

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



31/12/2021 Consolidated Financial Statements

30 March 2022 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

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 Mediolì

Giorgio Ferraris

Report on Operations

Report on Operations: Summary

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Directors' Report on Operations

Introduction

The 31 December 2021 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 Cremona (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 Treviso-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 Consolidated Financial Statements include PMC S.r.l (from 1 January 2021) and the newly acquired Euro Cosmetic (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 € 193 million revenue in 2021 and an 11 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.

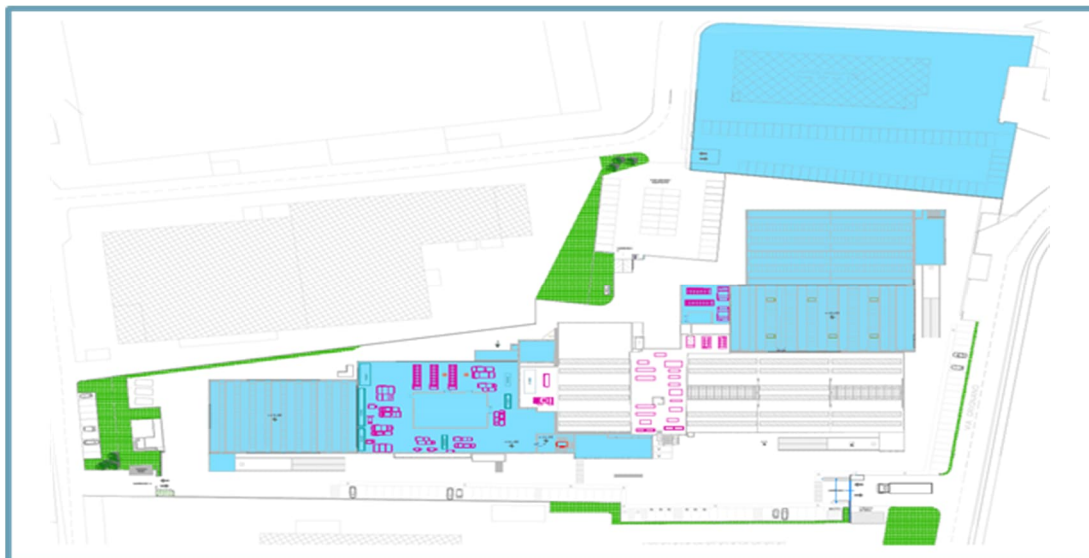
Fine Foods develops and manufactures drugs, food supplements and other nutraceutical products and medical devices for pharmaceutical and nutraceutical companies. These products are in the form of powders, soluble, effervescent and chewable granules, filmed and effervescent tablets and hard gelatine capsules, 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. The Company has relationships with approximately 100 loyal customers, including major Italian and multinational pharmaceutical and nutraceutical companies such as Aesculapius, Alfasisigma, Alkaloid, Angelini, Aptalis, Aurobindo, Avon, Bayer, Bial, Chiesi, Coop, Doc, Dompe, EG, Ennogen, Fairmed Healthcare, Farma-Derma, Fidifarm, Giuliani, Guna, Herbalife, IBSA, Italfarmaco, Krka, Laborest, Menarini, Molteni, Mylan, Named, Novartis, Omega Pharma, Orion Corporation, Pensa, Pepsico, Pharmanutra, Pierre Fabre, Recordati, Sanofi, Società Prodotti Antibiotici, Sofar, Teva, Vesale, Zentiva.

The following images show some of the Pharma and Food business units sample products.



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

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

Verdellino-Zingonia plant:

- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: designing and producing invasive medical devices concerning body orifices for gastrointestinal and oral use on injured mucosa.
- 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 poly laminate 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.

The subsidiary Pharmatek develops and manufactures contract products ranging from cosmetics (haircare, skincare, rinse-off products) to medical-surgical aids and medical devices. Pharmatek produces medical-surgical aids designed for hand hygiene and cosmetic products for the body and face under its brand. The “PharmaQui” line stands out for its medical-surgical aids, such as disinfecting and sanitising gels for hands and environments.

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.



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;
- 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;
- 100% renewable green energy compliance;
- the effectiveness of what has been implemented and its updating;
- Certification as a virtuous ambassador for the Lombardy region in the cosmetics category. 100 mete d'Italia (100 Italian destinations) award.



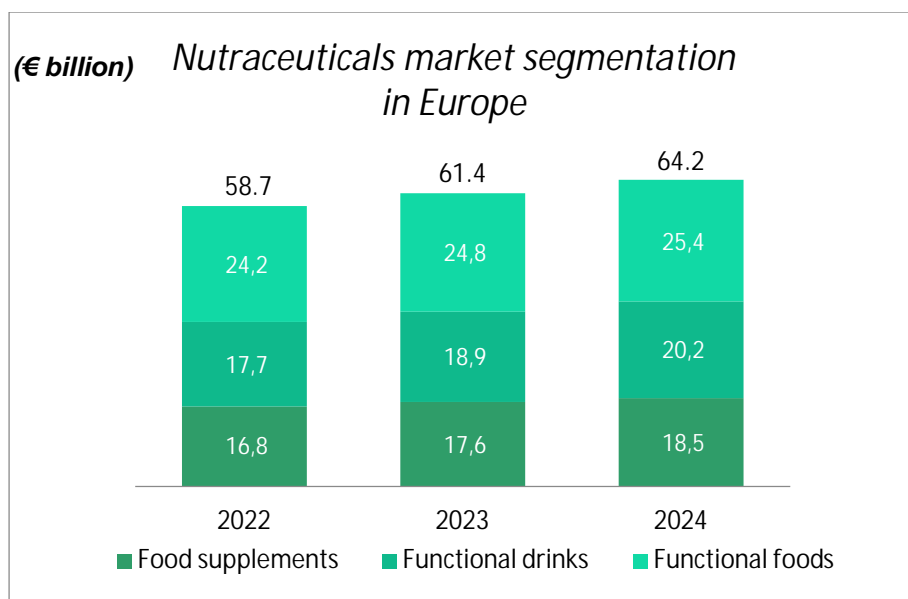
The image below shows some of the products of the Pharmatek and Euro Cosmetic subsidiaries, which comprise the Group's Cosmetics business unit:



Market development

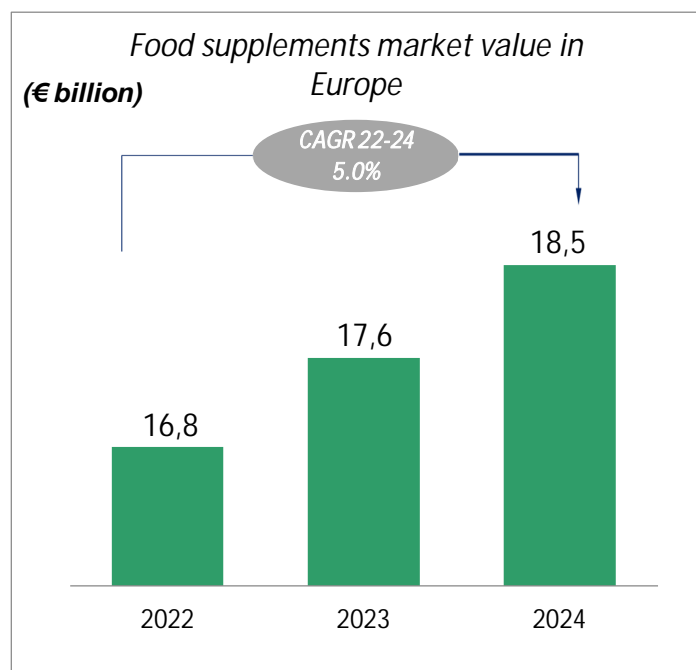
Fine Foods is one of the players in the European nutraceutical market and is focused on contract manufacturing of food supplements. The nutraceutical market is the Group's primary target market, and where 71.7% of revenue from customer contracts was recorded in 2021.

The diagram below shows the forecasts for 2022, 2023 and 2024 for the Nutraceutical market, in terms of value, in Europe, divided into dietary supplements, functional drinks and foods.



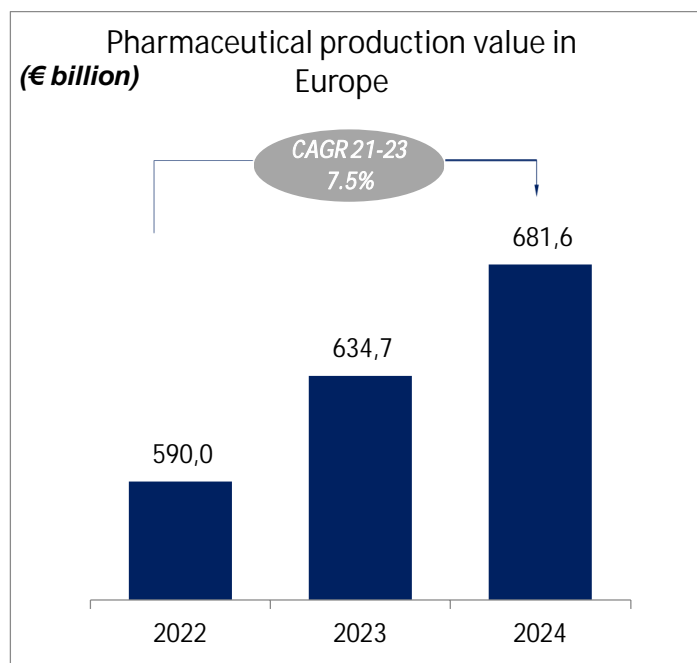
Source: Company processing on data from Euromonitor International paid by the Company and not publicly available.

Within this market, the Group's target segment is the dietary supplements segment in Europe. The segment's expected value is estimated to grow from € 16.8 billion 2022 to € 18.5 billion in 2024, with a CAGR '22-'24 of 5%. As of 31.12.2021, revenues from customer contracts generated by the Group's Nutraceuticals business unit recorded € 138,119,924.



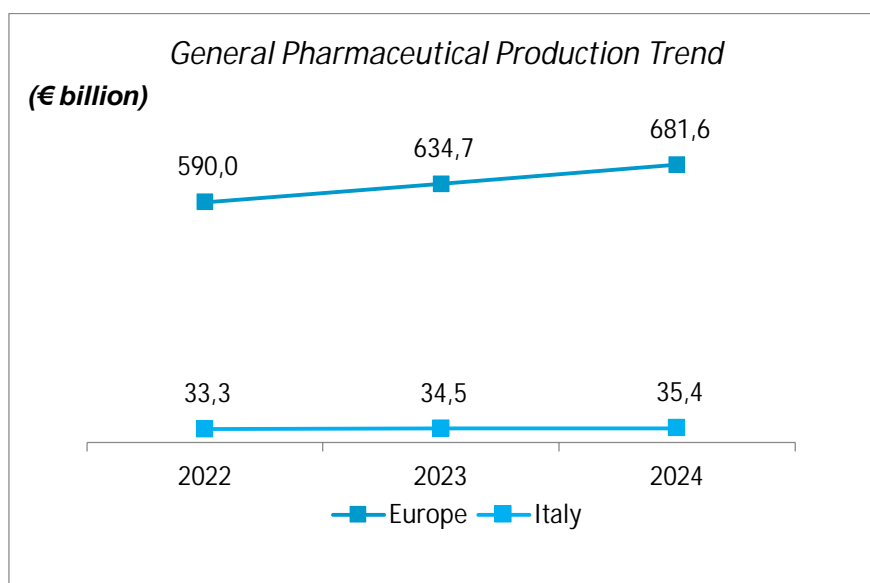
Source: Company processing on data from Euromonitor International paid by the Company and not publicly available.

The Pharmaceutical market is the Group's second-largest market, where 19.9% of revenue from customer contracts was recorded in 2021. As of 31.12.2021, the Company recorded revenues of € 38,262,145 in the Pharma Business Unit. The diagram below shows the forecasts 2022, 2023 and 2024 for pharmaceutical production value in Europe. A CAGR '22-'24 of 7.5% was recorded for the relevant period.



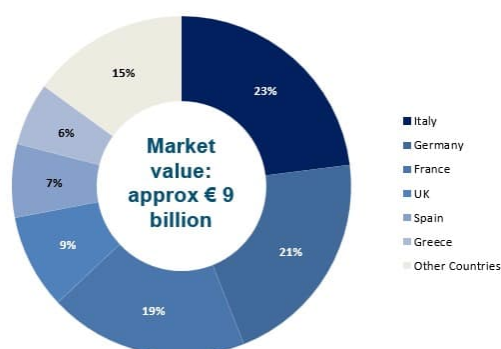
Source: Company processing on data from Euromonitor International paid by the Company and not publicly available.

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. The expected value of pharmaceutical production in Italy is growing, with a CAGR '22-'24 of 3.1%. The diagram below shows the forecasts for the general pharmaceutical output trend by comparing Europe and Italy.



Source: Company processing on data from Euromonitor International paid by the Company and not publicly available.

As for the pharmaceutical market composition, the Issuer segment targets the Pharmaceutical CDMO, which in 2018 in Europe was:

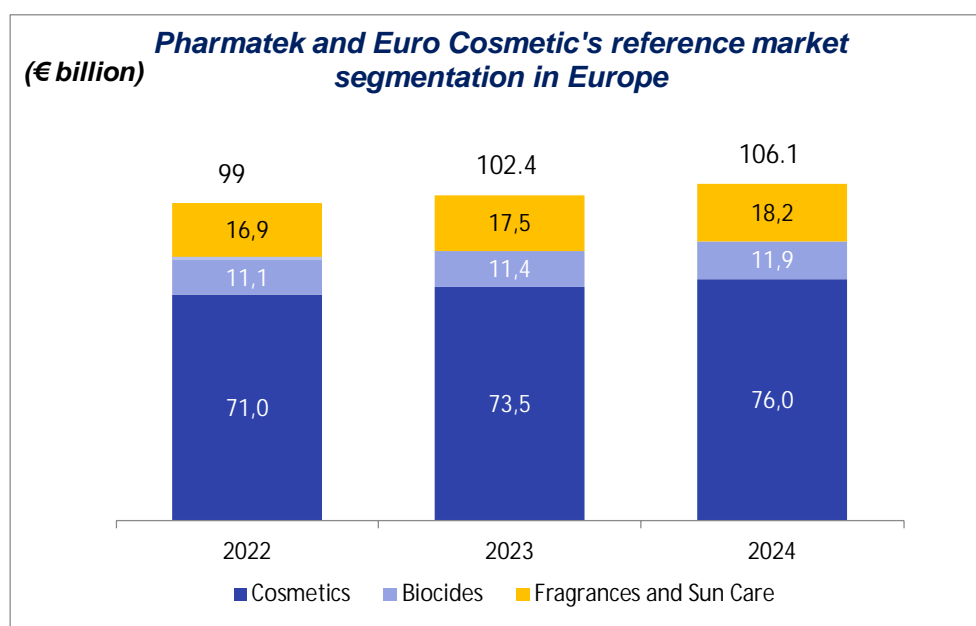


Source: Company processing on Prometeia data: Pharmaceutical CDMO: Prometeia - Farindustria 2020 survey.

The Group's third-largest market is where the two subsidiaries, Pharmatek and Euro Cosmetic, operate, where 8.4% of revenues from contracts with customers in 2021 were recorded, amounting to € 16,257,722.

"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. "Fragrances" refers to Euromonitor's "Sun care" category.

The diagram below shows the European forecasts 2022, 2023 and 2024 for this market, in terms of value.



Source: Company processing on data from Euromonitor International paid by the Company and not publicly available.

The cosmetics market in Europe is expected to grow at a CAGR '22-'24 of 3.5%, up from the previous trend (CAGR '18-'20 of 1.1%).

The European biocides market is expected to grow from around € 11.1 billion in 2022 to about € 12 billion in 2024, at a CAGR '22-'24 of 3.6%.

The expected CAGR '22-'24 for the Fragrances and Sun Care market is 3.7%.

Significant events

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

The Covid-19 pandemic, which spread globally from January 2020 and continued throughout 2021, has led countries, including Italy, to face a complex health emergency, with social, political, economic and geopolitical implications. In this situation, the Group continued to implement actions to safeguard the health and safety of its employees by promptly adopting prevention, control and containment measures to protect the health of its employees and partners, such as smart working, modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, hygiene rules, social distancing, and green pass controls. Group's plants operated normally in 2021.

The pandemic situation, i.e., the transmission of new virus variants, may continue to influence the results for the next few years.

MTA - STAR MARKET TRANSLISTING

From on 12 July 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. was listed on the STAR Segment of the Mercato Telematico Azionario ("MTA") organised and managed by Borsa Italiana S.p.A., from the opening of trading. At the end of the process, which has received Consob and Borsa Italiana approval, the Company's ordinary shares are traded on the main list. Fine Foods debuted on the AIM Italia multilateral trading system on 1 October 2018 with a capitalisation of € 216.5 million. On 9 July, the last day on AIM, it rose to € 347.6 million in addition to dividends distributed in FY2019, 2020 and 2021 totalling € 8.2 million and creating approximately € 139.3 million of value equal to 64.3% of the initial capitalisation in less than three years.

In the translisting process to the MTA - STAR segment, the Company was assisted by Banca Akros, as Issuer Sponsor, by Grimaldi Studio Legale as Issuer legal advisor and by Pavia e Ansaldo Studio Legale as Sponsor legal advisor. EY acted as an auditing firm, and Epyon was the consultant who checked the non-accounting data in the Listing Prospectus.

PHARMATEK ACQUISITION

Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired 100 per cent of Pharmatek PMC S.r.l. on 19 January 2021. This is an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices.

This is a strategically important transaction that will allow Fine Foods to expand its production, reaching new market segments and customers. The acquisition will allow the exploitation of new research and development, technology, knowledge and innovation synergies for continuous improvement. With Pharmatek range of solutions, combining flexible and customisable services and excellent quality, Fine Foods can meet new production sectors' needs and provide its customers with an increasingly complete range. Technological updates, rigorous certifications and the constant search for the best solutions are key points that drive innovation in an ever-evolving production for the Group.

The transaction's consideration is € 11.2 million, subject to a price-adjustment of € 6 million if specific EBITDA targets are achieved over the next three years.

EURO COSMETIC ACQUISITION

On 21 September 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. has entered into a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. ("Euro Cosmetic" or the "Company"), a company with shares traded on the AIM Italia organised and managed by Borsa Italiana S.p.A., specialised in the contract development and manufacturing of cosmetic products based in Trezzano (BS).

Under this agreement and at the transaction execution, Fine Foods paid (i) to MD, for its shareholding and equal to 38.7% of the share capital of Euro Cosmetic, € 8.13 per share for a total of € 15,000,411; (ii) to Findea for its shareholding equal to 34.2% of the share capital of Euro Cosmetic, € 7.25 per share for a total of € 11,815,550.

On 8 October 2021, following the purchase of the MD and Findea shares, Fine Foods acquired control of Euro Cosmetic.

After the Shareholdings purchase for 72.9% of the Euro Cosmetic share capital from Findea and MD, Fine Foods launched a mandatory takeover bid for the remaining Euro Cosmetic shares amounting to 27.1% of the share capital ("takeover bid"), under the terms and procedures provided for by law.

The takeover bid ended on 28 December 2021, when Borsa Italiana ordered the delisting on Euronext Growth Milan.

For more details on the accounting of this business combination and corresponding price adjustment (leakage), of € 6.7 million that the sellers are required to pay to Fine Foods given the contractual agreements, please refer to the paragraph "Extraordinary transactions" in the notes to the Consolidated Financial Statements.

WARRANT CONVERSION

On 27 April 2021, under Article 6.4 (d)(ii) (C) and Article 5.2 of the Fine Foods Articles of Association, and Fine Foods N.T.M. S.p.A. Original Shareholder Warrants Regulations (hereafter the "Regulations"), the conditions for the conversion of the fourth and final tranche of 50,000 special shares and the complete conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants have been fulfilled.

On 30 April 2021, 50,000 special shares were converted into a ratio of six ordinary shares for every single special share held. This means 300,000 new Fine Foods ordinary shares being issued without changing the share capital total amount.

The exercise of the Fine Foods N.T.M. S.p.A. Original Shareholder Warrants, under the Regulations, was automatically suspended until the ex-dividend date, i.e. 03 May 2021 (excluded), and the related capital increase started on 06 May 2021. The conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants resulted in the issue of 1,085,200 ordinary shares, resulting in a share capital increase of € 103,203.

30 June 2021 was the "Time Limit" for the Warrants exercise, under the "Fine Foods & Pharmaceuticals N.T.M. S.p.A. Warrant Regulations." By this deadline, requests for the exercise of 2,371,242 Warrants with an Exercise Ratio of 0.2713 had been received. The Parent Company issued 643,303 ordinary shares to service this, for € 64,330, under the procedures set out in the Regulations.

FINANCING

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.

LAND PURCHASE

On 11 November 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired a plot of land located in the municipalities of Brembate (BG) and Filago (BG) with a registered surface area of approximately 100,000 sqm for approximately € 3 million to ensure on-site business expansion and development.

General economic performance

While continuing on a growing trend, the global economy at the end of 2021 shows the effects of the fourth pandemic wave, a more intense and persistent pick-up in inflation, and rising geopolitical tensions.

The strong wave of new infections induced by the Omicron variant that marked the fourth quarter of 2021 and the first part of 2022, together with bottlenecks in global supply chains, continue to dampen production. The persistent circulation of the pandemic, fuelled by its variants, acts as a brake on a total return to normality and increases uncertainty. Frequent outbreaks and geopolitical tensions in early 2022 are impacting critical global supply-chain linkages, causing longer-than-expected supply disruptions and further fuelling raw materials inflation in many countries.

Global consumer confidence indices remained broadly stable in December, at levels consistent with the economic expansion but lower than expected.

The International Monetary Fund's (IMF) estimates point to lower growth expectations for this year than previously due to new restrictions introduced to stem the spread of the fourth COVID-19 pandemic wave and continued problems in supply chains. After +5.9% in 2021, global gross domestic product is expected to grow by 4.4% in 2022, 0.5 percentage points less than the October forecast made by the International Monetary Fund. In 2023, growth is estimated at 3.8%, up 0.2 points from previous estimates.

On the inflation side, the International Monetary Fund assumes a still high price change in 2022: 3.9 per cent in advanced countries and 5.9 per cent in developing countries.

However, the risks in the global environment remain tilted toward lower growth and increased inflation. In addition to uncertainties regarding the pandemic evolution, supply bottlenecks and volatility of raw materials prices, there are various risk factors for financial stability and structural risks of geopolitical tensions and adverse natural events, including those related to the climate emergency.

Italian economy saw a rapid recovery in 2021 compared to 2020, favoured by easing measures to counter COVID-19. After the GDP jump during spring, there was a similar expansion in summer (2.6% compared to the second quarter) and a moderate increase in the final part of 2021. The preliminary GDP estimate, released by Istat at the end of January, indicates a cyclical growth in the October-December average of 0.6%. The activity level was half a percentage point lower than at the end of 2019, ahead of Germany but slightly behind France and the Euro area.

On average for the year, GDP growth in Italy is estimated at 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. In this scenario, considerable support to growth would come from stimulus measures financed with the national budget and European funds, particularly those outlined in the National Recovery and Resilience Plan (PNRR).

Sectoral economic indicators in recent months are consistent with a moderate expansionary phase, although there are many signs of a slowdown. In the final part of 2021, the Italian manufacturing PMI remained in the expansion area, but in January, there was a drop of almost two points (to 58.3) compared to December. The worsening reflected the continuing tensions in logistics, material availability and production costs, and the slowdown in orders and staff shortages due to COVID-19, and the increasing global geopolitical tensions. The composite index of business confidence, obtained as a weighted average of sectoral climates, stabilised in Q4 compared to the July-September average, while it worsened significantly in January. Household and business uncertainty remained virtually unchanged in the latter part of last year, with a slight decline in the business component offset by an increase in the consumer component.

Globally, the Purchasing Managers' Index (PMI) showed widespread signs of cyclical recovery among the major advanced economies, although less than expected. In Japan, lifting the state of emergency in early October boosted the recovery in the services PMI, which returned above the expansion threshold for the first time since the pandemic began. The US industry and services PMIs remain consistent with continuous growth, in line with expectations of a strong acceleration in GDP in the last quarter of 2021. Emerging economies continue to experience slower cyclical conditions than more advanced countries. However, 2022 and 2023 growth estimates are held back by the continued rise in raw materials prices. Natural gas prices remain high in Europe, driven by several factors. Tensions with Russia over the temporary suspension of the Nord Stream 2 pipeline, which escalated in 2022, the cold temperatures recorded in the Nordic countries and high demand for electricity production have considerably reduced stock levels.

