

FINE FOODS & PHARMACEUTICALS N.T.M. S.p.A.

Registered office: VIA BERLINO 39 VERDELLINO (BG)
Registered in the BERGAMO Companies Register
Tax code and company reference number: 09320600969
Registered in the BERGAMO REA no. 454184
Subscribed share capital € 22,770,445.02 Fully paid up
VAT number: 09320600969



Interim Financial Report as of 31 March 2023

15 May 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 Mediolì

Marco Costaguta

Susanna Pedretti

Board of Statutory Auditors

Chairperson

Laura Soifer

Statutory Auditors

Luca Manzoni

Mario Tagliaferri

Auditing Company

EY S.p.A.

Manager responsible for preparing the Company's Financial Reports

Pietro Bassani

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

Committees

Control and Risk Committee

Ada Imperadore

Susanna Pedretti

Supervisory Body

Cristiana Renna

Paolo Villa

Susanna Pedretti

Remuneration Committee

Ada Imperadore

Susanna Pedretti

Related Party Committee

Ada Imperadore

Susanna Pedretti

Environmental, Social and Governance (ESG) Committee

Ada Imperadore

Chiara Mediolì

Giorgio Ferraris

Consolidated income statement

<i>(amounts in € units)</i>	3 months 31 March 2023	3 months 31 March 2022
Revenues and income		
Revenues from contracts with customers	65,560,388	50,754,911
Other revenues and income	228,337	159,075
Total revenues	65,788,725	50,913,987
Operating costs		
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	39,416,667	30,918,254
Personnel costs	11,161,688	9,391,616
Costs for services	6,781,231	6,254,710
Other operating costs	480,458	386,242
Amortisation, depreciation, and impairment losses	3,748,501	3,552,684
Total operating costs	61,588,546	50,503,506
Operating result	4,200,180	410,481
Changes in fair value of financial assets and liabilities	1,101,887	(2,357,415)
Financial income	20,086	3,725
Financial charges	(1,054,022)	(324,536)
Income before taxes	4,268,131	(2,267,745)
Income taxes	1,361,792	214,306
Profit/(loss) for the financial year	2,906,338	(2,482,051)

Consolidated comprehensive income statement

<i>(amounts in € units)</i>	3 months 31 March 2023	3 months 31 March 2022
Profit /(loss) for the financial year (A)	2,906,338	(2,482,051)
Components that will not be subsequently reclassified to profit/(loss) for the financial year		
Revaluation of net employee benefit liabilities/assets	-	-
Tax effect	-	-
Other comprehensive income (B) components	-	-
Comprehensive profit/(loss) (A+B)	2,906,338	(2,482,051)

Consolidated statement of financial position

<i>(amounts in € units)</i>	31 March 2023	31 December 2022
Assets		
Non-current assets		
Property, plant and machinery	105,369,788	104,162,050
Goodwill	15,907,954	15,907,954
Other intangible fixed assets	1,840,333	1,780,551
Rights of use	4,892,147	5,163,111
Other non-current assets	722,204	820,871
Deferred tax assets	7,277,672	7,312,662
Total non-current assets	136,010,098	135,147,200
Current assets		
Inventories	49,349,216	40,422,499
Trade receivables	51,571,877	39,347,321
Tax receivables	582,899	2,268,044
Other current assets	5,550,865	5,890,398
Current financial assets	67,473,881	66,512,584
Cash and other liquid assets	1,993,070	10,232,262
Total current assets	176,521,807	164,673,109
Total assets	312,531,905	299,820,309
Shareholders' equity		
Share Capital	22,770,445	22,770,445
Other reserves	126,373,493	126,461,456
Employee benefit reserve	206,186	206,186
FTA reserve	(6,669,789)	(6,669,789)
Profits carried forward	(9,478,535)	22,610
Profit/(loss) for the financial year	2,906,338	(9,501,145)
Total Shareholders' Equity	136,108,138	133,289,763
Non-current liabilities		
Non-current bank borrowings	70,939,115	77,573,797
Employee benefits	2,308,155	2,419,013
Provisions for risks and charges	41,105	41,105
Provision for deferred taxes	244,844	240,553
Non-current lease payables	2,068,065	2,222,216
Total non-current liabilities	75,601,283	82,496,684
Current liabilities		
Bonds	3,326,212	3,323,051
Current bank borrowings	44,071,252	36,590,346
Trade payables	42,002,946	33,450,468
Taxes payable	2,305	-
Current lease payables	566,294	651,576
Other current liabilities	10,853,474	10,018,421
Total current liabilities	100,822,483	84,033,862
Total Shareholders' equity and Liabilities	312,531,905	299,820,309

