principles followed when preparing the Financial Statements

The 31 December 2022 Consolidated Financial Statements 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".

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 1.7 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.

1.4.3 Consolidation standards

The Consolidated Financial Statements include the 31 December 2022 Financial Statements of Fine Foods N.T.M. S.p.A. and its subsidiaries.

Control happens when the Group is exposed or entitled to variable returns, arising from its relationship with the investee while affecting those returns by exercising its power over it. The Group controls a subsidiary when:

- it has power over the investee (i.e. it has valid rights that give it the ability to direct the relevant activities of the investee);
- it has the exposure or rights to variable returns arising from the relationship with the investee;
- it has the ability to exercise power over the investee to affect its returns.

There is a presumption that a majority of the voting power involves control. To support this presumption and when the Group holds less than a majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights resulting from contractual arrangements;
- Group voting rights and potential voting rights.

The Group reconsiders whether it has control of a subsidiary if facts and circumstances indicate that there have been changes in one or more of those three elements relevant to the definition of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and expenses of the subsidiary acquired or disposed of during the period are included in the Consolidated Financial Statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

Profit (loss) for the year and other Comprehensive Income Statement components are allocated to the shareholders of the parent and non-controlling interests, even if this results in the non-controlling interests having a negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. Intragroup assets and liabilities, equity, revenues, expenses and cash flows relating to transactions between Group entities are cancelled on consolidation.

Changes in shareholding in a subsidiary that do not result in a loss of control are recorded in Shareholder's equity.

If the Group loses control of a subsidiary, it must cancel the related assets (including goodwill), liabilities, non-controlling interests and other components of Shareholder's equity, while any gain or loss is recorded in the Income Statement. Any retained shareholding shall be recorded at fair value.

1.4.4 Consolidation area

Under Articles 38 and 39 of Legislative Decree 127/91 and Article 126 of Consob resolution no. 11971 of 14 May 1999, amended by resolution no. 12475 of 6 April 2000, details of the companies included in the consolidation area of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as of 31 December 2022 are provided below.

Parent company:

Company name	Registered office	Currency	Share Capital
Fine Foods & Pharmaceuticals N.T.M. S.p.A.	Verdellino (BG)	EUR	22,770,445.02

Consolidated subsidiaries:

Company name	Ownership percentage	Registered office	Currency	Share Capital
Pharmatek PMC S.R.L.	100%	Cremosano (CR)	EUR	110,000
Euro Cosmetic S.p.A.	100%	Trenzano (BS)	EUR	1,582,968

The ultimate Parent Company of Fine Foods & Pharmaceuticals N.T.M. S.p.A. Is Eigenfin S.r.l., an unlisted company based in Italy.

1.4.5 Current/non-current classification

Assets and liabilities in the Group'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 liability contractual terms that could result in its settlement, at the option of the counterparty, through the issue of equity instruments do not affect its classification.

The Group classifies other liabilities as non-current.

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

1.5 Summary of significant accounting policies

1.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the minority shareholding in the acquired Company. For each business combination, the Group determines whether to measure the minority shareholding in the acquired Company at fair value or in proportion to the minority shareholding's share of the acquired Company's identifiable net assets. The acquisition costs are charged in the period and classified as administrative expenses. The Group determines that it has acquired a business when the integrated set of assets includes at least one production factor and one substantial process that contribute significantly to the ability to generate an output. The acquired process is considered material if it is critical to the ability to continue to generate an output and the received production factors include an organised workforce that has the necessary skills, knowledge or experience to perform that process or contributes significantly to the ability to create an output. This is considered unique or scarce or cannot be replaced without high cost, effort or delay to the ability to create an output. When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed under contractual terms, financial conditions and other relevant terms valid at the acquisition date. This includes testing whether an embedded derivative should be separated from the primary contract. The acquirer records any contingent consideration at fair value at the acquisition date. Contingent consideration classified as an asset is not remeasured and its subsequent payment is accounted with a balancing entry under equity. The change in fair value of contingent consideration classified as an asset or liability shall be recorded in Income Statement as a financial instrument within the IFRS 9 "Financial Instruments" scope. Contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the Financial Statements date and changes in fair value are recorded in the Income Statement. Goodwill is initially recorded at cost represented by the excess of all consideration paid and the amount recorded for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. if the fair value of the net assets acquired exceeds the amount paid, the Group reassesses whether it has correctly identified all assets acquired and liabilities assumed and reviews the procedures used to determine the amounts to be recorded at the acquisition date. If the reassessment still results in a fair value of the net assets acquired higher than the amount paid, the difference (gain) is recorded in the income statement. After the initial recording, goodwill is assessed at cost net of accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is allocated from the acquisition date to each Group cash-generating unit that is expected to benefit from the combination synergies, regardless of whether other assets or liabilities of the acquired entity are assigned to those units. If goodwill has been allocated to a cash-generating unit and the entity disposes of part of that unit's operations, any goodwill associated with it is carried over when determining the gain or loss on disposal. Goodwill associated with the discontinued operation is determined based on the relative values of the discontinued operation, and the portion of the cash-generating unit retained.

When performing what above, the directors use complex assumptions and estimates which are subject to their judgement. The main assumptions underlying this concern:

- allocation of assets and liabilities book values to individual CGUs,
- forecasting future cash flows, for the explicit period of the Group's business,
- defining normalised cash flows underlying the estimate of the final value, and
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

1.5.2 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as property investments, 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 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 Group. 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 Group 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.

For assets and liabilities recorded in the Financial Statements at fair value on a recurring basis, the Group 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.

The Group Finance Department determines the criteria and procedures for recurring fair value measurements, such as property investments and equity instruments in unlisted companies, and non-recurring measurements, such as discontinued assets held for sale.

At each Financial Statements date, the Group's Financial Management analyses changes in the value of assets and liabilities for which revaluation or restatement is required under the Group'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.

The Group's Financial 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 Group 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 2022 and 31 December 2021.

31 December 2022	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	66,512,584	66,512,584	63,045,608	3,466,976	
Cash and other liquid assets	10,232,262	10,232,262	10,232,262		
Total financial assets	76,744,846	76,744,846	73,277,870	3,466,976	
Financial liabilities					
Current bonds	3,323,051	3,323,051		3,323,051	
Non-current bonds	-	-		-	
Non-current bank borrowings	77,573,797	77,573,797		77,573,797	
Current bank borrowings	36,590,346	36,590,346		36,590,346	
Non-current lease payables	2,222,216	2,222,216		2,222,216	
Current lease payables	651,576	651,576		651,576	
Total financial liabilities	120,360,986	120,360,986	-	120,360,986	-

31 December 2021	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	77,971,110	77,971,110	71,237,174	6,733,936	
Cash and other liquid assets	17,118,957	17,118,957	17,118,957		
Total financial assets	95,090,067	95,090,067	88,356,131	6,733,936	

Financial liabilities				
Other current financial liabilities (Warrants)	-	-		
Current bonds	3,310,176	3,310,176	3,310,176	
Non-current bonds	3,322,876	3,322,876	3,322,876	
Non-current bank borrowings	35,298,177	35,298,177	35,298,177	
Current bank borrowings	64,986,862	64,986,862	64,986,862	
Non-current lease payables	3,137,292	3,137,292	3,137,292	
Current lease payables	774,991	774,991	774,991	
Total financial liabilities	110,830,374	110,830,374	110,830,374	-

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

1.5.3 Revenues from contracts with customers

The Group deals with the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical, nutraceutical and cosmetic 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.

1.5.4 Income taxes

Current taxes

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 countries where the Group 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.

Deferred taxes

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 Group 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.

1.5.5 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).

1.5.6 Dividends

The Parent 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.

1.5.7 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 Group 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	Pharmatek	Euro Cosmetic
Industrial buildings based on their type	3%	5.50%		5.5%
Light construction	10%	10%		
Generic plant, based on their type	7.50%	10%	12.50%-15%	10%

Specific plant and machinery, based on their type	14%	12%	12.50%-15%	12.5%
Industrial and commercial equipment, based on their type	20%	40%	20%	35%
Other assets: Furniture and furnishings	12%	-	12%	12%
Other assets: Electronic office machines	20%	-	20%	20%
Other assets: Transport vehicles	20%	-		20%
Other assets: Cars	25%	-	25%	25%
Other assets: Lifting equipment			20%	

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.

1.5.8 Leases

At each contract stipulation, the Group 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 Group as lessee

For each contract that meets the lease definition or contains a lease, the Group 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 Group 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 Group 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 Group 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 Group 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.

1.5.9 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.

1.5.10 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.

1.5.11 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 Group uses to manage them. Except for trade receivables, the Group 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 Group'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 Group 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 Group 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 Group 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 Group's statement of financial position) when:

- the rights to receive cash flows from the asset are expired, or
- the Group 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 Group 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 Group's Financial Statements to the extent of its continuing involvement in the asset. In this case, the Group records an associated liability. The transferred asset and the associated liability are measured to reflect the rights and obligations that remain with the Group.

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 Group 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 3.12 "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 Group'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 Group 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.

1.5.12 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 Group 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 Group uses to hedge that amount of the hedged item.

Transactions that meet all qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in fair value of hedging derivatives is recorded in profit/(loss) under other expenses. The change in fair value of the hedged item attributable to the hedged risk is recognised as part of the book value of the hedged item and recorded in other expenses profit/(loss) for the year.

For fair value hedges of items accounted for under the amortised cost method, any adjustment to the book value is amortised in profit/(loss) over the remaining period of the hedge using the effective interest rate method (TIE). The amortisation determined may begin as soon as an adjustment exists but may not extend beyond the date when the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk. If the hedged item is derecognised, the unamortised fair value is immediately recorded in profit/(loss) for the year. When an unrecognised commitment is designated as a hedged item, subsequent cumulative changes in its fair value attributable to the hedged risk are recognised as assets or liabilities, and the corresponding gains or losses are recorded in profit/(loss) for the year.

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. The ineffective portion of currency forwards was recognised in other expenses, and the ineffective portion of commodity forwards was recorded in other operating income or expenses. The forward component is cumulatively recognised in OCI as a separate item. Amounts accumulated in other comprehensive income are recognised, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in recognition of a non-financial component, the amount accumulated in equity is removed from the separate equity component and included in the cost or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in OCI for the period. This applies for a hedged forecast transaction of a non-financial asset or non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting applies.

For any other cash flow hedges, the amount accumulated in OCI is reclassified in the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the Income Statement.

If cash flow hedge accounting is discontinued, the accumulated amount of OCI shall remain if the hedged future cash flows are expected. Otherwise, the amount shall be reclassified immediately to profit/(loss) for the year as a reclassification adjustment. After discontinuation, once the hedged cash flows occur, any accumulated amount remaining in OCI should be accounted for depending on the nature of the underlying transaction as described above.

Hedging a net investment in a foreign transaction

Hedges of a net investment in a foreign transaction, including hedges of a monetary item, accounted for as part of a net investment, are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument are recognised in other comprehensive income for the effective portion of the hedge, while the remaining (ineffective) portion is recorded in profit/(loss) for the year. On disposal of the foreign transaction, the cumulative amount of these gains or losses is transferred to profit/(loss) for the year.

1.5.13 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.

1.5.14 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.

1.5.15 Impairment of non-financial assets

At each Financial Statements date, the Group assesses whether there are any asset impairment indicators. In this case, or when an annual impairment test is required, the Group 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 Group 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 Group bases its impairment test on detailed budgets and forecast calculations prepared separately for the Group'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.

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 Group 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.

1.5.16 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 Group'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.

1.5.17 Treasury shares

Repurchased treasury shares are recognised at cost and deducted from equity. The buyback, sale or cancellation of treasury shares do not give rise to any gain or loss in the Income Statement. If there is a reissue, the difference between the buyback price and consideration is recognised in the share premium reserve.

1.5.18 Provisions for risks

Provisions for risks and charges are made when the Group 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 Group 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.

1.5.19 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 Group 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.

1.5.20 Share-based payments

The Parent Company's employees (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.

For the first time, the Company has applied certain standards or amendments that are effective from 1 January 2022.

IFRS 3 Business Combinations

The amendments were intended to replace references to the Framework for the Preparation and Presentation of Financial Statements regarding the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the standard requirements.

The amendment added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall under IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if taken separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether a current obligation existed at the acquisition date.

The amendment added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the acquisition date.

Under the transition rules, the Group applies the amendment prospectively, i.e., to business combinations occurring after the beginning of the period in which the amendment is first applied (first-time application date). These amendments had no impact on the Group's Consolidated Financial Statements as no contingent assets, liabilities or contingent liabilities were recognised for these amendments.

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

An onerous contract is when the non-discretionary costs (i.e., costs that the company cannot avoid because it is a contractual party) necessary to fulfil the obligations undertaken are higher than the financial benefits that are supposed to be obtainable from the contract.

The amendment specifies that in defining whether a contract is onerous or generates a loss, an entity shall consider costs directly related to the contract for the provision of goods or services that include incremental costs (i.e., direct labour and material costs) and costs directly attributable to contractual activities (i.e., depreciation of equipment used to perform the contract and costs for contract managing and supervising). 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 application of this standard had no impact on the company.

Property, plant and equipment: Proceeds before intended Use - Amendment to IAS 16

The amendments prohibit entities from deducting from a property, plant and equipment cost any proceeds from the products sold in the period when that asset is brought to the location or made capable of operating in the manner designed by management. An entity recognises revenue from the products sale and related production costs in the Income Statement.

Under the transition rules, an entity applies the amendment retrospectively only to those items of property, plant and equipment that became operational after or at the beginning of the comparative period to that in which the amendment is first applied (first-time application date).

These amendments had no impact on the company's Financial Statements as there were no sales of such property, plant and equipment before they were put into operation before or after the beginning of the previous comparative period.

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

This amendment permits a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent, considering the date of transition to IFRS by the parent, if no adjustments were made in the consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment applies also to associates or joint ventures that elect to apply paragraph D16 (a) of IFRS 1.

This amendment had no impact on the Group's Consolidated Financial Statements as the Group is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when defining whether the terms of a new or modified financial liability are materially different from the original financial liability. These fees include only those paid or received between the debtor and lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies such an amendment to financial liabilities that are amended or exchanged after the date of the first financial year in which the entity first applies the amendment.

The application of this standard had no impact on the company.

The Company has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

Other approved or unapproved standards, interpretations or amendments which were not effective at the date of preparation of these Financial Statements are listed below.

Approved standards whose first application date is 1 January 2023:

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)

Unapproved standards for which the first-time application date is 1 January 2024:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022

- Amendments to IAS 1 Presentation of Financial Statements: • Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020); • Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and • Non-current Liabilities with Covenants (issued on 31 October 2022).

1.6 Operating sectors: disclosure

For management and production purposes, the Company is organised into business units based on the products and services provided and has Three 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.
- -Cosmetics sector: Pharmatek and Euro Cosmetic subsidiaries are engaged in contract manufacturing and trading of products ranging from cosmetics (hair care, skin care, liquid detergents for personal hygiene, skin care emulsions, oral hygiene, deodorants and alcohol-based perfumery) to medical surgical aids and medical devices.

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 2022	Food	Pharma	Cosmetics	Total sectors
Revenues and income				
Revenues from contracts with customers	117,813,880	54,712,778	34,325,917	206,852,576
Other revenues and income	353,476	294,083	819,592	1,467,151
Total revenues	118,167,357	55,006,861	35,145,509	208,319,727
Operating costs				
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	82,033,242	25,397,320	20,602,813	128,033,375
Personnel costs	16,441,609	14,526,909	7,332,052	38,300,569
Costs for services	11,649,989	7,814,273	5,726,259	25,190,520
Other operating costs	713,246	469,996	203,015	1,386,257
Amortisation, depreciation, and impairment losses	6,702,833	5,970,119	3,747,467	16,420,419
Total operating costs	117,540,918	54,178,616	37,611,606	209,331,140
OPERATING RESULT	626,438	828,245	(2,466,097)	(1,011,413)

31 December 2021	Food	Pharma	Cosmetics	Total sectors
Revenues and income				
Revenues from contracts with customers	139,060,695	39,487,968	16,300,893	194,849,556
Other revenues and income	74,693	37,919	282,392	395,003
Total revenues	139,135,388	39,525,886	16,583,285	195,244,559
Operating costs				
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	93,378,248	16,887,622	8,418,399	118,684,269
Personnel costs	18,523,366	12,635,853	3,663,909	34,823,128
Costs for services	11,648,099	6,162,425	3,028,576	20,839,099
Other operating costs	831,526	342,749	162,049	1,336,324
Amortisation, depreciation, and impairment losses	6,309,370	5,942,995	2,275,144	14,527,508
Total operating costs	130,690,608	41,971,644	17,548,076	190,210,329

OPERATING RESULT	8,444,780	(2,445,757)	(964,792)	5,034,230

31 December 2022	Food	Pharma	Cosmetics	Non-sector	Total
Assets					
Non-current assets					
Property, plant and machinery	52,847,312	39,084,149	12,230,589	-	104,162,050
Goodwill	-	-	15,907,954	-	15,907,954
Other intangible fixed assets	772,836	698,672	309,043	-	1,780,551
Rights of use	162,301	42,630	4,958,180	-	5,163,111
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	820,871	820,871
Deferred tax assets	-	-	-	7,312,662	7,312,662
Total non-current assets	53,782,449	39,825,451	33,405,767	8,133,533	135,147,200
Current assets					
Inventories	22,013,208	11,485,551	6,923,741	-	40,422,499
Trade receivables	18,172,370	11,880,933	9,294,019	-	39,347,321
Tax receivables	-	-	-	2,268,044	2,268,044
Other current assets	366,167	69,991	449,906	5,004,335	5,890,398
Current financial assets	-	-	-	66,512,584	66,512,584
Cash and other liquid assets	-	-	-	10,232,262	10,232,262
Total current assets	40,551,744	23,436,474	16,667,665	84,017,225	164,673,109
Total assets	94,334,193	63,261,925	50,073,432	92,150,758	299,820,309
Shareholders' equity					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	126,461,456	126,461,456
Employee benefit reserve	-	-	-	206,186	206,186
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	22,610	22,610
Profit/(loss) for the financial year	-	-	-	(9,501,145)	(9,501,145)
Total Shareholders' Equity	-	-	-	133,289,763	133,289,763
Non-current liabilities					
Bonds	-	-	-	-	-
Non-current bank borrowings	-	-	-	77,573,797	77,573,797
Employee benefits	544,301	300,042	1,574,670	-	2,419,013
Provisions for risks and charges	-	-	41,105	-	41,105
Provision for deferred taxes	-	-	-	240,553	240,553
Non-current lease payables	69,998	18,386	2,133,832	-	2,222,216
Other non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	614,299	318,428	3,749,607	77,814,350	82,496,684
Current liabilities					
Bonds	-	-	-	3,323,051	3,323,051
Current bank borrowings	-	-	-	36,590,346	36,590,346
Trade payables	17,814,373	8,663,539	6,972,556	-	33,450,468
Taxes payable	-	-	-	-	-

Current lease payables	95,176	24,999	531,401	-	651,576
Other current financial liabilities	-	-	-	-	-
Other current liabilities	3,357,083	3,048,182	1,641,504	1,971,652	10,018,421
Total current liabilities	21,266,631	11,736,720	9,145,462	41,885,049	84,033,862
Total Shareholders' equity and Liabilities	21,880,930	12,055,148	12,895,069	252,989,162	299,820,309

31 December 2021					
	Food	Pharma	Cosmetics	Non-sector	Total
Assets					
Non-current assets					
Property, plant and machinery	51,849,961	42,139,301	8,897,248	-	102,886,510
Goodwill	-	-	15,907,954	-	15,907,954
Other intangible fixed assets	993,600	480,584	863,491	-	2,337,675
Rights of use	201,407	69,232	6,137,749	-	6,408,388
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	237,333	237,333
Deferred tax assets	-	-	-	3,482,100	3,482,100
Total non-current assets	53,044,967	42,689,117	31,806,442	3,719,434	131,259,960
Current assets					
Inventories	21,300,735	7,459,370	6,290,379	-	35,050,484
Trade receivables	12,428,084	9,416,495	7,588,812	-	29,433,391
Tax receivables	-	-	-	2,421,853	2,421,853
Other current assets	532,633	60,787	349,934	8,611,102	9,554,455
Current financial assets	-	-	-	77,971,110	77,971,110
Cash and other liquid assets	-	-	-	17,118,957	17,118,957
Total current assets	34,261,451	16,936,652	14,229,125	106,123,022	171,550,251
Total assets	87,306,419	59,625,769	46,035,568	109,842,456	302,810,211
Shareholders' equity					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	132,615,098	132,615,098
Employee benefit reserve	-	-	-	(71,012)	(71,012)
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	-	-
Profit/(loss) for the financial year	-	-	-	(1,426,751)	(1,426,751)
Total Shareholders' equity	-	-	-	147,217,991	147,217,991
Non-current liabilities					
Bonds	-	-	-	3,322,876	3,322,876
Non-current bank borrowings	-	-	-	35,298,177	35,298,177
Employee benefits	682,148	343,879	1,984,665	-	3,010,691
Provisions for risks and charges	-	-	35,489	-	35,489
Provision for deferred taxes	-	-	-	1,081,159	1,081,159
Non-current lease payables	107,182	36,843	2,993,266	-	3,137,292
Other non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	789,330	380,722	5,013,419	39,702,212	45,885,684

Current liabilities					
Bonds	-	-	-	3,310,176	3,310,176
Current bank borrowings	-	-	-	64,986,862	64,986,862
Trade payables	17,377,775	6,328,085	8,826,257	-	32,532,117
Taxes payable	-	-	-	5,536	5,536
Current lease payables	96,327	33,112	645,552	-	774,991
Other current financial liabilities	-	-	-	-	-
Other current liabilities	3,163,335	2,364,031	1,650,280	919,208	8,096,854
Total current liabilities	20,637,437	8,725,228	11,122,089	69,221,782	109,706,537
Total Shareholders' equity and Liabilities	21,426,767	9,105,951	16,135,508	256,141,985	302,810,211

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 2022, cumulatively accounted for approximately 58.1% of the turnover.