As for inflation, 2021 saw marked price increases, spread across expenditure items, with energy goods being the most important. Consumer inflation in Italy averaged 1.9% for the year (up from -0.2% in 2020), the highest value since 2012. During 2021, tendential price changes gradually strengthened, rising from 1% in spring to approximately 4% at the end of the year. Italian inflation in 2021 was still lower than that of the Euro area (2.6%), against which the negative differential widened, configuring gains in price competitiveness for exports.

However, Italy's consumer inflation, rose to around 5% in January 2022, the highest level since the start of the European Monetary Union, generating a considerable statistical legacy (of more than 3%) for 2022.

Globally, inflation increased significantly almost everywhere, influenced mainly by the rise in the prices of energy goods, intermediate inputs and the recovery in domestic demand.

In the US, inflation reached 7% in December, the highest level since the early 1980s. Inflation rose in the UK (5.4% in December) and Japan (0.6% in November). Inflationary pressures remained high in many emerging countries: in Brazil and Russia the twelve-month growth in consumer prices stood at 10.1% and 8.4% in December, respectively.

In recent months, inflation in the Euro area accelerated rapidly, reaching 4.9% in November (highest since a comparable series existed, i.e., at least since 1998). Increases are explained by one-off factors (the reintroduction of VAT rates in Germany, the rebound in energy prices and higher input prices due to supply chain problems in industry) and, to a lesser extent, the effect of reopening (price increases due to the return of demand in previously restricted service sectors); overall, inflationary pressures appear more diffuse now than a few months ago. The forecast scenario includes pronounced energy price dynamics. The increase in natural gas prices and the resulting drag on oil will keep energy prices growing at double-digit rates in the first half of 2022; the following downturn from the spring quarter will keep prices higher than in 2020, due to the low level of inventories.

Inflation in the EU was 2.6% in 2021; according to the Eurosystem's expert projections released in December, inflation could reach 3.2% in 2022, before falling to 1.8% in 2023 and 2024. The price dynamics risks are predominantly on the upside, especially for next year. Energy commodity markets are currently expecting prices to rise, so assumptions of a fall in prices in 2023 may soon prove out of date. Supply bottlenecks in intermediate goods and price increases in transport services, seen by many analysts as temporary, may prove to be more persistent than widely expected.

Management Performance

Economic indicators for the year (<i>In thousands of Euro</i>)	31/12/2021	31/12/2020
Revenues	192,640	171,955
EBITDA	19,562	21,121
Operating profit (EBIT)	5,034	9,485
Profit (Loss) for the financial year	(1,427)	13,364

The table above provides an initial outline of the Group's financial performance as of 31 December 2021:

in summary, revenues increased compared to the previous year and reached € 192,639,791 (+12%), confirming the Fine Foods Group's historical growth trend. Part of this increase stems from the Pharmatek acquisition, which generated sales of € 11.6 million during the period, and Euro Cosmetic, which generated sales of € 4.6 million as of 1 October 2021, i.e. from the date of consolidation.

The gross operating result or EBITDA (of € 19,561,738 as of 31 December 2021), was negatively affected by:

- ✓ higher costs for services incurred during the year, including consultancy for the translisting to the MTA STAR market, expenses for the acquisitions of the two new subsidiaries Pharmatek and Euro Cosmetic (including the promotion of a takeover bid on the AIM market for Euro Cosmetic);
- ✓ a deterioration in performance in the last quarter of 2021. This was due to the economic situation, which resulted in revenue postponement, inefficiencies in the production chain, and a sharp increase in raw and packaging material and energy costs.

The operating result or EBIT (of € 5,034,230 as of 31 December 2021) decreased as a result of the above reduction in EBITDA, higher depreciation and amortisation (due to the start-up of the new pharmaceutical warehouse in Brembate) and the impairment loss recognised in the Financial Statements of the Pharmatek subsidiary due to a revision of the projected revenues associated with the PharmaQui brand. This became necessary due to a sudden reduction in "sanitising gel" sales by a primary large-scale retail trade customer.

The accounting effects generated by the change in the fair value of the listed and unlisted warrants held by the Parent Company until mid-2021 emerged. The financial impact is opposite between 2021 (cost for € 12.7 million) and 2020 (income for € 4.9 million). Lastly, these changes in fair value reflect a different tax effect in the 2021 financial year compared to what was recorded in the 2020 Financial Statements, following the response received to the appeal filed by the Parent Company with the Inland Revenue. The Company received the response in time to submit the income tax return for the 2020 tax year.

Fine Foods economic performance

The 2021 revenues of the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. were € 176,382,069, compared with € 171,955,007 the previous year, increasing by approximately 3%. The Company's turnover in the food sector, which accounted for approximately 78.3% of total turnover, showed a growth of about 5%; the pharma sector showed a decrease in 2021, with a percentage decrease of approximately 4% compared to 2020. The gross operating result or EBITDA is negatively affected by the factors described above in the Group's financial performance, including consultancy and acquisition costs, increases in energy, 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 and the write-down of the investment in Euro Cosmetic for € 3,472,000. The accounting effects of the warrants described above on the Group's financial performance emerged from the period's result.

Pharmatek economic performance

The newly acquired Pharmatek was included in the consolidation as of 1 January 2021; the figures in the consolidated income statement for 2020 do not include the subsidiary's results, while 2021 includes these figures for the entire financial year. The 2021 Financial Statements closed with a loss for the year, inevitably suffering the effects of a prudential write-down of the "PharmaQui" brand, which affected the income statement for € 1,076,000. Net of the above, 2021 closed with positive results in terms of revenues and profitability of operations. The final 2021 revenues are not significantly different from the forecasts drawn up at the end of 2020, in a climate of great uncertainty due to the pandemic, which affected the sales of "Medical-Surgical Aids", particularly disinfectant gels and sanitisers.

The comparison with 2020 is of little significance due to the impulsive and unpredictable market dynamics that characterised the year the pandemic began and which extraordinarily affected the Company's sales, production and operating mechanisms.

Euro Cosmetic economic performance

The newly acquired Euro Cosmetic was included in the consolidation as of 01 October 2021; the figures in the consolidated income statement for 2020 do not include the subsidiary's results, while 2021 only includes these figures for the last quarter of the financial year.

The Euro Cosmetic S.p.A. 31 December 2021 Financial Statements closed with a loss of € 225,000 (net profit as of 31 December 2020 of € 2,501,000). In 2021, Euro Cosmetic S.p.A. recorded a drop in turnover due to the contingent market situation and the combination of several factors. Revenues were affected by the sharp reduction in demand for sanitising products compared to FY 2020, pressure on the raw materials and packaging prices, and the downturn in the professional sector, although recovering, due to the second lockdown and the restrictive measures implemented nationally to contain the pandemic. The Company's ordinary operations showed a decrease in revenues compared to the previous year, due to the factors mentioned in the previous paragraph. The incidence of "costs of raw materials and consumables", including the change in inventories used, increased compared to the previous year due to a depreciation in the value of inventories that affected the change in stocks, as better described below. The result of ordinary operations, EBITDA, decreased compared to the previous year. The net financial position is positive, although lower than the previous year.

Business outlook

After collapsing in 2020 and rebounding in 2021, the global economy will face several unknowns in 2022. In 2022, global GDP will exceed \$ 100 trillion for the first time, two years earlier than expected. The global recovery continues but is crippled by the spread of Covid variants, protracted inflation, geopolitical tensions, bottlenecks within supply chains, and raw materials shortages.

According to economic forecasts, after a remarkable expansion of 5.3% in 2021, the EU economy will grow by 4% in 2022 and 2.8% in 2023. Growth in the Euro area will be around 4% in 2022 and then decline in 2023. A recovery accompanied by a jump in inflation that risks causing a recession in the coming years, mainly driven by rising energy prices. Inflation in the Euro area is expected to peak at 4.8% in the first quarter of 2022.

Although the pandemic impact on business has diminished over time, ongoing containment measures and protracted labour shortages could dampen the economy in 2022. This impact could hamper the functioning of supply chains for a longer time than expected. Conversely, weaker demand growth in the short term could help solve supply problems. Household demand could grow more than expected as the economy reopens, as occurred previously with the reopening of economies in 2020, along with investment and exports. For Italy, the forecasts indicate a GDP of more than 4% for 2022. For 2023, a GDP of 2.3% is estimated.

Despite the difficulties of the last part of 2021, due to the pandemic, the increase in energy costs and inflation, in the first quarter of 2022, the Italian economy could return to pre-crisis production levels. The government pointed out that, despite declining contagion, the pandemic is making the situation unstable. Geopolitical tensions in eastern Europe greatly exacerbate the risks to the growth and inflation outlook.

The 2022 economic scenario is burdened by the geopolitical risks raised by the Russian-Ukrainian war, with repercussions on the energy market, inflationary dynamics and growth.

In 2022, GDP growth is expected to slow down in the CEE/EEA area and Eastern Europe and Russia, due to the conflict, high raw materials prices and potential new pandemic waves. The persistent tensions between Russia and the West due to sanctions following the Ukrainian crisis highlight the risk of a strong downward impact on growth (and economic recession) and an upward impact on inflation.

The negative impact on growth is expected to come mainly from a potential energy shock, which could have more far-reaching adverse consequences on inflation, market volatility, and energy cost, particularly relevant for the Euro area.

The Group's management expects 2022 sales to be 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.

In addition to the continuing increase in energy costs, the margins for the 2022 financial year could be influenced by possible shortages in the supply of materials, which strongly affected the end of 2021. This could result in production inefficiency.

The increase in raw material and packaging costs expected in 2022 could harm the Group's margins. However, negotiations with customers to revise the sales prices of finished products have started and will continue throughout the next financial year.

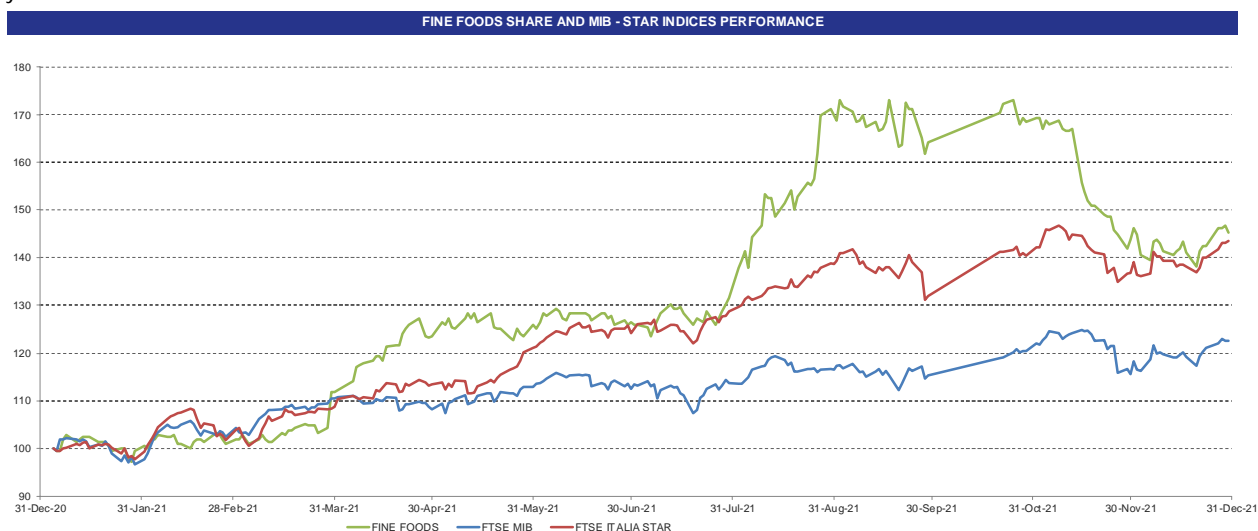
The economic situation could influence the strategic and commercial choices of some of the Group's customers with a negative knock-on effect in sales volumes.

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

As of 30 December 2021, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. share was listed at € 15.40 per share, with an increase of 46.7 percentage points than the listing as of 30 December 2020 (€ 10.50 per share).

Market capitalisation as of 30 December 2021 was € 393.6 million.

The diagram below shows the Fine Foods share performance compared with the leading stock market indices in the 2021 financial year:



The table below shows the main share and stock market data as of 31 December 2021.

Share and stock market data

FY2021

First listing price (04/01/2021)	10.60
Maximum listing price	18.35
Minimum listing price	10.30
Last listing price (30/12/2021)	15.40
No. of listed outstanding shares	22,060,125

No. of unlisted outstanding shares
Total capitalisation

3,500,000
€ 393.6 million

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	31/12/2021	31 December 2020
A. Liquid assets	17,119	3,343
B. Cash or cash equivalents	-	-
C. Other current financial assets	77,971	71,609
D. Liquidity (A) + (B) + (C)	95,090	74,951
E. Current financial receivables	-	-
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	58,836	14,723
F. Current portion of non-current financial debt	10,169	1,627
G. Current financial debt (E + F)	69,009	16,350
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	51,980	4,925
- <i>not guaranteed</i>	17,026	11,426
H. Net current financial debt (G - D)	(26,084)	(58,601)
I. Non-current financial debt (excluding current portion and debt instruments)	38,435	9,208
J. Debt instruments	3,323	6,632
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	41,758	15,841
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	18,347	15,693
- <i>not guaranteed</i>	23,411	147
M. Total Financial Debt (H + L)	15,674	(42,760)

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

Working capital	31/12/2021	31 December 2020
Inventories	35,050,484	19,647,515
Trade receivables	29,433,391	12,660,157
Other current assets	11,976,309	3,292,257
Trade payables	(32,532,117)	(22,722,377)
Other current liabilities	(8,168,729)	(10,040,527)
Provisions for risks and charges / deferred taxes	(1,116,648)	(414,035)

Total working capital (A)	34,642,690	2,422,990
Fixed assets	31/12/2021	31 December 2020
Tangible fixed assets	102,886,510	93,413,964
Intangible assets and rights of use	24,654,016	1,865,973
Other receivables and non-current assets	3,719,434	1,607,531
Employee severance indemnities and other provisions	(3,010,691)	(1,062,790)
Total fixed assets (B)	128,249,269	95,824,677
Net Invested Capital (A) + (B)	162,891,959	98,247,667
Sources	31/12/2021	31 December 2020
Shareholders' equity	147,217,991	141,008,161
Net financial debt	15,673,968	(42,760,494)
Total Sources	162,891,959	98,247,667

Net invested capital as of 31 December 2021 amounted to € 162.9 million (€ 98.2 million as of 31 December 2020) and is covered by:

- Shareholders' equity of € 147.2 million (€ 141 million as of 31 December 2020);
- The negative net financial position of € 15.7 million (compared to a positive net financial position of € 42.8 million as of 31 December 2020).

Working capital as of 31 December 2021 was € 34.6 million compared to € 2.4 million at the end of the previous year. This increase is mainly generated by:

- Increase in Trade net working capital of Fine Foods for € 17.3 million, mainly impacted by the increase in inventories.
- Increase in Trade net working capital resulting from the contribution of subsidiaries for € 5 million.
- Increase in Other current assets, including the Parent Company's VAT credit.

Tangible fixed assets increased by € 9.5 million in 2021 as a result of the following:

- New investments net of Fine Foods depreciation for the period for € 0.6 million;
- Contributions from new subsidiaries of € 8.9 million.

Intangible fixed assets and rights of use increased by € 22.8 million in 2021 as a result of the following:

- Recognition of goodwill from the consolidation of new subsidiaries of € 15.9 million;
- Contribution from new subsidiaries of € 7 million.

Financial indicators

Indicator	31/12/2021	31 December 2020	Calculation Method
Capital structure margin	19,677,464	45,728,224	Shareholders' equity - Property, plant and machinery - Other intangible assets - Rights of use
Asset ratio	1.2	1.5	Shareholders' equity/(Property, plant and machinery - Other intangible assets - Rights of use)
Liquidity margin	26,793,230	41,790,522	Total current assets - Inventories - Total current liabilities
Current ratio	1.2	1.9	(Total current assets - Inventories)/Total current liabilities

DSO	50	27	(Trade receivables/Sales revenues)*365
DPO	87	80	(Trade payables/Raw material purchase cost)*365
DIO	97	68	(Inventories/Cost of Raw Materials)*365

For the calculation of the DSO, DPO and DIO indices, 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	31/12/2021	%	31 December 2020	%	Absolute change	% Changes
Revenues from contracts with customers	192,639,791	100%	171,955,007	100%	20,684,784	12.0%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(118,684,269)	(61.6%)	(108,944,078)	(63.4%)	(9,740,191,)	8.9%
VALUE ADDED	73,955,522	38.4%	63,010,930	36.6%	10,944,593	17.4%
Other revenues and income	2,604,768	1.4%	4,997,187	2.9%	(2,392,419)	(47.9%)
Costs for services	(20,839,099)	(10.8%)	(14,975,285)	(8.7%)	(5,863,814,)	39.2%
Personnel costs	(34,823,128)	(18.1%)	(30,972,513)	(18%)	(3,850,615)	12.4%
Other operating costs	(1,336,324)	(0.7%)	(939,005)	(0.5%)	(397,320)	42.3%
EBITDA	19,561,738	10.2%	21,121,314	12.3%	(1,559,576)	(7.4%)
ADJUSTED EBITDA	21,165,902	11%	22,287,286	13.0%	(1,121,384)	(5.0%)
Amortisation, depreciation, and impairment losses	(14,527,508)	(7.5%)	(11,636,753)	(6.8%)	(2,890,755)	24.8%
EBIT	5,034,230	2.6%	9,484,561	5.5%	(4,450,331)	(46.9%)
ADJUSTED EBIT	7,714,066	4%	10,650,533	6.2%	(2,936,467)	(27.6%)
Financial income	36,202	0%	57,308	0%	(21,106)	(36.8%)
Financial charges	(763,305)	(0.4%)	(510,567)	(0.3%)	(252,738)	49.5
Changes in fair value of financial assets and liabilities	(8,897,380)	(4.6%)	7,652,331	4.5%	(16,549,711)	(216.3%)
INCOME BEFORE TAXES	(4,590,253)	(2.4%)	16,683,632	9.7%	(21,273,885)	(127.5%)
ADJUSTED INCOME BEFORE TAXES	10,826,386	5.6%	12,984,162	7.6%	(2,157,776)	(16.6%)
Income taxes	3,163,501	1.6%	(3,319,404)	(1.9%)	6,482,905	(195.3%)
Profit (loss) for the financial year	(1,426,751)	(0.7%)	13,364,228	7.8%	(14,790,979)	(110.7%)
ADJUSTED income/(loss)	10,185,380	5.3%	9,339,451	5.4%	845,929	9.1%

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:

	31/12/2021	31 December 2020
Revenues from contracts with customers	192,639,791	171,955,007
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(118,684,269)	(108,944,078)
Value Added	73,955,522	63,010,929

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

	31/12/2021	31 December 2020
Profit/(loss) for the financial year (1)	(1,426,751)	13,364,228
Income taxes	3,163,501	(3,319,404)
Income before taxes (2)	(4,590,253)	16,683,632
Changes in fair value of financial assets and liabilities	8,897,380	(7,652,331)
Financial charges	763,305	510,567
Financial income	(36,202)	(57,308)
EBIT (3)	5,034,230	9,484,561
Amortisation	14,527,508	11,636,753
EBITDA (4)	19,561,738	21,121,314

Extraordinary and non-recurring items that have been adjusted during the period ended 31 December 2021 and 31 December 2020 are shown in the table below. For further details, please refer to what is reported below.

	31/12/2021	31 December 2020
Translating and M&A costs	1,604,164	331,106
Non-recurring Covid costs	-	834,867
Total non-recurring income and charges (5)	1,604,164	1,165,973

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)	21,165,902	22,287,287
Trademark impairment (6)	1,075,672	-
ADJ EBIT (3) + (5) + (6)	7,714,066	10,650,534

Income before taxes	(4,590,253)	16,683,632
Change in FV Warrant	12,736,802	(4,865,443)
Non-recurring income and charges (5)	1,604,164	1,165,973
Trademark impairment (6)	1,075,672	-
ADJ Income before taxes	10,826,386	12,984,162
Income taxes	3,163,501	(3,319,404)
tax effect on non-recurring income and charges	(3,804,507)	(325,306)
ADJ income/(loss)	10,185,380	9,339,452

The Group's added value increased, in absolute and percentage terms, compared to the year-end 2020: the ratio of raw material costs to sales revenue went from 63.4% in 2020 to 61.6% in 2021. In 2020 a significant inventory write-down was recorded, the reimbursement of which was recorded in the "other revenues and income" item; the latter subtotal showed a decrease, closing at € 2.6 million compared to € 5 million as of 31 December 2020.

Costs for services showed a clear increase in 2021, with a percentage increase on revenues from 8.7% to 10.8%. In 2020 there were non-recurring costs related to the Company admission and translating to the MTA STAR segment for € 331,000 and non-recurring costs related to the Covid 19 pandemic for € 835,000. In 2021 there were non-recurring costs associated with the completion of the Company translisting to the MTA STAR segment and non-recurring costs attributable to acquisitions made during the year of € 1,604,000. The "trademark impairment" effect reflects the charges that the Pharmatek subsidiary recorded in its Financial Statements following the impairment test carried out by subsidiary directors due to the significant prospective reduction in business concerning the PharmaQui sanitising gel contract termination with a large-scale retail trade primary operator.

Personnel costs were € 34.8 million, substantially stable in terms of incidence on turnover (18.1% in 2021 and 18% in 2020).

As of 31 December 2021, EBITDA amounted to € 19.6 million, down from € 21.1 million in the previous year. The revenue percentage decreased from 12.3% as of 31 December 2020 to 10.2% as of 31 December 2021.

Adjusted EBITDA amounted to € 21.2 million, down from € 22.3 million in the previous year. The revenue percentage decreased from 13% as of 31 December 2020 to 11% as of 31 December 2021.

EBIT amounted to € 5 million compared to € 9.5 million as of 31 December 2020. In addition to reflecting the drop in EBITDA, the EBIT drop was caused by higher depreciation and amortisation recorded in 2021.

Adjusted EBIT decreased from € 10.6 million to € 7.7 million as of 31 December 2021. This result was impacted, in addition to the above mentioned non-recurring costs, by the impairment of Pharmatek's PharmaQui brand.

The Adjusted Income Before Taxes is presented net of the change in fair value of listed and unlisted warrants, for a total of € 12.7 million as of 31 December 2021 and € 4.9 million as of 31 December 2020. The adjustment deriving from the warrants valuation freezing in the Income Statement is without any tax effects in 2020 but net of IRES in 2021.

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

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 groups/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 2021, 62.3% of the Group's debt is due in less than one year (2020: 41%), 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.

31/12/2021	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

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

Interest rate risk

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

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

Risks related to the COVID-19 virus (Coronavirus)

During 2020 and 2021, the Group had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus"), including the adoption by all Group companies of anti-contagion protocols in line with the Authorities' requirements. The COVID-19 pandemic and the actions taken by the Issuer to comply with the measures adopted by the Italian Government to deal with the health emergency resulted in a slowdown for Fine Foods in the growth process of volumes sold and turnover on Italian and foreign markets in the first half of 2020 compared to the same period in 2019, so that the 2020 financial year was characterised by lower turnover growth compared to previous years (+7.7% in 2020 compared to 2019, +14.6% in 2019 compared to 2018). The effects related to the pandemic continued into the 2021 financial year and it is estimated that they could continue into the first half of 2022, after which the issue is expected to gradually recede. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Group operates, it could be exposed to the risk of a further slowdown or decline in its product sales. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic and financial situation.

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 74% on the top five customers as of 31 December 2021. 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.

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.

Risk related to the shortage of raw and packaging materials.