Consolidated cash flow statement

	3 months 31 March 2023	3 months 31 March 2022
PROFIT FROM OPERATING ACTIVITIES AFTER TAX	2,906,338	(2,482,051)
Adjustments to reconcile profit after tax with net cash flows:		
Depreciation and impairment of property, plant and machinery	3,357,350	3,113,071
Amortisation and impairment of intangible fixed assets	196,564	206,442
Amortisation of rights of use	194,588	233,172
Financial income	(20,086)	(3,725)
Financial charges	1,036,765	308,376
Changes in fair value of financial assets and liabilities	(1,101,887)	2,357,415
Financial charges on financial liabilities for leases	17,257	16,160
Income taxes	1,322,783	6,816
Gains on the disposal of property, plant and machinery	15,709	(25,693)
Current assets write-downs	238,825	431,196
Net change in severance indemnity and pension funds	(122,835)	(131,071)
Net change in deferred tax assets and liabilities	39,010	207,490
Interest paid	(1,021,690)	(317,681)
Changes in net working capital:		
(Increase)/decrease in inventories	(8,951,249)	(2,611,262)
(Increase)/decrease in trade receivables	(12,438,848)	(13,108,309)
(Increase)/decrease in other non-financial assets and liabilities	1,637,920	1,345,019
Increase/(decrease) in trade payables	8,552,478	(132,568)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(4,141,009)	(10,587,204)
Investments:		
Investments in tangible fixed assets	(4,586,163)	(4,000,246)
Disposal of tangible fixed assets	5,369	40,174
Investments in intangible fixed assets	(256,346)	(113,488)
Net (investments)/disposals in financial assets	(1,859,409)	88,076
NET CASH FLOWS FROM INVESTMENTS	(6,696,550)	(3,985,483)
Financing:		
New financing	15,348,796	71,970,006
Funding repayment	(12,499,411)	(44,355,461)
Principal payments - lease liabilities	(163,056)	(358,566)
Sale/(purchase) of treasury shares	(87,963)	(68,486)
CASH FLOWS FROM FINANCING	2,598,366	27,187,492
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,239,193)	12,614,805
Cash and short-term deposits as of 1 January	10,232,262	17,118,957
Cash and short-term deposits as of 31 March	1,993,070	29,733,762

Consolidated Shareholders' equity changes

	Share Capital	Legal reserve	Negative reserve for treasury shares in the portfolio	Merger surplus reserve	Share premium reserve	Extraordinary reserve	Other reserves	FTA reserve	Employee benefit reserve	Profits/losses carried forward	Profit/loss for the financial year	Total Shareholders' equity
Balance as of 1 January 2023	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
Profit/(loss) for the financial year											2,906,338	2,906,338
Other income statement components	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive profit/(loss)	-	-	-	-	-	-	-	-	-	-	2,906,338	2,906,338
Purchase of treasury shares			(87,963)									(87,963)
2022 profit allocation										(9,501,145)	9,501,145	-
Balance as of 31 March 2023	22,770,445	5,000,000	(13,768,417)	29,741,389	86,743,750	14,240,490	4,416,281	(6,669,789)	206,186	(9,478,535)	2,906,338	136,108,139

Explanatory Notes

Accounting Standards and consolidation area

The Fine Foods Group's Interim Financial Report as of 31 March 2023 has been prepared under the Stock Exchange Regulations, which set the publication of the Interim Financial Reports as a requirement for maintaining a listing on the MTA - STAR segment.