The breakdown of revenues by geographical area is shown in paragraph "2.1. Revenues from contracts with customers."

1.7 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. In 2021, this ratio was around 25% (10% as of 31 December 2021).

	2022	2021
Interest-bearing loans and borrowings other than convertible preferred shares	114,164,143	100,285,039
Bonds payable	3,323,051	6,633,052
Payables from derivative instruments - warrants	-	-
Lease payables	2,873,792	3,912,283
Less: liquid assets and short-term deposits	(10,232,262)	(17,118,957)
Less: current financial assets	(66,512,584)	(77,971,110)
Net debt	43,616,140	15,740,307
Shareholders' equity	133,289,763	147,217,991
Equity and net debt	176,905,903	162,958,298
Gearing ratio	25%	10%

1.8 Financial risk management

1.8.1 Liquidity risk

The Group monitors the liquidity shortage risk using a liquidity planning tool. The Group'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 Group's policy is to keep loan numbers due in the next 12 months around 60%. As of 31 December 2022, 34% of the Group's debt is due in less than one year (2021: 62.32%), calculated based on the book value of debts in the Consolidated Financial Statements. The Group has assessed the risk concentration with reference to 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 Group's due date profile of financial liabilities based on undiscounted contractually agreed payments.

31 December 2022	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	3,323,051	3,323,051		
Non-current bank borrowings	77,573,797		69,495,416	8,078,381
Current bank borrowings	36,590,346	36,590,346		
Non-current lease payables	2,222,216		1,986,323	235,893
Current lease payables	651,576	651,576		
Total financial liabilities	120,360,986	40,564,973	71,481,739	8,314,274

31 December 2021	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	6,633,052	3,310,176	3,322,876	-
Non-current bank borrowings	35,298,177	-	33,075,409	2,222,768
Current bank borrowings	64,920,523	64,920,523	-	-
Non-current lease payables	3,137,292	-	2,696,739	440,552
Current lease payables	774,991	774,991	-	-
Total financial liabilities	110,764,035	69,005,690	39,095,024	2,663,320

As for the 31 December 2021 exposure to banks, the Parent Company entered into a long-term loan agreement with Intesa San Paolo in February 2022 for € 70 million to reshape the Company's short-term exposure to banks.

1.8.2 Interest rate risk

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

- Cash Flow Risk: this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)
- Fair Value Risk: this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Group is assessing instruments to hedge the interest rate variability on the Intesa 70 million loan. Considering the EURIBOR increase recorded between 2022 and 2023, Management does not exclude a renegotiation of the covenants.

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

In 2020 and 2021, due to the COVID-19 pandemic and the consequent restrictive measures imposed by Italian and international legislation, the Group suffered a slowdown in the growth process of volumes sold and turnover in the Italian markets. The pandemic-related effects lasted until the end of FY2021, while no measurable effect occurred in 2022. The current pandemic management and control level is such that no measurable negative effects are expected in 2023. Any worsening in autumn of such circumstances could have significant adverse effects on the Group’s economic, capital and financial situation.

To mitigate this risk, the Group set up a Covid Emergency Management Crisis Unit comprising the employer, its health, safety and environment delegates, Supply Chain Director, Engineering Director, Prevention and Protection Service Manager, HR Director, occupational physician and trade union representatives. This Unit transposes the new Covid decrees and ordinances and assesses their applicability and operational actions. Until December 2020, the Unit met monthly, from January 2023 the meetings will take place as needed.

The Group has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

1.8.4 Risks of concentration on customers

The Group has a significant concentration of revenues on its main customers, amounting to approximately 58.1% on the top five customers as of 31 December 2022. The loss of one or more of these relationships would have a significant impact on Group revenues. Most of the contracts with the Group's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenues generated by the Group in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic and financial situation.

The Group mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, through commercial activities for acquiring new customers and M&A for identifying and acquiring target companies. This took place in 2021 with the acquisition of two companies (Pharmatek and Euro Cosmetic).

1.8.5 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 Group carefully evaluates its customers' credit standing, considering that, due to its business's nature, the relationships with its customers are long-term.

1.8.6 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.

1.8.7 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.

1.8.8 Tax risks

The Group companies are 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 companies economic and financial situation.

The Group 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 Group 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 Group 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 companies 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 Group. This might result in negative consequences on its economic and financial situation.

1.8.9 Risks related to supplier relationships: shortages of raw and packaging materials

The Group risks increased costs for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with potential adverse effects on the Group's business, economic, capital and financial position. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

To mitigate these risks, Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Group maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

1.8.10 Energy cost risk

The Group risks significant increases in energy costs. In 2022, these costs increased more than 600%, impacting Fine Foods' Income Statement by about 3% of revenues compared to an average of 1% in previous years. However, the outlook for 2023 sees energy price volatility significantly downgraded. The supply of energy available for the European market and domestic energy stocks are the reasons why the estimated negative impacts on the Group's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

To mitigate this risk, the Group employed an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements (approx. 1% of the total energy demand).

1.8.11 Risks related to the Russian-Ukrainian conflict

The Group faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend in 2022, the risk is to be considered zero for this BU. The Food BU situation for 2023 remains uncertain and potentially capable of generating negative effects on the Group's economic, financial and capital position, although reduced compared to the impact estimated for 2022.

The Group's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

1.8.12 Manufacturer's liability risks

The Group faces risks related to products manufactured with a quality that does not comply with the customer's specifications which could have side effects, or undesired and unexpected effects, on consumers' health. This could expose the Group to possible liability action or claims for compensation, with potentially adverse effects on the Group's economic and financial position.

The Group's risk mitigating actions consist of a robust quality system and several certifications that ensure compliance with good manufacturing standards, while finished products and raw materials are scrupulously analysed to certify their compliance with release specifications.

The company has an international food alert and fraud monitoring system.

The Group stipulated a policy with a leading insurance company with a limit of € 5 million per event.

1.8.13 Risks related to production authorisations

The Group faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic and financial position.

During the many audits conducted by customers and authorities, the Group has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Group has a procedure for promptly handling any observations or deviations identified by the authorities.

1.8.14 Risks related to environmental, occupational health and safety regulations

The Group is exposed to the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Group's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the Group's economic and financial position.

To address these risks, the Group has a robust system for managing worker health and safety standards and environmental protection of the areas where the Group operates. The Group has ISO45001:2018 (S&SL) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

1.8.15 Risks related to the breach of the information system

The Group faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Group's economic and financial position.

The Group implements security procedures and policies to ensure proper IT systems management, and has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The Group has a disaster recovery plan to ensure the reliability of its IT systems. The Group's IT systems comply with the General Data Protection Regulation. The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

1.8.16 Risks related to human capital management

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Group operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Group to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Group's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models, implementing policies to enhance diversity, manage, promote and retain talent and skilled people. The Group invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. Ad hoc courses are planned to fill any skill gaps. Various communication channels between employees and management are in place, and meetings for sharing the Group's achieved objectives are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible working hours and working methods are implemented to improve personnel's work-life balance.

1.8.17 Risks related to climate change

As a result of climate change, the Group faces possible operational shutdowns due to extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Group's Income Statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures introducing carbon taxes.

To address this risk, a strategy to reduce carbon emissions is in place. The hierarchy of decarbonisation plan solutions in Fine Foods' strategy is as follows: installation of renewable energy plants, process and plant efficiency to reduce energy consumption and CO_2 emissions, purchase of green energy from the grid and supply chain engagement.

The Group employed an energy manager who oversees the implementation of measures to increase production sites' energy efficiency. Three Group plants have photovoltaic systems, totalling 850 Kw. This avoided more than 170 Tons of CO_2 emissions in 2022.

1.9 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.

1.9.1 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 3.3 "Leases").

1.9.2 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 2.4 "Personnel costs" and 4.1 "Shareholders' equity").

As of 31 December 2021, the vesting period of the 2018-2021 Stock Grant Plan came to an end. Management has not subsequently resolved on new stock grant or stock option plans, which is why this estimate and assumption is no longer relevant for the 31 December 2022 Financial Statements.

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

The Group 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 Group companies' 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 Group companies' historical credit loss experience and projected future economic conditions may not represent actual customer future insolvency.

At each reporting date, the Group 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 Group companies are 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.
With reference to the recoverability of the balance sheet assets recognised as deferred tax assets, the directors prepared a business plan at Group and legal entity level structured on a 2023-2025 timeframe, approved by the Board of Directors' meeting held on 30 March 2023, from which it can be inferred that the tax profits generated under the plan are sufficient to recover the deferred tax assets recorded under tax losses.

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 3.1, "*Property, plant and machinery*" and note 3.2 "*Goodwill*" of these notes.

Business combinations and goodwill

As explained in paragraph 1.7.1 on business combinations and goodwill accounting, when i) allocating the net assets acquired to the relevant cash-generating units (CGUs), ii) preparing multi-year plans, iii) performing impairment tests, the directors make complex assumptions and estimates, which are subject to their judgement. The main assumptions underlying this concern:

- allocation of assets and liabilities book values to individual CGUs;
- forecasting future cash flows, for the explicit period of the Group's business plan;
- defining normalised cash flows underlying the estimate of the final value;
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

INCOME STATEMENT

2.1 Revenues from contracts with customers

Revenues as of 31 December 2022 were € 206,852,574, compared to € 194,849,556 in the previous year, with an increase of 6.2%. A breakdown by business unit and geographical area is provided below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Business Unit – Food	117,813,880	139,060,695
Business Unit - Pharma	54,712,778	39,487,968
Business Unit – Cosmetics	34,325,917	16,300,893
Total Revenues from contracts with customers	206,852,576	194,849,556

During 2022, the Group's food sector turnover decreased significantly, from € 139,060,695 as of 31 December 2021 to € 117,813,880 as of 31 December 2022 (a decrease of 15.2%). Despite this decrease, the Food Business Unit turnover was 57% of the Group's total turnover.

The Pharma Business sector showed an expanding trend with a growth of 38.6%, from € 39,487,968 at the end of the previous year to € 54,712,778 as of 31 December 2022.

Euro Cosmetic's turnover was incorporated in the Cosmetic Business Unit from 1 October to 31 December 2021. The Business Unit revenues grew to € 34,325,917 as of 31 December 2022.

On a like-for-like basis the revenue trend compared to the previous period showed an increase of 6.2% compared to the year ended 31 December 2021.

(Amounts in Euro units)	31 December 2022	31 December 2021
Italian Revenues	110,596,812	74,879,446
Foreign Revenues	96,255,763	119,970,109
Total Revenues from contracts with customers	206,852,576	194,849,556

Unlike the year ended 31 December 2021, 2022 showed an increase in Italian sales (53.47% vs. 38.43% as of 31 December 2021). This reversal was due to a Food Business Unit turnover decline, which was mainly included in foreign turnover.

2.2 Other revenues and income

As of 31 December 2022, the Group's other revenues and income was € 1,467,151 compared to € 395,003 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
White Certificates	566,211	-
Other revenues and income	374,219	108,677
Contingencies	388,499	80,556
Write-down adjustments to receivables and liquid assets	35,395	76,235
Gains on disposal of assets	97,148	123,982
Allowances and rounding up	5,680	5,554
Total other revenues and income	1,467,151	395,003

Other revenues and income mainly included grants received as tax credits.

Revenues from white certificates derive from the recognition in current assets of energy efficiency securities accrued by the Company in 2021 and 2022 following the installation of co-generators at the Verdellino and Brembate plants.

The securities accrued during 2021 were quantitatively confirmed by the Authority during 2022 and sold on the market by the Company in early 2023. The securities accrued during 2022 were quantitatively estimated by the Company, with the support of expert consultants. The value assigned to the securities is the lower of the stock market price as of 31/12/22 and the weighted average price for the year.

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

As of 31 December 2022, the cost of raw materials and consumables, net of change in inventories, was € 128,033,375 compared to € 118,684,269 in the previous year, with an increase of 7.9%. A breakdown is provided below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Goods on purchase account	130,615,213	125,126,819
Raw materials, ancillary materials, and consumables	2,552,399	2,604,504
Change in inventories of raw materials, ancillary materials, consumables, and goods	(7,245,493)	(7,405,708)
Change in inventories of finished goods and work in progress	2,111,256	(1,641,347)
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	128,033,375	118,684,269

The "Change in inventories of raw and ancillary materials, consumables and goods" item includes the effects on the income statement of changes in the inventory write-down provision.

2.4 Personnel costs

As of 31 December 2022, the Group's personnel costs were € 38,300,569 compared to € 34,823,128 in the previous year, with an increase of 10%. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Wages and salaries	25,456,388	22,394,665
Social security contributions	8,330,787	7,288,180
Severance indemnity	1,756,951	1,538,716
Stock Grant	-	1,058,445
Temporary employment	2,756,443	2,543,123
Total personnel costs	38,300,569	34,823,128

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 Parent Company's performance. This stock grant plan ended on 31 December 2021.

2.4.1 Employment data

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

Employment data (expressed in units)	31 December 2022	31 December 2021
Executives	19	19
White-collar employees	255	251
Blue-collar employees	474	498
Total employees	748	768

2.5 Costs for services

As of 31 December 2022, the Group's service costs were € 25,190,520 compared to € 20,839,099 in the previous year, with an increase of 20.9%. A breakdown is provided below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Other costs	495,246	469,764
External and ecological analyses	684,729	441,863
Insurance	616,404	482,162
Electronic Data Processing fees	717,002	445,772
Bank fees	355,761	362,483
Statutory auditors and directors remuneration	1,429,542	1,743,596
Rental, lease and miscellaneous costs	885,983	777,162
Trade fair and advertising costs	312,407	564,406
Costs for processing goods on behalf of third parties	1,059,692	1,022,279
Ordinary maintenance costs	2,872,033	3,220,283
Cleaning, pest control and surveillance costs	1,567,870	1,340,329
Transport, fuel and tolls costs	1,534,317	1,114,947
Temporary employment	463,970	354,374
Sales commissions	315,055	300,188
Qualifications and Calibration	194,410	189,465
Waste, effluent and solid waste disposal	1,344,332	931,187
Consultancy costs	2,765,620	3,635,475
Ticket	893,391	671,201
Various utilities	6,682,757	2,772,162
Total service costs	25,190,520	20,839,099

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 3.3 "Leases." The "various utilities" item showed the effects of the electricity and methane cost increases from Q4 2021.

Consultancy expenses, although high, were down from the previous year. During 2021, this item was impacted by the costs incurred by the Parent Company for the transition to the STAR market and the acquisition transactions carried out in 2021.

2.6 Other operating costs

Other operating costs as of 31 December 2022 were € 1,386,257 compared to € 1,336,324 in the previous year.

(Amounts in Euro units)	31 December 2022	31 December 2021
Penalties and indemnities	25,825	131,357
Duties and taxes	576,133	567,871
Contingency liabilities	18,652	7,478
Capital losses from dismissal of assets	32,881	49,083
Membership Fees	245,482	172,903
Entertainment costs and gifts	21,714	17,324
Waste and reclamation costs	28,031	1,424
Costs for certifications, endorsements and Chamber of Commerce fees	44,956	41,178
Donations	5,642	-
Other operating costs	386,943	347,707
Total other operating costs	1,386,257	1,336,324

2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2022, the Company's depreciation, amortisation and impairment losses were € 16,420,419 compared to € 14,527,508 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Depreciation of tangible assets	13,267,935	11,803,980
Amortisation of intangible assets	935,940	961,416
Amortisation of rights of use	1,242,883	635,684
Tangible Fixed Assets Write-downs	339,260	50,757
Intangible Fixed Assets Write-downs	634,402	1,075,672
Total amortisation, depreciation, and impairment losses	16,420,419	14,527,508

As of 31 December 2021, Pharmatek directors reviewed the prospective revenues associated with the PharmaQui brand, which became necessary due to a sudden reduction in sales of the "sanitising gel" by a primary large-scale retail trade customer. The directors considered this reduction in turnover to be an indicator of a lasting loss of value, which is why a specific impairment test was carried out. This imposed the need to prudentially impair the brand, which was included in the consolidated income statement under "other write-downs of fixed assets" for € 1,075,672. During 2022, the brand name was fully written down for a total of € 609,383 following the elimination of most of the business to which the brand name referred.

The Tangible fixed assets write-downs item as of 31 December 2021 included the write-off of the net book value of tangible assets purchased by the Parent Company for the pharmaceutical plant of Nembro. These assets have not been transferred to the pharmaceutical plant of Brembate. For FY2022, Pharmatek directors decided to write down several lines and machinery related to the merger by incorporation into Euro Cosmetic for a total of € 339,260.

2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2022, changes in the fair value of financial assets and liabilities showed a negative balance of € 7,733,525 compared to a negative balance of € 8,897,380 in the previous financial year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Change in fair value of other securities	(7,733,525)	3,839,422
Change in fair value of warrants	-	(12,736,802)
Total changes in Fair Value on financial assets and liabilities	(7,733,525)	(8,897,380)

The "*Changes in fair value of other securities*" item mainly shows the change in fair value of securities held with a major credit institution, as mentioned in paragraph 3.12 "Current financial assets."

Following the related financial instruments 31 December 2021 vesting date, the Company recorded the change in the warrants' market value on the same date, in the "Change in fair value of warrants" item. The difference in fair value of the Unlisted Warrants converted into shares on 28 April 2021 was € 6,679,200, while the change in fair value of the Listed Warrants converted into shares or settled as of 30 June 2021 was € 6,057,602.

For further details on the financial instruments issued by the Company, please refer to paragraph 4.1 "Shareholders' equity." Since there were no more Warrants outstanding as of 31 December 2021, this item did not show any changes during the year ended 31 December 2022.

2.9 Loss on financial receivables

As of 31 December 2022, the loss on financial receivables was € 3,266,960.

(Amounts in Euro units)	31 December 2022	31 December 2021
Loss on financial receivables	(3,266,960)	-
Total Loss on financial receivables	(3,266,960)	-

This item included the "Leakage" receivable write-down as better described in section 1.1 "Significant events for the period."