The Group faces the risk of production delays due to the difficult availability of raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Group's business and economic and financial situation. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

Risk related to the increase in raw and packaging materials cost

The Group faces the risk of a cost increase for raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Group's business and economic and financial situation. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

Energy cost risk

The Group faces the risk of an increase in energy costs that, compared to the average of the last few years, have seen significant increases starting from the last months of 2021. A further risk factor is the strong volatility of prices in the energy market. This makes it difficult to provide reliable forecasts for setting energy prices by signing annual or multi-year contracts. Fine Foods is not an energy-intensive company. The impact of energy costs accounts for approximately one to two per cent of annual revenues. However, a significant increase in such costs could harm the Group's economic and financial position.

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. The potential loss of revenue resulting from this socio-political situation could harm the Group's economic and financial position.

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.

Risks related to changes in the regulatory framework

The Group faces risks connected with the many changes in the legislation applicable in the countries in which it operates, and its interpretation, for example, the legislation on special powers of the State in strategic sectors ("Golden Power"). In addition, there is currently a change in the applicable regulations for medical-surgical aids (PMC) that requires Pharmatek to apply for new authorisations to continue marketing its PMC products. If the Group is unable to obtain the authorisation required by European regulations or anticipate and respond to changes in applicable regulations, this could have an adverse effect on the Group's economic and financial position.

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.

Risks relating 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.

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.

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 264 customers;
- The Group can count on 144 production lines located in the various plants;
- The Group produces more than 2,400 Stock-Keeping Units (SKUs);
- The Group employs more than 760 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 2021, 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 mid-June 2022.

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 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 23 August 2021, version no. 16, while the Pharmatek subsidiary filed the first version of the Document at its registered office on 8 July 2020. The Euro Cosmetic subsidiary filed at its registered office, and revised on 16 December 2021, version no. 25 of the Risk Assessment Document.

In June 2021, 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 2021 financial year, an accident occurred at Fine Foods involving serious injuries to personnel enrolled in the employee register for which no company liability was ascertained. The injury occurred due to employee distraction (initial prognosis 30 days and final prognosis 132 days).

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

In November 2020 and April 2021, two reports of occupational diseases were filed; in both cases, INAIL did not recognise these diseases and, consequently, the Parent Company was not found liable.

As for Pharmatek, 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.

Two minor injuries occurred in 2021 at the Euro Cosmetic subsidiary, one of which on the way to work, for which no company liability was established. No claims for occupational disease were filed.

During the 2021 financial year, Fine Foods and Pharmatek's Supervisory Bodies 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. 2021, 2021 training courses and seminars were held, for all levels, making 10,614 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	1,205	5,348
BREMBATE	768	4,257
Pharmatek (Cremosano)	22	474
Euro Cosmetic (Trenzano)	26	535
TOTAL	2,021	10,614

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 2021, the Parent Company distributed a profit of € 0.14 per share to the holding company Eigenfin S.r.l. as per the shareholders' resolution approving the 2020 Financial Statements.

During 2021, 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

During 2021, as part of the translisting on the MTA, 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, to incorporate certain Consob observations. This procedure is available on the Company's website (<https://www.finefoods.it/>). During the first half of 2021, transactions between the Company and related parties identified under the provisions of international accounting standard IAS 24 included the remuneration of Directors and the allocation of stock grants to corporate officers with strategic responsibilities, carried out under applicable regulations, based on assessments of mutual interest and economic benefit. The assignment of stock grant rights, in the meaning of the Procedure for Related Party Transactions adopted by the Parent Company, is excluded from the Procedure application, since, under this Procedure Article 13, letter f) compensation plans based on Financial Instruments approved by the shareholders' meeting on 14.12.2018 fall within the list of excluded transactions.

Treasury shares buyback programme

On 15 May 2020, the 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 30 April 2020 Shareholders' Meeting.

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

The table below summarises the situation regarding treasury shares as of 31/12/2021:

	Number	Fees Euro
Initial balance	816,808	8,759,287
Purchased shares	489,123	7,180,420
Shares allocated free of charge		
Shares sold		

Shares cancelled due to excess capital		
Shares cancelled to cover losses		
<i>Final balance</i>	<i>1,305,931</i>	<i>15,939,707</i>

As of 30 March 2022, Fine Foods & Pharmaceuticals N.T.M. S.p.A. holds 1,311,331 treasury shares equal to 5.1304% of the share capital, at a weighted average price of € 12.2076, for a total value of € 16,008,194.

Under art. 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.

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

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

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

The Plan provides for the free assignment to the rights beneficiaries to receive ordinary shares up to 440,000 shares at the end of the vesting period (31 December 2021). This is subject to the achievement of pre-determined performance objectives identified by the governing body and the maintenance of the beneficiaries' employment relationship with the Company at the end of the vesting period. Following the approval of the last Financial Statements included in the vesting period by the Company Shareholders' Meeting, once the Plan activation condition has been achieved, each beneficiary can exercise all or part of the exercisable rights, receive the shares if Performance Indicator targets are met.

The EBITDA Target (70% of the rights assigned) and the Stock Exchange Value Target (30% of the rights assigned) were achieved for 100% of the value.

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

Parent Company shares

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

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

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

Events following the end of the period

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:

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

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 2022

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
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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 2021

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

		Year ended 31 December	
	Notes	2021	2020
Revenues and income			
Revenues from contracts with customers	2.1	192,639,791	171,955,007
Other revenues and income	2.2	2,604,768	4,997,187
Total revenues		195,244,559	176,952,194
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	2.3	(118,684,269)	(108,944,078)
Personnel costs	2.4	(34,823,128)	(30,972,513)
Costs for services	2.5	(20,839,099)	(14,975,285)
Other operating costs	2.6	(1,336,324)	(939,005)
Amortisation, depreciation, and impairment losses	2.7	(14,527,508)	(11,636,753)
Total operating costs		(190,210,329)	(167,467,634)
Changes in fair value of financial assets and liabilities	2.8	(8,897,380)	7,652,331
Financial income	2.9	36,202	57,308
Financial charges	2.10	(763,305)	(510,567)
Income before taxes		(4,590,253)	16,683,632
Income taxes	2.11	3,163,501	(3,319,404)
Profit/(loss) for the financial year		(1,426,751)	13,364,228
Earnings/(loss) per share			
► Basic – profit for the year attributable to the Company ordinary shareholders	2.12	(0.06)	0.58
► Diluted – profit for the year attributable to the Company ordinary shareholders	2.12	(0.06)	0.55

Consolidated comprehensive income statement

		Year ended 31 December	
	Notes	2021	2020
Profit/(loss) for the financial year (A)		(1,426,751)	13,364,228
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		(12,277)	(17,381)
Tax effect		2,946	4,172
Other comprehensive income (B) components		(9,330)	(13,210)
Comprehensive profit/(loss) (A+B)		(1,436,081)	13,351,018

Consolidated statement of financial position

		As of 31 December	As of 31 December
(amounts in € units)	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and machinery	3.1	102,886,510	93,413,964
Goodwill	3.2	15,907,954	-
Other intangible fixed assets	3.3	2,767,176	1,510,516
Rights of use	3.4	5,978,887	355,457
Other non-current assets	3.5	237,333	-
Deferred tax assets	3.6	3,482,100	1,607,531
Total non-current assets		131,259,960	96,887,467
Current assets			
Inventories	3.8	35,050,484	19,647,515
Trade receivables	3.9	29,433,391	12,660,157
Tax receivables	3.10	2,421,853	-
Other current assets	3.11	9,554,455	3,329,571
Current financial assets	3.12	77,971,110	71,608,964
Cash and other liquid assets	3.13	17,118,957	3,342,518
Total current assets		171,550,251	110,588,724
Total assets		302,810,211	207,476,191
Shareholders' equity			
Share Capital	4.1	22,770,445	22,601,885
Other reserves	4.1	132,615,098	123,847,446
Employee benefit reserve	4.1	(71,012)	(61,681)
FTA reserve	4.1	(6,669,789)	(9,883,868)
Profits carried forward	4.1	-	(8,859,849)
Profit/(loss) for the financial year	4.1	(1,426,751)	13,364,228
Total Shareholders' equity		147,217,991	141,008,161
Non-current liabilities			
Bonds	4.2	3,322,876	6,632,483
Non-current bank borrowings	4.3	35,298,177	9,060,857
Employee benefits	4.6	3,010,691	1,062,790
Provision for risks and charges	4.7	35,489	-
Provision for deferred taxes	3.7	1,081,159	414,035
Non-current lease payables	3.4	3,137,292	147,179
Total non-current liabilities		45,885,684	17,317,343
Current liabilities			
Bonds	4.2	3,310,176	3,297,542
Current bank borrowings	4.4	64,920,523	1,863,255
Trade payables	4.8	32,532,117	22,722,377
Taxes payable	4.9	5,536	2,480,968
Current lease payables	3.3	774,991	192,529
Other current financial liabilities	4.5	-	10,997,144
Other current liabilities	4.10	8,163,193	7,596,873
Total current liabilities		109,706,536	49,150,687
Total Shareholders' equity and Liabilities		302,810,211	207,476,191

Consolidated cash flow statement

(amounts in € units)	Notes	Year ended 31 December	
		2021	2020
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(1,426,751)	13,364,228
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	2.7	11,803,980	10,728,103
Amortisation and impairment of intangible fixed assets	2.7	961,416	626,440
Amortisation of rights of use	2.7	635,684	282,210
Other write-downs of fixed assets	2.7	1,089,827	-
Financial income	2.9	(36,202)	(57,308)
Financial charges	2.10	745,520	506,839
Changes in fair value of financial assets and liabilities	2.8	8,897,380	(7,652,331)
Financial charges on financial liabilities for leases	3.3	17,785	3,728
Income taxes	2.11	(1,301,460)	3,831,332
Personnel costs for stock grants	2.4	1,058,445	1,016,101
Gains on the disposal of property, plant and machinery	2.2	(74,899)	14,136
Current assets write-downs	3.8,3.9	1,067,378	2,971,512
Net change in severance indemnity and pension funds	4.6	(78,497)	(62,478)
Net change in deferred tax assets and liabilities	3.6,3.7	(1,880,025)	(672,013)
Interest paid	2.10	(712,535)	(445,277)
Income taxes paid	2.11	(5,220,015)	(1,289,441)
Changes in net working capital:			
(Increase)/decrease in inventories	3.8	(9,992,403)	(66,257)
(Increase)/decrease in trade receivables	3.9	(7,927,964)	4,368,298
(Increase)/decrease in other non-financial assets and liabilities		(5,944,081)	885,175
Disposal of assets held for sale		495,000	-
Increase/(decrease) in trade payables	4.8	1,995,703	2,113,948
NET CASH FLOWS FROM OPERATING ACTIVITIES		(5,826,715)	30,466,945
Investments:			
Investments in tangible fixed assets	3.1	(14,849,438)	(14,945,472)
Disposal of tangible fixed assets	3.1	239,717	121,881
Investments in intangible fixed assets	3.3	(1,070,725)	(863,370)
Net (investments)/disposals in financial assets	3.12	4,419,883	3,345,917
Pharmatek and Euro Cosmetic acquisition	3.2	(18,353,280)	-
Other financial receivables	3.12	(6,733,936)	-
NET CASH FLOWS FROM INVESTMENTS		(36,347,779)	(12,341,043)
Financing:			
New financing	4.3,4.4	90,066,513	-
Funding repayment and bonds	4.2,4.3,4.4	(12,313,170)	(10,377,355)
Principal payments - lease liabilities	3.3	(520,326)	(280,828)
Minority share acquisitions	3.2	(11,064,496)	-
Dividends paid to the parent company's shareholders	4.1	(3,205,727)	(2,743,472)
Increase/(decrease) in capital	4.1	168,560	37,842
Sale/(purchase) of treasury shares	4.1	(7,180,420)	(4,047,042)
CASH FLOWS FROM FINANCING		55,950,934	(17,410,856)
NET CHANGE IN CASH AND CASH EQUIVALENTS		13,776,440	715,045
Cash and short-term deposits as of 1 January		3,342,518	2,627,472
Cash and short-term deposits as of 31 December		17,118,957	3,342,518

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 2019	4.1	22,564,043	5,000,000	(4,712,245)	29,741,389	86,743,750	6,072,106	707,274	(12,605,186)	(48,471)	-	(2,790,264)	130,672,396
Profit/(loss) for the financial year												13,364,228	13,364,228
Other income statement components										(13,210)			(13,210)
Comprehensive profit/(loss)										(13,210)		13,364,228	13,351,018
Dividends							(2,743,472)						(2,743,472)
Stock Grant								1,016,101					1,016,101
Purchase of treasury shares				(4,047,042)									(4,047,042)
Warrant exercise		37,842							2,721,318				2,759,160
2020 profit allocation							6,069,585				(8,859,849)	2,790,264	-
Balance as of 31 December 2020	4.1	22,601,885	5,000,000	(8,759,287)	29,741,389	86,743,750	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		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

31/12/2021 CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Fine Foods & Pharmaceuticals N.T.M. S.p.A. 31 December 2021 Consolidated Financial Statements were authorised by the Board of Directors on 30 March 2022.

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 Financial Statements as of 31 December 2021 are the first Consolidated Financial Statements prepared by directors.

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

- The income statement and balance sheet as of 31 December 2021 refer to the consolidated Fine Foods Financial Statements. Pharmatek was consolidated from 1 January 2021, as the acquisition took place in January 2021, while the acquisition of Euro Cosmetic S.p.A. was effective from 1 October 2021.
- The comparative balance sheet as of 31 December 2020, and the comparative income statement as of 31 December 2021, include the values of the parent company Fine Foods & Pharmaceuticals N.T.M. S.p.A.

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 Italy. 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 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 € 193 million revenue in 2021 and an 11 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.

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 Extraordinary transactions

Pharmatek acquisition

Fine Foods & Pharmaceuticals N.T.M. S.p.A. on 19 January 2021 acquired 100% of the shares of Pharmatek PMC S.r.l. (Pharmatek), an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices. This is a strategically important transaction that will allow Fine Foods to expand its production, reaching new market segments and customers. The acquisition will allow the exploitation of new research and development, technology, knowledge and innovation synergies for continuous improvement. With Pharmatek range of solutions, combining flexible and customisable services and excellent quality, Fine Foods can meet new production sectors' needs and provide its customers with an increasingly complete range. Technological updates, rigorous certifications and the constant search for the best solutions are key points that drive innovation in an ever-evolving production for the Group.

The transaction consideration of € 11.2 million, is subject to a price adjustment of € 6 million if certain EBITDA targets for 2021, 2022 and 2023 are achieved.

The transaction was accounted for using the acquisition method, and the Consolidated Financial Statements include Pharmatek's results from 1 January 2021, which is conventionally designated as the acquisition date for accounting purposes, as there were no significant changes between this date and the actual acquisition date, and an accounting position was available on that date.

Compared to the provisional Purchase Price Allocation disclosed in the Half-year Financial Report as of 30 June 2021, approved by the parent company's Board of Directors on 13 September 2021, following the results for the year ended 31 December 2021, approved by the subsidiary's Board of Directors on 1 March 2022, and the prospective results as shown in the company's Business Plan,

approved by the subsidiary's Board of Directors, this price adjustment was not taken into account when calculating the final price. This was because results for the 2021 financial year and the prospective results for 2022 and 2023 were below the acquisition target levels.

The fair value of Pharmatek's assets and liabilities at the date of acquisition was:

Net assets	Fair value recorded at the time of acquisition <i>Thousands of Euro</i>
Assets	
Property, plant and machinery	896
Other Intangible fixed assets	1,936
Assets for right of use	1,277
Other non-current assets	185
Deferred tax assets	71
Cash	1,555
Trade receivables	3,694
Inventories	1,718
Other current assets	470
Assets held for sale	495
Total assets	12,296
Liabilities	
Non-current bank borrowings	204
Employee benefits	471
Provision for deferred taxes	557
Lease payables	882
Trade payables	4,131
Taxes payable	1,087
Other liabilities	808
Total liabilities	8,141
Total net identifiable assets at fair value	4,155
Goodwill arising from the acquisition	7,045
Consideration paid for the acquisition	11,200
<i>Cash flow analysis at acquisition</i>	
Net cash acquired with subsidiary (included in cash flows from investing activities)	1,555
Consideration paid	-11,200
Net cash flow at acquisition	-9,645

This purchase price allocation is considered final.

Within the segment information (IFRS8), the Company's balance sheet and financial position are reported in the Cosmetics Business Unit.

Euro Cosmetic acquisition

On 21 September 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. has entered into a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. ("Euro Cosmetic" or the "Company"), a company with shares traded on the AIM Italia organised and managed by Borsa Italiana S.p.A., specialised in the contract development and manufacturing of cosmetic products based in Trezzano (BS).

Under this agreement and at the transaction execution, Fine Foods paid (i) to MD, for its shareholding and equal to 38.7% of the share capital of Euro Cosmetic, € 8.13 per share for a total of € 15,000,411; (ii) to Findea for its shareholding equal to 34.2% of the share capital of Euro Cosmetic, € 7.25 per share for a total of € 11,815,550.

On 8 October 2021, after the MD and Findea Shares purchase, Fine Foods acquired control of Euro Cosmetic and launched a mandatory takeover bid for the remaining Euro Cosmetic shares, amounting to 27.1% of the share capital ("takeover bid") under the terms and procedures provided for by law.

The takeover bid purchase price of € 8.60 per Euro Cosmetic ordinary share incorporated a premium of 22.3%, 22.5% and 36.5% against the mean of the official share price of the last month, the previous six months and the placement price for the listing on AIM Italia respectively. The takeover bid ended on 28 December 2021 with Fine Food acquiring 100% of Euro Cosmetic shares; on the same date, Borsa Italiana ordered the delisting on Euronext Growth Milan. The total outlay incurred by the Parent Company in the takeover bid was € 11,065,000.

The purchase and sale contract for the majority stake held by Findea and MD is a "locked box" agreement. This required the consideration payment on the agreement execution date, and verification by the purchasing company and sellers of the existence of any leakage, under the agreement, occurring between the locked box date (31 December 2020) and agreement execution date (8 October 2021) by 31 December 2021. The purchasing company should have sent the sellers a communication detailing the leakage and the sellers should have verified the claim's correctness.

The main leakage in the contract is 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 notified the Sellers of the Leakage Reimbursement Request in a 29 December 2021 letter. Under the Contract, the Company verified the completion of the transactions that can be included in the leakage between 1 January 2021 and 8 October 2021 and requested the Sellers the related reimbursement of € 6,733,936, which is recorded in this Financial Report under current financial assets and deducted from the total acquisition disbursement.

Following an initial attempt to resolve the matter amicably, the sellers' joint representative rejected the claims for leakage made by Fine Foods in a communication dated 25 February 2022. On 4 March 2022, Fine Foods sent a formal request for the appointment of an expert to the Milan Chamber of Arbitration under contractual provisions. The Chamber appointed the expert on 17 March 2022.

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 recorded in these Financial Statements.

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.

The acquisition was accounted for using the acquisition method, and the Consolidated Financial Statements include Euro Cosmetic's results from 01 October 2021, which is conventionally designated as the acquisition date for accounting purposes, as there were no significant changes between this date and the actual acquisition date, and an accounting position was available on that date.

The fair value of Euro Cosmetic's assets and liabilities at the date of control acquisition (1 October 2021) was as follows:

Net assets	Fair value recorded at the time of acquisition <i>Thousands of Euro</i>
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Assets	
Property, plant and machinery	5,696
Other Intangible fixed assets	628
Assets for right of use	3,879
Deferred tax assets	19
Cash	11,374
Trade receivables	5,302
Inventories	4,647
Other current assets	978
Total assets	32,524
Liabilities	
Bank Borrowing	8,040
Employee benefits	1,472
Provision for risks and charges	43
Provision for deferred taxes	222
Lease payables	2,433
Trade payables	3,683
Other liabilities	1,240
Total liabilities	17,134
Total net identifiable assets at fair value	15,389
Third-party interest	-4,171
Goodwill arising from the acquisition (provisional)	8,863
Consideration paid for the acquisition	20,082
<i>Cash flow analysis at acquisition</i>	
Net cash acquired with subsidiary (included in cash flows from investing activities)	11,374
Consideration paid	-20,082
Net cash flow at acquisition	-8,708

When identifying assets and liabilities acquired in takeover bid transactions, there is no certainty as to i) the bid's success and ii) the related levels of adhesion achieved, and therefore it is impossible to establish *ex ante* that there is a contractual obligation for the Company promoting the transaction. Consequently, the directors have accounted for the acquisition of the minority interest by recognising the related effect in equity. Goodwill was determined using the pro-rata share of the fair value of the net assets acquired at the date when control was obtained.

Please note that the Purchase Price Allocation is not yet finalized at the date of preparation of the 31 December 2021 Consolidated Financial Statements. Therefore, some values may need to be subsequently modified, with a corresponding adjustment of the goodwill value, by 30 September 2022 (i.e. within 12 months after the transaction).

The acquisition net cash flow shown above is net of the leakage receivable of € 6,734,000.

The total net financial outlay deriving from the acquisition, including the consideration paid at the takeover bid, was € 19,773,000.

Within the segment information (IFRS8), the Company's balance sheet and financial position are reported in the Cosmetics Business Unit.

1.2 Significant events for the period

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

The Covid-19 pandemic, which spread globally from January 2020 and continued throughout 2021, has led countries, including Italy, to face a complex health emergency, with social, political, economic and geopolitical implications. In this situation, the Group continued to implement actions to safeguard the health and safety of its employees by promptly adopting prevention, control and containment measures to protect the health of its employees and partners, such as smart working, modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, hygiene rules, social distancing, and green pass controls. Group's plants operated normally in 2021.

The pandemic situation, i.e., the transmission of new virus variants, may continue to influence the results for the next few years.

MTA - STAR MARKET TRANSLISTING

From on 12 July 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. was listed on the STAR Segment of the Mercato Telematico Azionario ("MTA") organised and managed by Borsa Italiana S.p.A., from the opening of trading. At the end of the process, which has received Consob and Borsa Italiana approval, the Company's ordinary shares are traded on the main list. Fine Foods debuted on the AIM Italia multilateral trading system on 1 October 2018 with a capitalisation of € 216.5 million. On 9 July, the last day on AIM, it rose to € 347.6 million in addition to dividends distributed in FY2019, 2020 and 2021 totalling € 8.2 million and creating approximately € 139.3 million of value equal to 64.3% of the initial capitalisation in less than three years.

In the translisting process to the MTA - STAR segment, the Company was assisted by Banca Akros, as Issuer Sponsor, by Grimaldi Studio Legale as Issuer legal advisor and by Pavia e Ansaldo Studio Legale as Sponsor legal advisor. EY acted as an auditing firm, and Epyon was the consultant who checked the non-accounting data in the Listing Prospectus.

PHARMATEK ACQUISITION

Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired 100 per cent of Pharmatek PMC S.r.l. on 19 January 2021. This is an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices.

This is a strategically important transaction that will allow Fine Foods to expand its production, reaching new market segments and customers. The acquisition will allow the exploitation of new research and development, technology, knowledge and innovation synergies for continuous improvement. With Pharmatek range of solutions, combining flexible and customisable services and excellent quality, Fine Foods can meet new production sectors' needs and provide its customers with an increasingly complete range. Technological updates, rigorous certifications and the constant search for the best solutions are key points that drive innovation in an ever-evolving production for the Group.

The transaction's consideration is € 11.2 million, subject to a price-adjustment of € 6 million if specific EBITDA targets are achieved over the next three years. The total disbursement, including earn-outs, is estimated at € 17.2 million. As described in the previous paragraph, following the results for the financial year ended 31 December 2021, approved by the subsidiary's Board of Directors on 1 March 2022, and the prospective results as shown in the company's Business Plan, approved by the subsidiary's Board of Directors, this adjustment was not taken into account when calculating the final price, since the results for the financial year ended 2021, and the prospective results for 2022 and 2023, were below the acquisition target levels.

EURO COSMETIC ACQUISITION

On 21 September 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. has entered into a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. ("Euro Cosmetic" or the "Company"), a company with shares traded on the AIM Italia organised and managed by Borsa Italiana S.p.A., specialised in the contract development and manufacturing of cosmetic products based in Trezzano (BS).

Under this agreement and at the transaction execution, Fine Foods paid (i) to MD, for its shareholding and equal to 38.7% of the share capital of Euro Cosmetic, € 8.13 per share for a total of € 15,000,411; (ii) to Findea for its shareholding equal to 34.2% of the share capital of Euro Cosmetic, € 7.25 per share for a total of € 11,815,550.