The Interim Financial Report has been prepared under the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the European Union under (EC) Regulation no. 1606/2002 applicable at the end of the period. The accounting standards and assessment criteria adopted to prepare the Interim Financial Report are consistent with those used in the 31 December 2022 Financial Statements to which reference is made. 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 produced its legal, accounting, and tax effects as of 1 January 2023.

The consolidation area of this Interim Financial Report includes the parent company Fine Foods and the subsidiary Euro Cosmetic.

The Interim Financial Report as of 31 March 2023 is not subject to auditing by the auditing company.

Net Financial Position

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

<i>Thousands of Euro</i>	31 March 2023	31 December 2022
A. Liquid assets	1,993	10,232
B. Cash or cash equivalents	-	-
C. Other current financial assets	67,474	66,513
D. Liquidity (A) + (B) + (C)	69,467	76,745
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	22,723	10,821
F. Current portion of non-current financial debt	25,241	29,744
G. Current financial debt (E + F)	47,964	40,565
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	5,519	5,908
- <i>not guaranteed</i>	42,445	34,657
H. Net current financial debt (G - D)	(21,503)	(36,180)
I. Non-current financial debt (excluding current portion and debt instruments)	73,007	79,796
J. Debt instruments	-	-

K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	73,007	79,796
- guaranteed	-	-
- secured by collateral	9,756	9,654
- not guaranteed	63,251	70,142
M. Total Financial Debt (H + L)	51,504	43,616

As of 31 March 2023, current financial assets were € 67,473,881 (compared to € 66,512,584 as of 31 December 2022). This is detailed below:

<i>(Amounts in Euro units)</i>	31 March 2023	31 December 2022
Other securities	63,795,639	62,834,343
Directors' Severance Pay (TFM) receivables	211,265	211,265
Leakage receivable	3,466,976	3,466,976
Total current financial assets	67,473,881	66,512,584

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

- As of 31 December 2022, the portfolio Fair Value was € 62,834,000.
- as of 31 March 2023, the positive change in Fair Value of € 1.1 million, net of fees and withholdings, brought the portfolio value to € 63,796,000.

Reclassified Balance Sheet

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

	31 March 2023	31 December 2022
Working capital		
Inventories	49,349,216	40,422,499
Trade receivables	51,571,877	39,347,321
Other current assets	6,133,764	8,158,442
Trade payables	(42,002,946)	(33,450,468)
Other current liabilities	(10,855,779)	(10,018,421)
Provisions for risks and charges / deferred taxes	(285,948)	(281,658)
Total working capital (A)	53,910,183	44,177,716

	31 March 2023	31 December 2022
Fixed assets		
Tangible fixed assets	105,369,788	104,162,050
Intangible assets and rights of use	22,640,434	22,851,617
Other receivables and non-current assets	7,999,876	8,133,533
Employee severance indemnities and other provisions	(2,308,155)	(2,419,013)
Total fixed assets (B)	133,701,943	132,728,186
Net Invested Capital (A) + (B)	187,612,126	176,905,903
Sources	31 March 2023	31 December 2022
Shareholders' equity	136,108,138	133,289,763
Net financial debt	51,503,988	43,616,140
Total Sources	187,612,126	176,905,903

Net invested capital as of 31 March 2023 was € 187.6 million (€ 176.9 million as of 31 December 2022) and was covered by:

- Shareholders' equity of € 136.1 million (€ 133.3 million as of 31 December 2022): the increase derived from the positive result for the period.
- The Net Financial Position as of 31 March 2023 was € 51.5 million, with a negative change of € 7.9 million compared to the NFP of € 43.6 million as of 31 December 2022. The change was mainly due to an increase in commercial Net Working Capital and CAPEX made during the period.