2.10 Financial income

As of 31 December 2022, the Company's financial income was € 59,214 compared to € 36,202 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Foreign exchange gains	41,479	25,943
Financial income from severance pay actuarial valuation	12,225	8,671
Bank interest income	5,510	1,588
Total financial income	59,214	36,202

2.11 Financial charges

As of 31 December 2022, the Company's financial charges were € 2,246,228 compared to € 763,305 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Interest expenses on bonds	151,215	246,882
Interest expenses on financing and bank loans	1,560,600	260,043
Interest expenses on bank accounts	255,475	161,686
Foreign exchange losses	163,291	62,341
Financial charges on severance indemnity discounting	48,736	14,568
Interest on financial liabilities for lease	66,911	17,785
Total financial charges	2,246,228	763,305

The financial charges increase was due to the higher debt exposure to credit institutions due to obtaining new loans, as detailed in the "Significant events" section of this document, and the increase in interest rates due to the European Central Bank restrictive policies to reduce inflation.

2.12 Income taxes

Total income taxes for 2022 was € (4,697,768) compared to € (3,163,501) in the previous year.

(Amounts in Euro units)	31 December 2022	31 December 2021
Current taxes	68,715	566,956
Deferred tax assets and liabilities	(4,758,703)	(1,880,025)
Taxes from previous years	(7,779)	(1,850,433)
Total income tax	(4,697,768)	(3,163,501)

In 2021, taxes from previous years showed a negative balance (income) due to the contingent asset recorded as an offset to the excessive taxes (IRES) allocated in 2020. When preparing the Financial Statements, the Company removed the warrants' financial effect through appropriate tax recoveries. However, following the answer to the question submitted to the Inland Revenue received before the submission of the tax return for tax year 2020, Fine Foods considered the changes in the fair value of warrants recorded from the issue date until 31 December 2020 as relevant for tax purposes, to align the accounting with the tax authority provisions. This adjusted the tax return based on the amount set aside in the Financial Statements. The same approach was adopted for the calculation of current taxes (IRES) in 2021.

The Parent Company recorded a negative tax base as of 31 December 2022, due to non-recurring events during the year, such as the write-down of the leakage receivable for € 3.3 million and the negative change in fair value of the asset management for € 7.7 million.

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 2021, and 2022 is as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Pre-tax profit/(loss) from operations on a going concern basis	(14,198,912)	(4,590,253)
Pre-tax profit/(loss) from discontinued operations	-	-
Accounting profit/(loss) before tax	(14,198,912)	(4,590,253)
Theoretical income tax	(3,961,497)	(1,280,680)
Tax effect on permanent differences	385,767	767,458
Tax effect on temporary differences	(18,168)	374,070
Effect on tax benefits	(1,009,163)	(1,135,895)
Income taxes	(4,603,060)	(1,275,047)
Effective income tax rate:	32%	28%

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

2.13 Earnings/(loss) per share

Basic earnings/(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 earnings/(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.

	2022	2021
Profit attributable to the Company's ordinary shareholders for basic earnings per share	(9,501,145)	(1,426,751)
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share purposes*	25,560,125	23,940,739
Ordinary Shares	22,060,125	20,440,739
Redeemable Shares	-	-
Multiple-voting Shares	3,500,000	3,500,000
Weighted average number of ordinary shares adjusted for dilution effect*	25,560,125	23,940,739
Ordinary Shares	22,060,125	20,440,739
Redeemable Shares	-	-
Multiple-voting Shares	3,500,000	3,500,000
Special Shares *	-	-
Convertible warrants	-	-
Basic ESP	(0.37)	(0.06)
Diluted EPS	(0.37)	(0.06)

BALANCE SHEET

ASSETS

3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2022 was € 104,162,050 compared to € 102,886,511 as of 31 December 2021. 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 - 31 December 2021	66,704,076	114,131,429	11,779,564	9,320,503	4,357,327	206,292,899
Increases	682,535	3,848,151	724,125	1,186,979	8,458,615	14,900,406
Decreases	(92,950)	(1,384,474)	(21,700)	(377,931)	-	(1,877,054)
Reclassifications	4,235,000	5,863,735	175,199	7,738	(10,281,673)	-
Write-down	(2,419)	(641,618)	(27,572)	(19,904)	-	(691,514)
Other changes	447,368	-	-	-	(93,383)	353,985
Historical cost - 31 December 2022	71,973,612	121,817,223	12,629,616	10,117,386	2,440,886	218,978,722
Amortisation provision - 31 December 2021	21,464,211	66,029,610	9,526,680	6,385,887	-	103,406,388
Increases	2,398,627	8,622,250	1,121,809	1,125,248	-	13,267,935
Decreases	(92,950)	(1,339,061)	(21,700)	(279,232)	-	(1,732,943)
Reclassifications	-	-	-	-	-	-
Write-down	(2,419)	(302,359)	(27,572)	(19,904)	-	(352,254)
Other changes	227,548	-	-	-	-	227,548
Amortisation provision - 31 December 2022	23,995,017	73,010,441	10,599,217	7,211,998	-	114,816,673
Net book value - 31 December 2021	45,239,865	48,101,818	2,252,884	2,934,617	4,357,327	102,886,511
Net book value - 31 December 2022	47,978,595	48,806,782	2,030,399	2,905,388	2,440,886	104,162,050

The primary investments made during the period related to advances to suppliers for purchasing plant and machinery; a large portion of these assets under construction was reclassified as assets. The effect recognised in the Income Statement for the write-down of several non-strategic Pharmatek lines was € 339,260.

3.2 Goodwill

The net book value of goodwill as of 31 December 2022 was € 15,907,954.
No changes occurred during the period.

(Amounts in Euro units)	31 December 2022	03 December 2021
Segment reporting: Cosmetics		
Pharmatek Goodwill	7,044,809	7,044,809

Euro Cosmetic Goodwill	8,863,145	8,863,145
Total Goodwill	15,907,954	15,907,954

As specified in the international accounting standard IAS 36, directors must verify at least annually the recoverability of the values recorded for the goodwill, intangible assets with an indefinite useful life or intangible assets not yet available for use. This check is necessary more frequently, i.e., whenever there are indicators of impairment losses.

CGUs normally correspond to the business acquired and subject to impairment test. If the asset subject to impairment test refers to entities operating in more than one business line, the asset is attributed to all business lines existing at the acquisition date. This approach is consistent with the valuations made at the acquisition date, which are generally based on the entire investment's estimated recoverability.

Directors have determined the recoverable amount of the individual Cash Generating Units (Pharmatek and Euro Cosmetic) by discounting their expected cash flows (using the Discounted Cash Flow Model - DCF) and comparing them with the related Net Invested Capital.

According to the reference accounting principles, the estimate of the use-value is made by discounting the operating cash flows, i.e. the flows available before the repayment of the financial debts and the shareholders' remuneration at a rate equal to the weighted average of the debt cost and the shareholders' equity (WACC).

The main assumptions used to determine the value-in-use of the different CGUs are related to the cash flows deriving from the business plans, the discount rate and the long-term growth rate.

The cash flows used to carry out the impairment test are those emerging from the 2023-2025 Business Plans, approved by the individual Boards of Directors and adopted during the Parent Company's Board of Directors' meeting held on 30 March 2023.

As for the plans used for the impairment tests, the subsidiaries' governing bodies resolved in the last quarter of 2022 to proceed with the merger by incorporation of Pharmatek into Euro Cosmetic and that, as recalled by the deed of merger, the accounting and tax effects of this extraordinary transaction were post-dated to 1 January 2023.

The directors started the rationalisation of the industrial footprint of the two subsidiaries, which in the medium term requires the merger of the two businesses at the Trenzano plant where Euro Cosmetic is based. As part of this reorganisation, Pharmatek's Financial Statements for the year ended 31 December 2022 included the costs associated with this transaction, mainly relating to:

- Restoration of the plant where Pharmatek's production is located;
- Monetary outlays for the liquidation of personnel who did not agree to relocate to the new production site;
- Write-downs of non-functional machinery and equipment following the subsidiary’s exit from non-strategic businesses, and restatement of depreciation of leasehold improvements due to their revised useful life.

The directors included the valuation of the production transportation and relocation costs and the expected structural savings due to the merger in the 2023-2025 Business Plan.

Since the formal termination of some industrial building leases falling under IFRS16 has not yet taken place, the 2022 invested capital includes the rights of use and related financial liabilities.

The discount rate (WACC) defined by the directors is 9.96% and reflects the current market situation, current cost of money and implicit business risks.

The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 2%.

Pharmatek Impairment test

The above analysis does not indicate any impairment of the capital invested in Pharmatek CGU.
A sensitivity analysis was carried out, concerning:

- 1% WACC increase/decrease
- Increase/Decrease in the growth rate of 0.5%

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately +€ 4,985,000 to -€ 693,000 as the above variables individually or jointly increase or decrease.

This would show the need for an impairment test only if a WACC of 10.96% corresponding to a growth rate of 2% or less was used.

Euro Cosmetic impairment test

The above analysis does not indicate any impairment of the capital invested in Euro Cosmetic CGU.
A sensitivity analysis was carried out, concerning:

- 1% WACC increase/decrease
- Increase/Decrease in the growth rate of 0.5%

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately +€ 14,871,000 to -€ 638,000 as the above variables individually or jointly increase or decrease.

Only with a WACC of 10.96% and a g rate of 1.50%, would it be necessary to write down the assets.

3.3 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2022 was € 1,780,551 compared to € 2,337,675 as of 31 December 2021. 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 - 31 December 2021	6,758,574	6,758,574
Increases	951,349	951,349
Decreases	-	-
Revaluations	-	-
Write-downs	(1,933,837)	(1,933,837)
Historical cost - 31 December 2022	5,776,086	5,776,086
Amortisation provision - 31 December 2021	4,420,899	4,420,899
Increases	905,137	905,137
Decreases	-	-
Write-downs	(1,330,500)	(1,330,500)
Amortisation provision - 31 December 2022	3,995,536	3,995,536
Net book value - 31 December 2021	2,337,675	2,337,675
Net book value - 31 December 2022	1,780,551	1,780,551

Intangible fixed assets mainly refer to software licences.
The "write-downs" item is the balancing entry in the balance sheet of the impairment loss recognised in the income statement for the "PharmaQui" brand.
Please refer to note "2.7 Amortisation, depreciation, and impairment losses."

3.4 Leases

The breakdown of the right of use by nature of the underlying assets is shown below:

(Amounts in Euro units)	Property	Plant and Machinery	Equipment	Cars and vehicles	Total
Right of use as of 31 December 2021	8,966,872	2,186,882	211,066	284,676	11,649,496
Increase	436,956	17,000	4,328	-	458,284
Decreases	(559,934)	(166,995)	-	(135,455)	(862,384)
Write-downs					-
Right of use as of 31 December 2022	8,843,894	2,036,887	215,394	149,221	11,245,397
Amortisation provision as of 31 December 2021	3,626,396	1,208,464	145,016	261,233	5,241,109
Increase	1,026,216	224,122	36,987	11,382	1,298,706
Decreases	(227,548)	(94,526)		(135,455)	(457,529)
Amortisation provision as of 31 December 2022	4,425,063	1,338,060	182,003	137,160	6,082,286
Net book value as of 31 December 2021	5,340,476	978,418	66,050	23,443	6,408,388
Net book value as of 31 December 2022	4,418,831	698,828	33,391	12,061	5,163,110

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 2022.

Financial liability	
Financial liability as of 1 January 2022	3,912,283
Increases	62,599
Decreases	(108,238)
Interest	66,911
Fees	(1,059,763)
Financial liability as of 31 December 2022	2,873,792
Short-term financial liability	651,576
Long-term financial liability	2,222,216

The main Parent Company leases refer to a logistic centre used for the Food sector. For Pharmatek, they refer to the production plants at the Cremosano site, for which, since there was no modification of contract as of 31 December 2022, the directors have maintained the related Right of Use and liabilities. Euro Cosmetic decided to use this for some classes of assets (mainly machinery and other capital goods) and for the Trenzano factory.

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

3.5 Other non-current assets

The value of other non-current assets as of 31 December 2022 was € 820,871 compared to € 237,333 in the previous year.

(Amounts in Euro units)	31 December 2022	31 December 2021
Tax credit for subsidised assets – amount after 12 months	820,871	237,333
Total other non-current assets	820,871	237,333

This is the amount after 12 months of the tax credit for capital goods 4.0 and the tax credit for investments in tangible assets (formerly super depreciation).

3.6 Deferred tax assets

Deferred tax assets as of 31 December 2022 were € 7,312,662 compared to € 3,482,101 as of 31 December 2021, 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 2022	2022 EC taxes	OCI	31 December 2022
Deferred tax assets for inventory write-down	415,468	(112,057)	-	303,410
Deferred tax assets for goodwill amortisation	189,583	(27,084)	-	162,499
Deferred tax assets on IRES tax loss	2,392,734	4,314,683	-	6,707,417
Deferred tax assets for equity transaction costs	188,086	(188,086)	-	-
Deferred tax assets for other items	296,231	(89,859)	(67,035)	139,337
Total deferred tax assets	3,482,101	3,897,597	(67,035)	7,312,663

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

The directors believe that it is reasonable to fully recover deferred tax assets recognised in tax losses generated by the Parent Company and its subsidiaries from the taxable profits that the Company will earn in the future, as provided for in the long-term plan (2023-2025) approved by the Board of Directors on 30 March 2023.

3.7 Provision for deferred taxes

As of 31 December 2022, the Company's deferred tax provision was € 240,553 compared to € 1,081,159 as of 31 December 2021 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 2022.

(Amounts in Euro units)	31/12/2021	2022 financial year	OCI	31 December 2022
Deferred taxes lease IFRS 16	218,858	(8,439)	-	210,419
Deferred taxes on brand revaluation	185,475	(185,475)	-	-
Deferred taxes IAS 19	-	443	20,501	20,944
Deferred taxes on stock grant plans	667,637	(667,637)	-	-
Deferred tax assets for other items	9,190	-	-	9,190
Total deferred taxes	1,081,159	(861,107)	20,501	240,553

Deferred tax liabilities calculated on the PharmaQui brand revaluation, recognised in the Pharmatek 31 December 2020 Financial Statements, were set at nil as of 31 December 2022 against the full write-down of the subsidiary's intangibles. Following the end of the vesting period and the assignment of the related shares, the deferred tax liabilities recognised under this incentive plan were released.

3.8 Inventories

Inventories net of the related write-down provision for finished products and goods as of 31 December 2022 were € 40,422,499 compared to € 35,050,484 as of 31 December 2021.

(Amounts in Euro units)	31 December 2022	31 December 2021
Raw materials, ancillary materials, and consumables	30,340,048	23,258,416
Inventory write-down provision	(1,087,492)	(1,489,131)
Work in progress and semi-finished products	3,571,520	1,885,486
Finished products and goods	7,598,424	11,395,714
Total inventories	40,422,499	35,050,484

On a like-for-like basis, inventories showed an increase of € 5,372,000.

Asset inventories are valued at the lower of purchase or production cost and realisable value based on market trends. The purchase cost includes any directly attributable ancillary charges. The production cost does not include indirect costs as they were objectively unattributable. As commented in the risk section, the Group increased the average stock in inventory to face raw materials shortages.

Changes in the obsolescence provision are shown below:

Balance as of 31 December 2020	2,906,567
Accrual	466,565
Provision Use	(2,343,175)
Euro Cosmetic contribution	459,174
Balance as of 31 December 2021	1,489,131
Accrual	463,395

Provision Use	(865,034)
Balance as of 31 December 2022	1,087,492

The inventory obsolescence provision set aside as of 31 December 2022 was € 1,087,492 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year are those disposals made in 2022 concerning expired or non-conforming batches set aside as of 31 December 2021.

3.9 Trade receivables

As of 31 December 2022, trade receivables were € 39,347,321 (€ 29,433,391 as of 31 December 2021), net of the related bad debt provision of € 834,754 (€ 805,860 as of 31 December 2021). On a like-for-like basis, trade receivables, gross of the provision for bad debts, showed an increase of € 9,913,000.

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 2022	31 December 2021
ITALY trade receivables	28,718,777	20,667,979
EEC trade receivables	10,193,630	8,171,415
NON-EEC trade receivables	1,269,668	1,399,856
Total trade receivables	40,182,075	30,239,251

As of 31 December 2022, invoices to be issued of € 1,812,200 were allocated, mainly referring to price adjustments applied by one of the main customers. The related invoice was issued at the date of preparation of these Financial Statements.

The first five customers represent 40.44% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 40,182,000.

Changes in the bad debt provision are summarised below:

Balance as of 31 December 2020	657,048
Accrual	112,923
Provision Use	(67,290)
Pharmatek contribution	83,179
Euro Cosmetic contribution	20,000
Balance as of 31 December 2021	805,860
Accrual	154,119
Provision Use	(125,225)
Balance as of 31 December 2022	834,754

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

(Amounts in Euro units)	31 December 2022	31 December 2021
ITALY trade receivables	28,626,362	20,540,522
EEC trade receivables	9,532,917	7,510,237
NON-EEC trade receivables	1,188,042	1,382,632
Total trade receivables	39,347,321	29,433,391

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 2022	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	28,718,777	23,437,460	3,195,445	398,856	550,259	1,004,564	132,193
EEC	10,193,630	7,227,533	1,890,184	25,660	102,050	3,094	945,109
Non-EEC	1,269,668	845,702	302,930	3,465	150	660	116,762
Gross trade receivables	40,182,075	31,510,696	5,388,558	427,980	652,458	1,008,318	1,194,064
% write-down of receivables	2.1%	0%	0%	0%	0%	0%	69.9%
Bad debt provision	834,754						834,754
Net trade receivables	39,347,321	31,510,696	5,388,558	427,980	652,458	1,008,318	359,311

3.10 Tax receivables

As of 31 December 2022, tax receivables were € 2,268,044 compared to € 2,421,853 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
IRES receivables	1,977,648	1,972,572
IRAP receivables	290,396	449,282
Total tax receivables	2,268,044	2,421,853

All Group companies have an IRES/IRAP credit as of 31 December 2022.

3.11 Total other current assets

Total other current assets as of 31 December 2022 were € 5,890,398 compared to € 9,554,455 as of 31 December 2021. The table below provides a breakdown.

(Amounts in Euro units)	31 December 2022	31 December 2021
White Certificates	566,211	-
Tax receivables for tax benefits	1,443,075	962,291
Other receivables	668,680	552,655
VAT receivables	2,053,502	7,109,063
Receivables from social security institutions	80,097	42,073
Receivables for energy account withholdings	255	2,971
Receivables for withholding tax on collected coupons, dividends and realised capital gains	941,291	713,134
Accrued income and prepaid expenses	137,286	172,268
Total other current assets	5,890,398	9,554,455

The VAT credit was offset during 2022 through vertical and horizontal offsetting for € 5,055,000.

The "Receivables for withholding tax on receipts of coupons, dividends and capital gains" item mainly refers to the amounts withheld on the Fine Foods asset management.

The "Other receivables" balance is composed of advances to suppliers for goods and services.

3.12 Current financial assets

As of 31 December 2022, current financial assets were € 66,512,584 (compared to € 77,971,110 as of 31 December 2021). This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Other Fine Foods securities	62,834,343	71,028,503
Directors' Severance Pay (TFM) receivables	211,265	208,671
Leakage receivable	3,466,976	6,733,936
Total current financial assets	66,512,584	77,971,110

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 2021, the portfolio Fair Value was € 71 million.
- As of 31 December 2022, the negative change in Fair Value was € 8.2 million, bringing the portfolio's total value to €62.8 million.

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

Portfolio allocation	31 December 2022	31 December 2021
Shares	22.20%	24.68%
Equity securities	14.81%	15.30%
Equity funds	5.88%	8.40%
Options	1.51%	0.98%
Bonds	62.71%	67.04%
Bonds	21.52%	16.33%
Bond funds	41.19%	50.71%
Alternative investments	0%	0%
Alternative funds	0%	0%
Liquid assets	15.09%	8.28%

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	92.44%	92.44%
Pounds Sterling	1.94%	1.94%
U.S. dollars	4.22%	4.22%
Japanese Yen	0.99%	0.99%
Swiss Franc	0.41%	0.41%

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 exchange rates (from -10 to +10 percentage points) on securities and other variables held constant.