On 8 October 2021, following the purchase of the MD and Findea shares, Fine Foods acquired control of Euro Cosmetic.

Article 3 of the purchase and sale agreement expressly required the payment on the agreement execution date, and a verification by the acquiring company and sellers of the existence of any Leakage, by 31 December 2021. The purchasing company should have sent the sellers a communication detailing the leakage and the sellers should have verified the claim's correctness.

Fine Foods notified the Sellers of the Leakage Reimbursement Request in a 29 December 2021 letter. Under article 3.3.1.(a) of the Agreement, the Company verified the occurrence of the leakage between 1 January 2021 and 8 October 2021 and requested the Sellers the relevant reimbursement of € 6,733,936.

After the Shareholdings purchase for 72.9% of the Euro Cosmetic share capital from Findea and MD, Fine Foods launched a mandatory takeover bid for the remaining Euro Cosmetic shares amounting to 27.1% of the share capital ("takeover bid"), under the terms and procedures provided for by law.

The takeover bid ended on 28 December 2021, when Borsa Italiana ordered the delisting on Euronext Growth Milan.

WARRANT CONVERSION

On 27 April 2021, under Article 6.4 (d)(ii) (C) and Article 5.2 of the Fine Foods Articles of Association, and Fine Foods N.T.M. S.p.A. Original Shareholder Warrants Regulations (hereafter the "Regulations"), the conditions for the conversion of the fourth and final tranche of 50,000 special shares and the complete conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants have been fulfilled.

On 30 April 2021, 50,000 special shares were converted into a ratio of six ordinary shares for every single special share held. This means 300,000 new Fine Foods ordinary shares being issued without changing the share capital total amount.

The exercise of the Fine Foods N.T.M. S.p.A. Original Shareholder Warrants, under the Regulations, was automatically suspended until the ex-dividend date, i.e. 03 May 2021 (excluded), and the related capital increase started on 06 May 2021. The conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants resulted in the issue of 1,085,200 ordinary shares, resulting in a share capital increase of € 103,203.

30 June 2021 was the "Time Limit" for the Warrants exercise, under the "Fine Foods & Pharmaceuticals N.T.M. S.p.A. Warrant Regulations." By this deadline, requests for the exercise of 2,371,242 Warrants with an Exercise Ratio of 0.2713 had been received. The Parent Company issued 643,303 ordinary shares to service this, for € 64,330, under the procedures set out in the Regulations.

FINANCING

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.

LAND PURCHASE

On 11 November 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired a plot of land located in the municipalities of Brembate (BG) and Filago (BG) with a registered surface area of approximately 100,000 sqm for approximately € 3 million to ensure on-site business expansion and development.

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

The Covid-19 pandemic, which spread globally from January 2020 and continued throughout 2021, has led countries, including Italy, to face a complex health emergency, with social, political, economic and geopolitical implications. In this situation, the Group continued to implement actions to safeguard the health and safety of its employees by promptly adopting prevention, control and containment measures to protect the health of its employees and partners, such as smart working, modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, hygiene rules, social distancing, and green pass controls. Group's plants operated normally in 2021.

The pandemic situation, i.e., the transmission of new virus variants, may continue to influence the results for the next few years.

1.4 Current international crisis impact

Following Russia's recognition of the Donetsk and Lugansk republics in February 2022, a significant number of countries (including the United States of America, Great Britain and the European Union) applied sanctions to affect companies under Russian law operating in the specific sectors, and some Russian individuals. Further sanctions were applied following the military invasion of Ukraine by the Russian armed forces which started on 24 February 2022 and is ongoing.

As a result of the above conflict, the social, economic and financial situation in Ukraine has been severely impacted, while globally these events are causing major fluctuations in commodity prices, currency markets and supply chains.

The Group's management expects 2022 sales to be 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.

In addition to the continuing increase in energy costs, the margins for the 2022 financial year could be influenced by possible shortages in the supply of materials, some of which were already experienced at the end of 2021. This could result in production inefficiency.

The increase in raw material and packaging costs expected in 2022 could harm the Group's margins. However, negotiations with customers to revise the sales prices of finished products have started and will continue throughout the next financial year.

The economic situation could influence the strategic and commercial choices of some of the Group's customers with a negative knock-on effect in sales volumes.

1.5 Going concern

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

1.6 Form and content of the 31 December 2021 Consolidated Financial Statements

1.6.1 Principles followed when preparing the Financial Statements

The 31 December 2021 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".

1.6.2 New accounting standards, interpretations and amendments adopted by the Group

For the first time, the Group has applied certain standards or amendments that are effective from 1 January 2021. The Group has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, I.A.S. 39, IFRS 7, IFRS 4 and IFRS 16

The amendments include the temporary easing of requirements concerning the effect on Financial Statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative rate that is substantially risk-free (Risk Free Rate- RFR):

The amendments include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a change in an interest rate in the market;
- Allow changes required by the IBOR reform to be made to the hedging relationship designation documentation without the hedging relationship having to be discontinued;

- Provide temporary relief to entities to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.
- These amendments have no impact on the Group's Financial Statements. The Group intends to use these practical expedients in the future when they are applicable.

Amendment to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the IFRS 16 requirements on the accounting effects of contractual amendments to lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether the reduction in lease payments represent contractual amendments. A lessee that chooses to use this expedient, accounts for these reductions as if they were not contractual amendments for IFRS 16 purposes.

The amendments should have applied until 30 June 2021, but as the impact of the Covid-19 pandemic continued, on 31 March 2021, the IASB extended the application period of this measure until 30 June 2022.

The amendments will apply to financial years beginning on or after 01 April 2021. However, the Group has not received any rent relief related to Covid-19 but will apply the measure if it occurs during the permitted application period.

1.6.3 Consolidation standards

The Consolidated Financial Statements include the 31 December 2021 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.

1.6.4 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 2021 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

Consolidated subsidiaries:

Company name	Ownership percentage	Registered office	Currency	Share Capital
Pharmatek PMC S.R.L.	100%	Cremona (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.

1.6.5 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.

1.7 Summary of significant accounting policies

1.7.1 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.

1.7.2 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 2021 and 31 December 2020.

31/12/2021	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	77,971,110		
Cash and other liquid assets	17,118,957	17,118,957	17,118,957		
Total financial assets	95,090,067	95,090,067	95,090,067		
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	64,920,523	64,920,523		64,920,523	
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	110,764,035	110,764,035	-	110,764,035	-

31/12/2020	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	71,608,964	71,608,964	71,608,964		
Cash and other liquid assets	3,342,518	3,342,518	3,342,518		
Total financial assets	74,951,482	74,951,482	74,951,482		

Financial liabilities					
Other current financial liabilities (Warrants)	10,997,144	10,997,144	10,997,144		
Current bonds	3,297,542	3,297,542		3,297,542	
Non-current bonds	6,632,483	6,632,483		6,632,483	
Non-current bank borrowings	9,060,857	9,060,857		9,060,857	
Current bank borrowings	1,863,255	1,863,255		1,863,255	
Non-current lease payables	147,179	147,179		147,179	
Current lease payables	192,529	192,529		192,529	
Total financial liabilities	32,190,987	32,190,987	10,997,144	21,193,844	-

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

1.7.3 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.

1.7.4 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.

1.7.5 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).

1.7.6 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.

1.7.7 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.

1.7.8 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.

1.7.9 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.

1.7.10 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.

1.7.11 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 to 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.

1.7.12 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.

1.7.13 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.

1.7.14 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.

1.7.15 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.

1.7.16 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.

1.7.17 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.

1.7.18 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.

1.7.19 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.

1.7.20 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.

1.7.21 Standards issued but not yet effective

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

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1

to account for cumulative translation differences based on the amounts accounted for by the parent, considering the parent's date of transition to IFRS. This amendment applies also to associates or joint ventures that elect to apply paragraph D16 (a) of IFRS 1. The amendments will be effective for financial years beginning on or after 1 January 2022 and early application is permitted.

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 amendments will be effective for financial years beginning on or after 1 January 2022 and early application is permitted. The Group will apply the amendment to financial liabilities that are amended or exchanged after or on the date of the first financial year in which the entity first applies the amendment.

The Group does not expect this amendment to have a material impact.

IAS 41 Agriculture - Taxation in Fair Value Measurements

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements of IAS 41 in paragraph 22 relating to the exclusion of cash flows for taxes when measuring the fair value of an asset for IAS 41 purposes. An entity applies this amendment prospectively to fair value measurements for financial years beginning on or after 1 January 2022; early application is permitted. The Group does not expect this amendment to have a material impact.

Definition of accounting estimate - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, which introduces a definition of "accounting estimates." The amendments clarify changes in accounting estimates, and those in accounting principles and error corrections. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting principles and estimates that occur from that date. Earlier application is permitted provided this fact is disclosed. The changes are not expected to have a significant impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, which provides guidance and examples to assist entities in applying materiality judgements to accounting policy disclosures. The amendments help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting principles. Guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions is added. The amendments to IAS 1 are effective for financial years beginning on 1 January 2023; earlier application is permitted. The PS 2 amendments provide non-mandatory guidance on the application of the definition of accounting policy disclosures, an effective date for these amendments is not required. The Group is evaluating the amendments to define their impact on the Group's accounting principle disclosures.

1.8 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.

31/12/2021	Food	Pharma	Cosmetics	Total sectors
Revenues and income				
Revenues from contracts with customers	138,119,924	38,262,145	16,257,722	192,639,791
Other revenues and income	1,015,464	1,263,741	325,563	2,604,768
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 2020	Food	Pharma	Total sectors
Revenues and income			
Revenues from contracts with customers	131,933,337	40,021,670	171,955,007
Other revenues and income	4,291,068	706,119	4,997,187
Total revenues	136,224,405	40,727,789	176,952,194
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	91,087,824	17,856,254	108,944,078
Personnel costs	17,788,976	13,183,537	30,972,513
Costs for services	9,847,240	5,128,045	14,975,285
Other operating costs	620,539	318,466	939,005
Amortisation, depreciation, and impairment losses	6,126,553	5,510,200	11,636,753
Total operating costs	125,471,132	41,996,501	167,467,634
OPERATING RESULT	10,753,273	(1,268,712)	9,484,561

31/12/2021	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	1,292,992	-	2,767,176
Rights of use	201,407	69,232	5,708,248	-	5,978,887
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	-	-	-	64,920,523	64,920,523
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	985,546	8,163,193
Total current liabilities	20,637,438	8,725,228	11,122,089	69,221,782	109,706,536
Total Shareholders' equity and Liabilities	21,426,767	9,105,951	16,135,508	256,141,985	302,810,211

31 December 2020

	Food	Pharma	Non-sector	Total
Assets				
Non-current assets				
Property, plant and machinery	51,560,087	41,853,878	-	93,413,964
Other intangible fixed assets	981,835	528,680	-	1,510,516

Rights of use	236,691	118,766	-	355,457
Deferred tax assets	-	-	1,607,531	1,607,531
Total non-current assets	52,778,613	42,501,324	1,607,531	96,887,467
Current assets				
Inventories	13,932,543	5,714,973	-	19,647,515
Trade receivables	8,659,755	4,000,402	-	12,660,157
Tax receivables	-	-	-	-
Other current assets	1,436,456	302,033	1,591,082	3,329,571
Current financial assets	-	-	71,608,964	71,608,964
Cash and other liquid assets	-	-	3,342,518	3,342,518
Total current assets	24,028,754	10,017,408	76,542,563	110,588,724
Total assets	76,807,367	52,518,732	78,150,094	207,476,191
Shareholders' equity				
Share Capital	-	-	22,601,885	22,601,885
Other reserves	-	-	123,847,446	123,847,446
Employee benefit reserve	-	-	(61,681)	(61,681)
FTA reserve	-	-	(9,883,868)	(9,883,868)
Profits carried forward	-	-	(8,859,849)	(8,859,849)
Profit/(loss) for the financial year	-	-	13,364,228	13,364,228
Total Shareholders' equity	-	-	141,008,161	141,008,161
Non-current liabilities				
Bonds	-	-	6,632,483	6,632,483
Non-current bank borrowings	-	-	9,060,857	9,060,857
Employee benefits	704,706	358,084	-	1,062,790
Provision for deferred taxes	-	-	414,035	414,035
Non-current lease payables	98,816	48,362	-	147,179
Total non-current liabilities	803,522	406,447	16,107,375	17,317,343
Current liabilities				
Bonds	-	-	3,297,542	3,297,542
Current bank borrowings	-	-	1,863,255	1,863,255
Trade payables	17,417,429	5,304,948	-	22,722,377
Taxes payable	-	-	2,480,968	2,480,968
Current lease payables	139,531	52,997	-	192,529
Other current financial liabilities	-	-	10,997,144	10,997,144
Other current liabilities	4,212,933	3,071,767	312,173	7,596,873
Total current liabilities	21,769,893	8,429,712	18,951,081	49,150,687
Total Shareholders' equity and Liabilities	22,573,415	8,836,158	176,066,617	207,476,191

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 2021, cumulatively accounted for approximately 74% of the turnover.

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

1.9 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 will be around 10 per cent.

	2021	2020
Interest-bearing loans and borrowings other than convertible preferred shares	100,218,701	10,924,111
Bonds payable	6,633,052	9,930,025
Payables from derivative instruments - warrants	-	10,997,144
Lease payables	3,912,283	339,707
Less: liquid assets and short-term deposits	(17,118,957)	(3,342,518)
Less: current financial assets	(77,971,110)	(71,608,964)
Net debt	15,673,968	(42,760,494)
Shareholders' equity	147,217,991	141,008,161
Equity and net debt	162,891,959	98,247,667
Gearing ratio	10%	(44%)

1.10 Financial risk management

1.10.1 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 2021, 62.3% of the Group's debt is due in less than one year (2020: 41%), 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.

31/12/2021	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

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

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, as described in the section on subsequent events.

1.10.2 Interest rate risk

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

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

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

During 2020 and 2021, the Group had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus"), including the adoption by all Group companies of anti-contagion protocols in line with the Authorities' requirements. The COVID-19 pandemic and the actions taken by the Issuer to comply with the measures adopted by the Italian Government to deal with the health emergency resulted in a slowdown for Fine Foods in the growth process of volumes sold and turnover on Italian and foreign markets in the first half of 2020 compared to the same period in 2019, so that the 2020 financial year was characterised by lower turnover growth compared to previous years (+7.7% in 2020 compared to 2019, +14.6% in 2019 compared to 2018). The effects related to the pandemic continued into the 2021 financial year and it is estimated that they could continue into the first half of 2022, after which the issue is expected to gradually recede. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Group operates, it could be exposed to the risk of a further slowdown or decline in its product sales. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic and financial situation.

1.10.4 Risks of concentration on customers

The Group has a significant concentration of revenues on its main customers, amounting to approximately 74% on the top five customers as of 31 December 2021. 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.

1.10.5 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.

1.10.6 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.

1.10.7 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.

1.10.8 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.

1.10.9 Risk related to the shortage of raw and packaging materials

The Group faces the risk of production delays due to the difficult availability of raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Group's business and economic and financial situation. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

1.10.10 Risk related to the increase in raw and packaging materials cost

The Group faces the risk of a cost increase for raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Group's business and economic and financial situation. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

1.10.11 Energy cost risk

The Group faces the risk of an increase in energy costs that, compared to the average of the last few years, have seen significant increases starting from the last months of 2021. A further risk factor is the strong volatility of prices in the energy market. This makes it difficult to provide reliable forecasts for setting energy prices by signing annual or multi-year contracts. Fine Foods is not an energy-intensive company. The impact of energy costs accounts for approximately one to two per cent of annual revenues. However, a significant increase in such costs could harm the Group's economic and financial position.

1.10.12 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. The potential loss of revenue resulting from this socio-political situation could harm the Group's economic and financial position.

1.10.13 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.

1.10.14 Risks related to changes in the regulatory framework

The Group faces risks connected with the many changes in the legislation applicable in the countries in which it operates, and its interpretation, for example, the legislation on special powers of the State in strategic sectors ("Golden Power"). In addition, there is currently a change in the applicable regulations for medical-surgical aids (PMC) that requires Pharmatek to apply for new authorisations to continue marketing its PMC products. If the Group is unable to obtain the authorisation required by European regulations or anticipate and respond to changes in applicable regulations, this could have an adverse effect on the Group's economic and financial position.

1.10.15 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.

1.10.16 Risks relating 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.

1.10.17 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.

1.11 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.

1.11.1 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").

1.11.2 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").

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.

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 2021 were € 192,639,791, compared to € 171,955,007 in the previous year, with an increase of 12%. A breakdown by business unit and geographical area is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Business Unit – Food	138,119,924	131,933,337
Business Unit - Pharma	38,262,145	40,021,670
Business Unit – Cosmetics	16,257,722	
Total Revenues from contracts with customers	192,639,791	171,955,007

This shows that the Group's Food sector turnover, accounting for approximately 71.7% of the turnover, is expanding, as it has done in recent years, growing by 4.7%. The Pharma sector is slightly down in 2021, with a decrease of 4.4% compared to 2020. Euro Cosmetic's turnover was incorporated in the Cosmetic Business Unit from 1 October to 31 December 2021.

On a like-for-like basis the revenue trend compared to the previous period still shows a three per cent growth compared to the year ended 31 December 2020.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Italian Revenues	73,601,953	56,507,765
Foreign Revenues	119,037,838	115,447,242
Total Revenues from contracts with customers	192,639,790	171,955,007

The Group's turnover is mainly attributable to sales made abroad. In 2021, the Group invoiced 61.8% of its total turnover outside Italy (compared to 67.1% in the previous period).

2.2 Other revenues and income

As of 31 December 2021, the Group's other income was € 2,604,768 compared to € 4,997,187 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Other billing revenues	1,783,769	1,079,552
Reimbursement of production costs	-	3,417,359
Other revenues and income	108,677	
Contingencies	80,556	-
Media expenses	119,731	183,112
Write-down adjustments to receivables and liquid assets	76,235	40,100
Packaging charges	162,080	107,721
Laboratory analysis charges	144,185	117,142
Gains on disposal of assets	123,982	45,248
Allowances and rounding up	5,554	6,953
Total other revenues and income	2,604,768	4,997,187

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

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

As of 31 December 2021, the cost of raw materials and consumables, net of change in inventories, was € 118,684,269 compared to € 108,944,079 in the previous year, with an increase of 8.9%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Goods on purchase account	125,126,819	103,655,234
Raw materials, ancillary materials, and consumables	2,604,504	2,448,536
Change in inventories of raw materials, ancillary materials, consumables, and goods	(7,405,708)	1,624,778
Change in inventories of finished goods and work in progress	(1,641,347)	1,215,531
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	118,684,269	108,944,079

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 2021, the Group's personnel costs were € 34,823,128 compared to € 30,972,513 in the previous year, with an increase of 12.4%. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Wages and salaries	22,394,665	20,030,281
Social security contributions	7,288,180	6,798,837
Severance indemnity	1,538,716	1,302,709
Stock Grant	1,058,445	1,016,101
Other personnel costs		(600)
Temporary employment	2,543,123	1,825,185
Total personnel costs	34,823,128	30,972,513

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:

<i>Employment data (expressed in units)</i>	31/12/2021	31/12/2020
Executives	19	14
White-collar employees	251	188
Blue-collar employees	498	405
Total employees	768	607

2.5 Costs for services

As of 31 December 2021, the Group's service costs were € 20,839,099 compared to € 14,975,285 in the previous year, with an increase of 39.2%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Ordinary maintenance costs	3,220,283	3,154,900
Temporary employment	354,374	289,492
Various utilities	2,772,162	2,306,313
Transport, fuel and tolls costs	1,114,947	696,037
Consultancy costs	3,635,475	1,520,168
Cleaning, pest control and surveillance costs	1,340,329	1,279,220
Statutory auditors and directors remuneration	1,743,596	966,236
Costs for processing goods on behalf of third parties	1,022,279	658,548
Rental, lease and miscellaneous costs	777,162	434,105
Luncheon vouchers	671,201	639,468
Trade fair and advertising costs	564,406	34,795
Waste, effluent and solid waste disposal	931,187	868,560
Insurance	482,162	360,197
Electronic Data Processing fees	445,772	297,701
Bank fees	362,483	378,815
External and ecological analyses	441,863	355,529
Qualifications and Calibration	189,465	236,615
Sales commissions	300,188	198,964
Other costs	469,764	299,622
Total service costs	20,839,099	14,975,285

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 shows the first effects of the increase in electricity and methane costs, mainly recorded in the last quarter of 2021. Consultancy expenses were 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 2021 were € 1,336,324 compared to € 939,005 in the previous year.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Penalties and indemnities	131,357	42,617
Duties and taxes	567,871	473,620
Contingency liabilities	7,478	19,331
Capital losses from dismissal of assets	49,083	59,384
Membership Fees	172,903	131,421
Entertainment costs and gifts	17,324	13,100
Waste and reclamation costs	1,424	41,104
Costs for certifications, endorsements and Chamber of Commerce fees	41,178	16,823
Other operating costs	347,707	141,605
Total other operating costs	1,336,324	939,005

2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2021, the Company's depreciation, amortisation and impairment losses were € 14,527,508 compared to € 11,636,753 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Depreciation of tangible assets	11,803,980	10,728,103
Amortisation of intangible assets	961,416	626,440
Amortisation of rights of use	635,684	282,210
Tangible Fixed Assets Write-downs	50,757	-
Intangible Fixed Assets Write-downs	1,075,672	-
Total amortisation, depreciation, and impairment losses	14,527,508	11,636,753

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.

The Tangible fixed assets write-downs item includes 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.

2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2021, changes in the fair value of financial assets and liabilities showed a negative balance of € 8,897,380 compared to a positive balance of € 7,652,331 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Change in fair value of other securities	3,839,422	2,786,888
Change in fair value of warrants	(12,736,802)	4,865,443
Total changes in Fair Value on financial assets and liabilities	(8,897,380)	7,652,331

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."

The "Change in fair value of warrants" item represents the change in the Company's financial instrument market value. The difference in fair value of the Unlisted Warrants converted into shares on 28 April 2021 is € 6,679,200, while the change in fair value of the Listed Warrants converted into shares or settled as of 30 June 2021 is € 6,057,602.

For further details on the financial instruments issued by the Company, please refer to paragraph 4.1 "Shareholders' equity."

2.9 Financial income

As of 31 December 2021, the Company's financial income was € 36,202 compared to € 57,308 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Foreign exchange gains	25,943	56,988
Financial income from severance pay actuarial valuation	8,671	-
Bank interest income	1,588	320
Total financial income	36,202	57,308

2.10 Financial charges

As of 31 December 2021, the Company's financial charges were € 763,305 compared to € 510,567 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Interest expenses on bonds	246,882	245,291
Interest expenses on financing and bank loans	260,043	90,076
Interest expenses on bank accounts	161,686	137,602
Foreign exchange losses	62,341	25,887
Financial charges on severance indemnity discounting	14,568	7,982
Interest on financial liabilities for lease	17,785	3,728
Total financial charges	763,305	510,567

2.11 Income taxes

Total income taxes for 2021 was € 3,163,501 compared to € 3,319,404 in the previous year.

(Amounts in Euro units)	31/12/2021	31/12/2020
Current taxes	566,956	3,831,332
Deferred tax assets and liabilities	(1,880,025)	(672,010)
Taxes from previous years	(1,850,433)	160,086
Total income tax	(3,163,501)	3,319,404

In 2020, taxes from previous years included the amounts that the Parent Company paid in February 2021 following a voluntary correction of tax return.

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 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 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 2020, and 2021 is as follows:

(Amounts in Euro units)	31/12/2021	31/12/2020
Total income tax	-3,163,501	3,319,404
Taxes from previous years	-1,850,433	160,086
Tax benefits classified in taxes	-38,022	-210,597
Total income tax	-1,275,047	3,369,916

(Amounts in Euro units)	31/12/2021	31/12/2020
Pre-tax profit/(loss) from operations on a going concern basis	-4,590,253	16,683,632
Pre-tax profit/(loss) from discontinued operations	-	-
Accounting profit/(loss) before tax	-4,590,253	16,683,632
Theoretical income tax	-1,280,680	4,654,733
Tax effect on permanent differences	767,458	-1,187,034

Tax effect on temporary differences	374,070	462,559
Effect on tax benefits	-1,135,895	-560,342
Income taxes	-1,275,047	3,369,916
Effective income tax rate:	28%	20%

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

2.12 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.