Working capital as of 31 March 2023 was € 53.9 million compared to € 44.2 million at the end of the previous financial year. Commercial Net Working Capital of € 58.9 million underwent the following changes: an increase in trade receivables (€ 12.2 million) as a consequence of the significant increase in turnover and in inventories (€ 8.9 million), which were still affected by the actions taken to cope with raw and packaging materials procurement difficulties, net of the increase in trade payables (€ 8.6 million). The "Other current assets" and "Other current liabilities" items showed an improvement (€ 2.9 million) mainly due to the allocation of current tax payables and the reduction in the VAT credit.

Tangible Fixed Assets, Intangible Fixed Assets and Rights of Use were € 128 million as of 31 March 2023 compared to € 127 million as of 31 December 2022, increasing by approximately € 1 million due to net investments of approximately € 4.7 million and depreciation and amortisation of approximately € 3.7 million.

Reclassified Income Statement

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

Item	31 March 2023	%	31 March 2022	%	Absolute change	% Changes
Revenues from contracts with customers	65,560,388	100%	50,754,911	100%	14,805,477	29.2%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(39,416,667)	(60.1%)	(30,918,254)	(60.9%)	(8,498,414)	27.5%
VALUE ADDED	26,143,721	39.9%	19,836,658	39.1%	6,307,063	31.8%

Other revenues and income	228,337	0.3%	159,075	0.3%	69,262	43.5%
Costs for services	(6,781,231)	(10.3%)	(6,254,710)	(12.3%)	(526,521)	8.4%
Personnel costs	(11,161,688)	(17.0%)	(9,391,616)	(18.5%)	(1,770,072)	18.8%
Other operating costs	(480,458)	(0.7%)	(386,242)	(0.8%)	(94,216)	24.4%
EBITDA	7,948,681	12.1%	3,963,165	7.8%	3,985,516	100.6%
Amortisation, depreciation, and impairment losses	(3,748,501)	(5.7%)	(3,552,684)	(7.0%)	(195,817)	5.5%
EBIT	4,200,180	6.4%	410,481	0.8%	3,789,698	923.2%
Financial income	20,086	0%	3,725	0%	16,361	439.2%
Financial charges	(1,054,022)	(1.6%)	(324,536)	(0.6%)	(729,486)	224.8%
Changes in fair value of financial assets and liabilities	1,101,887	1.7%	(2,357,415)	(4.6%)	3,459,302	(146.7%)
INCOME BEFORE TAXES	4,268,131	6.5%	(2,267,745)	(4.5%)	6,535,876	N/A
Income taxes	(1,361,792)	(2.1%)	(214,306)	(0.4%)	(1,147,486)	535.4%
Profit (loss) for the financial year	2,906,338	4.4%	(2,482,051)	(4.9%)	5,388,390	N/A

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

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

	31 March 2023	31 March 2022
Revenues from contracts with customers	65,560,388	50,754,911
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(39,416,667)	(30,918,254)
Value Added	26,143,721	19,836,658

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

	31 March 2023	31 March 2022
Profit/(loss) for the financial year (1)	2,906,338	(2,482,051)
Income taxes	(1,361,792)	(214,306)
Income before taxes (2)	4,268,131	(2,267,745)
Changes in fair value of financial assets and liabilities	(1,101,887)	2,357,415
Financial charges	1,054,022	324,536
Financial income	(20,086)	(3,725)
EBIT (3)	4,200,180	410,481
Amortisation, depreciation, and impairment losses	3,748,501	3,552,684
EBITDA (4)	7,948,681	3,963,165

Revenues from sales and services increased from € 50.7 million as of 31 March 2022 to € 65.6 million as of 31 March 2023, with an increase of 29.2%. This increase was mainly attributable to the Food Business Unit which, despite the continuing Russian-Ukrainian crisis and other market difficulties, increased from € 29.5 million as of 31 March 2022 to € 40.7 million as of 31 March 2023 (increase of 37.8%).