Currency	+10%		-10%	
	31/12/2021	31 December 2022	31 December 2021	31 December 2022
	Gross PL impact	Gross PL impact	Gross PL impact	Gross PL impact
US dollar	(397,809)	(240,800)	486,211	294,312
Japanese YEN	(127,087)	(56,700)	155,329	69,300
Pounds Sterling	(124,117)	(110,463)	151,699	135,010

Swiss Franc	(15,598)	(23,189)	19,064	28,342

The table shows how an appreciation of the Euro of 10 percentage points would allow the Company to obtain a profit of approximately 0.84 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 2021	31 December 2022	31 December 2021	31 December 2022
Bonds	242,834	144,738	(242,834)	(144,738)

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

For the Leakage Receivable, please refer to paragraph "1.1 Significant events for the period."

3.13 Cash and other liquid assets

As of 31 December 2022, the Group's cash and liquid assets were € 10,232,262 compared to € 17,118,957 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Bank and postal deposits	10,224,410	17,112,474
Cash and cash equivalents on hand	7,853	6,483
Total cash and other liquid assets	10,232,262	17,118,957

SHAREHOLDERS' EQUITY

4.1 Shareholders' equity

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

(Amounts in Euro units)	31 December 2022	31 December 2021
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(13,680,454)	(15,939,707)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	14,240,490	19,556,720
Reserve for share-based payments	-	2,781,820
First Euro Cosmetic consolidation reserve	(6,928,892)	(6,928,892)
IRS derivative hedging reserve	33,384	-
Warrant conversion reserve	11,311,789	11,660,019
Total reserves	126,461,456	132,615,098

Categories of shares issued by the Parent Company
The following table shows the number and nominal value of Company's shares. No movements occurred during the period.

Type	Final number
Ordinary Shares	22,060,125
Redeemable Shares	-
Multiple-voting Shares	3,500,000
Special Shares	-
Total	25,560,125

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The Parent Company is constantly engaged in buyback activities (repurchase of its shares on the market), which indicates that the Parent 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 buyback 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

4.2 Bonds

As of 31 December 2022, the Parent Company's bonds were € 3,323,051 compared to € 6,633,052 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Bonds payable - Non-current liabilities	-	3,322,876
Bonds payable - Current liabilities	3,323,051	3,310,176
Total bonds	3,323,051	6,633,052

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) to be calculated on the Group's Consolidated Financial Statements:

- 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.

4.3 Non-current bank borrowings

As of 31 December 2022, non-current bank borrowings were € 77,573,797 compared to € 35,298,177 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Mediocredito mortgage loan	5,787,952	7,427,551
Deutsche Bank loan 8.5 million	-	8,500,000
Intesa loan 8 million	-	8,000,000
Deutsche Bank loan 7 million	-	2,916,667
MPS loan 4 million	-	857,143
Intesa loan 70 million	64,291,256	-
Subsidiary loans	7,494,589	7,596,816
Total non-current bank borrowings	77,573,797	35,298,177

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

On 18 March 2021, the Parent 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 Parent 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.

On 21 October 2021, the Parent Company signed a new Deutsche Bank loan of € 7 million. The loan was disbursed on 25 October 2021 in a single instalment which expires on 21 October 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 29 October 2021, the Parent Company signed a new Monte dei Paschi di Siena bank loan for € 4 million. The loan was disbursed in a single instalment and expires on 31 March 2023. The applicable interest rate is equal to the six-month EURIBOR, which is increased by a fixed spread. This loan is not subject to financial constraints.

On 25 February 2022, Intesa Sanpaolo and Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods") have signed a € 70 million financing deal to support growth and development projects. Intesa Sanpaolo acted as the loan's sole financial arranger. The € 70 million seven-year loan will partly reorganise financial debt by replacing short-term credit lines with medium-long term debt. It will open the door to Fine Foods' further growth-by-acquisition plans. The loan provides for financial covenants based on the following indicators to be calculated on the Group's Consolidated Financial Statements:

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

They have been complied with as of the 31 December 2022 Consolidated Annual Financial Report's date.

4.4 Current bank borrowings

As of 31 December 2022, current bank borrowings were € 36,590,346, compared to € 64,986,862 as of 31 December 2021, broken down as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Invoice advances	6,757,788	16,251,030
Accrued expenses Interest	88,340	66,338
Loans and mortgages - amount due within 12 months	29,744,218	48,669,493
Total current bank borrowings	36,590,346	64,986,862

The short-term portion of loans and mortgages is better described in the paragraph "Significant events in the period." However, the Parent Company took out a long-term loan of € 70 million to reshape its exposure between short-term and long-term.

4.5 Employee benefits

As of 31 December 2022, the Employee benefits item was € 2,419,013 compared to € 3,010,691 as of 31 December 2021. This item refers to provisions set aside for severance and end-of-office indemnities.

Balance as of 31 December 2021	3,010,691

Provision Use	(527,710)
Discounting interest current year	46,142
Service cost	252,030
Actuarial profits and losses current year	(364,734)
Other changes	2,594
Balance as of 31 December 2022	2,419,013

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 2022	31 December 2021
Annual discount rate	3.63%	0.98%
Annual inflation rate	2.30%	1.75%
Severance indemnity increase annual rate	3.225%	2.81%

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 2022	DBO as of 31 December 2021
Turnover rate +1%	2,218,614	2,777,625
Turnover rate -1%	2,195,628	2,829,753
Inflation rate +0.25%	2,238,529	2,846,079
Inflation rate -0.25%	2,177,666	2,759,058
Discount rate +0.25%	2,166,487	2,741,818
Discount rate -0.25%	2,250,467	2,864,591

Service cost and duration	2022	2021
Fine Foods future annual service cost	-	-
Fine Foods plan duration	8.9	10
Pharmatek future annual service cost	54,759	75,341
Pharmatek plan duration	12.1	13.8
Euro Cosmetic future annual service cost	169,980	200,050
Euro Cosmetic plan duration	12.1	13.4

Estimated future disbursements – Years	2022	2021
1	238,306	287,664
2	245,570	222,502

3	253,960	254,009
4	261,494	259,746
5	220,297	263,754

4.6 Provisions for risks and charges

Provisions for risks and charges as of 31 December 2022 were € 41,105 compared to € 35,489 at the end of the previous year. This item refers exclusively to the two subsidiaries' contingent liabilities.

(Amounts in Euro units)	31 December 2022	31 December 2021
Euro Cosmetic provisions for risks and charges	2,105	35,489
Pharmatek provisions for risks and charges	39,000	-
Total other non-current financial liabilities	41,105	35,489

The value for Euro Cosmetic is attributable to the provision for risks for the property tax (IMU) and other taxes.

For Pharmatek, € 15,000 was allocated as restoration costs for the Crema Immobiliare building and € 24,000 as provisions for employee severance pay.

4.7 Trade payables

Trade payables as of 31 December 2022 were € 33,450,469, compared to € 32,532,177 as of 31 December 2021, broken down geographically as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Trade payables in ITALY	28,216,591	27,126,577
EEC trade payables	4,170,304	4,047,533
NON-EEC trade payables	1,063,573	1,358,008
Total trade payables	33,450,469	32,532,117

4.8 Taxes payable

Total taxes payable as of 31 December 2022 were € 0 compared to € 5,536,000 as of 31 December 2021, and are broken down as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Payables for IRES	-	-
Payables for IRAP	-	5,536
Total taxes payable	-	5,536

For a comment on current tax liabilities, please refer to note 2.11 on taxes.

4.9 Other current liabilities

Total other current liabilities as of 31 December 2022 were € 10,018,421, compared to € 8,096,854 as of 31 December 2021, and are broken down as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Payables due to pension and social security institutions	2,614,421	2,626,372
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	3,579,197	3,649,892

Payables for withholding taxes on employees	1,006,899	247,122
Payables for withholding taxes on self-employment	29,908	26,073
Substitute tax on severance indemnity	42,916	29,680
Accrued expenses and deferred income	1,971,652	918,069
Advances from customers	45,631	118,904
Other payables	727,797	480,742
Total other current liabilities and payables	10,018,421	8,096,854

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

The accrued expenses and deferred income item includes deferred income related to tax credits for investments in capital goods to align them over the useful life of the related assets.

5. Other information

5.1 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

No commitments and guarantees were reported for the Euro Cosmetic and Pharmatek subsidiaries.

5.2 Contingent liabilities

At the date of this document's preparation, there were no liabilities and contingent liabilities to be reported in the financial position or to be disclosed.

5.3 Grants, contributions and similar

For Euro Cosmetic:
the Company collected in 2022 all remaining portions of the tax credits derived from the concessions granted by MISE in previous years and related to the subsidies granted under the Sabatini Law for € 146,345.91.

5.4 Related party transaction information

Other than the remuneration of directors and specific employee categories, during 2022, the Company did not enter into any transactions with related parties that were under unusual market conditions.

(Amounts in Euro units)	31 December 2022
Directors' remuneration	1,302,307
Board of Statutory Auditors	127,234

The statutory auditors' remuneration is shown below:

(Amounts in Euro units)	31 December 2022
Auditing Company remuneration for audit services	115,00
to the Parent Company	75,000
to subsidiaries	40,000
Auditing Company remuneration for audit services for certification purposes	35,500
to the Parent Company	30,000
to subsidiaries	5,500
Auditing Company remuneration for other services	37,000
to the Parent Company	37,000
to subsidiaries	-

5.5 Events after the Financial Statements date

No significant events occurred after the end of the financial year.

5.6 Business outlook

Despite the great uncertainty in global markets, the world economy will show a fair growth level in 2023, although lower than 2022, with a recovery expected in 2024. Strong growth can be expected in the emerging economies, led by India, and substantial resilience in Europe, China, the Middle East and the US. A full and stable restart of European and world trade will only be possible with the end of hostilities between Russia and Ukraine and restoration of normal trade relations between the US, EU and China.

Eurozone growth is at 3.5% for 2022 and is expected to be 0.8% next year. In the next two years, the European Commission expects the energy shock to be overcome and a gradual slowdown in the inflation rate. The forecast for the inflation rate in 2024 is +2.3%, close to the Central Bank's target, and +1.1% for GDP.

Although the Italian economy suffered the impact of the pandemic more than the Eurozone average, the rebound in 2021 and the first half of 2022 allowed Italy to outperform the other major European economies compared to pre-pandemic levels. After a physiological slowdown in Q3 2022, production fell slightly between Q4 2022 (-0.6%) and Q1 2023 (-0.3%). The momentum related to the gap to be closed compared to the pre-pandemic period is exhausted, while the negative effects of higher energy prices are fully manifesting. From Q2 2023, GDP dynamics should turn positive again, although to a limited extent (+0.2% on average per quarter).

OECD economists expect US economy to grow by 0.5% in 2023 (+ 1.5% in 2022), with inflation and tight financial conditions affecting spending. Inflationary pressures, driven by strong demand, supply constraints and rising raw material prices following Russia's war against Ukraine, may prove persistent, prompting further monetary tightening. Inflation in the United States may have peaked. Tightening monetary policy started earlier in the US than most other major advanced economies, inflation is expected to progress faster in bringing inflation back on target than in the Eurozone.

Economic growth in China is expected to increase to 4.4% in 2023, in line with 2022, according to the IMF. Amid increasing difficulties, growth will be supported by investments in climate transition and the advancement of infrastructure projects. Real estate investments will remain weak due to continued defaults among developers and falling price expectations. Exports will remain relatively strong as companies continue to increase their market shares.

As for the emerging economies, the Indian economy is expected to grow real GDP by 6.2% in FY2023.

Considering the results achieved in the last financial year, the Fine Foods Group is ready to meet the challenges of the current and future financial years. The goal is returning to historical growth and margin trends in the shortest possible time, compatibly with the international geo-political and macroeconomic situation.

Fine Foods sees innovation as the driving force behind its growth - an essential aspect of its competitive strategy, a value shared between company functions, and a distinctive trait among CDMO market players. A relentless search for customer satisfaction drives the company's focus on research and development, continuous innovation, quality and sustainability with a dynamic and proactive approach.

The Group will develop the business along three main lines - Pharma, Food and Cosmetics - by strengthening corporate functions' activities.

The Pharma BU is expected to significantly grow due to the multi-year agreements signed with important customers. In addition, the Fine Foods Board of Directors meeting of 30 March 2023 approved a production plant expansion.

The integration and optimisation of the Cosmetic BU processes will be completed to generate future business opportunities, helped by synergies with the other BUs.

Fine Foods will seize any opportunities for growth through external lines.

Fine Foods controls each production process phase, from the raw material suppliers selection to the care of finished product details, and will update its technology to guarantee business continuity safeguarding its customer needs.

It will optimise its fixed and variable cost structure by exploiting BUs synergies.

Fine Foods is recognised for its structural solidity and flexibility, professionalism, and swiftness in handling internal and external customer requests. Our business model is fuelled by focusing on human resources, the environment, product safety and health, governance and transparency. The Groups believes in a fair and sustainable future, creating long-term value for the benefit of its stakeholders and contributing to the development and well-being of the communities in which it operates. Fine Foods has been a benefit corporation since April 2021 and strives to return the value it receives.

ESG issues for Fine Foods are a structured set of activities and the Group intends to continue its sustainability programme in the future.

Verdellino, 30 March 2023

for the Board of Directors
Chairman

Marco Francesco Eigenmann

Certification of the 31 December 2022 Consolidated Financial Statements under Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned, Giorgio Ferraris, in his capacity as Chief Executive Officer, and Pietro Bassani, in his capacity as Manager responsible for preparing the Company accounts of Fine Foods & Pharmaceuticals N.T.M. S.p.A. certify the following, under art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the Financial Statements' adequacy in relation to the Company features;
- the practical application of the administrative and accounting procedures to prepare the Consolidated Financial Statements from 1 January to 31 December 2022.

The undersigned declares that:

- the Consolidated Financial Statements
  a) have been prepared under applicable International Accounting Standards, as adopted by the European Union through the (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002, the measures issued to implement Article 9 of Legislative Decree no. 38/2005, and the (EU) Commission Delegated Regulation no. 2019/815 of 17 December 2018 ("ESEF Regulation");
  b) reflect the accounting books and records;
  c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

- The Report on Operations includes a reliable analysis of the progress and results of operations, the situation of the issuer and the companies included in the consolidation area, and a description of the principal risks and uncertainties to which it is exposed.

Verdellino-Zingonia, 30/03/2023

Chief Executive Officer
Giorgio Ferraris

The Manager
preparing the corporate
accounts
Pietro Bassani

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

Consolidated financial statements as at 31 December 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Viale Papa Giovanni XXIII, 48
24121 Bergamo

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Fine Foods & Pharmaceuticals N.T.M. S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fine Foods Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, and the consolidated income statement, the consolidated comprehensive income statement, consolidated shareholders' equity changes and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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 Consolidated Financial Statements* section of our report. We are independent of Fine Foods & Pharmaceuticals N.T.M. S.p.A. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	Audit Response
Valuation of Goodwill	
The goodwill recognized as of 31 December 2022, and included within intangible assets, amounted to Euro 15,9 million and it was allocated to the Cash Generating Units (CGUs) Pharmatek and Euro Cosmetic. The processes and methodologies used to determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of judgement by the Directors, in particular with reference to the allocation of the carrying value of assets and liabilities to each CGUs, the future cash flow forecasts during the period of the Group business plan, the determination of the normalized cash flows used to estimate terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered that this area represents a key audit matter. The disclosures related to the valuation of goodwill is given in note 3.2 "Goodwill" in the sections "1.5.1 business combination and goodwill" and lastly in paragraph "1.9.2 Estimates and assumptions".	Our audit procedures in response to this key audit matter included, among others: • understanding of the processes adopted by the group in relation to the valuation of goodwill; • validation of the CGUs perimeter and the allocation of the carrying value of assets and liabilities to each CGUs; • assessment of future cash flow of each CGUs for the explicit period of Group business plan and the assumption used for the identification of normalized cash flows, including the consistency of the future cash flow forecasts of each CGU with the 2023-2025 Group business plan; • assessing discount and long-term growth rates. In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine which changes in assumptions could materially impact the valuation of recoverable amount. Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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 Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fine Foods & Pharmaceuticals N.T.M. S.p.A., in the general meeting held on 30 April 2020, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2022 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fine Foods Group as at 31 December 2022, including their consistency with the related consolidated financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Fine Foods Group as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Fine Foods Group as at 31 December 2022 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.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 31 March 2023

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

As disclosed by the Directors on page 44, the accompanying consolidated financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Board of Statutory Auditors Report to the Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A. under Art. 153 of Legislative Decree no. 58/1998 and Art. 2429 of the Italian Civil Code

Dear Shareholders,

With this Report, drawn up under Art. 153 of Legislative Decree no. 58 of 24 February 1998 (the "TUF") and in compliance with the recommendations provided by CO.N.SO.B. ("CONSOB") with Communication no. DEM/1025564 of 6 April 2001 and subsequent updates, the Board of Statutory Auditors reports on the activities carried out during the financial year ended 31 December 2022 and up to the present date, under reference legislation and the Rules of Conduct for the Board of Statutory Auditors of Listed Companies recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ("CNDCEC" National Council of Chartered Accountants and Accounting Professionals).

The Company:

- has become a "Publicly Traded Company", under Art. 2 bis of Consob Regulation 11971/1999, since 1 October 2018;
- has been classified as a "Listed Issuer", under Art. 1 of Legislative Decree no. 58/1998, with its listing on the Mercato Telematico Azionario of Borsa Italiana, STAR segment since 12 July 2021;

making the relevant legislative and regulatory provisions applicable as of the same dates.

<u>Composition and functioning of the Board of Statutory Auditors</u>

- The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of Fine Foods & Pharmaceuticals N.T.M. S.p.A. (hereafter, "FF") held on 21 April 2021 and comprises:
- Statutory Auditors: Laura Soifer (Chairperson), Mario Tagliaferri, Luca Manzoni;
- Alternate Auditors: Matteo Zucca, Marco Valsecchi.
- The Board of Statutory Auditors office expires with the Shareholders' Meeting called to approve the Financial Statements as of 31 December 2023.
- Under Art. 144-*quinduiesdecies* of the Issuers' Regulations, the list of offices held by members of the Board of Statutory Auditors at the companies referred to in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, is published by CONSOB on its website (www.CONSOB.it). Art 144-*quaterdecies* of the Issuers' Regulations (disclosure obligations to CONSOB) provides that persons who

hold the position of control body member for one Issuer only are not subject to the disclosure obligations provided for in the above article. In this case, they are not included in the CONSOB lists.

- The Board of Statutory Auditors has fulfilled the supervisory duties under Art 2403 of the Italian Civil Code and Art. 149 of the TUF and carried out the supervisory functions of Art. 19 of Legislative Decree no. 39/2010 as amended by Legislative Decree no. 135/2016 (in force since 5 August 2016), identified as the Internal Control and Audit Committee, overseeing compliance with the principles of proper administration and the adequacy of the organisational, administrative and accounting systems adopted by the Company and their functioning, and the methods to implement the corporate governance rules provided for by applicable regulations on the subject. It supervised the independence of the Auditing Company appointed to carry out the legal audit.

  The necessary information for carrying out the supervisory activity was acquired through regular meetings with the heads of the relevant corporate departments, especially those in charge of control, and by participating in the meetings of the Board of Directors and Governance Committees set up under the CCG 2020, implemented by FF. These are the Control and Risk Committee (hereafter CCR) - which performs the function of Related Party Transactions Committee (hereafter the OPC Committee) and the related tasks, set out in the Related Party Transactions Procedure adopted by the Company under Art. 4 of the CONSOB Regulation under resolution no. 17221 of 12 March 2010 and lastly amended by resolution no. 21624 of 10 December 2020 (implementing Legislative Decree no. 49/2019 transposing the SHRD - EU Directive 2017/828), the Remuneration and Nomination Committee and the Supervisory Body established to implement Legislative Decree no. 231/2001.