	2021	2020
Profit attributable to the Company's ordinary shareholders for basic earnings per share	(1,426,751)	13,364,228
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share purposes*	23,940,739	23,182,141
Ordinary Shares	20,440,739	18,482,141
Redeemable Shares	-	1,200,000
Multiple-voting Shares	3,500,000	3,500,000
Weighted average number of ordinary shares adjusted for dilution effect*	23,940,739	24,459,745
Ordinary Shares	20,440,739	18,482,141
Redeemable Shares	-	1,200,000
Multiple-voting Shares	3,500,000	3,500,000
Special Shares *	-	300,000
Convertible warrants	-	977,604
Basic ESP	(0.06)	0.58
Diluted EPS	(0.06)	0.55

* As for 2020, special shares have not been considered in the calculation of basic EPS because redeemable and multiple-voting shares do not confer the same rights as ordinary shares as stated in the Articles of Association. When calculating the diluted EPS, the special shares held were considered at a ratio of 1 to 6 as required by the Articles of Association.

** As for 2020, the number of shares convertible through warrants has been calculated considering the Exercise Ratio provided by the Company's regulations.

BALANCE SHEET

ASSETS

3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 31 December 2021 was € 102,886,510 compared to € 93,413,965 as of 31 December 2020. Changes in tangible fixed assets and their respective accumulated depreciation are shown below.

<i>(Amounts in Euro units)</i>	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 2020	56,604,623	100,398,158	8,608,334	7,625,525	4,324,691	177,561,331
Increases	4,052,405	2,919,495	742,098	883,642	3,369,660	11,967,299
Decreases	(69,297)	(416,246)	(103,519)	(363,864)		(952,925)
Reclassifications	2,750,261	2,071,137	99,040	40,513	(4,960,951)	-
Other changes					(3,864)	(3,864)
Pharmatek contribution	9,070	3,033,067	294,125	235,531	56,933	3,628,726
Euro Cosmetic contribution	3,357,013	6,125,816	2,140,023	899,157	1,570,859	14,092,867
Historical cost - 31 December 2020	66,704,075	114,131,429	11,780,101	9,320,504	4,357,328	206,293,436
Amortisation provision - 31 December 2020	19,065,063	53,602,847	6,531,757	4,947,699	-	84,147,365
Increases	2,084,585	7,334,787	940,579	938,163		11,298,114
Decreases	(67,500)	(372,152)	(84,687)	(338,557)		(862,896)
Reclassifications						-
Pharmatek contribution	2,752	984,430	160,794	156,726		1,304,702
Euro Cosmetic contribution	379,312	4,479,700	1,978,775	681,856		7,519,643
Amortisation provision - 31 December 2021	21,464,212	66,029,612	9,527,218	6,385,886	-	103,406,927
Net book value - 31 December 2020	37,539,560	46,795,311	2,076,577	2,677,826	4,324,691	93,413,965
Net book value - 31 December 2021	45,239,863	48,101,817	2,252,883	2,934,618	4,357,328	102,886,510

On 11 November 2021, the Parent Company acquired a plot of land located in the municipalities of Brembate (BG) and Filago (BG) with a registered surface area of approximately 100,000 sqm for approximately € 3 million.

As for assets under construction, the main reclassification relates to the entry into operation of the new Brembate warehouse following the AIFA authorisation.

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

The directors' main assumptions to draw up the plan concern the cash flows deriving from the Company's business plans, the discount rate (WACC) and the long-term growth rate of the business subject to impairment.

The CGU Pharma plan, covering the 2022-2024 timeframe, was approved, along with the directors' impairment test at the 30 March 2022 Board of Directors meeting.

The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 1.3%.

Finally, the WACC defined by the directors is 8.07% and reflects the current market situation, current cost of money and implicit business risks.

The above analysis does not indicate any impairment of the capital invested in the Pharma BU.

A sensitivity analysis was carried out, concerning:

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

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

3.2 Goodwill

The net book value of goodwill as of 31 December 2021 was € 15,907,954.

(Amounts in Euro units)	30 December 2021	31 December 2020
Segment reporting: Cosmetics		
Pharmatek Goodwill	7,044,809	-
Euro Cosmetic Goodwill	8,863,145	-
Total Goodwill	15,907,954	-

For comments on the origin of the goodwill recorded in these Financial Statements, please refer to paragraph "1.1 Extraordinary transactions and significant events occurred during the period", where the Pharmatek and Euro Cosmetic acquisitions are discussed.

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 2022-2024 Business Plans, approved by the individual Boards of Directors and adopted during the parent company's Board of Directors' meeting held on 30 March 2022.

The discount rate (WACC) defined by the directors is 8.07% 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 1.3%.

The above analysis does not indicate any impairment of the capital invested in Pharmatek CGU.

A sensitivity analysis was carried out, concerning:

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

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

The above analysis does not indicate any impairment of the capital invested in Euro Cosmetic CGU.

A sensitivity analysis was carried out, concerning:

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

Only with a WACC of 9.07% and a g rate of 0.8%, would it be necessary to write down the assets by approximately € 1.4 million.

3.3 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2021 was € 2,767,176 compared to € 1,510,515 as of 31 December 2020. Changes in intangible fixed assets and their respective amortisation provisions are shown below.

<i>(Amounts in Euro units)</i>	Industrial patents and intellectual property rights	Total intangible fixed assets
Historical cost - 31 December 2020	3,649,784	3,649,784
Increases	681,842	681,842
Decreases	-	-
Revaluations	-	-
Pharmatek contribution	1,971,462	1,971,462
Euro Cosmetic contribution	1,403,488	1,403,488
Historical cost - 31 December 2021	7,706,576	7,706,576
Amortisation provision - 31 December 2020	2,139,268	2,139,268
Increases	718,174	718,174
Decreases	-	-
Pharmatek contribution (Amortisation provision)	217,888	217,888
Pharmatek contribution (Write-down provision)	1,075,672	1,075,672
Euro Cosmetic contribution	788,398	788,398
Amortisation provision - 31 December 2021	4,939,400	4,939,400
Net book value - 31 December 2020	1,510,516	1,510,516
Net book value - 31 December 2021	2,767,176	2,767,176

Intangible fixed assets mainly refer to software licences.

The "Pharmatek contribution –write-down provision" item is the balancing entry in the balance sheet of the impairment loss recognised in the income statement for the "PharmaQui" brand, amortised over 10 years. 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:

<i>(Amounts in Euro units)</i>	Property	Plant and Machinery	Equipment	Cars and vehicles	Total
Right of use as of 31 December 2020	773,168		136,973	-	910,141
Increase	114,661		-		114,661
Write-downs	(14,808)				(14,808)
Pharmatek contribution	2,777,505		74,093	55,121	2,906,719
Euro Cosmetic contribution	4,368,433	2,186,882		229,555	6,784,781
Right of use as of 31 December 2021	8,018,870	2,186,882	211,066	284,676	10,701,494
Amortisation provision as of 31 December 2020	468,332		86,352		554,684
Increase	160,264		24,988		185,251
Write-downs	(580)				(580)
Pharmatek contribution	845,173		33,676	33,883	912,732
Euro Cosmetic contribution	1,634,706	1,208,464		227,350	2,843,170
Amortisation provision as of 31 December 2021	3,107,894	1,208,464	145,016	261,233	4,722,608

Net book value as of 31 December 2020	304,836		50,621	-	355,457
Net book value as of 31 December 2021	4,910,975	978,418	66,050	23,443	5,978,887

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 2021.

Financial liability	
Financial liability as of 1 January 2021	339,707
Increases	114,661
Decreases	-
Interest	3,373
Fees	(184,276)
Pharmatek contribution	1,356,382
Euro Cosmetic contribution	2,282,435
Financial liability as of 31 December 2021	3,912,283
Short-term financial liability	774,991
Long-term financial liability	3,137,292

The main Parent Company leases refer to a logistic centre used for the Food sector; for the Pharmatek subsidiary, they refer to the production plants at the Cremosano site. Euro Cosmetic decided to use this for some classes of assets (mainly machinery and other capital goods) and for the Trezzano 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 2021 was € 237,333.

(Amounts in Euro units)	31/12/2021	31/12/2020
Tax credit for subsidised assets – amount after 12 months	237,333	-
Total other non-current assets	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 2021 were € 3,482,101 compared to € 1,607,531 as of 31 December 2020, 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 2020	2020 EC taxes	OCI	31 December 2020
Deferred tax assets for inventory write-down	244,387	566,545		810,932
Deferred tax assets for goodwill amortisation	243,751	(27,084)		216,667
Deferred tax assets for employee bonus provision	135,235	(135,235)		-
Deferred tax assets for equity transaction costs	603,140	(226,969)		376,171
Deferred tax assets for other items	210,911	(5,452)	(1,698)	203,761
Total deferred tax assets	1,437,424	171,805	(1,698)	1,607,531

(Amounts in Euro units)	01/01/2021	2021 EC taxes	OCI	Pharmatek contribution	Euro Cosmetic contribution	31/12/2021
Deferred tax assets for inventory write-down	810,932	(523,574)			128,110	415,468
Deferred tax assets for goodwill amortisation	216,667	(27,084)				189,583
Deferred tax assets on tax loss	-	2,300,596			92,138	2,392,734
Deferred tax assets for equity transaction costs	376,171	(188,085)				188,086
Deferred tax assets for other items	203,761	(4,306)	2,998	55,825	37,952	296,231
Total deferred tax assets	1,607,531	1,557,547	2,998	55,825	258,200	3,482,101

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 subsidiary Euro Cosmetic during the year from the taxable profits that the Company will earn in the future, as provided for in the long-term plan approved by the Board of Directors on 30 March 2022.

3.7 Provision for deferred taxes

As of 31 December 2021, the Company's deferred tax provision was € 1,081,159 compared to € 414,035 as of 31 December 2020 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 2021.

(Amounts in Euro units)	31 December 2019	FY2020	OCI	31 December 2020
Deferred taxes lease IFRS 16	810	(386)		424
Deferred taxes on stock grant plans	-	413,610		413,610
Deferred taxes on changes in fair value and other securities	919,313	(919,313)		
Total deferred taxes	920,113	(506,078)		414,035

(Amounts in Euro units)	31 December 2020	FY2021	Pharmatek contribution	Euro Cosmetic contribution	31/12/2021
Deferred taxes lease IFRS 16	424	(424)		218,858	218,858
Deferred taxes on brand revaluation			185,475		185,475
Deferred taxes on stock grant plans	413,610	254,027	9,190		676,827
Total deferred taxes	414,034	253,603	194,664	218,858	1,081,159

Deferred tax liabilities calculated on the PharmaQui brand revaluation, recognised in the Pharmatek 31 December 2020 Financial Statements, considered the movements arising from the revocation of the related tax realignment following the change in regulatory requirements.

3.8 Inventories

Inventories net of the related provision for finished products and goods as of 31 December 2021 was € 35,050,484 compared to € 19,647,515 as of 31 December 2020.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Raw materials, ancillary materials, and consumables	23,258,416	13,579,465
Inventory write-down provision	(1,489,131)	(2,906,567)
Work in progress and semi-finished products	1,885,486	2,051,209
Finished products and goods	11,395,714	6,923,407
Total inventories	35,050,484	19,647,515

On a like-for-like basis, inventories showed an increase of € 9,113,000.

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.

Changes in the obsolescence provision are shown below:

Balance as of 01 January 2020	875,938
Accrual	2,906,567
Use	(875,938)
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	1,489,132

The inventory obsolescence provision set aside as of 31 December 2021 was € 1,489,132 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year refer to disposals carried out in 2021 concerning expired or non-compliant batches allocated as of 31 December 2020, including some of the batches of finished products that were not purchased by the customer in 2020 but were subject to indemnity in 2020 with full reimbursement of costs incurred, as described in the notes to the Income Statement.

3.9 Trade receivables

As of 31 December 2021, trade receivables were € 30,239,251 (€ 13,317,204 as of 31 December 2020), net of the related bad debt provision of € 805,860 (€ 657,048 as of 31 December 2020). On a like-for-like basis, trade receivables, gross of the provision for bad debts, showed an increase of € 9,233,000.

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

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
ITALY trade receivables	20,667,979	7,223,993
EEC trade receivables	8,171,415	4,736,003
NON-EEC trade receivables	1,399,856	1,357,208
Total trade receivables	30,239,251	13,317,204

As of 31 December 2021, invoices to be issued of € 1,159,194 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 43% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 13,010,952.

Changes in the bad debt provision are summarised below:

Balance as of 1 January 2020	592,102
Accrual	64,946
Use	-
Release	-
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

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

(Amounts in Euro units)	31/12/2021	31/12/2020
ITALY trade receivables	20,540,522	6,965,820
EEC trade receivables	7,510,237	4,393,909
NON-EEC trade receivables	1,382,632	1,300,428
Total trade receivables	29,433,391	12,660,157

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)							
31/12/2021	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	20,667,979	17,309,194	1,731,017	344,509	46,447	17,066	171,756
EEC	8,171,415	5,887,530	1,143,204	95,540	10,737	143,431	890,975
Non-EEC	1,399,856	884,527	360,104	126,694	1,674	3,647	23,210
Gross trade receivables	30,239,251	24,081,251	3,234,325	566,743	58,858	164,144	1,085,941
% write-down of receivables	2.7%	0%	0%	0%	0%	0%	74.2%
Bad debt provision	805,860	-	-	-	-	-	805,860
Net trade receivables	29,433,391	24,081,251	3,234,325	566,743	58,858	164,144	280,081

3.10 Tax receivables

As of 31 December 2021, tax receivables were € 2,421,853. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
IRES receivables	1,972,572	-
IRAP receivables	449,282	-
Total tax receivables	2,421,853	-

All Group companies have an IRES/IRAP credit as of 31 December 2021.

3.11 Total other current assets

Total other current assets as of 31 December 2021 were € 9,554,455 compared to € 3,329,571 as of 31 December 2020. The table below provides a breakdown.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
VAT receivables	7,109,063	939,832
Receivables for withholding tax on collected coupons, dividends and realised capital gains	713,134	528,562
Receivables from social security institutions	42,073	37,314
Receivables for energy account withholdings	2,971	2,688
Accrued income and prepaid expenses	172,268	116,601
Other receivables	552,655	1,584,574
Tax receivables for tax benefits	962,291	120,000
Total other current assets	9,554,455	3,329,571

The VAT credit increased compared to 2020 due to the contribution of the new subsidiaries and the increase in the Parent Company's credit, as a result of the investments made in 2021. This credit will be offset for € 2 million in the first months of 2022, while the remaining amount will be requested for reimbursement and presumably be collected by October 2022. The Parent Company initiated procedures to optimise the management of the VAT credit for 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 consists of advances to suppliers for goods and services and advances for participation in trade fairs in 2020.

3.12 Current financial assets

As of 31 December 2021, current financial assets were € 77,791,110 (compared to € 71,608,964 as of 31 December 2020). This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Other Fine Foods securities	71,028,503	71,608,964
Other Euro Cosmetic securities	208,671	-
Leakage receivable	6,733,936	-
Total current financial assets	77,971,110	71,608,964

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 2020, the portfolio Fair value was € 71.6 million.
- During 2021, withdrawals totalling € 4.4 million were made.
- As of 31 December 2021, the positive change in Fair value amounted to € 3.9 million, bringing the portfolio's total value to € 71 million.

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

Portfolio allocation	31/12/2021	31/12/2020
Shares	24.68%	29.13%
Equity securities	15.30%	15.73%

Equity funds	8.40%	12.50%
Options	0.98%	0.90%
Bonds	67.04%	69.14%
Bonds	16.33%	12.90%
Bond funds	50.71%	56.24%
Alternative investments	0%	0.92%
Alternative funds	0%	0.92%
Liquid assets	8.28%	0.81%

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	89.71%	89.71%
Pounds Sterling	1.93%	1.93%
U.S. dollars	6.15%	6.15%
Japanese Yen	1.97%	1.97%
Swiss Franc	0.24%	0.24%

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	31/12/2020	31/12/2021	31/12/2020
	Gross PL impact	Gross PL impact	Gross PL impact	Gross PL impact
US dollar	(397,809)	(578,217)	486,211	706,710
Japanese YEN	(127,087)	(147,246)	155,329	179,968
Pounds Sterling	(124,117)	(128,385)	151,699	156,915
Swiss Franc	(15,598)	-	19,064	-

The table shows how an appreciation of the Euro of 10 percentage points would allow the Company to obtain a profit of approximately 1.14 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%	
	31/12/2020	31/12/2021	31/12/2020	31/12/2021
Bonds	265,018	242,834	(265,018)	(242,834)

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 Extraordinary Transactions."

3.13 Cash and other liquid assets

As of 31 December 2021, the Group's cash and liquid assets were € 17,118,957 compared to € 3,342,518 as of 31 December 2020. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Bank and postal deposits	17,112,474	3,337,277
Cash and cash equivalents on hand	6,483	5,240
Total cash and other liquid assets	17,118,957	3,342,518

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)	31/12/2021	31/12/2020
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(15,939,707)	(8,759,287)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	19,556,720	9,398,219
Reserve for share-based payments	2,781,820	1,723,375
Other reserves	4,731,127	-
Total reserves	132,615,098	123,847,446

The other equity reserves included the following:

- The conversion of Warrants on 30 June 2021 of € 11.6 million.
- The acquisition of the minority shareholding in Euro Cosmetic for € 6.9 million between 8 October and 28 December 2021, following the purchases on the market and during the takeover bid, after Fine Foods obtained control of the Company.

Categories of shares issued by the Parent Company

The following table shows the number and nominal value of Company shares and any movements that occurred during the financial year.

Type	Initial number	Warrant conversion	Special shares conversion	Redeemable shares conversion	Final number
Ordinary Shares	18,821,353	1,738,772	300,000	1,200,000	22,060,125
Redeemable Shares	1,200,000	-	-	(1,200,000)	-
Multiple-voting Shares	3,500,000	-	-	-	3,500,000
Special Shares	50,000	-	(50,000)	-	-
Total	23,571,353	1,738,772	250,000	-	25,560,125

On 27 April 2021, under Article 6.4 (d)(ii) (C) and Article 5.2 of the Fine Foods Articles of Association, and Fine Foods N.T.M. S.p.A. Original Shareholder Warrants Regulations (hereafter the "Regulations"), the conditions for the conversion of the fourth and final tranche of 50,000 special shares and the complete conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants have been fulfilled.

On 30 April 2021, 50,000 special shares were converted into a ratio of six ordinary shares for every single special share held. This means 300,000 new Fine Foods ordinary shares being issued without changing the share capital total amount.

The exercise of the Fine Foods N.T.M. S.p.A. Original Shareholder Warrants, under the Regulations, was automatically suspended until the ex-dividend date, i.e. 03 May 2021 (excluded), and the related capital increase started on 06 May 2021. The conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants resulted in the issue of 1,085,200 ordinary shares, resulting in a share capital increase of € 103,202.51.

30 June 2021 was the "Time Limit" for the Warrants exercise, under the "Fine Foods & Pharmaceuticals N.T.M. S.p.A. Warrant Regulations." By this deadline, requests for the exercise of 2,371,242 Warrants with an Exercise Ratio of 0.2713 had been received. The Parent Company issued 643,303 ordinary shares to service this, for a total value of € 64,330.30 under the procedures set out in the Regulations.

In February 2021, 2,400 Listed warrants were converted into 260 ordinary shares, and in May 2021, 38,622 Listed Warrants were converted into 10,009 ordinary shares.

On 6 May 2021, 1,200,000 redeemable shares were converted into 1,200,000 ordinary shares based on Marco Francesco Eigenmann and Eigenfin S.r.l.'s request, holders of the same redeemable shares.

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 2021, the Parent Company's bonds were € 6,633,052 compared to € 9,930,025 as of 31 December 2020. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Bonds payable - Non-current liabilities	3,322,876	6,632,483
Bonds payable - Current liabilities	3,310,176	3,297,542
Total bonds	6.633.052	9,930,025

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

The main features of bonds are described below:

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

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

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

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

4.3 Non-current bank borrowings

As of 31 December 2021, non-current bank borrowings were € 35,298,177 compared to € 9,060,857 as of 31 December 2020. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Mediocredito mortgage loan	7,427,551	9,060,857
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	-
Subsidiary loans	7,596,816	-
Total non-current bank borrowings	35,298,177	9,060,857

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.

4.4 Current bank borrowings

As of 31 December 2021, current bank borrowings were € 64,920,523, compared to € 1,863,255 as of 31 December 2020, broken down as follows:

(Amounts in Euro units)	31/12/2021	31/12/2020
Invoice advances	16,251,030	236,105
Loans and mortgages - amount due within 12 months	48,669,493	1,627,149
Total current bank borrowings	64,920,523	1,863,255

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 Other current financial liabilities

As of 31 December 2021, the Parent Company settled its non-current financial liabilities, which were € 10,997,144 as of 31 December 2020. This is detailed below.

(Amounts in Euro units)	31/12/2021	31/12/2020
Listed warrants	-	4,796,344
Unlisted warrants	-	6,200,800
Total other non-current financial liabilities	-	10,997,144

The financial liability for listed and unlisted warrants was settled since 30 June 2021 following the complete conversion of these financial instruments into the Parent Company ordinary shares.

4.6 Employee benefits

As of 31 December 2021, the Employee benefits item was € 3,010,691 compared to € 1,062,790 as of 31 December 2020. This item refers to provisions set aside for severance and end-of-office indemnities.

<i>(Amounts in Euro units)</i>	
Balance as of 01 January 2020	1,099,905
Provision Use	(62,478)
Discounting interest current year	7,982
Actuarial profits and losses current year	17,381
Balance as of 31 December 2020	1,062,790
Provision Use	(55,136)
Discounting interest current year	5,882
Actuarial profits and losses current year	12,491
Pharmatek contribution	432,395
Euro Cosmetic contribution	1,552,270
Balance as of 31 December 2021	3,010,691

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:

	31/12/2021	31/12/2020
Annual discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Severance indemnity increase annual rate	2.813%	2.10%

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 2021	DBO as of 31 December 2020
Turnover rate +1%	2,777,625	1,052,729
Turnover rate -1%	2,829,753	1,074,056
Inflation rate +0.25%	2,846,079	1,079,655
Inflation rate -0.25%	2,759,058	1,046,268
Discount rate +0.25%	2,741,818	1,036,196
Discount rate -0.25%	2,864,591	1,090,429

Service cost and duration	2021	2020
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Fine Foods future annual service cost	-	-
Fine Foods plan duration	10	10.8
Pharmatek future annual service cost	75,341	-
Pharmatek plan duration	13.8	-
Euro Cosmetic future annual service cost	200,050	-
Euro Cosmetic plan duration	13.4	-

<i>Estimated future disbursements – Years</i>	2021	2020
1	287,664	65,219
2	222,502	47,399
3	254,009	45,806
4	259,746	44,273
5	263,754	48,590

4.7 Provisions for risks and charges

Provisions for risks and charges as of 31 December 2021 were € 35,489. This item refers exclusively to Euro Cosmetic potential liabilities. The item did not show a balance as of 31 December 2020.