The Pharma Business Unit contributed to the growth, with an increase of 41.8%, from € 11.9 million as of 31 March 2022 to € 16.8 million at the end of Q1 2023, generated by increased volumes of existing products and new production.

Cosmetic Business Unit contribution in Q1 2023 was € 8.1 million compared to € 9.4 million recorded on 31 March 2022: despite a significant back-log of orders, up compared to the first quarter of the previous year, the BU decreases mainly due to the temporary production slowdown due to the restructuring of the Trezzano production site and the integration operations of Pharmatek, which just merged.

<i>(Amounts in Euro units)</i>	31 March 2023	31 March 2022
Business Unit – Food	40,692,371	29,539,379
Business Unit – Pharma	16,805,902	11,852,533
Business Unit – Cosmetic	8,062,115	9,363,000
Total Revenues from contracts with customers	65,560,388	50,754,911

Cost for Services increased in Q1 2023 and Q1 2022 by only € 0.5 million, significantly reducing the impact on revenue for the period, mainly due to lower energy costs.

Personnel Costs were € 11.2 million, with an increase of € 1,8 million compared to the same period in FY 2022. However, this increase was lower than the growth in revenue.

Gross operating profit or EBITDA was € 7.9 million as of 31 March 2023, with an increase compared to the same period of the previous year, when it was € 4 million (Ebitda Margin Q1 2023: 12.1% vs Ebitda Margin Q1 2022; 7.8%). The margin improvement derived from the reduction in the impact of personnel and energy costs on revenues, and better absorption of fixed costs on revenues. However, the energy percentage cost is still higher than the historical cost. This impact is estimated at almost 1 percentage point on EBITDA.

The operating result or EBIT (€ 4.2 million as of 31 March 2023) showed a significant increase compared to the end of Q1 2022 (€ 510,481), mainly due to the improvement in EBITDA.

The result in Q1 2023 was € 2.9 million compared to a loss of € -2.4 million in the same period of 2022.

The result for both periods was impacted by changes in the Fair Value of financial assets, which are detailed below:

<i>(Amounts in Euro units)</i>	31 March 2023	31 March 2022
Change in fair value of other securities	1,101,887	(2,357,415)
Total changes in Fair Value on financial assets and liabilities	1,101,887	(2,357,415)

In Q1 2023, the Parent Company's asset securities management showed a positive change in Fair Value of € 1.1 million. The trend contrasted the previous year. The overall securities management showed a positive performance of about € 5.1 million as of 31 March 2023.

Events following the end of the period

No significant events occurred after the end of the period.

Business outlook

The Group will develop the business along three main lines - Pharma, Food and Cosmetics - by strengthening corporate functions' activities. Fine Foods will seize any opportunities for growth through external lines.

The Pharma BU is expected to significantly grow due to the multi-year agreements signed with important customers that will require a production plant expansion as resolved by the Board of Directors on 30 March 2023. This is estimated at € 30 million over about two years.

The integration and optimisation of processes will continue for the Cosmetic BU. Investments for the Trezano site production capacity expansion and closure of the Cremona plant will be completed shortly. The greater efficiency generated by these activities will increase the ability to meet customer demands.

The increase in sales recorded in the quarter confirmed the effectiveness of the commercial actions taken for the Food BU and allowed us to forecast a largely positive outlook.

The Group 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.

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

Under paragraph 2 of Article 154-bis of Legislative Decree no. 58/1998 (Consolidated Law on Finance), the Manager in charge of preparing the company's financial reports, Pietro Bassani, certifies that the accounting information contained in the Interim Financial Report as of 31 March 2023 of Fine Foods & Pharmaceuticals N.T.M. S.p.A. reflects the accounting documents, books and records.

Verdellino-Zingonia, 15 May 2023

**The Manager
preparing the corporate
accounts**
Pietro Bassani