1. **Supervision**

During the 2022 financial year, the Board of Statutory Auditors carried out the supervisory functions assigned by law and regulations, complying with the rules of conduct recommended by the CNDCEC (National Council of Chartered Accountants and Accounting Professionals) and, to the extent applicable, with CONSOB communications on corporate controls and Board of Statutory Auditors tasks.

The Board of Statutory Auditors monitored compliance with the law and the Articles of Association and correct administration principles. It monitored the adequacy of the Company's organisational, administrative and accounting system under its responsibility. The Board of Statutory Auditors did not find any irregularities that required reporting.

To acquire the information necessary to perform its supervisory duties, the Board of Statutory Auditors:

- attended the nine meetings held by the Board of Directors during the 2022 financial year, obtaining information on the general performance of operations and its foreseeable evolution, and the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries (based on the acquired information, it has no observations);

- attended two Remuneration and Nomination Committee meetings and two Control and Risk Committee meetings (no significant data or information emerged that should be highlighted in this Report);
- met and exchanged information with the control bodies of the two subsidiaries (no significant data or information emerged that should be highlighted in this Report);
- met and exchanged information with the Supervisory Body (no significant data or information emerged that should be highlighted in this Report);
- regularly met and exchanged information with the EY auditing company which carried out the legal audit (no significant data or information emerged that should be highlighted in this Report);
- held nine meetings, with minutes taken; and verified the absence of grounds for disqualification of its members, and compliance with the requirements of independence, under Art. 148 of Legislative Decree no. 58/1998 and the Corporate Governance Code for Listed Companies.

Based on our supervisory activities, we can certify the following:

a) the transactions resolved and carried out by the Directors comply with the law and the Articles of Association and do not appear to be manifestly imprudent, risky, in potential conflict of interest or in contrast with the Shareholders' Meeting’s resolutions or such as to compromise the integrity of the Company's assets. For the most significant transactions carried out during the period, please refer to the Report on Operations and the Notes to the Financial Statements, where your Directors explained the procedures and reasons for such transactions in detail;

b) regarding the policies and criteria on the diversity of corporate bodies provided for by the Corporate Governance Code, we note that the same implementation criteria are shown in the 2022 Report on Corporate Governance and Ownership Structure;

c) the Company adopted the changes introduced by Law no. 160 of 27 December 2019 (Budget Law 2020) and its subsequent amendments, for the minimum representation quotas for the lesser represented gender in the corporate bodies of listed companies, consistently adjusting the Articles of Association.

d) we know and supervised the adequacy of the Company's organisational structure and have no observations;

e) we monitored the internal control, risk management and administrative-accounting system adequacy to ensure they correctly represent operating events and have no observations;

f) we did not find any transactions that, due to their nature or size carried out by the Company, with third parties, intragroup companies or related parties, were atypical or unusual. We found ordinary intragroup transactions and transactions with related parties. We verified compliance with appropriate procedures to ensure that the transactions were duly documented, regulated at normal market conditions, and made in the Company's interest. These transactions are adequately explained by the directors in the Financial Statements, Report on Operations and the Notes to the Consolidated Financial Statements, to which reference should be made;

g) we supervised compliance of Related Party transactions internal procedure with the principles in the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010, as amended by resolution no. 22144 of 22 December 2021, and its compliance, under Art. 4, paragraph 6 of the same regulation;

h) we monitored the adequacy of Company instructions to its subsidiaries, and the information flows provided to ensure the timely fulfilment of the communication obligations under the law;

i) we monitored the correct application of the criteria and procedures adopted by the Board to assess the independence of Directors under the Corporate Governance Code of listed companies, currently in force and promoted by Borsa Italiana S.p.A. by resolution of 19 April 2021, and which the Board of Directors follows;

j) we acknowledged the preparation of the Report on Remuneration under Art. 123-*ter* of Legislative Decree no. 58/1998 and Art. 84-*quater* of CONSOB Regulation 11971/1999, with no observations to report;

k) we acknowledged the appointment of the manager entrusted with common benefit functions and tasks as a benefit corporation under Law 28/12/2015 no. 208, paragraph 380, which took place on 13 May 2022;

l) we acknowledged the Code of Ethics revision and adoption of the Anti-Corruption Code approved on 13 May 2022;

m) there were no shareholder complaints under Art. 2408 of the Italian Civil Code, nor were there any complaints received from third parties;

n) during the year, we issued an opinion on the proposal for specialist support on the new obligations to prepare consolidated financial statements in XBRL format as required by the ESEF regulations formulated by EY S.p.A:

o) we verified that Directors complied with the CONSOB and ESMA (European Securities and Markets Authority) recommendations and included information about the assessments made by the Company on the Russian-Ukrainian conflict and consequent actions implemented to contain the crisis' negative effects on business in the Financial Report 2022.

p) among the relevant 2022 transactions of which the Board of Statutory Auditors has received information for Group integration:

- on 7 October 2022, the Company voted in favour of Pharmatek s.r.l. merger by incorporation into Euro Cosmetic S.p.A;

q) during our supervision, no significant facts emerged that need to be reported, nor were any omissions, reprehensible facts, or irregularities found that would be reported to the Shareholders' Meeting or brought to the attention of the Court;

r) we have not received any reports from qualified public creditors, under Art. 25-novies of Legislative Decree 14/2019;

s) we have not made any reports to the governing body under Article 25-octies of Legislative Decree no. 14/2019.

2. Comments and proposals regarding the Financial Statements and their approval

The draft annual Financial Statements, 31 December 2022 Consolidated Financial Statements and Report on Operations were approved at the Board of Directors' meeting held on 30 March 2022.

The separate and consolidated Financial Statements have been prepared under IAS/IFRS.

Since it was not responsible for the accounts' legal audit, the Board of Statutory Auditors monitored the Financial Statements and Consolidated Financial Statements' general layout and compliance with the rules governing their preparation and structure. The Board of Statutory Auditors checked that they matched the facts and information of which it became aware due to the performance of its duties. The Board of Statutory Auditors has no observations on this matter.

For the preparation of the separate and consolidated 31 December 2022 Financial Statements, the Board of Statutory Auditors acknowledges that the Board of Directors approved the compliance of the impairment test procedure with the requirements of international accounting standard IAS 36, after examining it with the Control and Risk Committee and the Board of Statutory Auditors. The Notes to the Financial Statements contain information and the assessment results.

Under the European Commission's Delegated Regulation 2019/815 (ESEF Regulation) implementing Directive 2013/50/EU, which requires listed issuers to prepare their annual financial reports (RFA) in the European Single Electronic Format (ESEF) from 1 January 2021, and the related "notes" from 1 January 2022, the Company has completed the project to implement the ESEF Regulation requirements for FY 2022. FF's Consolidated Annual Financial Report and related notes for the year ended 31 December 2022 were prepared in the XHTML format by marking certain information from the IFRS consolidated Financial Statements using the Inline XBRL specification.

Under Art. 81-ter of CONSOB Regulation no. 11971/1999, we acknowledged what stated by the Chief Executive Officer and Manager responsible for preparing the Company's accounting and corporate documents, under Law no. 262/2005, on the adequacy of the administrative and accounting procedures for the preparation of the separate and consolidated Financial Statements.

The legal audit is entrusted to the auditing company EY S.p.A. We acknowledge the following for FY 2022:

- we have received from the Auditing company the Reports on the separate and consolidated Financial Statements, provided for by Article 14 of Legislative Decree no. 39/2010, issued today, which express an "unmodified opinion" showing the Key Audit Matters (KAMs), subject to discussion between the Board of Statutory Auditors and Auditing company;
- we received the "Additional Report" from the Auditing Company under Article 11 of Regulation (EU) no. 537/2014; as reported in the opinion on the Financial Statements, the Report does not contradict the opinions but refers to specific matters;
- the Board of Statutory Auditors supervised compliance with Legislative Decree no. 254 of 30 December 2016, and CONSOB Regulation implementing the Decree adopted by resolution no. 20267 of 18 January 2018, particularly for the drafting process and contents of the Non-Financial Statement ("NFS") prepared by the Company.

  The Board of Statutory Auditors monitored the organisational and operational process to prepare the Consolidated Non-Financial Statement, through discussions with the relevant internal function, Control and Risk Committee, ESG Committee and Auditing Company. It was not aware of any violations of the applicable regulatory provisions.

  The NFS was approved at the meeting of the Board of Directors on 30 March 2023 as a separate document from the 31 December 2022 Report on Operations. The Auditing Company was commissioned to examine the NFS under Art. 3, paragraph 10 of Legislative Decree no. 254/2016. In its report issued on 31 March 2023, it stated that no evidence came to its attention that the Fine Foods Group 31 December 2022 NFS was not prepared under the requirements of Articles 3 and 4 of Legislative Decree no. 254/2016 and the reporting standards set out in the NFS's "Methodological Note."
- we received from the Auditing Company the "Annual Confirmation of Independence" certification under Art. 6 of Regulation (EU) no. 537/2014. During the 2022 financial year, the Company appointed EY S.p.A auditing company and parties belonging to its "network" further assignments for legal audit

services. The related amounts and contents are in the specific annex to the Financial Statements, under Art. 149 duodecies of the CONSOB Issuers' Regulations. The Board of Statutory Auditors did not express an opinion on these assignments since they are linked to the legal audit.

The 09 May 2023 Annual Shareholders' Meeting used the longer term outlined in Art. 2364 of the Italian Civil Code. The Board of Statutory Auditors noted that with Decree Law no. 18 of 17 March 2020 "Cura Italia" converted, with amendments, by Law no. 27 of 24 April 2020 (as most recently extended by Decree Law 198/ 2022 "Milleproroghe") it is authorised holding Ordinary and Extraordinary Shareholders' Meetings "behind closed doors." This allowed companies to use specific measures such as postal or electronic voting, participation in the Shareholders' Meeting by telecommunication means, and appointed representatives. This can be done in derogation from the Articles of Association. These methods allow participation in the Shareholders' Meeting and the expression of voting rights without the necessary physical presence of the shareholders in one place.

The Board of Statutory Auditors will work closely with the Board of Directors to ensure that the Shareholders' Meeting can be orderly held, and shareholders' rights duly exercised, under the above provisions.

3. Conclusions

Based on the above and according to its knowledge, the Board of Statutory Auditors sees no reasons to prevent the draft Financial Statements for the year ended 31 December 2022 being approved and the allocation of the year result, as proposed by the Board of Directors.

* * *

Milan, 31 March 2023

The Board of Statutory Auditors

Laura Soifer

Mario Tagliaferri

Luca Manzoni

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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 € 22,770,445.02 fully paid-up
VAT no. 09320600969

FINANCIAL STATEMENTS
AS OF 31 December 2022

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 2022	2021
Revenues and income			
Revenues from contracts with customers	*2.1*	172,526,658	178,548,663
Other revenues and income	*2.2*	647,560	112,611
Total revenues		173,174,218	178,661,274
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	*2.3*	(107,430,562)	(110,265,870)
Personnel costs	*2.4*	(30,968,517)	(31,159,219)
Costs for services	*2.5*	(19,464,262)	(17,810,524)
Other operating costs	*2.6*	(1,183,242)	(1,174,275)
Amortisation, depreciation, and impairment losses	*2.7*	(12,672,951)	(12,252,364)
Total operating costs		(171,719,534)	(172,662,252)
Operating result		1,454,684	5,999,022
Changes in fair value of financial assets and liabilities	*2.8*	(7,733,525)	(8,897,380)
Equity investment income and charges	*2.9*	-	(3,472,339)
Loss on financial receivables	*2.10*	(3,266,960)	-
Financial income	*2.11*	40,527	26,270
Financial charges	*2.12*	(1,963,875)	(659,811)
Income before taxes		(11,469,149)	(7,004,238)
Income taxes	*2.13*	3,885,005	2,883,788
Profit/(loss) for the financial year		(7,584,144)	(4,120,450)

Comprehensive income statement

	Notes	Year ended 31 December 2022	2021
Profit /(loss) for the financial year (A)		(7,584,144)	(4,120,450)
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		131,056	(12,491)
Tax effect		(31,453)	2,998
Other comprehensive income (B) components		99,603	(9,493)
Comprehensive profit/(loss) (A+B)		(7,484,541)	(4,129,943)

Statement of financial position

(amounts in € units)	Notes	As of 31 December 2022	As of 31 December 2021
Assets			
Non-current assets			
Property, plant and machinery	*3.1*	91,931,461	93,989,262
Other intangible fixed assets	*3.2*	1,471,508	1,474,184
Rights of use	*3.3*	204,931	270,639
Investments	*3.4*	38,874,182	38,874,182
Other non-current assets	*3.5*	506,750	237,333
Deferred tax assets	*3.6*	6,430,144	3,168,075
Total non-current assets		139,418,977	138,013,674
Current assets			
Inventories	*3.8*	33,498,758	28,760,105
Trade receivables	*3.9*	30,053,303	21,847,629
Tax receivables	*3.10*	1,398,590	1,542,206
Other current assets	*3.11*	3,174,317	8,171,221
Current financial assets	*3.12*	66,301,319	77,762,439
Cash and other liquid assets	*3.13*	6,255,196	3,050,651
Total current assets		140,681,484	141,134,251
Total assets		280,100,460	279,147,925
Shareholders' equity			
Share Capital	*4.1*	22,770,445	22,770,445
Other reserves	*4.1*	130,685,875	139,543,990
Employee benefit reserve	*4.1*	28,428	(71,174)
FTA reserve	*4.1*	(6,669,789)	(6,669,789)
Profits carried forward	*4.1*	-	-
Profit/(loss) for the financial year	*4.1*	(7,584,144)	(4,120,450)
Total Shareholders' equity		139,230,815	151,453,021
Non-current liabilities			
Bonds	*4.2*	-	3,322,876
Non-current bank borrowings	*4.3*	70,079,208	27,701,361
Employee benefits	*4.5*	844,343	1,026,027
Provision for deferred taxes	*3.7*	16,411	667,637
Non-current lease payables	*3.3*	88,384	144,026
Total non-current liabilities		71,028,347	32,861,926
Current liabilities			
Bonds	*4.2*	3,323,051	3,310,176
Current bank borrowings	*4.4*	32,723,811	61,834,248
Trade payables	*4.6*	26,477,912	23,705,860
Current lease payables	*3.3*	120,175	129,439
Other current liabilities	*4.7*	7,196,350	5,853,254
Total current liabilities		69,841,299	94,832,978
Total Shareholders' equity and Liabilities		287,684,604	279,147,925

Cash Flow Statement

		Year ended 31 December	
(amounts in € units)	Notes	2022	2021
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(7,584,144)	(4,120,450)
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	*2.7*	11,863,587	11,298,110
Amortisation and impairment of intangible fixed assets	*2.7*	681,058	718,174
Amortisation of rights of use	*2.7*	128,307	185,324
Impairment of financial receivables	*2.10*	3,266,960	-
Investment write-down	*2.9*	-	3,472,339
Other write-downs of fixed assets	*3.3*	-	14,155
Financial income	*2.11*	(40,527)	(26,270)
Financial charges	*2.12*	1,960,401	656,438
Changes in fair value of financial assets and liabilities	*2.8*	7,733,525	8,897,380
Financial charges on financial liabilities for leases	*3.3*	3,474	3,373
Income taxes	*2.13*	59,744	(1,597,827)
Personnel costs for stock grants	*2.4*	-	1,058,445
Gains on the disposal of property, plant and machinery	*2.2*	(23,924)	(48,368)
Current assets write-downs	*3.8,3.9*	515,059	608,204
Net change in severance indemnity and pension funds	*4.5*	(67,327)	(55,136)
Net change in deferred tax assets and liabilities	*3.6,3.7*	(3,944,749)	(1,303,944)
Interest paid	*2.12*	(1,906,651)	(627,659)
Income taxes paid	*2.13*	-	(3,327,719)
Changes in net working capital:			
(Increase)/decrease in inventories	*3.8*	(5,099,593)	(9,607,870)
(Increase)/decrease in trade receivables	*3.9*	(8,359,793)	(9,300,395)
(Increase)/decrease in other non-financial assets and liabilities	*3.5,3.10,3.11,4.7*	6,154,454	(5,862,158)
Increase/(decrease) in trade payables	*4.6*	2,772,052	983,483
NET CASH FLOWS FROM OPERATING ACTIVITIES		8,111,911	(7,982,373)
Investments:			
Investments in tangible fixed assets	*3.1*	(9,892,978)	(11,963,432)
Disposal of tangible fixed assets	*3.2*	111,119	138,393
Investments in intangible fixed assets	*3.1*	(678,382)	(681,842)
Net (investments)/disposals in financial assets	*3.12*	460,635	4,419,883
Pharmatek and Euro Cosmetic acquisition	*3.4*	-	(31,282,025)
Other financial receivables	*3.12*	-	(6,733,936)
NET CASH FLOWS FROM INVESTMENTS		(9,999,607)	(46,102,959)
Financing:			
New financing	4.3,4.4	70,054,630	81,006,170
Funding repayment and bonds	4.2,4.3,4.4	(60,097,220)	(5,749,717)
Principal payments - lease liabilities	3.3	(127,505)	(180,903)
Minority share acquisitions	3.4	-	(11,064,496)
Dividends paid to the parent company's shareholders	4.1	(3,866,869)	(3,205,727)
Increase/(decrease) in capital	4.1	-	168,560

Sale/(purchase) of treasury shares	4.1	(870,796)	(7,180,420)
CASH FLOWS FROM FINANCING		5,092,240	53,793,467
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,204,545	(291,866)
Cash and short-term deposits as of 1 January		3,050,651	3,342,518
Cash and short-term deposits as of 31 December		6,255,196	3,050,651

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 31 December 2020	*4.1*	22,601,885	5,000,000	(8,759,287)	29,741,389	86,743,750	9,398,219	1,723,375	(9,883,868)	(61,681)	(8,859,849)	13,364,228	141,008,161
Profit/(loss) for the financial year												(4,120,450)	(4,120,450)
Other income statement components										(9,493)			(9,493)
Comprehensive profit/(loss)		-	-	-	-	-	-	-	-	(9,493)	-	(4,120,450)	(4,129,943)
Dividends							(3,205,727)						(3,205,727)
Stock Grant								1,058,445					1,058,445
Purchase of treasury shares				(7,180,420)									(7,180,420)
Warrant exercise		168,560						11,660,019	3,214,079		8,859,849		23,902,506
Allocation of the 2020 financial year result							13,364,228					(13,364,228)	-
Balance as of 31 December 2021	*4.1*	22,770,445	5,000,000	(15,939,707)	29,741,389	86,743,750	19,556,720	14,441,839	(6,669,789)	(71,174)	-	(4,120,450)	151,453,021
Profit/(loss) for the financial year												(7,584,144)	(7,584,144)
Other income statement components										99,603			99,603
Comprehensive profit/(loss)		-	-	-	-	-	-	-	-	99,603	-	(7,584,144)	(7,484,541)
Dividends							(3,866,869)						(3,866,869)
Stock Grant				3,130,050				(3,130,050)					-
Purchase of treasury shares				(870,796)									(870,796)
Warrant exercise													-
Allocation of the 2021 financial year result							(4,120,450)					4,120,450	-
Balance as of 31 December 2022	*4.1*	22,770,445	5,000,000	(13,680,454)	29,741,389	86,743,750	11,569,401	11,311,789	(6,669,789)	28,428	-	(7,584,144)	139,230,815

31 December 2022 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 2022 was authorised on 30 March 2023 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). The Company, listed on Euronext STAR Milan of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO).

Founded in 1984, Fine Foods proved to be a reliable and capable strategic partner for customers in the reference sectors. The company's organisation can provide successful design process and solid, long-term partnerships. The continuous search for excellence is part of the company's business model and includes research and development, innovation, process reliability, product quality, ESG, and sustainable management of the Group's supply chain. Fine Foods is a benefit corporation which relies on certifications and ratings under international standards. These guarantee its sustainability commitment across the business. With € 207 million revenue in 2022 and more than a ten per cent CAGR over the last decade, Fine Foods is a growing and future-oriented company.