4.8 Trade payables

Trade payables as of 31 December 2021 were € 32,532,117, compared to € 22,722,377 as of 31 December 2020, broken down geographically as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Trade payables in ITALY	27,126,577	16,721,145
EEC trade payables	4,047,533	5,523,393
NON-EEC trade payables	1,358,008	477,839
Total trade payables	32,532,117	22,722,377

4.9 Taxes payable

Total taxes payable as of 31 December 2021 was € 5,536 compared to € 2,480,968 as of 31 December 2020, and is broken down as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Payables for IRES	-	2,345,854
Payables for IRAP	5,536	135,114
Total taxes payable	5,536	2,480,968

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

4.10 Other current liabilities

Total other current liabilities as of 31 December 2021 were € 8,163,193, compared to € 7,596,873 as of 31 December 2020, and are broken down as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Payables due to pension and social security institutions	2,626,372	2,424,298

Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	3,649,892	3,700,207
Payables for withholding taxes on employees	247,122	618,996
Payables for withholding taxes on self-employment	26,073	8,169
Substitute tax on severance indemnity	29,680	19,127
Accrued expenses and deferred income	984,408	152,067
Advances from customers	118,904	-
Other payables	480,742	674,008
Total other current liabilities and payables	8,163,193	7,596,873

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

Under the requirements of the annual market and competition law (art. 1, paragraph 125 et seq. Law no. 124/2017), the grants, concessions and financial benefits received from public administrations and similar entities for Euro Cosmetic, are listed below:

- the Company obtained two grants under the Sabatini Law:
 - MISE grant no. R.0009084 of 12/3/2021 for € 11,645.96 (on new investment of € 127,500.00)
 - MISE grant no. R.0018046 of 28/4/2021 for € 24,963.13 (on new investment of € 285,000.00), while it collected € 26,639.71 grants from previous years;
- MISE grant no. R.00147481 of 13/5/2021 of € 442,675 for reported expenses (€ 885,350.00) for the listing at the end of 2020;
- the granting by the President of the Council of Ministers - Department of Sport, on 15/11/2021, of a € 30,000 tax credit following the application submitted for 2020, for investments in advertising campaigns and sponsorships, for leagues and sports clubs registered with CONI which the Company has sponsored for several years;
- the Company obtained a training voucher of € 2,000 from the Lombardy Region, for continuous training for employees of Lombardy region production activities;
- in 2021, the Company received two grants from Fondimpresa of € 5,434.00 for training plans to increase company knowledge, a social media evolution course, and the organisation of the purchasing department.

For the Pharmatek subsidiary:

- Regulation for continuous training interprofessional funds to grant exempted state benefits under Regulation (EC) no. 651/2014 and *de minimis* aid under Regulation (EC) no. 1407/2013, disbursing entity Forma Azienda, for € 13,600;
- Credit R and S, for activities carried out during 2020, of € 6,565;
- Credit for the purchase of new capital goods of € 144,851.

5.4 Related party transaction information

Other than the remuneration of directors, certain categories of employees and the Stock Grant plan approved on 14 December 2018, during 2021, the Company did not enter into any transactions with related parties that were under unusual market conditions.

(Amounts in Euro units)	31/12/2021
Directors' remuneration	1,839,709
Stock Grant	1,058,445

Remuneration paid to the Board of Statutory Auditors was € 108,019.

The statutory auditors' remuneration is shown below:

(Amounts in Euro units)	31 December 2021
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	100,710
to the Parent Company	100,710
to subsidiaries	0
Auditing Company remuneration for other services (*)	328,976
to the Parent Company	328,976
to subsidiaries	0

(*) fees for other services refer to the auditing company for the AIM - STAR translisting.

5.5 Events after the Financial Statements date

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:

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

5.6 Business outlook

After collapsing in 2020 and rebounding in 2021, the global economy will face several unknowns in 2022. In 2022, global GDP will exceed \$ 100 trillion for the first time, two years earlier than expected. The global recovery continues but is crippled by the spread of Covid variants, protracted inflation, geopolitical tensions, bottlenecks within supply chains, and raw materials shortages. The current conflict between Russia and Ukraine will affect global economic growth and raw materials supply markets, primarily gas and oil. According to economic forecasts, after a remarkable expansion of 5.3% in 2021, the EU economy will grow by 4% in 2022 and 2.8% in 2023. Growth in the Euro area will be around 4% in 2022 and then decline in 2023. A recovery accompanied by a jump in inflation that risks causing a recession in the coming years, mainly driven by rising energy prices. Inflation in the Euro area is expected to peak at 4.8% in the first quarter of 2022. Although the pandemic impact on business has diminished over time, ongoing containment measures and protracted labour shortages could dampen the economy in 2022. This impact could hamper the functioning of supply chains for a longer time than expected. Conversely, weaker demand growth in the short term could help solve supply problems. Household demand could grow more than expected as the economy reopens, as occurred previously with the reopening of economies in 2020, along with investment and exports. For Italy, the forecasts indicate a GDP of more than 4% for 2022. For 2023, a GDP of 2.3% is estimated. Despite the difficulties of the last part of 2021, due to the pandemic, the increase in energy costs and inflation, in the first quarter of 2022, the Italian economy could return to pre-crisis production levels. The government pointed out that, despite declining contagion, the pandemic is making the situation unstable. Geopolitical tensions in eastern Europe greatly exacerbate the risks to the growth and inflation outlook.

The Group's management expects 2022 sales to be 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.

In addition to the continuing increase in energy costs, the margins for the 2022 financial year could be influenced by possible shortages in the supply of materials, which strongly affected the end of 2021. This could result in production inefficiency.

The increase in raw material and packaging costs expected in 2022 could harm the Group's margins. However, negotiations with customers to revise the sales prices of finished products have started and will continue throughout the next financial year.

The economic situation could influence the strategic and commercial choices of some of the Group's customers with a negative knock-on effect in sales volumes.

Verdellino, 30 March 2022

for the Board of Directors
Chairman

Marco Francesco Eigenmann

Certification of the 31 December 2021 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 2021.

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, 30/03/2022

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 of 31 December 2021

**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**

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 2021, 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 2021, 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 matters:

Key Audit Matter	Audit Response
Valuation of Goodwill	
<p>During the year the parent company Fine Foods & Pharmaceuticals N.T.M. S.p.A. obtained control over Pharmatek PMC S.r.l. and Euro Cosmetic S.p.A.. The goodwill balance recorded upon the purchase price allocation activity, and included within intangible assets, amounted to Euro 15,9 million as at 31 December 2021, and was allocated to the Cash Generating Units (CGUs) Pharmatek and Euro Cosmetic.</p> <p>The processes and methodologies used to perform purchase price allocation activities and to evaluate and 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 Management, 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.</p> <p>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.</p> <p>The disclosures related to the valuation of goodwill is given in note 3.2 "Goodwill", and "1.1 Extraordinary transactions" in the sections "1.7.1 business combination and goodwill" and lastly in paragraph "1.11.2 Estimates and assumptions".</p>	<p>Our audit procedures in response to this key audit matter included, among others:</p> <ul style="list-style-type: none"> • assessment of the purchase price allocation activity made by the Board of Directors, connected with the acquisitions concluded during the period; • 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 2022-2024 Group business plan; • assessing discount and long-term growth rates. <p>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.</p> <p>Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.</p>

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 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 with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements 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.

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 Group Fine Foods as at 31 December 2021, 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 2021 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 2021 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 2022

EY S.p.A.

Signed by: Marco Malaguti, Auditor

As disclosed by the Directors on page 45, 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 2021 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.

Composition and functioning of the Board of Statutory Auditors

- 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-*quinduesdecies* 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, 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 2021 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 Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (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 six meetings held by the Board of Directors during the 2021 financial year, following the appointment of the Board of Statutory Auditors on 21 April 2021, 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 the Remuneration and Nomination Committee meeting 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 five 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 2021 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) Based on the changes introduced by CONSOB Resolution no. 21624 of 10 December 2020 (implementing Legislative Decree no. 49/2019 transposing SHRD - EU Directive 2017/828), when listed on the MTA STAR segment, the Company prepared its Related Party Transactions Procedure. The

Procedure came into force on 1 July 2021 (as required by CONSOB Resolution no. 21624 of 10 December 2020), at the same time as the listing on the MTA STAR segment.

- e) We know and supervised the adequacy of the Company's organisational structure and have no observations;
- f) we monitored the internal control, risk management and administrative-accounting system adequacy to ensure they correctly represent operating events and have no observations;
- g) 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;
- h) 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;
- i) 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;
- j) 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. Following its adhesion, the Company has implemented, effective from the date of listing (12 July 2021), its corporate governance structure to better adapt it to the Code principles. Please refer to the Corporate Governance Report to have a full description of the current structure and the main differences compared to the previous. However, old measures were equally adequate to FF's features and status as an AIM Italia listed company;
- k) we acknowledged the preparation of the Remuneration Report under Art. 123-ter of Legislative Decree no. 58/1998 and Art. 84-*quater* of CONSOB Regulation 11971/1999, with no observations to report;
- l) there were no shareholder complaints under Art. 2408 of the Italian Civil Code, nor were there any complaints received from third parties;
- m) the following opinion required by law was issued during the year:

- Opinion on the Memorandum on the Management Control System under Art. 2.2.2, paragraph 6 of the Regulation of Markets organised and managed by Borsa Italiana S.p.A.;
- n) among the relevant 2021 transactions of which the Board of Statutory Auditors has received information for Group integration:
 - in January 2021, FF acquired 100% of the capital of Pharmatek PMC S.r.l., a company that carries out contract manufacturing and packaging of medical-surgical aids, cosmetics and medical devices;
 - in December 2021, the acquisition of 100% of the capital of Euro Cosmetic S.p.a., a company specialising in the research & development, production and sale of cosmetic products, was completed;
- o) 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;

Assessing COVID-19 impact

2021 was still impacted by the COVID-19 pandemic financially and socially.

FF followed the developments of the pandemic closely. It took the necessary measures to prevent, control and contain the virus at its sites, protect the health of employees and co-workers (by modifying production layouts, sanitising premises, using personal protective equipment, measuring temperature, using thermal cameras, serological tests, hygiene rules and social distancing, smart working).

The Control and Risk Committee, Board of Statutory Auditors and Supervisory Body have been quickly informed of the Company's management of the epidemic emergency. Measures were checked to ensure business continuity and the protection of people.

The Board of Statutory Auditors verified that the Directors had included the above information in the 2021 Financial Report, complying with the CONSOB and ESMA (European Securities and Markets Authority) recommendations.

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

The draft annual Financial Statements, 31 December 2021 Consolidated Financial Statements and Report on Operations were approved at the Board of Directors' meeting held on 30 March 2022.

The individual 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 individual and consolidated 31 December 2021 Financial Statements, the Board of Statutory Auditors acknowledges that the Board of Directors, independently and before the approval of the 31 December 2021 Financial Statements (see joint document of the Bank of Italy, CONSOB and ISVAP of 3 March 2010), 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, the Company has completed the project to implement the ESEF Regulation requirements for FY 2021. FF's Consolidated Annual Financial Report for the year ended 31 December 2021 was prepared in the XHTML format by marking certain information from the IFRS consolidated Financial Statements using the Inline XBRL specification. From 1 January 2022, the application of XBRL tagging will apply to the "notes" to the consolidated Financial Statements.

We acknowledged the certification under Art. 81-ter of Consob Regulation no. 11971/1999, 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 individual and consolidated Financial Statements.

The legal audit is entrusted to the auditing company EY S.p.A. The Board of Statutory Auditors has an "Internal Control and Audit Committee" role, under Art. 19 of Legislative Decree no. 39/2010, as of the date of listing on the stock market (12 July 2021). We acknowledge the following for FY 2021:

- we have received from the Auditing company the Reports on the individual 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 Matter (KAM), 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 ("DNF") 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 DNF was approved at the meeting of the Board of Directors on 30 March 2022 as a separate document from the 31 December 2021 Report on Operations. The Auditing Company was commissioned to examine the DNF under Art. 3, paragraph 10 of Legislative Decree no. 254/2016. In its report issued on 31 March 2022, it stated that no evidence came to its attention that the Fine Foods Group 31 December 2021 DNF 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 DNF'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 2021 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 10 May 2022 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 no. 228 of 31 December 2021, "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 2021 being approved and the allocation of the year result, as proposed by the Board of Directors.

* * *

Milan, 31 March 2022

The Board of Statutory Auditors

Laura Soifer

Mario Tagliaferri

Luca Manzoni

* * *

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

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



FINANCIAL STATEMENTS
AS OF 31 December 2021

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

		Year ended 31 December	
	Notes	2021	2020
Revenues and income			
Revenues from contracts with customers	2.1	176,382,069	171,955,007
Other revenues and income	2.2	2,279,206	4,997,187
Total revenues		178,661,274	176,952,194
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	2.3	(110,265,870)	(108,944,078)
Personnel costs	2.4	(31,159,219)	(30,972,513)
Costs for services	2.5	(17,810,524)	(14,975,285)
Other operating costs	2.6	(1,174,275)	(939,005)
Amortisation, depreciation, and impairment losses	2.7	(12,252,364)	(11,636,753)
Total operating costs		(172,662,252)	(167,467,634)
Changes in fair value of financial assets and liabilities	2.8	(8,897,380)	7,652,331
Equity investment income and charges	2.9	(3,472,339)	-
Financial income	2.10	26,270	57,308
Financial charges	2.11	(659,811)	(510,567)
Income before taxes		(7,004,238)	16,683,632
Income taxes	2.12	2,883,788	(3,319,404)
Profit/(loss) for the financial year		(4,120,450)	13,364,228

Comprehensive income statement

		Year ended 31 December	
	Notes	2021	2020
Profit/(loss) for the financial year (A)		(4,120,450)	13,364,228
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		(12,491)	(17,381)
Tax effect		2,998	4,172
Other comprehensive income (B) components		(9,493)	(13,210)
Comprehensive profit/(loss) (A+B)		(4,129,943)	13,351,018

Statement of financial position

		As of 31 December	As of 31 December
(amounts in € units)	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and machinery	3.1	93,989,262	93,413,964
Other intangible fixed assets	3.2	1,474,184	1,510,516
Rights of use	3.3	270,639	355,457
Investments	3.4	38,874,182	-
Other non-current assets	3.5	237,333	
Deferred tax assets	3.6	3,168,075	1,607,531
Total non-current assets		138,013,674	96,887,467
Current assets			
Inventories	3.8	28,760,105	19,647,515
Trade receivables	3.9	21,847,629	12,660,157
Tax receivables	3.10	1,542,206	-
Other current assets	3.11	8,171,221	3,329,571
Current financial assets	3.12	77,762,439	71,608,964
Cash and other liquid assets	3.13	3,050,651	3,342,518
Total current assets		141,134,251	110,588,724
Total assets		279,147,925	207,476,191
Shareholders' equity			
Share Capital	4.1	22,770,445	22,601,885
Other reserves	4.1	139,543,990	123,847,446
Employee benefit reserve	4.1	(71,174)	(61,681)
FTA reserve	4.1	(6,669,789)	(9,883,868)
Profits carried forward	4.1	-	(8,859,849)
Profit/(loss) for the financial year	4.1	(4,120,450)	13,364,228
Total Shareholders' equity		151,453,021	141,008,161
Non-current liabilities			
Bonds	4.2	3,322,876	6,632,483
Non-current bank borrowings	4.3	27,701,361	9,060,857
Employee benefits	4.6	1,026,027	1,062,790
Provision for deferred taxes	3.7	667,637	414,035
Non-current lease payables	3.3	144,026	147,179
Total non-current liabilities		32,861,926	17,317,343
Current liabilities			
Bonds	4.2	3,310,176	3,297,542
Current bank borrowings	4.4	61,776,176	1,863,255
Trade payables	4.7	23,705,860	22,722,377
Taxes payable	4.8	-	2,480,968
Current lease payables	3.3	129,439	192,529
Other current financial liabilities	4.5	-	10,997,144
Other current liabilities	4.9	5,911,326	7,596,873
Total current liabilities		94,832,978	49,150,687
Total Shareholders' equity and Liabilities		279,147,925	207,476,191

Cash Flow Statement

Year ended 31 December			
(amounts in € units)	Notes	2021	2020
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(4,120,450)	13,364,228
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	2.7	11,298,110	10,728,103
Amortisation and impairment of intangible fixed assets	2.7	718,174	626,440
Amortisation of rights of use	2.7	185,324	282,210
Investment write-down	2.9	3,472,339	-
Other write-downs of fixed assets	3.3	14,155	-
Financial income	2.10	(26,270)	(57,308)
Financial charges	2.11	656,438	506,839
Changes in fair value of financial assets and liabilities	2.8	8,897,380	(7,652,331)
Financial charges on financial liabilities for leases	3.3	3,373	3,728
Income taxes	2.12	(1,597,827)	3,831,332
Personnel costs for stock grants	2.4	1,058,445	1,016,101
Gains on the disposal of property, plant and machinery	2.2	(48,368)	14,136
Current assets write-downs	3.8,3.9	608,204	2,971,512
Net change in severance indemnity and pension funds	4.6	(55,136)	(62,478)
Net change in deferred tax assets and liabilities	3.6,3.7	(1,303,944)	(672,013)
Interest paid	2.11	(627,659)	(445,277)
Income taxes paid	2.12	(3,327,719)	(1,289,441)
Changes in net working capital:			
(Increase)/decrease in inventories	3.8	(9,607,870)	(66,257)
(Increase)/decrease in trade receivables	3.9	(9,300,395)	4,368,298
(Increase)/decrease in other non-financial assets and liabilities		(5,862,158)	885,175
Increase/(decrease) in trade payables	4.7	983,483	2,113,948
NET CASH FLOWS FROM OPERATING ACTIVITIES		(7,982,373)	17,102,716
Investments:			
Investments in tangible fixed assets	3.1	(11,963,432)	(14,945,472)
Disposal of tangible fixed assets	3.2	138,393	121,881
Investments in intangible fixed assets	3.1	(681,842)	(863,370)
Net (investments)/disposals in financial assets	3.12	4,419,883	3,345,917
Pharmatek and Euro Cosmetic acquisition	3.4	(31,282,025)	-
Other financial receivables	3.12	(6,733,936)	
NET CASH FLOWS FROM INVESTMENTS		(46,102,959)	(12,341,043)
Financing:			
New financing	4.3,4.4	81,006,170	-
Funding repayment and bonds	4.2,4.3,4.4	(5,749,717)	(10,377,355)
Principal payments - lease liabilities	3.3	(180,903)	(280,828)
Minority share acquisitions	3.4	(11,064,496)	-
Dividends paid to shareholders	4.1	(3,205,727)	(2,743,472)
Increase/(decrease) in capital	4.1	168,560	37,842

Sale/(purchase) of treasury shares	4.1	(7,180,420)	(4,047,042)
CASH FLOWS FROM FINANCING		53,793,467	(17,410,856)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(291,866)	715,045
Cash and short-term deposits as of 1 January		3,342,518	2,627,472
Cash and short-term deposits as of 31 December		3,050,651	3,342,518

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 2019	4.1	22,564,043	5,000,000	(4,712,245)	29,741,389	86,743,750	6,072,106	707,274	(12,605,186)	(48,471)	-	(2,790,264)	130,672,396
Profit/(loss) for the financial year												13,364,228	13,364,228
Other income statement components										(13,210)			(13,210)
Comprehensive profit/(loss)										(13,210)		13,364,228	13,351,018
Dividends							(2,743,472)						(2,743,472)
Stock Grant								1,016,101					1,016,101
Purchase of treasury shares				(4,047,042)									(4,047,042)
Warrant exercise		37,842							2,721,318				2,759,160
2020 profit allocation							6,069,585				(8,859,849)	2,790,264	-
Balance as of 31 December 2020	4.1	22,601,885	5,000,000	(8,759,287)	29,741,389	86,743,750	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
2020 profit allocation							13,364,228					(13,364,228)	-
Balance as of 31 December 2021		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

31 December 2021 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 2021 was authorised on 30 March 2022 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 the STAR segment of the MTA of Borsa Italiana, is an Italian independent Contract Development & Manufacturing Organisation (CDMO). Operating since 1984, is the leading independent Italian Company in the contract development and manufacturing organisation (CDMO) of oral solid forms for the pharmaceutical and nutraceutical industries. The Company's main objective is quality and innovation for its customers. With € 193 million revenue in 2021 and an 11 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 company to fully develop its intrinsic potential.

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 Extraordinary transactions

Pharmatek acquisition

Fine Foods & Pharmaceuticals N.T.M. S.p.A. on 19 January 2021 acquired 100% of the shares of Pharmatek PMC S.r.l. (Pharmatek), an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices. This is a strategically important transaction that will allow Fine Foods to expand its production, reaching new market segments and customers. The acquisition will allow the exploitation of new research and development, technology, knowledge and innovation synergies for continuous improvement. With Pharmatek range of solutions, combining flexible and customisable services and excellent quality, Fine Foods can meet new production sectors' needs and provide its customers with an increasingly complete range. Technological updates, rigorous certifications and the constant search for the best solutions are key points that drive innovation in an ever-evolving production.

The transaction consideration of € 11.2 million, is subject to a price adjustment of € 6 million if certain EBITDA targets for 2021, 2022 and 2023 are achieved.

Compared to the value of the investment disclosed in the provisional Purchase Price Allocation in the Half-year Financial Report as of 30 June 2021, approved by the parent company's Board of Directors on 13 September 2021, following the results for the year ended 31 December 2021, approved by the subsidiary's Board of Directors on 1 March 2022, and the prospective results as shown in the company's Business Plan, approved by the subsidiary's Board of Directors, this price adjustment did not define the investment value. This was because results for the 2021 financial year and the prospective results for 2022 and 2023 were below the acquisition target levels.

Euro Cosmetic acquisition

On 21 September 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. has entered into a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. ("Euro Cosmetic" or the "Company"), a company with shares traded on the AIM Italia organised and managed by Borsa Italiana S.p.A., specialised in the contract development and manufacturing of cosmetic products based in Treviso (TS).

Under this agreement and at the transaction execution, Fine Foods paid (i) to MD, for its shareholding and equal to 38.7% of the share capital of Euro Cosmetic, € 8.13 per share for a total of € 15,000,411; (ii) to Findea for its shareholding and equal to 34.2% of the share capital of Euro Cosmetic, € 7.25 per share for a total of € 11,815,550.

On 8 October 2021, after the MD and Findea Shares purchase, Fine Foods acquired control of Euro Cosmetic and launched a mandatory takeover bid for the remaining Euro Cosmetic shares, amounting to 27.1% of the share capital ("takeover bid") under the terms and procedures provided for by law.

The takeover bid purchase price of € 8.60 per Euro Cosmetic ordinary share incorporated a premium of 22.3%, 22.5% and 36.5% against the mean of the official share price of the last month, the previous six months and the placement price for the listing on AIM Italia respectively. The takeover bid ended on 28 December 2021 with Fine Food acquiring 100% of Euro Cosmetic shares; on the same date, Borsa Italiana ordered the delisting on Euronext Growth Milan.

The purchase and sale contract for the majority stake held by Findea and MD is a "locked box" agreement. This required the consideration payment on the agreement execution date, and verification by the purchasing company and sellers of the existence of any leakage, under the agreement, occurring between the locked box date (31 December 2020) and agreement execution date (8 October 2021) by 31 December 2021. The purchasing company should have sent the sellers a communication detailing the leakage and the sellers should have verified the claim's correctness.

The main leakage in the contract is 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 notified the Sellers of the Leakage Reimbursement Request in a 29 December 2021 letter. Under the Contract, the Company verified the completion of the transactions that can be included in the leakage between 1 January 2021 and 8 October 2021 and requested the Sellers the related reimbursement of € 6,733,936, which is recorded in this Financial Report under current financial assets and deducted from the total acquisition disbursement.

Following an initial attempt to resolve the matter amicably, the sellers' joint representative rejected the claims for leakage made by Fine Foods in a communication dated 25 February 2022. On 4 March 2022, Fine Foods sent a formal request for the appointment of an expert to the Milan Chamber of Arbitration under contractual provisions.

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 recorded in these Financial Statements.

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.

The investment value was recorded in the Financial Statements net of the leakage receivable of € 6,734,000 as mentioned above, therefore the investment value was recorded net of the variable consideration and net of the write-down made on 31 December 2021 of € 3,472,000 and described in note 3.4 Investments.

1.2 Significant events for the period

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

The Covid-19 pandemic, which spread globally from January 2020 and continued throughout 2021, has led countries, including Italy, to face a complex health emergency, with social, political, economic and geopolitical implications. In this situation, the Company continued to implement actions to safeguard the health and safety of its employees by promptly adopting prevention, control and containment measures to protect the health of its employees and partners, such as smart working, modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, hygiene rules, social distancing, and green pass controls.

The pandemic situation, i.e., the transmission of new virus variants, may continue to influence the results for the next few years.

MTA - STAR MARKET TRANSLISTING

From on 12 July 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. was listed on the STAR Segment of the Mercato Telematico Azionario ("MTA") organised and managed by Borsa Italiana S.p.A., from the opening of trading. At the end of the process, which has received Consob and Borsa Italiana approval, the Company's ordinary shares are traded on the main list. Fine Foods debuted on the AIM Italia multilateral trading system on 1 October 2018 with a capitalisation of € 216.5 million. On 9 July, the last day on AIM, it rose to € 347.6 million in addition to dividends distributed in FY2019, 2020 and 2021 totalling € 8.2 million and creating approximately € 139.3 million of value equal to 64.3% of the initial capitalisation in less than three years.