The accompanying financial statements of Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

1.1 Significant events for the period

INTESA LOAN 70 million

On 25 February 2022, Intesa Sanpaolo and Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods")

signed a € 70 million financing deal to support growth and development projects. Intesa Sanpaolo acted as the loan's sole financial arranger. The € 70 million seven-year loan will partly reorganise financial debt by replacing short-term credit lines with medium-long term debt. It will open the door to Fine Foods' further growth-by-acquisition plans. The loan provides for financial covenants based on the following indicators to be calculated on the Group's consolidated financial statements:

➢ NFP / EBITDA

➢ NFP / EQUITY

➢ EBITDA/Financial charges

EURO COSMETIC ACQUISITION - LEAKAGE RECEIVABLE

As disclosed in the Financial Statements for the year ended 31 December 2021, Fine Foods notified Euro Cosmetic's former shareholders (MD and Findea) of its Leakage Reimbursement Request on 29 December 2021, under the "Locked Box" Agreement, for € 6,733,938.

The main leakage in the contract was due to:

- any distribution of dividends, whether in cash or in kind or other forms of distribution of capital, profits or reserves resolved, paid or made, capital reductions, the redemption of shareholdings or purchase of shareholdings, any redemption of financial instruments;
- any payment made in favour of Company Related Parties, Sellers or Seller Related Parties or Seller and Company governing bodies' members;
- any investment in fixed assets (tangible or intangible) or disposal of assets for more than € 10,000 (ten thousand);
- any agreement or undertaking (including by modifying the existing contracts' terms and conditions) to carry out any of the foregoing.

Fine Foods Directors requested a leading independent consulting firm to identify and assess the Leakage that occurred during the reference period and the related amount to be requested from the Sellers as Leakage reimbursement. This confirmed the value of € 6,733,938 On 31 December 2021, the directors obtained a legal opinion on the contract's correct interpretation and the independent consultant considered it reasonable to believe that the Leakage Reimbursement Request was made by the Company under contractual terms.

Fine Foods' notice was acknowledged and contested by the Sellers and, under the Contract, the matter was referred to an arbitrator (the "Expert"), appointed at the Company's request on 16 March 2022 by the Arbitration Board of the Milan Chamber of Arbitration. During the arbitration, the parties filed notes and documents and meetings were held with legal counsel before the Arbitrator. On 2 September 2022, the Company and Sellers filed their final notes and a further meeting was held on 6 September 2022.

On 5 October 2022, Fine Foods received the Expert's Report on the Leakage Reimbursement Request against the former Euro Cosmetic's shareholders. Based on this Report, Fine Foods was granted a reimbursement of € 3,466,976 for purchase price adjustment - out of € 6,733,938 million originally requested. The Company has recorded € 3,266,960 write-down of receivables in the relevant item. The Expert did not deem this portion of the receivable admissible, even if, in their opinion, a Contract literal interpretation suggests that the Leakage reimbursement request should have been entirely granted to the acquiring party.

Subsequently, Fine Foods requested the Sellers to pay the amount defined by the Expert. Since the Sellers failed to do so, and the conditions were met, the Company applied for and obtained a Court of Milan order for the payment of its claim. The petition and payment order were served on the Sellers on 17 February 2023. The Sellers opposed, contesting the debt by the 29 March 2023 deadline. Proceedings on the merits will be opened and the Court will establish the existence and amount of Fine Foods' claim. At the first hearing (which is likely to take place after the holiday period but before the end of the current year), the Company will apply for the provisional enforcement of the opposed payment order.

The Directors mandated the consulting firm PWC to carry out Corporate Intelligence - Reputational Due Diligence for the Sellers (MD and Findea) to identify solvency and payment risks.

Following these analyses, the consultant concluded that, based on the latest Seller's available data, there were no elements that could compromise the companies' solvency in paying the debt to Fine Foods. As provided in Article 12 of the Agreement "(...) Sellers are jointly and severally liable for all obligations and commitments undertaken under this Agreement").

1.2 Current international crisis impact

The 2022 turnover was impacted by the ongoing conflict between Russia and Ukraine due to a decline in product sales. This reduction involves products bought by Fine Foods customers for subsequent resale to crisis-affected countries in Eastern Europe. However, there are no business partners whose headquarters are in an at-risk area.

Except for the previous paragraph, the Directors do not believe that the current economic contingency will significantly affect the sales volumes expected in 2023.

The 2022 margins were affected by the continuing increase in energy costs, shortages in the supply of materials and an increase in their prices.

1.3 Going concern

These Financial Statements have been prepared on a going concern basis. Considering the company's balance sheet and financial structure and future profitability prospects, the directors consider this assumption appropriate.

1.4 Accounting principles

1.4.1 Principles followed when preparing the Financial Statements

The Financial Statements for the year ended 31 December 2022 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".

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 1.7 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 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 2022 and 31 December 2021.

31 December 2022	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	66,301,319	66,301,319	62,834,343	3,466,976	
Cash and other liquid assets	6,255,196	6,255,196	6,255,196		
Total financial assets	72,556,515	72,556,515	69,089,539	3,466,976	
Financial liabilities					
Other current financial liabilities (Warrants)	-	-			
Current bonds	3,323,051	3,323,051		3,323,051	
Non-current bonds	-	-		-	
Non-current bank borrowings	70,079,208	70,079,208		70,079,208	
Current bank borrowings	32,723,811	32,723,811		32,723,811	
Non-current lease payables	88,384	88,384		88,384	
Current lease payables	120,175	120,175		120,175	
Total financial liabilities	106,334,630	106,334,630		106,334,630	-

31 December 2021	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	77,762,439	77,762,439	71,028,503	6,733,936	
Cash and other liquid assets	3,050,651	3,050,651	3,050,651		
Total financial assets	80,813,090	80,813,090	74,079,154	6,733,936	
Financial liabilities					
Other current financial liabilities (Warrants)	-	-			
Current bonds	3,310,176	3,310,176		3,310,176	
Non-current bonds	3,322,876	3,322,876		3,322,876	
Non-current bank borrowings	27,701,361	27,701,361		27,701,361	
Current bank borrowings	61,834,248	61,834,248		61,834,248	
Non-current lease payables	144,026	144,026		144,026	

Current lease payables	129,439	129,439		129,439	
Total financial liabilities	96,442,126	96,442,126	-	96,442,126	-

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

Current taxes

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.

Deferred taxes

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.

1.6.8 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.

1.6.9 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.

1.6.10 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 3.12 "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.

1.6.11 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.

1.6.12 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 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.

1.6.13 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.

1.6.14 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.

1.6.15 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.

1.6.16 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.

1.6.17 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.

1.6.18 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.

1.6.19 Investments

Investments are recorded at cost, adjusted for impairment losses and any variable amounts, such as earn-outs or leakage. The positive difference, arising at the time of purchase, between the acquisition cost and the Company's share of the investee's equity at current values is included in the investment book value. Investments are subject to an impairment test, where impairment indicators have been identified. If there is evidence that these investments have suffered an impairment loss, this is recognised in the Income Statement as a write-down. If the Company's share of the investee's losses exceeds the investment book value, and the Company has the obligation or intention to account for it, the investment value is written off and the share of further losses is recorded as a provision in liabilities. If the impairment loss ceases to exist or is reduced, a value restatement of the impairment loss is recorded in the Income Statement within the cost limits.

1.6.20 New accounting standards, interpretations and amendments adopted by the Company

For the first time, the Company has applied certain standards or amendments that are effective from 1 January 2022.

IFRS 3 Business Combinations

The amendments were intended to replace references to the Framework for the Preparation and Presentation of Financial Statements regarding the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the standard requirements.

The amendment added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall under IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if taken separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether a current obligation existed at the acquisition date.

The amendment added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the acquisition date.

Under the transition rules, the Group applies the amendment prospectively, i.e., to business combinations occurring after the beginning of the period in which the amendment is first applied (first-time application date). These amendments had no impact on the Group's consolidated Financial Statements as no contingent assets, liabilities or contingent liabilities were recognised for these amendments.

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

An onerous contract is when the non-discretionary costs (i.e., costs that the company cannot avoid because it is a contractual party) necessary to fulfil the obligations undertaken are higher than the financial benefits that are supposed to be obtainable from the contract.

The amendment specifies that in defining whether a contract is onerous or generates a loss, an entity shall consider costs directly related to the contract for the provision of goods or services that include incremental costs (i.e., direct labour and material costs) and costs directly attributable to contractual activities (i.e., depreciation of equipment used to perform the contract and costs for contract managing and supervising). 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 application of this standard had no impact on the company.

Property, Plant and Equipment: Proceeds before Intended Use - Amendment to IAS 16

The amendments prohibit entities from deducting from a property, plant and equipment cost any proceeds from the products sold in the period when that asset is brought to the location or made capable of operating in the manner designed by management. An entity recognises revenue from the products sale and related production costs in the Income Statement.

Under the transition rules, an entity applies the amendment retrospectively only to those items of property, plant and equipment that became operational after or at the beginning of the comparative period to that in which the amendment is first applied (first-time application date).

These amendments had no impact on the company's financial statements as there were no sales of such property, plant and equipment before they were put into operation before or after the beginning of the previous comparative period.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when defining whether the terms of a new or modified financial liability are materially different from the original financial liability. These fees include only those paid or received between the debtor and lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies such an amendment to financial liabilities that are amended or exchanged after the date of the first financial year in which the entity first applies the amendment.

The application of this standard had no impact on the company.

The Company has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

1.6.21 Standards issued but not yet effective

Other approved or unapproved standards, interpretations or amendments which were not effective at the date of preparation of these financial statements are listed below.

Approved standards whose first application date is 1 January 2023:

- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)

Unapproved standards for which the first-time application date is 1 January 2024:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022
- Amendments to IAS 1 Presentation of Financial Statements: • Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020); • Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and • Non-current Liabilities with Covenants (issued on 31 October 2022).

1.7 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. In 2022 this ratio is around 20% (compared to 9% as of 31/12/2021)

	2022	2021
Interest-bearing loans and borrowings other than convertible preferred shares	102,803,020	89,535,609
Bonds payable	3,323,051	6,633,052
Lease payables	208,559	273,465
Less: liquid assets and short-term deposits	(6,255,196)	(3,050,651)
Less: current financial assets	(66,301,319)	(77,762,439)
Net debt	33,778,115	15,629,035
Shareholders' equity	139,230,815	151,453,021
Equity and net debt	173,008,930	167,082,057
Gearing ratio	20%	9%

1.8 Financial risk management

1.8.1 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 around 60%. As of 31 December 2022, 34% of the Company's debt is due in less than one year (2021: 67.7%), 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 2022	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	3,323,051	3,323,051	-	-
Non-current bank borrowings	70,079,208	-	64,199,702	5,879,506
Current bank borrowings	32,723,811	32,723,811	-	-
Non-current lease payables	88,384	-	88,384	-
Current lease payables	120,175	120,175	-	-
Total financial liabilities	106,334,630	36,167,037	64,288,087	5,879,506

31 December 2021	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	6,633,052	3,310,176	3,322,876	-
Non-current bank borrowings	27,701,361	-	27,701,361	-
Current bank borrowings	61,834,248	61,834,248	-	-
Non-current lease payables	144,026	-	135,057	8,969
Current lease payables	129,439	129,439	-	-
Total financial liabilities	96,442,126	65,273,863	31,159,294	8,969

1.8.2 Interest rate risk

Interest rate risk is a function of interest rate trends and the company's related positions, identifiable in bond investments and debt transactions. The risk is the increase in borrowing costs associated with rising interest rates.

This risk may be indicated differently depending on the valuation parameter.

• Cash Flow Risk: this is related to the possibility of realising losses connected to a reduction in expected receipts or an increase in expected costs. It is linked to items with payment profiles indexed to market rates. As these rates change, the company's position will change (variable rate financing)

• Fair Value Risk: this is linked to the possibility of losses related to an unexpected change in the value of an asset or liability following a sudden change in rates.

The Company is assessing instruments to hedge the interest rate variability on the Intesa 70 million loan. In view of the EURIBOR increase recorded between 2022 and 2023, Management does not exclude a renegotiation of the covenants.

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

In 2020 and 2021, due to the COVID-19 pandemic and the consequent restrictive measures imposed by Italian and international legislation, the Company suffered a slowdown in the growth process of volumes sold and turnover in the Italian markets. The pandemic-related effects lasted until the end of FY2021, while no measurable effect occurred in 2022. The current pandemic management and control level is such that no measurable negative effects are expected in 2023. Any worsening in autumn of such circumstances could have significant adverse effects on the Company’s economic, capital and financial situation.

To mitigate this risk, the Company set up a Covid Emergency Management Crisis Unit comprising the employer, its health, safety and environment delegates, Supply Chain Director, Engineering Director, Prevention and Protection Service Manager, HR Director, occupational physician and trade union representatives. This Unit transposes the new Covid decrees and ordinances and assesses their applicability and operational actions. Until December 2020, the Unit met monthly, from January 2023 the meetings will take place as needed.

The Company has a high-level capitalisation and a solid financial structure. These factors guarantee financial autonomy also in the medium term.

1.8.4 Risks related to the concentration of revenues on major customers

The Company has a significant concentration of revenues on its main customers, amounting to approximately 69% on the top five customers as of 31 December 2022. The loss of one or more of these relationships would have a significant impact on Company revenues. Most of the contracts with the Company's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenues generated by the Company in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on business, economic and financial situation.

The Company mitigates this risk by building stable and long-lasting relationships with its customers and customer loyalty, and through commercial activities for acquiring new customers.

1.8.5 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.

1.8.6 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.

1.8.7 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.

1.8.8 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, capital 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, capital 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, capital and financial situation.

1.8.9 Risks related to supplier relationships: shortages of raw and packaging materials

The Company risks increased costs for the purchase of raw and packaging materials necessary to carry out its business, and delays in production due to the more difficult availability of raw and packaging materials, with adverse effects on the Company's economic, capital and financial position. The Company's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

To mitigate these risks, Fine Foods can adjust its selling prices if there are raw material cost increases. The purchasing department informs the sales department of raw material price increases, the sales department assesses its impact on the pricing of products that include this raw material and shares it with the customer.

The Company maintains a stock-pile of continuously used raw materials which is sufficient to cover a sudden lack on the market.

1.8.10 Energy cost risk

The Company risks significant increases in energy costs. In 2022, these costs increased more than 600%, impacting Fine Foods' income statement by about 3% of revenues compared to an average of 1% in previous years. However, the outlook for 2023 sees energy price volatility significantly downgraded. The supply of energy available for the European market and domestic energy stocks are the reasons why the estimated negative impacts on the Company's economic, financial and capital position, and the likelihood of their occurrence, may be gradually reduced.

To mitigate this risk, the Company employed an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which eliminated its exposure to the risk of electricity component fluctuations and optimised the efficient use of the heat developed through co-generation. There are photovoltaic systems at the plants with a total power of 850 kW covering part of the energy requirements (approx. 1% of the total energy demand).

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1.8.11 Risks related to the Russian-Ukrainian conflict

The Company faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend in 2022, the risk is to be considered zero for this BU. The Food BU situation for 2023 remains uncertain and potentially capable of generating negative effects on the Company's economic, financial and capital position, although reduced compared to the impact estimated for 2022.
The Company's mitigating actions consist of monitoring this risk through continuous contact with customers who export to areas affected by the conflict to manage any critical issues promptly.

1.8.12 Manufacturer's liability risks

The Company faces risks related to products manufactured with a quality that does not comply with the customer's specifications 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 its economic, financial and capital position.

The Company's risk mitigating actions consist of a robust quality system and several certifications that ensure compliance with good manufacturing standards, while finished products and raw materials are scrupulously analysed to certify their compliance with release specifications. The Company has an international food alert and fraud monitoring system.

The Company stipulated a policy with a leading insurance company with a limit of € 5 million per event.

A further risk mitigating action is included in the Business Continuity Plan and concerns the continuous training of personnel involved in the product manufacturing process.

1.8.13 Risks related to production authorisations

The Company faces the risk of non-approval, by governmental or health authorities and institutions, of the individual production stages that characterise its activities, if it is found not to comply with the regulatory requirements applicable to plants and the production of pharmaceuticals and nutraceutical products, with potentially adverse effects on its economic, financial and capital position.

During the many audits conducted by customers and authorities, the Company has never received any reports of critical non-compliance. GMP compliance is ensured by applying strict quality procedures and periodic internal audits. In addition, the Company has a procedure for promptly handling any observations or deviations identified by the authorities.

1.8.14 Risks related to environmental, occupational health and safety regulations

The Company faces the risk of accidental contamination of the environment in which its employees work, and possible injuries in the workplace. Any violations of environmental regulations, and the adoption of prevention and protection systems in the field of safety that are not appropriate to the Company's needs, could lead to the application of administrative sanctions, including significant monetary sanctions or an injunction, including suspensions or interruptions of production, with potentially adverse effects on the its economic, capital and financial position.

To address these risks, the Company has a robust system for managing worker health and safety standards and environmental protection of the areas where the Company operates. The Company has ISO45001:2018 (S&SL) and ISO14001:2015 (environment) certifications attesting to the proper system structuring and application and is subject to annual certified bodies' and internal audits.

1.8.15 Risks related to the breach of the information system

The Company faces a risk of malicious actions, exacerbated by the current socio-political situation, on the information system that could impact its availability or integrity, with potential negative effects on the Company's economic, capital and financial position.

The Company implements security procedures and policies to ensure proper IT systems management, and has perimeter and internal security equipment. Infrastructures are equipped with high reliability techniques for critical systems and are checked annually. The Company has a disaster recovery plan to ensure the reliability of its IT systems. The Company's IT systems comply with the General Data Protection Regulation. The IT systems department is subject to internal audits, by Quality Assurance, and external audits, by certification bodies and customers.

1.8.16 Risks related to human capital management

Due to the labour market's intense dynamism, especially for technical and specialised profiles, and the competition among the companies in the sectors in which the Company operates, it is essential to recruit, train and retain highly qualified personnel to produce and develop innovative products that allow the Company to maintain and increase its market share. The costs associated with a high turnover rate can have a direct negative impact on the Company's economic, financial and capital position, as it must incur additional expenses to manage outgoing personnel while training and hiring new incoming human resources. Organisations must move towards new more agile, flexible and inclusive business models, implementing policies to enhance diversity, manage, promote and retain talent and skilled people. The Company invests considerable energy in human resource management and developed a strategy that attracts and retains the best talent, starting with the recruiting process. When recruiting personnel, priority is given to growth potential. Ad hoc courses are planned to fill any skill gaps. Various communication channels between employees and management are in place, and meetings for sharing the Company's objectives achieved are organised periodically. Professional growth opportunities in an ethical and non-discriminatory environment are provided. Flexible working hours and working methods are implemented to improve personnel's work-life balance.

1.8.17 Risks related to climate change

As a result of climate change, the Company faces possible operational shutdowns due to extreme weather to the detriment of service infrastructures, plants, equipment and machinery. Low availability of water for industrial use following prolonged periods of drought may compromise production efficiency. The supply of raw materials may be more difficult due to extreme weather, which may result in the total or partial interruption of the supply chain. The absence of investments to reduce climate impact by lowering energy consumption may have a negative effect on the Company's income statement due to increases in operating costs and exposure to energy price fluctuations and possible regulatory measures. introducing carbon taxes.

To address this risk, a strategy to reduce carbon emissions is in place. The hierarchy of decarbonisation plan solutions in Fine Foods' strategy is as follows: installation of renewable energy plants, process and plant efficiency to reduce energy consumption and CO_2 emissions, purchase of green energy from the grid and supply chain engagement

The Company employed an energy manager who oversees the implementation of measures to increase production sites' energy efficiency. The Company plants have photovoltaic systems, totalling 850 Kw. This avoided more than 170 Tons of CO_2 emissions in 2022.

1.9 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.

1.9.1 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 3.3 "Leases").

1.9.2 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 2.4 "Personnel costs" and 4.1 "Shareholders' equity").

As of 31 December 2021, the vesting period of the 2018-2021 stock grant plan came to an end. Management has not subsequently resolved on new stock grant or stock option plans, which is why this estimate and assumption is no longer relevant for the 31 December 2022 financial statements.

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.
With reference to the recoverability of the balance sheet assets recognised as deferred tax assets, the directors prepared a business plan at group and legal entity level structured on a 2023-2025 timeframe, approved by the Board of Directors' meeting held on 30 March 2023, from which it can be inferred that the tax profits generated under the plan are sufficient to recover the deferred tax assets recorded under tax losses.

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. Since the directors did not identify any impairment indicators for the Food and Pharma BUs as of 31 December 2022, no impairment test was conducted on the related invested capital.

Verification of the investments' book value

As detailed in the paragraph on accounting principles for equity investments, directors use complex assumptions and estimates when performing an impairment test which are subject to their judgement. The main assumptions underlying this concern:

- forecasting future cash flows, for the explicit period of the Group's business plan;
- defining normalised cash flows underlying the estimate of the final value;
- defining long-term growth rates and discount rates applied to future cash flow forecasts.

INCOME STATEMENT

2.1 Revenues from contracts with customers

Revenues as of 31 December 2022 were € 172,526,658, compared to € 178,548,663 in the previous year, with a decrease of 3.4%, 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 2022	31 December 2021
Business Unit – Food	117,813,880	139,060,695
Business Unit – Pharma	54,712,778	39,487,968
Total Revenues from contracts with customers	172,526,658	178,548,663

Despite the decrease compared to the previous year, the Food sector turnover still represents the majority (68.3%) of the Group's turnover. The Pharma sector grew significantly in 2022, with an increase of 38.6% compared to 2021. The Company reclassified the revenues from services provided to customers (€ 7.2 million as of 31 December 2022 compared to about € 2.2 million as of 31 December 2021) from "other revenues" to "revenues", as the latter meet the requirements to be reported under "revenues from customer contracts." The comparative figures have been restated accordingly. Revenues from customer contracts as of 31 December 2021 are currently € 178.5 million compared to € 176.4 million presented before. This did not effect the Income Statement subtotal Total revenue or other Income Statement items.

(Amounts in Euro units)	31 December 2022	31 December 2021
Italian Revenues	79,288,442	59,154,305
Foreign Revenues	93,238,217	119,394,358
Total Revenues from contracts with customers	172,526,658	178,548,663

The Company's turnover is mainly attributable to sales made abroad. In 2022 the Company invoiced 54% of its total turnover outside Italy, slightly down from the previous period (2021: 67%).

2.2 Other revenues and income

As of 31 December 2022, the Company's other revenues and income was € 647,560 compared to € 112,611 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
White Certificates	566,211	-
Write-down adjustments to receivables and liquid assets	7,032	26,106
Gains on disposal of assets	55,234	75,487
Allowances and rounding up	5,558	5,496
Contingent assets	13,524	5,523
Total other revenues and income	647,560	112,611

Revenues from white certificates derive from the recognition in current assets of energy efficiency securities accrued by the Company in 2021 and 2022 following the installation of co-generators at the Verdellino and Brembate plants. The securities accrued during 2021 were quantitatively confirmed by the Authority during 2022 and sold on the market by the Company in early 2023.
The securities accrued during 2022 were quantitatively estimated by the Company, with the support of expert consultants. The value assigned to the securities is the lower of the stock market price as of 31/12/22 and the weighted average price for the year.

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

As of 31 December 2022, the cost of raw materials and consumables, net of change in inventories, was € 107,430,562 compared to € 110,265,870 in the previous year, with a decrease of 2.6%. The impact of costs of purchasing materials on revenues from customer contracts (62.3%) is almost in line with the value recorded in 2021 (61.8%).
A breakdown is provided below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Goods on purchase account	110,045,158	116,938,575
Raw materials, ancillary materials, and consumables	2,124,057	2,439,884
Change in inventories of raw materials, ancillary materials, consumables, and goods	(6,511,508)	(7,035,596)
Change in inventories of finished goods and work in progress	1,772,855	(2,076,994)
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	107,430,562	110,265,870

The "Change in inventories of raw and ancillary materials, consumables and goods" item includes the effects on the income statement of changes in the inventory write-down provision.

2.4 Personnel costs

As of 31 December 2022, the Company's personnel costs were € 30,968,517 compared to € 31,159,219 in the previous year, with a decrease of 0.6%. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Wages and salaries	20,790,465	20,066,012
Social security contributions	6,857,617	6,644,915
Severance indemnity	1,423,282	1,359,859
Stock Grant	-	1,058,445
Temporary employment	1,897,153	2,029,988
Total personnel costs	30,968,517	31,159,219

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 ended on 31 December 2021, while the allocation took place in July 2022.

2.4.1 Employment data

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

Employment data (expressed in units)	31 December 2022	31 December 2021
Executives	16	14
White-collar employees	213	208
Blue-collar employees	389	395
Total employees	618	617

2.5 Costs for services

As of 31 December 2022, the Company's service costs were € 19,464,262 compared to € 17,810,524 in the previous year, with an increase of 9.3%. A breakdown is provided below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Ordinary maintenance costs	2,433,017	3,073,810

Temporary employment	288,024	275,602
Various utilities	5,269,672	2,384,148
Transport, fuel and tolls costs	918,221	785,891
Consultancy costs	2,062,910	3,122,920
Cleaning, pest control and surveillance costs	1,424,948	1,273,595
Statutory auditors and directors remuneration	1,057,114	1,332,424
Costs for processing goods on behalf of third parties	558,461	627,976
Rental, lease and miscellaneous costs	651,084	705,972
Luncheon vouchers	893,391	671,201
Trade fair and advertising costs	254,645	474,328
Waste, effluent and solid waste disposal	759,204	774,200
Insurance	488,435	440,272
Electronic Data Processing fees	666,410	436,487
Bank fees	317,565	329,533
External and ecological analyses	590,989	365,587
Qualifications and Calibration	194,410	189,465
Sales commissions	285,372	188,073
Other costs	350,390	359,041
Total service costs	19,464,262	17,810,524

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 "3.1 Leases." The "Various utilities" item showed the significant effects of increased electricity and methane costs.

2.6 Other operating costs

Other operating costs as of 31 December 2022 were € 1,183,242 compared to € 1,174,275 in the previous year.

(Amounts in Euro units)	31 December 2022	31 December 2021
Penalties and indemnities	25,575	100,776
Duties and taxes	462,871	528,047
Contingency liabilities	7,185	987
Capital losses from dismissal of assets	31,310	27,118
Membership Fees	228,791	164,794
Entertainment costs and gifts	21,070	13,394
Waste and reclamation costs	24,735	647
Costs for certifications, endorsements and Chamber of Commerce fees	43,389	40,950
Donations	3,642	-
Other operating costs	334,675	297,563
Total other operating costs	1,183,242	1,174,275

2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2022, the Company's depreciation, amortisation and impairment losses were € 12,672,951 compared to € 12,252,364 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Depreciation of tangible assets	11,863,587	11,298,110
Amortisation of intangible assets	681,058	718,174
Amortisation of rights of use	128,307	185,324
Tangible Fixed Assets Write-downs	-	50,757
Total amortisation, depreciation, and impairment losses	12,672,951	12,252,364

2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2022, changes in the fair value of financial assets and liabilities showed a negative balance of € 7,733,525 compared to a negative balance of € 8,897,380 in the previous financial year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Change in fair value of other securities	(7,733,525)	3,839,422
Change in fair value of warrants	-	(12,736,802)
Total changes in Fair Value on financial assets and liabilities	(7,733,525)	(8,897,380)

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 3.12 "Current financial assets."

Following the related financial instruments 31 December 2021 vesting date, the Company recorded the change in the warrants' market value on the same date, in the "Change in fair value of warrants" item. The difference in fair value of the Unlisted Warrants converted into shares on 28 April 2021 was € 6,679,200, while the change in fair value of the Listed Warrants converted into shares or settled as of 30 June 2021 was € 6,057,602. Since there were no more Warrants outstanding as of 31 December 2021, this item did not show any changes during the year ended 31 December 2022.

2.9 Equity investment income and charges

As of 31 December 2022, charges from equity investments were € 0 while in 2021 were € 3,472,339.

(Amounts in Euro units)	31 December 2022	31 December 21
Investment write-down	-	3,472,339
Total equity investment income and charges	-	3,472,339

No write-downs were necessary in 2022 as a result of the impairment test performed on the Euro Cosmetic and Pharmatek investments' value; while, in 2021, a write-down was recorded following the impairment test performed on the Euro Cosmetic investment value, see section 3.4 "Investments" for further details.

2.10 Loss on financial receivables

As of 31 December 2022, losses on financial receivables were € 3,266,960.

(Amounts in Euro units)	31 December 2022	31 December 2021
Loss on financial receivables	3,266,960	-
Total Loss on financial receivables	3,266,960	-

This item included the "Leakage" receivable write-down as better described in section 1.1 "Significant events for the period."

2.11 Financial income

As of 31 December 2022, the Company's financial income was € 40,527 compared to € 26,270 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Foreign exchange gains	39,805	25,940
Bank interest income	722	330
Total financial income	40,527	26,270

2.12 Financial charges

As of 31 December 2022, the Company's financial charges were € 1,963,875 compared to € 659,811 in the previous year. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Interest expenses on bonds	151,215	246,882
Interest expenses on financing and bank loans	1,446,543	231,796
Interest expenses on bank accounts	185,755	109,543
Foreign exchange losses	160,191	62,335
Financial charges on severance indemnity discounting	16,696	5,882
Interest on financial liabilities for lease	3,474	3,373
Total financial charges	1,963,875	659,811

The financial charges increase was due to the higher debt exposure to credit institutions due to obtaining new loans, as detailed in the "significant events" section of this document, and the increase in interest rates due to the European Central Bank restrictive policies to reduce inflation.

2.13 Income tax

The income tax item for FY2022 showed a negative balance (income) of € 3,885,005 compared to € 2,883,788 in the previous year.

(Amounts in Euro units)	31 December 2022	31 December 2021
Current taxes	59,744	270,108
Deferred tax assets and liabilities	(3,944,749)	(1,303,944)
Taxes from previous years	-	(1,849,952)
Total income tax	(3,885,005)	(2,883,788)

During the year ended 31 December 2022, the deferred tax assets recorded in the Financial Statements, as detailed in Note 1.24 Deferred Tax Assets and Note 3.7 Deferred Tax Provision, had a positive effect on the Income Statement mainly attributable to the allocation of deferred tax on the tax loss accrued during the year.

The Company recorded a negative tax base as of 31 December 2022, due to non-recurring events during the year, such as the write-down of the leakage receivable for € 3.3 million and the negative change in fair value of the asset management for € 7.7 million..

In 2021, the item showed a negative balance (income) due to the contingent asset recorded as an offset to the excessive taxes (IRES) allocated in 2020. When preparing the 2020 Financial Statements, the Company removed the warrants' financial effect through appropriate tax recoveries. However, following the answer to the question submitted to the Inland Revenue received before the submission of the tax return for tax year 2020, Fine Foods considered the changes in the fair value of warrants recorded from the issue date until 31 December 2020 as relevant for tax purposes, to align the accounting with the tax authority provisions. This adjusted the tax return based on the amount set aside in the Financial Statements.

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 2021, and 2022 is as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Pre-tax profit from operations on a going concern basis	(11,469,149)	(7,004,238)
Pre-tax profit/(loss) from discontinued operations	-	
Accounting profit before tax	(11,469,149)	(7,004,238)
Theoretical income tax	(3,199,893)	(1,954,182)
Tax effect on permanent differences	224,094	1,538,726
Tax effect on temporary differences	1,643	333,237
Effect on tax benefits	(823,921)	(913,595)
Income taxes	(3,798,076)	(995,815)

Effective income tax rate:	33%	14%

For details on deferred taxes, see 1.24 Deferred tax assets and note 3.7 Deferred tax provision.

BALANCE SHEET

ASSETS

3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2022 was € 91,931,461 compared to € 93,989,262 as of 31 December 2021. 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 - 31 December 2021	63,337,994	104,972,546	9,345,414	8,185,815	2,729,535	188,571,305
Increases	591,536	2,698,756	431,074	856,494	5,315,121	9,892,981
Decreases	(92,950)	(1,381,004)	(21,700)	(249,178)	-	(1,744,832)
Reclassifications	1,148,161	5,046,401	164,579	-	(6,359,141)	-
Other changes					-	-
Historical cost - 31 December 2022	64,984,740	111,336,698	9,919,368	8,793,131	1,685,515	196,719,453
Amortisation provision - 31 December 2021	21,082,147	60,565,481	7,387,110	5,547,305	-	94,582,043
Increases	2,198,139	7,738,441	920,910	1,006,097	-	11,863,587
Decreases	(92,950)	(1,336,038)	(21,700)	(206,950)		(1,657,638)
Reclassifications						-
Amortisation provision - 31 December 2022	23,187,336	66,967,884	8,286,320	6,346,452	-	104,787,992
Net book value - 31 December 2021	42,255,847	44,407,065	1,958,305	2,638,510	2,729,535	93,989,262
Net book value - 31 December 2022	41,797,404	44,368,814	1,633,048	2,446,680	1,685,515	91,931,461

The primary investments made during the period related to advances to suppliers for purchasing plant and machinery; a large portion of these assets under construction was reclassified as assets.

3.2 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2022 was € 1,471,508 compared to € 1,474,184 as of 31 December 2021. 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 - 31 December 2021	4,331,626	4,331,626
Increases	678,382	678,382
Decreases		
Revaluations		

Historical cost - 31 December 2022	5,010,009	5,010,009
Amortisation provision - 31 December 2021	2,857,442	2,857,442
Increases	681,058	681,058
Decreases	-	-
Amortisation provision - 31 December 2022	3,538,500	3,538,500
Net book value - 31 December 2021	1,474,184	1,474,184
Net book value - 31 December 2022	1,471,508	1,471,508

Intangible fixed assets mainly refer to software licences.

3.3 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 31 December 2021	873,021	136,973	1,009,994
Increase	62,599	-	62,599
Write-downs	-	-	
Right of use as of 31 December 2022	935,620	136,973	1,072,593
Amortisation provision as of 31 December 2021	628,016	111,340	739,355
Increase	112,359	15,948	128,307
Write-downs			-
Amortisation provision as of 31 December 2022	740,375	127,287	867,662
Net book value as of 31 December 2021	245,005	25,633	270,639
Net book value as of 31 December 2022	195,246	9,686	204,931

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 2022.

Financial liability	
Financial liability as of 1 January 2022	273,465
Increases	62,599
Decreases	-
Interest	3,474
Fees	(130,979)
Financial liability as of 31 December 2022	208,559
Short-term financial liability	120,175
Long-term financial liability	88,384

The main leasing contract refers to a logistics hub used by the Company for the Food sector.

Under the IFRS 16 international accounting standard - "Leases" - an incremental borrowing rate (IBR) was considered as the sum of the risk-free rate (Swap 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 corresponding to 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.

3.4 Investments

The net book value of shareholdings as of 31 December 2022 was € 38,874,182.

(Amounts in Euro units)	31 December 2022	31 December 2021
Pharmatek Shareholding	11,200,000	11,200,000
Euro Cosmetic Shareholding	27,674,182	27,674,182
Total Shareholdings	38,874,182	38,874,182

The value recorded as an equity investment in 100% of the subsidiary Pharmatek capital corresponds to the amount paid on 19 January 2021 to the previous sole shareholder.

The value recorded as the investment in 100% of the subsidiary Euro Cosmetic.

Investments are subject to an impairment test, where impairment indicators have been identified. Considering the operating results of the subsidiaries Pharmatek PMC S.r.l. and Euro Cosmetic S.p.A., the Company carried out an impairment test on the investments' value.

During the impairment test, the net book value of the net invested capital of each investment was compared with its recoverable value, i.e. the higher between the fair value and the use-value obtainable by discounting the expected cash flows (Discounted Cash Flow Model - DCF).

The main assumptions used to define the equity value of each investment are related to the discount rate, long-term growth rate and cash flows deriving from the Company's business plans.

According to the reference accounting principles, the estimate of the use-value is made by discounting the operating cash flows, i.e. the flows available before the repayment of the financial debts and the shareholders' remuneration at a rate equal to the weighted average of the debt cost and the shareholders' equity (WACC).

The cash flows used to carry out the impairment test are those emerging from the 2023-2025 Business Plans, approved by the individual Boards of Directors and adopted during the parent company's Board of Directors' meeting held on 30 March 2023.

As for the plans used for the impairment tests, the subsidiaries' governing bodies resolved in the last quarter of 2022 to proceed with the merger by incorporation of Pharmatek into Euro Cosmetic and that, as recalled by the deed of merger, the accounting and tax effects of this extraordinary transaction were post-dated to 1 January 2023. For further details on the merger impact on the 2022 Financial Statements and the subsidiaries' 2023-2025 plans, please refer to the notes to the Fine Foods Group Consolidated Financial Statements.

The discount rate (WACC) defined by the directors is 9.96% and reflects the current market situation, current cost of money and implicit business risks.

The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 2%.

Pharmatek Impairment test

The above analysis did not show any impairment of the investment in Pharmatek.

A sensitivity analysis was carried out, concerning:

- 1% WACC increase/decrease
- Increase/Decrease in the growth rate of 0.5%

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately +€ 3,475,000 to - € 2,203,000 as the above variables individually or jointly increase or decrease. Write-downs would be necessary in the following two cases: if a 1.50% growth rate was used, given the WACC of 9.96% defined by the directors, and if a WACC of 10.96% was used, regardless of the growth rate.

Euro Cosmetic impairment test

As for Pharmatek, the above analysis did not show any impairment of the investment in Euro Cosmetic.

A sensitivity analysis was carried out, concerning:

- 1% WACC increase/decrease
- Increase/Decrease in the growth rate of 0.5%

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately +€ 10,753,000 to -€ 4,756,000 as the above variables individually or jointly increase or decrease. Write-downs would be necessary in the following two cases: if a 1.50% growth rate was used, given the WACC of 9.96% defined by the directors, and if a WACC of 10.96% was used, regardless of the growth rate.

3.5 Other non-current assets

The value of other non-current assets as of 31 December 2022 was € 506,750 compared to € 237,333 as of 31 December 2021.

(Amounts in Euro units)	31 December 2022	31 December 2021
Tax credit for subsidised assets – amount after 12 months	506,750	237,333
Total other non-current assets	506,750	237,333

This is the amount after 12 months of the tax credit for capital goods 4.0 and the tax credit for investments in tangible assets (formerly super depreciation).

3.6 Deferred tax assets

Deferred tax assets as of 31 December 2022 were € 6,430,145 compared to € 3,168,075 as of 31 December 2021, 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)	01/01/2022	2022 EC taxes	OCI	31/12/2022
Deferred tax assets for inventory write-down	287,358	(140,642)	-	146,716
Deferred tax assets for goodwill amortisation	189,583	(27,084)	-	162,499
Deferred tax assets on tax losses	2,300,596	3,803,792	-	6,104,388
Deferred tax assets for equity transaction costs	188,086	(188,086)	-	-
Deferred tax assets for other items	202,453	(163,434)	(22,476)	16,542
Total deferred tax assets	3,168,075	3,284,546	(22,476)	6,430,145

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.

The directors believe that it is reasonable to fully recover deferred tax assets recognised in tax losses generated by the Company during the year from the taxable profits that the Company will earn in the future, as provided for in the long-term plan (2023-2025) approved by the Board of Directors on 30 March 2023.

3.7 Provision for deferred taxes

As of 31 December 2022, the Company's deferred tax provision was € 16,411 compared to € 667,637 as of 31 December 2021 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 2022.

(Amounts in Euro units)	31/12/2021	2022 financial year	OCI	31 December 2022
Deferred taxes Severance Pay IAS 19	-	7,434	8,977	16,411
Deferred taxes on stock grant plans	667,637	(667,637)	-	-
Total deferred taxes	667,637	(660,203)	8,977	16,411

Following the end of the vesting period and the assignment of the related shares, the deferred tax liabilities recognised under this incentive plan were released.

3.8 Inventories

Inventories net of the related write-down provision for finished products and goods as of 31 December 2022 were € 33,498,758 compared to € 28,760,105 as of 31 December 2021.