In the translisting process to the MTA - STAR segment, the Company was assisted by Banca Akros, as Issuer Sponsor, by Grimaldi Studio Legale as Issuer legal advisor and by Pavia e Ansaldo Studio Legale as Sponsor legal advisor. EY acted as an auditing firm, and Epyon was the consultant who checked the non-accounting data in the Listing Prospectus.

PHARMATEK ACQUISITION

Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired 100 per cent of Pharmatek PMC S.r.l. on 19 January 2021. This is an unlisted company based in Cremona (CR) specialising in the production of cosmetics, medical-surgical aids and medical devices.

This is a strategically important transaction that will allow Fine Foods to expand its production, reaching new market segments and customers. The acquisition will allow the exploitation of new research and development, technology, knowledge and innovation synergies for continuous improvement. With Pharmatek range of solutions, combining flexible and customisable services and excellent quality, Fine Foods can meet new production sectors' needs and provide its customers with an increasingly complete range. Technological updates, rigorous certifications and the constant search for the best solutions are key points that drive innovation in an ever-evolving production for the Company.

The transaction's consideration is € 11.2 million, subject to a price-adjustment of € 6 million if specific EBITDA targets are achieved over the next three years. The total disbursement, including earn-outs, is estimated at €17.2 million. As described in the previous paragraph, following the results for the financial year ended 31 December 2021, approved by the subsidiary's Board of Directors on 1 March 2022, and the prospective results as shown in the company's Business Plan, approved by the subsidiary's Board of Directors, this adjustment was not taken into account when calculating the final price, since the results for the financial years ended 2021, and the prospective results for 2022 and 2023 were below the acquisition target levels.

EURO COSMETIC ACQUISITION

On 21 September 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. has entered into a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. ("Euro Cosmetic" or the "Company"), a company with shares traded on the AIM Italia organised and managed by Borsa Italiana S.p.A., specialised in the contract development and manufacturing of cosmetic products based in Trezzano (BS).

Under this agreement and at the transaction execution, Fine Foods paid (i) to MD, for its shareholding and equal to 38.7% of the share capital of Euro Cosmetic, € 8.13 per share for a total of € 15,000,411; (ii) to Findea for its shareholding and equal to 34.2% of the share capital of Euro Cosmetic, € 7.25 per share for a total of € 11,815,550.

On 8 October 2021, following the purchase of the MD and Findea shares, Fine Foods acquired control of Euro Cosmetic.

Article 3 of the purchase and sale agreement expressly required the payment on the agreement execution date, and a verification by the acquiring company and sellers of the existence of any Leakage, by 31 December 2021. The purchasing company should have sent the sellers a communication detailing the leakage and the sellers should have verified the claim's correctness.

Fine Foods notified the Sellers of the Leakage Reimbursement Request in a 29 December 2021 letter. Under article 3.3.1.(a) of the Agreement, the Company verified the occurrence of the leakage between 1 January 2021 and 8 October 2021 and requested the Sellers the relevant reimbursement of € 6,733,936.

After the Shareholdings purchase for 72.9% of the Euro Cosmetic share capital from Findea and MD, Fine Foods launched a mandatory takeover bid for the remaining Euro Cosmetic shares amounting to 27.1% of the share capital ("takeover bid"), under the terms and procedures provided for by law.

The takeover bid ended on 28 December 2021, when Borsa Italiana ordered the delisting on Euronext Growth Milan.

WARRANT CONVERSION

On 27 April 2021, under Article 6.4 (d)(ii) (C) and Article 5.2 of the Fine Foods Articles of Association, and Fine Foods N.T.M. S.p.A. Original Shareholder Warrants regulations (hereafter the "Regulations"), the conditions for the conversion of the fourth and final tranche of 50,000 special shares and the complete conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants have been fulfilled.

On 30 April 2021, 50,000 special shares were converted into a ratio of six ordinary shares for every single special share held. This means 300,000 new Fine Foods ordinary shares being issued without changing the share capital total amount.

The exercise of the Fine Foods N.T.M. S.p.A. Original Shareholder Warrants, under the Regulations, was automatically suspended until the ex-dividend date, i.e. 3 May 2021 (excluded), and the related capital increase started on 06 May 2021. The conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants resulted in the issue of 1,085,200 ordinary shares, resulting in a share capital increase of € 103,203.

30 June 2021 was the "Time Limit" for the Warrants exercise, under the "Fine Foods & Pharmaceuticals N.T.M. S.p.A. Warrant Regulations." By this deadline, requests for the exercise of 2,371,242 Warrants with an Exercise Ratio of 0.2713 had been received. The Company issued 643,303 ordinary shares to service this, for € 64,330, under the procedures set out in the Regulations.

FINANCING

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

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

On 21 October 2021, the 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 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.

LAND PURCHASE

On 11 November 2021, Fine Foods & Pharmaceuticals N.T.M. S.p.A. acquired a plot of land located in the municipalities of Brembate (BG) and Filago (BG) with a registered surface area of approximately 100,000 sqm for approximately € 3 million to ensure on-site business expansion and development.

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

The Covid-19 pandemic, which spread globally from January 2020 and continued throughout 2021, has led countries, including Italy, to face a complex health emergency, with social, political, economic and geopolitical implications. In this situation, the Company continued to implement actions to safeguard the health and safety of its employees by promptly adopting prevention, control and containment measures to protect the health of its employees and partners, such as smart working, modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, hygiene rules, social distancing, and green pass controls.

The pandemic situation, i.e., the transmission of new virus variants, may continue to influence the results for the next few years.

1.4 Current international crisis impact

Following Russia's recognition of the Donetsk and Lugansk republics in February 2022, a significant number of countries (including the United States of America, Great Britain and the European Union) applied sanctions to affect companies under Russian law operating in the specific sectors, and some Russian individuals. Further sanctions were applied following the military invasion of Ukraine by the Russian armed forces which started on 24 February 2022 and is ongoing.

As a result of the above conflict, the social, economic and financial situation in Ukraine has been severely impacted, while globally these events are causing major fluctuations in commodity prices, currency markets and supply chains.

The Company's management expects 2022 sales to be 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.

In addition to the continuing increase in energy costs, the margins for the 2022 financial year could be influenced by possible shortages in the supply of materials, which strongly affected the end of 2021. This could result in production inefficiency.

The increase in raw material and packaging costs expected in 2022 could harm the Company's margins. However, negotiations with customers to revise the sales prices of finished products have started and will continue throughout the next financial year.

The economic situation could influence the strategic and commercial choices of some of the Company's customers with a negative knock-on effect in sales volumes.

1.5 Going concern

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

1.6 Accounting principles

1.6.1 Principles followed when preparing the Financial Statements

The Financial Statements for the year ended 31 December 2021 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".

1.6.2 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.

1.7 Classification criteria

1.7.1 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.

1.8 Summary of significant accounting policies

1.8.1 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 2021 and 31 December 2020.

31/12/2021	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	77,762,439		
Cash and other liquid assets	3,050,651	3,050,651	3,050,651		
Total financial assets	80,813,090	80,813,090	80,813,090		
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	61,776,176	61,776,176		61,776,176	
Non-current lease payables	144,026	144,026		144,026	
Current lease payables	129,439	129,439		129,439	
Total financial liabilities	96,384,054	96,384,054	-	96,384,054	-

31/12/2020	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value level 3
Financial assets					
Current financial assets	71,608,964	71,608,964	71,608,964		
Cash and other liquid assets	3,342,518	3,342,518	3,342,518		
Total financial assets	74,951,482	74,951,482	74,951,482		
Financial liabilities					
Other current financial liabilities (Warrants)	10,997,144	10,997,144	10,997,144		
Current bonds	3,297,542	3,297,542		3,297,542	
Non-current bonds	6,632,483	6,632,483		6,632,483	
Non-current bank borrowings	9,060,857	9,060,857		9,060,857	
Current bank borrowings	1,863,255	1,863,255		1,863,255	
Non-current lease payables	147,179	147,179		147,179	
Current lease payables	192,529	192,529		192,529	
Total financial liabilities	32,190,987	32,190,987	10,997,144	21,193,844	-

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

1.8.2 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.

1.8.3 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.

1.8.4 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).

1.8.5 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.

1.8.6 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.

1.8.7 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.

1.8.8 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.

1.8.9 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.

1.8.10 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 to 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.

1.8.11 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.

1.8.12 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.

1.8.13 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.

1.8.14 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.

1.8.15 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.

1.8.16 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.

1.8.17 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.

1.8.18 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.

1.8.19 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.

1.8.20 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 2021. The Company has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, I.A.S. 39, IFRS 7, IFRS 4 and IFRS 16

The amendments include the temporary easing of requirements concerning the effect on Financial Statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative rate that is substantially risk-free (Risk Free Rate- RFR):

The amendments include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a change in an interest rate in the market;
- Allow changes required by the IBOR reform to be made to the hedging relationship designation documentation without the hedging relationship having to be discontinued;
- Provide temporary relief to entities to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments have no impact on the Company's Financial Statements. The Company intends to use these practical expedients in the future when they are applicable.

Amendment to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the IFRS 16 requirements on the accounting effects of contractual amendments to lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether the reduction in lease payments represent contractual amendments. A lessee that chooses to use this expedient, accounts for these reductions as if they were not contractual amendments for IFRS 16 purposes.

The amendments should have applied until 30 June 2021, but as the impact of the Covid-19 pandemic continued, on 31 March 2021, the IASB extended the application period of this measure until 30 June 2022.

The amendments will apply to financial years beginning on or after 01 April 2021. However, the Company has not received any rent relief related to Covid-19 but will apply the measure if it occurs during the permitted application period.

1.8.21 Standards issued but not yet effective

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

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

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

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 amendments will be effective for financial years beginning on or after 1 January 2022 and early application is permitted. The Company will apply the amendment to financial liabilities that are amended or exchanged after or on the date of the first financial year in which the entity first applies the amendment.

The Company does not expect this amendment to have a material impact.

IAS 41 Agriculture - Taxation in Fair Value Measurements

As part of the 2018-2020 IFRS standards annual improvements process, IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirements of IAS 41 in paragraph 22 relating to the exclusion of cash flows for taxes when measuring the fair value of an asset for IAS 41 purposes. An entity applies this amendment prospectively to fair value measurements for financial years beginning on or after 1 January 2022; early application is permitted. The Company does not expect this amendment to have a material impact.

Definition of accounting estimate - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, which introduces a definition of "accounting estimates." The amendments clarify changes in accounting estimates, and those in accounting principles and error corrections. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting principles and estimates that occur from that date. Earlier application is permitted provided this fact is disclosed. The changes are not expected to have a significant impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, which provides guidance and examples to assist entities in applying materiality judgements to accounting policy disclosures. The amendments help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting principles. Guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions is added. The amendments to IAS 1 are effective for financial years beginning on 1 January 2023; earlier application is permitted. The PS 2 amendments provide non-mandatory guidance on the application of the definition of accounting policy disclosures, an effective date for these amendments is not required. The Company is evaluating the amendments to define their impact on accounting principle disclosures.

1.9 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 9 per cent.

	2021	2020
Interest-bearing loans and borrowings other than convertible preferred shares	89,477,537	10,924,111
Bonds payable	6,633,052	9,930,025
Payables from derivative instruments - warrants	-	10,997,144
Lease payables	273,465	339,707
Less: liquid assets and short-term deposits	(3,050,651)	(3,342,518)
Less: current financial assets	(77,762,439)	(71,608,964)
Net debt	15,570,964	(42,760,494)
Shareholders' equity	151,453,021	141,008,161
Equity and net debt	167,023,985	98,247,667
Gearing ratio	9%	(44%)

1.10 Financial risk management

1.10.1 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 2021, 67.7% of the Company's debt is due in less than one year (2020: 41%), 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.

31/12/2021	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	61,776,176	61,776,176	-	-
Non-current lease payables	144,026	-	135,057	8,969
Current lease payables	129,439	129,439	-	-
Total financial liabilities	96,384,054	65,215,792	31,159,294	8,969

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

1.10.2 Interest rate risk

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

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

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

During 2020 and 2021, the Company had to follow restrictive measures adopted by national governments to deal with the COVID-19 ("Coronavirus") pandemic, including the adoption of anti-contagion protocols in line with the authorities' requirements. The COVID-19 pandemic and the actions taken by the Issuer to comply with the measures adopted by the Italian Government to deal with the health emergency resulted in a slowdown for Fine Foods in the growth process of volumes sold and turnover on Italian and foreign markets in the first half of 2020 compared to the same period in 2019, so that the 2020 financial year was characterised by lower turnover growth compared to previous years (+7.7% in 2020 compared to 2019, +14.6% in 2019 compared to 2018). The effects related to the pandemic continued into the 2021 financial year and it is estimated that they could continue into the first half of 2022, after which the issue is expected to gradually recede. However, should the COVID-19 pandemic continue or worsen, resulting in the adoption of more restrictive measures by the relevant national authorities for the sectors where the Company operates may result in its exposure to the risk of a further slowdown or decline in its product sales. The possible occurrence of such circumstances could have significant adverse effects on business, economic and financial situation.

1.10.4 Risks of concentration on customers

The Company has a significant concentration of revenues on its main customers, amounting to approximately 80.4% on the top five customers as of 31 December 2021. 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.

1.10.5 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.

1.10.6 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.

1.10.7 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.

1.10.8 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 and financial situation.

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

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

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

1.10.9 Risk related to the shortage of raw and packaging materials

The Company faces the risk of production delays due to the difficult availability of raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Company's business and economic and financial situation. The Company's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

1.10.10 Risk related to the increase in raw and packaging materials cost

The Company faces the risk of a cost increase for raw and packaging materials. This risk is further exacerbated by the current socio-political situation, with potential negative effects on the Company's business and economic and financial situation. The Company's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

1.10.11 Energy cost risk

The Company faces the risk of an increase in energy costs that, compared to the average of the last few years, have seen significant increases starting from the last months of 2021. A further risk factor is the strong volatility of prices in the energy market. This makes it difficult to provide reliable forecasts for setting energy prices by signing annual or multi-year contracts. Fine Foods is not an energy-intensive company. The impact of energy costs accounts for approximately one to two per cent of annual revenues. However, a significant increase in such costs could harm the Company's economic and financial position.

1.10.12 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. The potential loss of revenue resulting from this socio-political situation could harm the Company's economic and financial position.

1.10.13 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 and financial position.

1.10.14 Risks related to changes in the regulatory framework

The Company faces risks connected with the many changes in the legislation applicable in the countries in which it operates, and its interpretation, for example, the legislation on special powers of the State in strategic sectors ("Golden Power").

1.10.15 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 and financial position.

1.10.16 Risks relating 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 its economic and financial position.

1.10.17 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 and financial position.

1.11 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.

1.11.1 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").

1.11.2 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").

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

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

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

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

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

Defined benefit plans (pension funds)

The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are defined using actuarial valuations. Actuarial valuations require the use of various assumptions that may differ from actual future developments. These assumptions define the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, these estimates are susceptible to assumption changes. All assumptions are reviewed annually.

Taxes

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

Impairment of non-financial assets

Impairment occurs when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the sales costs and its use-value. The use-value calculation is based on a discounted cash flow model. The recoverable amount depends significantly on the discounted cash flow model's discount rate, the expected future cash flows, and the growth rate used for the extrapolation. The key assumptions used to define the recoverable amount for the various cash-generating units, including a sensitivity analysis, are described in detail in Note 3.1, "*Property, plant and machinery*" of these notes.

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 2021 were € 176,382,069, compared to € 171,955,007 in the previous year, with an increase of 2.6%, and relate to the two "Food" and "Pharma" segments. A breakdown by business unit and geographical area is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Business Unit – Food	138,119,924	131,933,337
Business Unit - Pharma	38,262,145	40,021,670
Total Revenues from contracts with customers	176,382,069	171,955,007

This shows that the Company's Food sector turnover, accounting for approximately 78.3% of the turnover, is expanding, as it has done in recent years, growing by 4.6%. The Pharma sector is slightly down in 2021, with a decrease of 4.4% compared to 2020.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Italian Revenues	57,819,747	56,507,765
Foreign Revenues	118,562,322	115,447,242
Total Revenues from contracts with customers	176,382,069	171,955,007

The Company's turnover is mainly attributable to sales made abroad. In 2021 the Company invoiced 67% of its total turnover outside Italy, which is in line with the previous period.

2.2 Other revenues and income

As of 31 December 2021, the Company's other income was € 2,279,206 compared to € 4,997,187 in the previous year. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Other billing revenues	1,740,598	1,079,552
Reimbursement of production costs	5,523	3,417,359
Media expenses	119,731	183,112
Write-down adjustments to receivables and liquid assets	26,106	40,100
Packaging charges	162,080	107,721
Laboratory analysis charges	144,185	117,142
Gains on disposal of assets	75,487	45,248
Allowances and rounding up	5,496	6,953
Total other revenues and income	2,279,206	4,997,187

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

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

As of 31 December 2021, the cost of raw materials and consumables, net of change in inventories, was € 110.265.870 compared to € 108.944.078 in the previous year, with an increase of 1.2%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Goods on purchase account	116,938,575	103,655,234
Raw materials, ancillary materials, and consumables	2,439,884	2,448,536
Change in inventories of raw materials, ancillary materials, consumables, and goods	(7,035,596)	1,624,778
Change in inventories of finished goods and work in progress	(2,076,994)	1,215,531
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	110,265,870	108,944,078

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 2021, the Company's personnel costs were € 31,159,219 compared to € 30,972,513 in the previous year, with an increase of 0.6%. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Wages and salaries	20,066,012	20,030,281
Social security contributions	6,644,915	6,798,837
Severance indemnity	1,359,859	1,302,709
Stock Grant	1,058,445	1,016,101
Other personnel costs	-	(600)
Temporary employment	2,029,988	1,825,185
Total personnel costs	31,159,219	30,972,513

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

2.4.1 Employment data

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

<i>Employment data (expressed in units)</i>	31/12/2021	31/12/2020
Executives	14	14
White-collar employees	208	188
Blue-collar employees	395	405
Total employees	617	607

2.5 Costs for services

As of 31 December 2021, the Company's service costs were € 17,810,524 compared to € 14,975,285 in the previous year, with an increase of 19%. A breakdown is provided below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Ordinary maintenance costs	3,073,810	3,154,900
Temporary employment	275,602	289,492
Various utilities	2,384,148	2,306,313
Transport, fuel and tolls costs	785,891	696,037
Consultancy costs	3,122,920	1,520,168
Cleaning, pest control and surveillance costs	1,273,595	1,279,220
Statutory auditors and directors remuneration	1,332,424	966,236
Costs for processing goods on behalf of third parties	627,976	658,548
Rental, lease and miscellaneous costs	705,972	434,105
Luncheon vouchers	671,201	639,468
Trade fair and advertising costs	474,328	34,795
Waste, effluent and solid waste disposal	774,200	868,560
Insurance	440,272	360,197
Electronic Data Processing fees	436,487	297,701
Bank fees	329,533	378,815
External and ecological analyses	365,587	355,529
Qualifications and Calibration	189,465	236,615
Sales commissions	188,073	198,964
Other costs	359,041	299,622
Total service costs	17,810,524	14,975,285

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 shows the first effects of the increase in electricity and methane costs, mainly recorded in the last quarter of 2021. Consultancy expenses were impacted by the costs incurred by the 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 2021 were € 1,174,275 compared to € 939,005 in the previous year.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Penalties and indemnities	100,776	42,617
Duties and taxes	528,047	473,620
Contingency liabilities	987	19,331
Capital losses from dismissal of assets	27,118	59,384
Membership Fees	164,794	131,421
Entertainment costs and gifts	13,394	13,100
Waste and reclamation costs	647	41,104
Costs for certifications, endorsements and Chamber of Commerce fees	40,950	16,823
Other operating costs	297,563	141,605
Total other operating costs	1,174,275	939,005

2.7 Amortisation, depreciation, and impairment losses

As of 31 December 2021, the Company's depreciation, amortisation and impairment losses were € 12,252,364 compared to € 11,636,753 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Depreciation of tangible assets	11,298,110	10,728,103
Amortisation of intangible assets	718,174	626,440
Amortisation of rights of use	185,324	282,210
Tangible Fixed Assets Write-downs	50,757	-
Total amortisation, depreciation, and impairment losses	12,252,364	11,636,753

The Tangible fixed assets write-downs item includes the write-off of the net book value of tangible assets purchased by the Company for the pharmaceutical plant of Nembro. These assets have not been transferred to the pharmaceutical plant of Brembate.

2.8 Changes in Fair Value on financial assets and liabilities

As of 31 December 2021, changes in the fair value of financial assets and liabilities showed a negative balance of € 8,897,380 compared to a positive balance of € 7,652,331 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Change in fair value of other securities	3,839,422	2,786,888
Change in fair value of warrants	(12,736,802)	4,865,443
Total changes in Fair Value on financial assets and liabilities	(8,897,380)	7,652,331

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."

The "Change in fair value of warrants" item represents the change in the Company's financial instrument market value. The difference in fair value of the Unlisted Warrants converted into shares on 28 April 2021 is € 6,679,200, while the change in fair value of the Listed Warrants converted into shares or settled as of 30 June 2021 is € 6,057,602.

For further details on the financial instruments issued by the Company, please refer to paragraph 4.1 "Shareholders' equity."

2.9 Equity investment income and charges

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

Errore. Il collegamento non è valido.

This is the write-down made after the impairment test on the value of the investment in Euro Cosmetic; please refer to paragraph 3.4, "Investments", for further details.

2.10 Financial income

As of 31 December 2021, the Company's financial income was € 26,270 compared to € 57,308 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Foreign exchange gains	25,940	56,988
Bank interest income	330	320
Total financial income	26,270	57,308

2.11 Financial charges

As of 31 December 2021, the Company's financial charges were € 659,811 compared to € 510,567 in the previous year. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Interest expenses on bonds	246,882	245,291
Interest expenses on financing and bank loans	231,796	90,076
Interest expenses on bank accounts	109,543	137,602
Foreign exchange losses	62,335	25,887
Financial charges on severance indemnity discounting	5,882	7,982
Interest on financial liabilities for lease	3,373	3,728
Total financial charges	659,811	510,567

2.12 Income taxes

The tax burden for 2021 was € 2,883,788 compared to € 3,319,404 in the previous year.

(Amounts in Euro units)	31/12/2021	31/12/2020
Current taxes	270,108	3,831,332
Deferred tax assets and liabilities	(1,303,944)	(672,010)
Taxes from previous years	(1,849,952)	160,086
Total income tax	(2,883,788)	3,319,404

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

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 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 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 2020, and 2021 is as follows:

(Amounts in Euro units)	31/12/2021	31/12/2020
Pre-tax profit from operations on a going concern basis	(7,004,238)	16,683,632
Pre-tax profit/(loss) from discontinued operations		-
Accounting profit before tax	(7,004,238)	16,683,632
Theoretical income tax	(1,954,182)	4,654,733
Tax effect on permanent differences	1,538,726	(1,187,034)
Tax effect on temporary differences	333,237	462,559
Effect on tax benefits	(913,595)	(560,342)
Income taxes	(995,815)	3,369,916
Effective income tax rate:	14%	20%

For details on deferred taxes, see 3.6 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 2021 was € 93,989,262 compared to € 93,413,965 as of 31 December 2020. 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 2020	56,604,623	100,398,158	8,608,334	7,625,525	4,324,691	177,561,331
Increases	4,052,405	2,919,495	742,098	883,642	3,369,660	11,967,299
Decreases	(69,297)	(416,246)	(103,519)	(363,864)		(952,925)
Reclassifications	2,750,261	2,071,137	99,040	40,513	(4,960,951)	-
Other changes					(3,864)	(3,864)
Historical cost - 31 December 2021	63,337,992	104,972,544	9,345,953	8,185,816	2,729,536	188,571,841
Accumulated depreciation - 31 December 2020	19,065,063	53,602,847	6,531,757	4,947,699	-	84,147,365
Increases	2,084,585	7,334,787	940,579	938,163		11,298,110
Decreases	(67,500)	(372,152)	(84,687)	(338,557)		(862,896)
Reclassifications						-
Amortisation provision - 31 December 2021	21,082,146	60,565,482	7,387,649	5,547,305	-	94,582,579
Net book value - 31 December 2020	37,539,560	46,795,311	2,076,577	2,677,826	4,324,691	93,413,965
Net book value - 31 December 2021	42,255,846	44,407,064	1,958,304	2,638,511	2,729,536	93,989,262

On 11 November 2021, the Company acquired a plot of land located in the municipalities of Brembate (BG) and Filago (BG) with a registered surface area of approximately 100,000 sqm for approximately € 3 million.

As for assets under construction, the main reclassification relates to the entry into operation of the new Brembate warehouse following the AIFA authorisation.

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

The directors' main assumptions to draw up the plan concern the cash flows deriving from the Company's business plans, the discount rate (WACC) and the long-term growth rate of the business subject to impairment.

The CGU Pharma plan, covering the 2022-2024 timeframe, was approved, along with the directors' impairment test at the 30 March 2022 Board of Directors meeting.

The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 1.3%.

Finally, the WACC defined by the directors is 8.07% and reflects the current market situation, current cost of money and implicit business risks.

The above analysis does not indicate any impairment of the capital invested in the Pharma BU.

A sensitivity analysis was carried out, concerning:

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

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

3.2 Other intangible fixed assets

The net book value of intangible assets as of 31 December 2021 was € 1,474,184 compared to € 1,510,515 as of 31 December 2020. Changes in intangible fixed assets and their respective amortisation provisions are shown below.

<i>(Amounts in Euro units)</i>	Industrial patents and intellectual property rights	Total intangible fixed assets
Historical cost - 31 December 2020	3,649,784	3,649,784
Increases	681,842	681,842
Decreases		
Revaluations		
Historical cost - 31 December 2021	4,331,626	4,331,626
Amortisation provision - 31 December 2020	2,139,268	2,139,268
Increases	718,174	718,174
Decreases	-	-
Amortisation provision - 31 December 2021	2,857,442	2,857,442
Net book value - 31 December 2020	1,510,516	1,510,516
Net book value - 31 December 2021	1,474,184	1,474,184

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:

<i>(Amounts in Euro units)</i>	Property	Equipment	Total
Right of use as of 31 December 2020	773,168	136,973	910,141
Increase	114,661	-	114,661
Write-downs	(14,808)		(14,808)
Right of use as of 31 December 2021	873,021	136,973	1,009,994
Amortisation provision as of 31 December 2020	468,332	86,352	554,684
Increase	160,264	24,988	185,251
Write-downs	(580)		(580)
Amortisation provision as of 31 December 2021	628,016	111,340	739,355
Net book value as of 31 December 2020	304,836	50,621	355,457
Net book value as of 31 December 2021	245,005	25,633	270,639

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 2021.

Financial liability	
Financial liability as of 1 January 2021	339,707
Increases	114,661
Decreases	-
Interest	3,373
Fees	(184,276)
Financial liability as of 31 December 2021	273,465
Short-term financial liability	129,439
Long-term financial liability	144,026

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 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 2021 was € 38,874,182.

(Amounts in Euro units)	31/12/2021	31/12/2020
Pharmatek Shareholding	11,200,000	-
Euro Cosmetic Shareholding	27,674,182	-
Total Shareholdings	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. Please refer to paragraph "1.1 Extraordinary transactions", where the Pharmatek and Euro Cosmetic acquisitions are commented upon, for further details.

The value recorded as the investment in 100% of the subsidiary Euro Cosmetic capital was determined as follows:

(Amounts in Euro units)	Value
Value paid to MD and Findea shareholders	+ 26,815,961
Leakage receivable	- 6,733,936
The value paid to minority shareholders (including through the takeover bid)	+ 11,064,496
Write-down as of 31/12/21	- 3,472,339
Investment value	27,674,182

Investments are subject to an impairment test, where impairment indicators have been identified. Given the impairment of the Pharmaqui brand in the separate Financial Statements of Pharmatek PMC S.r.l. and the results for the year of the subsidiary 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 2022-2024 Business Plans, approved by the individual Boards of Directors and adopted during the parent company's Board of Directors' meeting held on 30 March 2022.

The discount rate (WACC) defined by the directors is 8.07% 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 1.3%.

The above analysis did not show any impairment of the investment in Pharmatek.

A sensitivity analysis was carried out, concerning:

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

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

However, the above analysis showed that an impairment loss of € 3,472,000 should be recognised on the Euro Cosmetic investment.

A sensitivity analysis was carried out, concerning:

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

This showed a delta between the Recoverable Amount and the Carrying Amount that varies from approximately +€ 5,928,000 to -€ 9,103,000 as the above variables individually or jointly increase or decrease.

3.5 Other non-current assets

The value of other non-current assets as of 31 December 2021 was € 237,333 compared to € 0 as of 31 December 2020.

(Amounts in Euro units)	31/12/2021	31/12/2020
Tax credit for subsidised assets – amount after 12 months	237,333	-
Total other non-current assets	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 2021 were € 3,168,075 compared to € 1,607,531 as of 31 December 2020, 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 2020	2020 EC taxes	OCI	31 December 2020
Deferred tax assets for inventory write-down	244,387	566,545		810,932
Deferred tax assets for goodwill amortisation	243,751	(27,084)		216,667
Deferred tax assets for employee bonus provision	135,235	(135,235)		-
Deferred tax assets for equity transaction costs	603,140	(226,969)		376,171
Deferred tax assets for other items	210,911	(5,452)	(1,698)	203,761
Total deferred tax assets	1,437,424	171,805	(1,698)	1,607,531

<i>(Amounts in Euro units)</i>	01/01/2021	2021 EC taxes	OCI	31/12/2021
Deferred tax assets for inventory write-down	810,932	(523,574)		287,358
Deferred tax assets for goodwill amortisation	216,667	(27,084)		189,583
Deferred tax assets on tax losses	-	2,300,596		2,300,596
Deferred tax assets for equity transaction costs	376,171	(188,085)		188,086
Deferred tax assets for other items	203,761	(4,306)	2,998	202,453
Total deferred tax assets	1,607,531	1,557,547	2,998	3,168,075

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 approved by the Board of Directors on 30 March 2022.

3.7 Provision for deferred taxes

As of 31 December 2021, the Company's deferred tax provision was € 667,637 compared to € 414,035 as of 31 December 2020 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 2021.

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

<i>(Amounts in Euro units)</i>	31 December 2020	FY2021	OCI	31/12/2021
Deferred taxes lease IFRS 16	424	(424)		-
Deferred taxes on changes in fair value and other securities	-			-
Deferred taxes on stock grant plans	413,610	254,027		667,637
Total deferred taxes	414,035	253,603	-	667,637

3.8 Inventories

Inventories net of the related provision for finished products and goods as of 31 December 2021 was € 28,760,105 compared to € 19,647,515 as of 31 December 2020.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Raw materials, ancillary materials, and consumables	18,738,451	13,579,465
Raw, ancillary materials and consumables write-down provision	(1,029,957)	(2,906,567)
Work in progress and semi-finished products	1,448,046	2,051,209
Finished products and goods	9,603,565	6,923,407
Total inventories	28,760,105	19,647,515

Asset inventories are valued at the lower of purchase or production cost and realisable value based on market trends. The purchase cost includes any directly attributable ancillary charges. The production cost does not include indirect costs as they were objectively unattributable.

Changes in the obsolescence provision are shown below:

Balance as of 01 January 2020	875,938
Accrual	2,906,567
Use	(875,938)
Balance as of 31 December 2020	2,906,567
Accrual	466,565
Provision Use	(2,343,175)
Balance as of 31 December 2021	1,029,957

The inventory obsolescence provision accrued as of 31 December 2021 was € 1,029,957 and covered the write-downs carried out following the expiry of goods and a series of finished product batches that have not been taken back by the customer but which have been subject to indemnification with full reimbursement of the costs incurred as described in the notes to the income statement.

Uses for the year refer to disposals carried out in 2021 concerning expired or non-compliant batches allocated as of 31 December 2020, including some of the batches of finished products that were not purchased by the customer in 2020 but were subject to indemnity in 2020 with full reimbursement of costs incurred, as described in the notes to the Income Statement.

3.9 Trade receivables

As of 31 December 2021, trade receivables were € 22,550,309 (€ 13,317,204 as of 31 December 2020), net of the related bad debt provision of € 702,681 (€ 657,048 as of 31 December 2020).

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)	31/12/2021	31/12/2020
ITALY trade receivables	13,254,174	7,223,993
EEC trade receivables	8,011,661	4,736,003
NON-EEC trade receivables	1,284,474	1,357,208
Total trade receivables	22,550,309	13,317,204

As of 31 December 2021, invoices to be invoiced were € 1,111,096, 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 58.1% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 13,101,489.

Changes in the bad debt provision are summarised below:

Balance as of 1 January 2020	592,102
Accrual	64,946
Use	-
Release	-
Balance as of 31 December 2020	657,048
Accrual	112,923
Provision Use	(67,290)
Balance as of 31 December 2021	702,681

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

(Amounts in Euro units)	31/12/2021	31/12/2020
ITALY trade receivables	13,174,308	6,965,820
EEC trade receivables	7,404,743	4,393,909
NON-EEC trade receivables	1,268,577	1,300,428

Total trade receivables	21,847,628	12,660,157
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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)

31/12/2021	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	13,254,174	11,472,716	1,382,161	221,716	46,386	14,591	116,603
EEC	8,011,661	5,771,857	1,117,896	81,652	10,737	143,431	886,088
Non-EEC	1,284,474	854,382	312,306	89,255	1,674	3,647	23,210
Gross trade receivables	22,550,309	18,098,955	2,812,363	392,623	58,797	161,669	1,025,901
% write-down of receivables	3.1%	-	-	-	-	-	68.5%
Bad debt provision	702,681						702,681
Net trade receivables	21,847,628	18,098,955	2,812,363	392,623	58,797	161,669	323,220

3.10 Tax receivables

As of 31 December 2021, tax receivables were € 1,542,206. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
IRES receivables	1,216,839	-
IRAP receivables	325,367	-
Total tax receivables	1,542,206	-

3.11 Total other current assets

Total other current assets as of 31 December 2021 were € 8,171,221 compared to € 3,329,571 as of 31 December 2020. The table below provides a breakdown.

(Amounts in Euro units)	31/12/2021	31/12/2020
VAT receivables	6,763,032	939,832
Receivables for withholding tax on collected coupons, dividends and realised capital gains	713,132	528,562
Receivables from social security institutions	42,073	37,314
Receivables for energy account withholdings	2,971	2,688
Accrued income and prepaid expenses	56,008	116,601
Other receivables	98,667	1,584,574
Tax receivables for facilitated investments	495,338	120,000
Total other current assets	8,171,221	3,329,571

The VAT credit, which increased compared to 2020 due to the investments made in 2021, will be offset for € 2 million in the first months of 2022; the remaining amount will be requested for reimbursement and presumably be collected by October 2022. The Company initiated procedures to optimise the management of the VAT credit for 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 consists of advances to suppliers for goods and services and advances for participation in trade fairs in 2020.

3.12 Current financial assets

As of 31 December 2021, current financial assets were € 77,762,439 (compared to € 71,608,964 as of 31 December 2020). This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Other securities	71,028,503	71,608,964
Leakage receivable	6,733,936	
Total current financial assets	77,762,439	71,608,964

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 2020, the portfolio Fair value was € 71.6 million.
- During 2021, withdrawals totalling € 4.4 million were made.
- As of 31 December 2021, the positive change in Fair value amounted to € 3.9 million, bringing the portfolio's total value to € 71 million.

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

Portfolio allocation	31/12/2021	31/12/2020
Shares	24.68%	29.13%
Equity securities	15.30%	15.73%
Equity funds	8.40%	12.50%
Options	0.98%	0.90%
Bonds	67.04%	69.14%
Bonds	16.33%	12.90%
Bond funds	50.71%	56.24%
Alternative investments	0%	0.92%
Alternative funds	0%	0.92%
Liquid assets	8.28%	0.81%

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	89.71%	89.71%
Pounds Sterling	1.93%	1.93%
U.S. dollars	6.15%	6.15%
Japanese Yen	1.97%	1.97%
Swiss Franc	0.24%	0.24%

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	31/12/2020	31/12/2021	31/12/2020
	Gross PL impact	Gross PL impact	Gross PL impact	Gross PL impact
US dollar	(397,809)	(578,217)	486,211	706,710
Japanese YEN	(127,087)	(147,246)	155,329	179,968
Pounds Sterling	(124,117)	(128,385)	151,699	156,915
Swiss Franc	(15,598)	-	19,064	-

The table shows how an appreciation of the Euro of 10 percentage points would allow the Company to obtain a profit of approximately 1.14 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%	
	31/12/2020	31/12/2021	31/12/2020	31/12/2021
Bonds	265,018	242,834	(265,018)	(242,834)

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 Extraordinary Transactions."

3.13 Cash and other liquid assets

As of 31 December 2021, the Company's cash and liquid assets were € 3,050,651 compared to € 3,342,518 as of 31 December 2020. This is detailed below:

(Amounts in Euro units)	31/12/2021	31/12/2020
Bank and postal deposits	3,046,134	3,337,277
Cash and cash equivalents on hand	4,518	5,240
Total cash and other liquid assets	3,050,651	3,342,518

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:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(15,939,707)	(8,759,287)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	19,556,720	9,398,219
Reserve for share-based payments	2,781,820	1,723,375
Other reserves	11,660,019	-
Total reserves	139,543,990	123,847,446

Availability and use of Shareholders' equity

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

<i>(Amounts in Euro units)</i>	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	(15,939,707)	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	19,556,720	Profits	A,B,C	19,556,720
Warrant conversion reserve	11,660,019	Capital	A,B,C	11,660,019
Reserve for employee stock option plans	2,781,820	Capital	-	-
FTA reserve	(6,669,789)	Capital	-	-
Employee benefit reserve	(71,174)	Capital	-	-
Operating result	(4,120,450)	Profits	-	-
Total Shareholders' equity	151,453,022			117,960,489

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

Categories of shares issued by the Company

The following table shows the number and nominal value of Company shares and any movements that occurred during the financial year.

Type	Initial number	Warrant conversion	Special shares conversion	Redeemable shares conversion	Final number
Ordinary Shares	18,821,353	1,738,772	300,000	1,200,000	22,060,125
Redeemable Shares	1,200,000	-	-	(1,200,000)	-
Multiple-voting Shares	3,500,000	-	-	-	3,500,000
Special Shares	50,000	-	(50,000)	-	-
Total	23,571,353	1,738,772	250,000	-	25,560,125

On 27 April 2021, under Article 6.4 (d)(ii) (C) and Article 5.2 of the Fine Foods Articles of Association, and Fine Foods N.T.M. S.p.A. Original Shareholder Warrants regulations (hereafter the "Regulations"), the conditions for the conversion of the fourth and final tranche of 50,000 special shares and the complete conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants have been fulfilled.

On 30 April 2021, 50,000 special shares were converted into a ratio of six ordinary shares for every single special share held. This means 300,000 new Fine Foods ordinary shares being issued without changing the share capital total amount.

The exercise of the Fine Foods N.T.M. S.p.A. Original Shareholder Warrants, under the Regulations, was automatically suspended until the ex-dividend date, i.e. 3 May 2021 (excluded), and the related capital increase started on 06 May 2021. The conversion of the 4,000,000 Fine Foods N.T.M. S.p.A. Original Shareholder Warrants resulted in the issue of 1,085,200 ordinary shares, resulting in a share capital increase of € 103,202.51.

30 June 2021 was the "Time Limit" for the Warrants exercise, under the "Fine Foods & Pharmaceuticals N.T.M. S.p.A. Warrant Regulations." By this deadline, requests for the exercise of 2,371,242 Warrants with an Exercise Ratio of 0.2713 had been received. The Company issued 643,303 ordinary shares to service this, for € 64,330.30, under the procedures set out in the Regulations.

In February 2021, 2,400 Listed warrants were converted into 206 ordinary shares, and in May 2021, 38,622 Listed Warrants were converted into 10,009 ordinary shares.

On 6 May 2021, 1,200,000 redeemable shares were converted into 1,200,000 ordinary shares based on Marco Francesco Eigenmann and Eigenfin S.r.l.'s request, holders of the same redeemable shares.

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 2021, the Company's bonds were € 6,633,052 compared to € 9,930,025 as of 31 December 2020. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Bonds payable - Non-current liabilities	3,322,876	6,632,483
Bonds payable - Current liabilities	3,310,176	3,297,542
Total bonds	6.633.052	9,930,025

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

The main features of bonds are described below:

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

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

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

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

4.3 Non-current bank borrowings

As of 31 December 2021, non-current bank borrowings were € 27,701,361 compared to € 9,060,857 as of 31 December 2020. This is detailed below:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Mediocredito mortgage loan	7,427,551	9,060,857
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	-
Total non-current bank borrowings	27,701,361	9,060,857

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

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

On 21 October 2021, the 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 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.

4.4 Current bank borrowings

As of 31 December 2021, current bank borrowings were € 61,776,176, compared to € 1,863,255 as of 31 December 2020, broken down as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Invoice advances	14,999,999	236,105
Loans and mortgages - amount due within 12 months	46,776,177	1,627,149
Total current bank borrowings	61,776,176	1,863,255

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 Other current financial liabilities

As of 31 December 2021, the Company's non-current financial liabilities were € 0 compared to € 10,997,144 as of 31 December 2020. This is detailed below.

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Listed warrants	-	4,796,344
Unlisted warrants	-	6,200,800
Total other non-current financial liabilities	-	10,997,144

The financial liability for listed and unlisted warrants was settled since 30 June 2021 following the complete conversion of these financial instruments into Company ordinary shares.

4.6 Employee benefits

As of 31 December 2021, the Employee benefits item was € 1,026,027 compared to € 1,062,790 as of 31 December 2020. This item refers exclusively to provisions set aside for severance indemnities.

(Amounts in Euro units)

Balance as of 01 January 2020	1,099,905
Provision Use	(62,478)
Discounting interest current year	7,982
Actuarial profits and losses current year	17,381
Balance as of 31 December 2020	1,062,790
Provision Use	(55,136)
Discounting interest current year	5,882
Actuarial profits and losses current year	12,491
Balance as of 31 December 2021	1,026,027

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:

	31/12/2021	31/12/2020
Annual discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Severance indemnity increase annual rate	2.813%	2.10%

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 2021	DBO as of 31 December 2020
Turnover rate +1%	1,017,761	1,052,729
Turnover rate -1%	1,035,252	1,074,056
Inflation rate +0.25%	1,040,891	1,079,655
Inflation rate -0.25%	1,011,451	1,046,268
Discount rate +0.25%	1,002,561	1,036,196
Discount rate -0.25%	1,050,375	1,090,429

<i>Service cost and duration</i>	2021	2020
Future annual service cost	-	-
Plan duration	10	10.8

<i>Estimated future disbursements - Years</i>	2021	2020
1	88,533	65,219
2	45,723	47,399
3	44,450	45,806
4	75,067	44,273
5	76,376	48,590

4.7 Trade payables

Trade payables as of 31 December 2021 were € 23,705,860, compared to € 22,722,377 as of 31 December 2020, broken down geographically as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Trade payables in ITALY	18,809,315	16,721,145
EEC trade payables	3,538,538	5,523,393
NON-EEC trade payables	1,358,008	477,839
Total trade payables	23,705,860	22,722,377

4.8 Taxes payable

Total taxes payable as of 31 December 2021 was € 0 compared to € 2,480,968 as of 31 December 2020, and is broken down as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Payables for IRES	-	2,345,854
Payables for IRAP	-	135,114
Total taxes payable	-	2,480,968

4.9 Other current liabilities

Total other current liabilities as of 31 December 2021 were € 5,911,326, compared to € 7,596,873 as of 31 December 2020, and are broken down as follows:

<i>(Amounts in Euro units)</i>	31/12/2021	31/12/2020
Payables due to pension and social security institutions	2,207,048	2,424,298
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	2,801,861	3,700,207
Payables for withholding taxes on employees	62,511	618,996
Payables for withholding taxes on self-employment	19,263	8,169
Substitute tax on severance indemnity	22,939	19,127
Accrued expenses and deferred income	383,960	152,067
Other payables	413,744	674,008
Total other current liabilities and payables	5,911,326	7,596,873

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, certain categories of employees and the Stock Grant plan approved on 14 December 2018, during 2021, the Company did not enter into any transactions with related parties that were under unusual market conditions.

(Amounts in Euro units)	31/12/2021
Directors' remuneration	1,271,884
Stock Grant	1,058,445

Remuneration paid to the Board of Statutory Auditors was € 60,539.

The statutory auditors' remuneration is shown below:

(Amounts in Euro units)	31/12/2021
Auditing Company remuneration for audit services	75,000
Auditing Company remuneration for audit services for certification purposes	100,710
Auditing Company remuneration for other services	328,976

5.5 Events after the Financial Statements date

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:

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

5.6 Business outlook

After collapsing in 2020 and rebounding in 2021, the global economy will face several unknowns in 2022. In 2022, global GDP will exceed \$ 100 trillion for the first time, two years earlier than expected. The global recovery continues but is crippled by the spread of Covid variants, protracted inflation, geopolitical tensions, bottlenecks within supply chains, and raw materials shortages. The current conflict between Russia and Ukraine will affect global economic growth and raw materials supply markets, primarily gas and oil.

According to economic forecasts, after a remarkable expansion of 5.3% in 2021, the EU economy will grow by 4% in 2022 and 2.8% in 2023. Growth in the Euro area will be around 4% in 2022 and then decline in 2023. A recovery accompanied by a jump in inflation that risks causing a recession in the coming years, mainly driven by rising energy prices. Inflation in the Euro area is expected to peak at 4.8% in the first quarter of 2022.

Although the pandemic impact on business has diminished over time, ongoing containment measures and protracted labour shortages could dampen the economy in 2022. This impact could hamper the functioning of supply chains for a longer time than expected. Conversely, weaker demand growth in the short term could help solve supply problems. Household demand could grow more than expected as the economy reopens, as occurred previously with the reopening of economies in 2020, along with investment and exports. For Italy, the forecasts indicate a GDP of more than 4% for 2022. For 2023, a GDP of 2.3% is estimated.

Despite the difficulties of the last part of 2021, due to the pandemic, the increase in energy costs and inflation, in the first quarter of 2022, the Italian economy could return to pre-crisis production levels. The government pointed out that, despite declining contagion, the pandemic is making the situation unstable. Geopolitical tensions in eastern Europe greatly exacerbate the risks to the growth and inflation outlook.

The Company's management expects 2022 sales to be 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.

In addition to the continuing increase in energy costs, the margins for the 2022 financial year could be influenced by possible shortages in the supply of materials, which strongly affected the end of 2021. This could result in production inefficiency.

The increase in raw material and packaging costs expected in 2022 could harm the Company's margins. However, negotiations with customers to revise the sales prices of finished products have started and will continue throughout the next financial year.

The economic situation could influence the strategic and commercial choices of some of the Company's customers with a negative knock-on effect in sales volumes.

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 2021 Financial Statements, which show a loss of € 4,120,450;
- to cover the loss for the year in full from the extraordinary reserve;
- to distribute a dividend of € 0.16 for each eligible share, using part of the extraordinary reserve.

Verdellino, 30 March 2022

for the Board of Directors

Chairman

Marco Francesco Eigenmann

Certification of the 31 December 2021 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 2021.

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, 30/03/2022

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 of 31 December 2021

**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**

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 2021, 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 of 31 December 2021, 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 matters:

Key Audit Matter	Audit Response
Valuation of Investments	
Investments in shareholdings amount to Euro 38,9 Million.	Our audit procedures in response to this key audit matter included, among others:
<p>The Boards of directors 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.</p> <p>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 Management, 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.</p> <p>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.</p> <p>The disclosures related to the valuation of investments is given in note 3.4 "investments", and "1.1 Extraordinary transactions" in the sections "1.8.19 Investments" and "1.11.2 Estimates and assumptions".</p>	<ul style="list-style-type: none"> • 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 2022-2024 Group business plan; • assessing discount and long-term growth rates. <p>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.</p> <p>Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.</p>

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 with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 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 with the provisions of the Delegated Regulation.

In our opinion, the financial statements 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 2021, 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 2021 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 2021 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 2022

EY S.p.A.

Signed by: Marco Malaguti, Auditor

As disclosed by the Directors on page 9, 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. 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.