(Amounts in Euro units)	31 December 2022	31 December 2021
Raw materials, ancillary materials, and consumables	24,745,865	18,738,451
Raw, ancillary materials and consumables write-down provision	(525,863)	(1,029,957)
Work in progress and semi-finished products	2,887,859	1,448,046
Finished products and goods	6,390,897	9,603,565
Total inventories	33,498,758	28,760,105

Asset inventories are valued at the lower of purchase or production cost and realisable value based on market trends. The purchase cost includes any directly attributable ancillary charges. The production cost does not include indirect costs as they were objectively unattributable. As commented in the risk section, the Company increased the average stock in inventory to face raw materials shortages.

Changes in the obsolescence provision are shown below:

Balance as of 01 January 2021	2,906,567
Accrual	466,565
Provision Use	(2,343,175)
Balance as of 31 December 2021	1,029,957
Accrual	360,940
Provision Use	(865,034)
Balance as of 31 December 2022	525,863

The inventory obsolescence provision set aside as of 31 December 2022 was € 525,863 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year are those disposals made in 2022 concerning expired or non-conforming batches set aside as of 31 December 2021.

3.9 Trade receivables

As of 31 December 2022, trade receivables were € 30,053,303 (€ 21,847,628 as of 31 December 2021), net of the related bad debt provision of € 770,491 (€ 702,681 as of 31 December 2021).

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 2022	31 December 2021
ITALY trade receivables	19,703,227	13,254,174
EEC trade receivables	9,864,418	8,011,661
NON-EEC trade receivables	1,256,149	1,284,474
Total trade receivables	30,823,794	22,550,309

As of 31 December 2022, invoices to be issued were € 1,802,865 referring mainly to price adjustments applied to one of the main customers. This invoice was issued when drafting these Financial Statements.

The first five customers represent 56.8% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 17,495,474.

Changes in the bad debt provision are summarised below:

Balance as of 1 January 2021	657,048
Accrual	112,923
Provision Use	(67,290)

Release	-
Balance as of 31 December 2021	702,681
Accrual	154,119
Provision Use	(86,309)
Balance as of 31 December 2022	770,491

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

(Amounts in Euro units)	31 December 2022	31 December 2021
ITALY trade receivables	19,684,495	13,174,308
EEC trade receivables	9,195,632	7,404,743
NON-EEC trade receivables	1,173,175	1,268,577
Total trade receivables	30,053,303	21,847,628

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 2022	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	19,703,227	16,154,717	2,473,037	206,721	244,934	597,479	26,338
EEC	9,864,418	6,913,712	1,879,922	25,660	102,050	2,711	940,363
Non-EEC	1,256,149	834,238	300,969	3,465	150	660	116,667
Gross trade receivables	30,823,794	23,902,668	4,653,928	235,846	347,134	600,850	1,083,369
% write-down of receivables	2.5%	-	-	-	-	-	71.1%
Bad debt provision	770,491						770,491
Net trade receivables	30,053,303	23,902,668	4,653,928	235,846	347,134	600,850	312,878

3.10 Tax receivables

As of 31 December 2022, tax receivables were € 1,398,590 compared to € 1,542,206 in 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
IRES receivables	1,219,896	1,216,839
IRAP receivables	178,694	325,367
Total tax receivables	1,398,590	1,542,206

3.11 Total other current assets

Total other current assets as of 31 December 2022 were € 3,174,317 compared to € 8,171,221 as of 31 December 2021. The table below provides a breakdown.

(Amounts in Euro units)	31 December 2022	31 December 2021
VAT receivables	671,254	6,763,032
Receivables for withholding tax on collected coupons, dividends and realised capital gains	941,291	713,132
Receivables from social security institutions	79,909	42,073
White Certificates	566,211	-

Receivables for energy account withholdings	255	2,971
Accrued income and prepaid expenses	32,611	56,008
Other receivables	323,638	495,338
Tax receivables for facilitated investments	559,147	98,667
Total other current assets	3,174,317	8,171,221

The VAT credit was used through horizontal offsetting for € 2 million in the first months of 2022; the remaining balance portion as of 31 December 2021 was progressively offset vertically during 2022.

The "Receivables for withholding tax on receipts of coupons, dividends and capital gains" item mainly refers to the amounts withheld on the Fine Foods asset management.

The "Other receivables" balance is composed of advances to suppliers for goods and services.

3.12 Current financial assets

As of 31 December 2022, current financial assets were € 66,301,319 (compared to € 77,762,439 as of 31 December 2021). This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Other securities	62,834,343	71,028,503
Leakage receivable	3,466,976	6,733,936
Total current financial assets	66,301,319	77,762,439

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 2021, the portfolio Fair Value was € 71 million.
- During 2022, no withdrawals were made.
- As of 31 December 2022, the negative change in Fair Value was € 8.2 million, bringing the portfolio's total value to €62.8 million.

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

Portfolio allocation	31 December 2022	31 December 2021
Shares	22.20%	24.68%
Equity securities	14.81%	15.30%
Equity funds	5.88%	8.40%
Options	1.51%	0.98%
Bonds	62.71%	67.04%
Bonds	21.52%	16.33%
Bond funds	41.19%	50.71%
Alternative investments	0%	0%
Alternative funds	0%	0%
Liquid assets	15.09%	8.28%

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	92.44%	92.44%
Pounds Sterling	1.94%	1.94%
U.S. dollars	4.22%	4.22%
Japanese Yen	0.99%	0.99%
Swiss Franc	0.41%	0.41%

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 exchange rates (from -10 to +10 percentage points) on securities and other variables held constant.

Currency	+10%		-10%	
	31/12/2021	31 December 2022	31 December 2021	31 December 2022
	Gross PL impact	Gross PL impact	Gross PL impact	Gross PL impact
US dollar	(397,809)	(240,800)	486,211	294,312
Japanese YEN	(127,087)	(56,700)	155,329	69,300
Pounds Sterling	(124,117)	(110,463)	151,699	135,010
Swiss Franc	(15,598)	(23,189)	19,064	28,342

The table shows how an appreciation of the Euro of 10 percentage points would allow the Company to obtain a profit of approximately 0.84 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 2021	31 December 2022	31 December 2021	31 December 2022
Bonds	242,834	144,738	(242,834)	(144,738)

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

For the Leakage Receivable, please refer to paragraph "1.1 Significant events for the period."

3.13 Cash and other liquid assets

As of 31 December 2022, the Company's cash and liquid assets were € 6,255,196 compared to € 3,050,651 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Bank and postal deposits	6,249,431	3,046,134
Cash and cash equivalents on hand	5,766	4,518
Total cash and other liquid assets	6,255,196	3,050,651

SHAREHOLDERS' EQUITY

4.1 Shareholders' equity

For the share capital please refer to the following paragraph "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 2022	31 December 2021
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(13,680,454)	(15,939,707)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	11,569,401	19,556,720
Reserve for share-based payments	-	2,781,820
Other reserves	11,311,789	11,660,019
Total reserves	130,685,875	139,543,990

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	22,770,445	Capital	-	-
Legal reserve	5,000,000	Capital	B	-
Negative reserve for treasury shares in the portfolio	(13,680,454)	Capital	-	-
Merger surplus reserve	29,741,389	Capital	A,B	-
Share premium reserve	86,743,750	Capital	A,B,C	86,743,750
Extraordinary reserve	11,569,401	Profits	A,B,C	11,569,401
Warrant conversion reserve	11,311,789	Capital	A,B,C	11,311,789
FTA reserve	(6,669,789)	Capital	-	-
Employee benefit reserve	28,428	Capital	-	-
Operating result	(7,584,144)	Profits	-	-
Total Shareholders' equity	(139,230,815)			109,624,940

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 Parent Company's shares. No movements occurred during the period.

Type	Final number
Ordinary Shares	22,060,125
Redeemable Shares	-
Multiple-voting Shares	3,500,000
Special Shares	-
Total	25,560,125

The Company is constantly engaged in buyback 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 buyback 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

4.2 Bonds

As of 31 December 2022, the Company's bonds were € 3,323,051 compared to € 6,633,052 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Bonds payable - Non-current liabilities	-	3,322,876
Bonds payable - Current liabilities	3,323,051	3,310,176
Total bonds	3,323,051	6,633,052

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) to be calculated on the Group's consolidated financial statements:

- 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.

4.3 Non-current bank borrowings

As of 31 December 2022, non-current bank borrowings were € 70,079,208 compared to € 27,701,361 as of 31 December 2021. This is detailed below:

(Amounts in Euro units)	31 December 2022	31 December 2021
Mediocredito mortgage loan	5,787,952	7,427,551
Deutsche Bank loan 8.5 million	-	8,500,000
Intesa loan 8 million	-	8,000,000
Deutsche Bank loan 7 million	-	2,916,667
MPS loan 4 million	-	857,143
Intesa loan 70 million	64,291,256	-
Total non-current bank borrowings	70,079,208	27,701,361

The debt for the mortgage taken out in 2016 by Fine Foods, due on 30 June 2027, and the € 70 million Intesa loan disbursed in 2022, with payment of interest and related costs, were 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

On 25 February 2022, Intesa Sanpaolo and Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods")

signed a € 70 million financing deal to support growth and development projects. The loan agreement signed with Intesa Sanpaolo, acting as a sole financial arranger, was € 70 million.

The loan’s duration is seven years and will be used partly for the reorganisation of current financial debt, replacing short-term credit lines with medium-long term debt, and to further support Fine Foods growth by acquisitions. The loan provides for financial covenants based on the following indicators to be calculated on the Group's consolidated financial statements:

➢ NFP / EBITDA

➢ NFP / EQUITY

➢ EBITDA/Financial charges

They have been fully complied with as of the 31 December 2022 Financial Report’s date.

4.4 Current bank borrowings

As of 31 December 2022, current bank borrowings were € 32,723,811, compared to € 61,834,248 as of 31 December 2021, broken down as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Invoice advances	5,000,000	14,999,999
Accrued expenses	80,375	58,071
Loans and mortgages - amount due within 12 months	27,643,436	46,776,177
Total current bank borrowings	32,723,811	61,834,248

The short-term portion of loans and mortgages is better described in the paragraph "Significant events in the period." However, the Company took out a long-term loan of € 70 million to reshape its exposure between short-term and long-term.

4.5 Employee benefits

As of 31 December 2022, the Employee benefits item was € 844,343 compared to € 1,026,027 as of 31 December 2021. This item refers exclusively to provisions set aside for severance indemnities.

(Amounts in Euro units)	
Balance as of 01 January 2022	1,026,027
Provision Use	(67,324)
Discounting interest current year	16,696
Actuarial profits and losses current year	(131,056)
Balance as of 31 December 2022	844,343

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 2022	31 December 2021
Annual discount rate	3.63%	0.98%
Annual inflation rate	2.30%	1.75%
Severance indemnity increase annual rate	3.225%	2.813%

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 2022	DBO as of 31 December 2021
Turnover rate +1%	848,744	1,017,761
Turnover rate -1%	839,516	1,035,252
Inflation rate +0.25%	855,166	1,040,891
Inflation rate -0.25%	833,704	1,011,451
Discount rate +0.25%	827,598	1,002,561
Discount rate -0.25%	861,635	1,050,375

Service cost and duration	2022	2021
Future annual service cost	-	-
Plan duration	8.9	10

Estimated future disbursements - Years	2022	2021
1	52,825	88,533
2	48,412	45,723
3	83,313	44,450
4	85,170	75,067
5	40,019	76,376

4.6 Trade payables

Trade payables as of 31 December 2022 were € 26,477,912, compared to € 23,705,860 as of 31 December 2021, broken down geographically as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Trade payables in ITALY	21,896,545	18,809,315
EEC trade payables	3,589,425	3,538,538
NON-EEC trade payables	991,941	1,358,008
Total trade payables	26,477,912	23,705,860

4.7 Other current liabilities

Total other current liabilities as of 31 December 2022 were € 7,196,350, compared to € 5,853,254 as of 31 December 2021, and are broken down as follows:

(Amounts in Euro units)	31 December 2022	31 December 2021
Payables due to pension and social security institutions	2,158,690	2,207,048
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	2,745,816	2,801,861
Payables for withholding taxes on employees	781,626	62,511
Payables for withholding taxes on self-employment	7,405	19,263
Substitute tax on severance indemnity	28,026	22,939
Accrued expenses and deferred income	791,085	325,888
Customer Advances	8,131	-
Other payables	675,569	413,744
Total other current liabilities and payables	7,196,350	5,853,254

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

The accrued expenses and deferred income item includes deferred income related to tax credits for investments in capital goods to align them over the useful life of the related assets.

5. Other information

5.1 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

5.2 Contingent liabilities

At the date of this document's preparation, there were no liabilities and contingent liabilities to be reported in the financial position or to be disclosed.

5.3 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.

5.4 Related party transaction information

Other than the remuneration of directors, during 2022, the Company did not enter into any transactions with related parties that were not under unusual market conditions.

(Amounts in Euro units)	31 December 2022
Directors' remuneration	982,919
Board of Statutory Auditors	74,195

The statutory auditors' remuneration is shown below:

(Amounts in Euro units)	31 December 2022
Auditing Company remuneration for audit services	75,000
Auditing Company remuneration for audit services for certification purposes	30,000
Auditing Company remuneration for other services	37,000

5.5 Events after the Financial Statements date

On 02 January 2023, Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods") granted its subsidiary Euro Cosmetic S.p.A. a loan of € 2 million. The principal and interest sums must be fully repaid by 31 March 2023. The applicable interest rate is equal to the six-month EURIBOR, which is increased by a fixed spread.

5.6 Business outlook

Despite the great uncertainty in global markets, the world economy will show a fair growth level in 2023, although lower than 2022, with a recovery expected in 2024. Strong growth can be expected in the emerging economies, led by India, and substantial resilience in Europe, China, the Middle East and the US. A full and stable restart of European and world trade will only be possible with the end of hostilities between Russia and Ukraine and restoration of normal trade relations between the US, EU and China.

Eurozone growth is at 3.5% for 2022 and is expected to be 0.8% next year. In the next two years, the European Commission expects the energy shock to be overcome and a gradual slowdown in the inflation rate. The forecast for the inflation rate in 2024 is +2.3%, close to the Central Bank's target, and +1.1% for GDP.

Although the Italian economy suffered the impact of the pandemic more than the Eurozone average, the rebound in 2021 and the first half of 2022 allowed Italy to outperform the other major European economies compared to pre-pandemic levels. After a physiological slowdown in Q3 2022, production fell slightly between Q4 2022 (-0.6%) and Q1 2023 (-0.3%). The momentum related to the gap to be closed compared to the pre-pandemic period is exhausted, while the negative effects of higher energy prices are fully manifesting. From Q2 2023, GDP dynamics should turn positive again, although to a limited extent (+0.2% on average per quarter).

OECD economists expect US economy to grow by 0.5% in 2023 (+ 1.5% in 2022), with inflation and tight financial conditions affecting spending. Inflationary pressures, driven by strong demand, supply constraints and rising raw material prices following Russia's war against Ukraine, may prove persistent, prompting further monetary tightening. Inflation in the United States may have peaked. Tightening monetary policy started earlier in the US than most other major advanced economies, inflation is expected to progress faster in bringing inflation back on target than in the Eurozone.

Economic growth in China is expected to increase to 4.4% in 2023, in line with 2022, according to the IMF. Amid increasing difficulties, growth will be supported by investments in climate transition and the advancement of infrastructure projects. Real estate investments will remain weak due to continued defaults among developers and falling price expectations. Exports will remain relatively strong as companies continue to increase their market shares.

As for the emerging economies, the Indian economy is expected to grow real GDP by 6.2% in FY2023.

Considering the results achieved in the last financial year, Fine Foods is ready to meet the challenges of the current and future financial years. The goal is returning to historical growth trends in the shortest possible time, compatibly with the international geo-political and macroeconomic situation.

Fine Foods sees innovation as the driving force behind its growth - an essential aspect of its competitive strategy, a value shared between company functions, and a distinctive trait among CDMO market players. A relentless search for customer satisfaction drives the company's focus on research and development, continuous innovation, quality and sustainability with a dynamic and proactive approach.

The Company will develop the business along the main Pharma and Food lines and by strengthening corporate departments' activities.

The Pharma BU is expected to significantly grow due to the multi-year agreements signed with important customers. In addition, the Fine Foods Board of Directors approved a production plant expansion on 30 March 2023.

Fine Foods will seize any opportunities for growth through external lines.

Fine Foods controls each production process phase, from the raw material suppliers selection to the care of finished product details, and will update its technology to guarantee business continuity safeguarding its customer needs.

It will optimise its fixed and variable cost structure by exploiting BUs synergies.

Fine Foods is recognised for its structural solidity and flexibility, professionalism, and swiftness in handling internal and external customer requests. Our business model is fuelled by focusing on human resources, the environment, product safety and health, governance and transparency. The Company believes in a fair and sustainable future, creating long-term value for the benefit of its stakeholders and contributing to the development and well-being of the communities in which it operates. Fine Foods has been a benefit corporation since April 2021 and strives to return the value it receives.

ESG issues for Fine Foods are a structured set of activities and the Company intends to continue its sustainability programme in the future.

5.7 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 2022 Financial Statements, which showed a loss of € 7,584,144;
- to cover the loss for the year in full from the extraordinary reserve;
- to distribute a dividend of € 0.10 for each eligible share, using part of the extraordinary reserve.

Verdellino, 30 March 2023

for the Board of Directors

Chairman

Marco Francesco Eigenmann

Certification of the 31 December 2022 Financial Statements under Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned, Giorgio Ferraris, in his capacity as Chief Executive Officer, and Pietro Bassani, in his capacity as Manager responsible for preparing the Company accounts of Fine Foods & Pharmaceuticals N.T.M. S.p.A. certify the following, under art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the Financial Statements' adequacy in relation to the Company features;
- the practical application of the administrative and accounting procedures to prepare the Financial Statements from 1 January to 31 December 2022.

The undersigned declares that:

- The Financial Statements:

a) have been prepared under applicable International Accounting Standards, as adopted by the European Union through the EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
b) reflect the accounting books and records;
c) provide an accurate and fair view of the issuer's assets, liabilities, profit or loss and financial position.

- The Report on Operations includes a reliable analysis of the progress and results of operations, the issuer's situation, and a description of the principal risks and uncertainties to which it is exposed.

Verdellino-Zingonia, 30/03/2023

Chief Executive Officer
Giorgio Ferraris

The Manager
preparing the corporate
accounts
Pietro Bassani

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

Financial statements as at 31 December 2022

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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 of 31 December 2022, and the income statement, the comprehensive income statement, shareholders' equity changes and cash flows statement 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 2022, 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Key Audit Matter	Audit Response
As of 31 December 2022 investments in shareholdings amount to Euro 38,9 Million. The management at least annually evaluates any impairment indicators connected to each investment, and where impairment indicators have been identified the related investment is subjected to impairment test. The processes and methodologies used to evaluate and determine the recoverable amount of each investment, are based on complex assumptions that due to their nature, imply the use of judgement by the Directors, in particular with reference the identification of impairment indicators, the future cash flow forecasts during the period of the Group business plan, to the determination of the normalized cash flows used to estimate terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of investments we considered that this area represents a key audit matter. The disclosures related to the valuation of investments is given in note 3.4 “investments”, and in the sections “1.6.19 Investments” and “1.9.2 Estimates and assumptions”.	Our audit procedures in response to this key audit matter included, among others: • assessment of investments’ net book value identified by the management considering also the contractual agreements reached; • understanding of the processes adopted by the entity in relation to the valuation of investments; • assessment of future cash flow of each investments for the explicit period of Group business plan and the assumption used for the identification of normalized cash flows including the consistency of the future cash flow forecasts of each investment with the 2023-2025 Group business plan; • assessing discount and long-term growth rates. In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine which changes in assumptions could materially impact the valuation of recoverable amount. Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.

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 with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fine Foods & Pharmaceuticals N.T.M. S.p.A., in the general meeting held on 30 April 2020, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at 31 December 2022 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2022 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2022, including their consistency with the related financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article

123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. as at 31 December 2022 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.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 31 March 2023

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

As disclosed by the Directors on page 9, the accompanying financial statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.