

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

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



## **Interim Financial Report as of 30 September 2022**

14 November 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

#### Chairperson

Laura Soifer

#### Statutory Auditors

Luca Manzoni

Mario Tagliaferri

### Auditing Company

EY S.p.A.

### Manager responsible for preparing the Company's Financial Reports

Pietro Bassani

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

### Committees

#### Control and Risk Committee

Ada Imperadore

Susanna Pedretti

**Supervisory Body**

Cristiana Renna

Paolo Villa

Susanna Pedretti

**Remuneration Committee**

Ada Imperadore

Susanna Pedretti

**Related Party Committee**

Ada Imperadore

Susanna Pedretti

**Environmental, Social and Governance (ESG) Committee**

Ada Imperadore

Chiara Mediolì

Giorgio Ferraris

## Consolidated income statement

<i>(amounts in € units)</i>	<b>Nine Months 30 September 2022</b>	<b>Nine Months 30 September 2021</b>
<b>Revenues and income</b>		
Revenues from contracts with customers	152,816,103	144,857,681
Other revenues and income	326,276	211,990
<b>Total revenues</b>	<b>153,142,380</b>	<b>145,069,671</b>
<b>Operating costs</b>		
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	92,707,301	87,128,213
Personnel costs	28,249,926	25,077,300
Costs for services	19,121,884	14,016,014
Other operating costs	944,914	866,095
Amortisation, depreciation, and impairment losses	11,133,814	9,640,744
<b>Total operating costs</b>	<b>152,157,839</b>	<b>136,728,367</b>
Changes in fair value of financial assets and liabilities	(7,885,713)	(10,027,799)
Financial income	29,962	24,854
Financial charges	(4,695,584)	(513,262)
<b>Income before taxes</b>	<b>(11,566,794)</b>	<b>(2,174,903)</b>
Income taxes	322,460	713,607
<b>Profit/(loss) for the financial year</b>	<b>(11,889,254)</b>	<b>(2,888,510)</b>

## Consolidated comprehensive income statement

<i>(amounts in € units)</i>	<b>Nine Months 30 September 2022</b>	<b>Nine Months 30 September 2021</b>
<b>Profit /(loss) for the financial year (A)</b>	<b>(11,889,254)</b>	<b>(2,888,510)</b>
<b>Components that will not be subsequently reclassified to profit/(loss) for the financial year</b>		
Revaluation of net employee benefit liabilities/assets	324,505	37,620
Tax effect	(40,099)	(9,029)
<b>Other comprehensive income (B) components</b>	<b>284,406</b>	<b>28,591</b>
<b>Comprehensive profit/(loss) (A+B)</b>	<b>(11,604,848)</b>	<b>(2,859,918)</b>

## Consolidated statement of financial position

(amounts in € units)	30 September 2022	31 December 2021
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and machinery	104,103,223	102,886,510
Goodwill	15,907,954	15,907,954
Other intangible fixed assets	2,235,487	2,337,675
Rights of use	5,914,637	6,408,388
Other non-current assets	239,610	237,333
Deferred tax assets	3,058,831	3,482,100
<b>Total non-current assets</b>	<b>131,459,742</b>	<b>131,259,960</b>
<b>Current assets</b>		
Inventories	42,597,018	35,050,484
Trade receivables	38,906,311	29,433,391
Tax receivables	2,421,903	2,421,853
Other current assets	5,425,182	9,554,455
Current financial assets	66,401,641	77,971,110
Cash and other liquid assets	14,058,769	17,118,957
<b>Total current assets</b>	<b>169,810,825</b>	<b>171,550,251</b>
<b>Total assets</b>	<b>301,270,567</b>	<b>302,810,211</b>
<b>Shareholders' equity</b>		
Share Capital	22,770,445	22,770,445
Other reserves	126,509,806	132,615,098
Employee benefit reserve	213,395	(71,012)
FTA reserve	(6,669,789)	(6,669,789)
Profits carried forward	22,610	-
Profit/(loss) for the financial year	(11,889,254)	(1,426,751)
<b>Total Shareholders' Equity</b>	<b>130,957,212</b>	<b>147,217,991</b>
<b>Non-current liabilities</b>		
Bonds	3,332,679	3,322,876
Non-current bank borrowings	78,924,822	35,298,177
Employee benefits	2,553,678	3,010,691
Provisions for risks and charges	163,099	35,489
Provision for deferred taxes	1,060,981	1,081,159
Non-current lease payables	2,634,404	3,137,292
Other non-current financial liabilities	-	-
<b>Total non-current liabilities</b>	<b>88,669,663</b>	<b>45,885,684</b>
<b>Current liabilities</b>		
Bonds	3,319,532	3,310,176
Current bank borrowings	38,287,618	64,920,523
Trade payables	30,655,197	32,532,117
Taxes payable	-	5,536
Current lease payables	806,126	774,991
Other current financial liabilities	-	-
Other current liabilities	8,575,220	8,163,193
<b>Total current liabilities</b>	<b>81,643,692</b>	<b>109,706,536</b>
<b>Total Shareholders' equity and Liabilities</b>	<b>301,270,567</b>	<b>302,810,211</b>

## Consolidated cash flow statement

	Nine months 30 September 2022	Nine months 30 September 2021
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	<b>(11,889,254)</b>	<b>(2,888,510)</b>
<b>Adjustments to reconcile profit after tax with net cash flows:</b>		
Depreciation and impairment of property, plant and machinery	9,756,099	8,559,117
Amortisation and impairment of intangible fixed assets	643,726	659,294
Amortisation of rights of use	733,989	371,576
Other write-downs of fixed assets	-	14,155
Impairment of financial receivables	3,266,960	-
Financial income	(29,962)	(24,854)
Financial charges	1,385,843	499,428
Changes in fair value of financial assets and liabilities	7,885,713	10,027,799
Financial charges on financial liabilities for leases	42,781	13,834
Income taxes	(32,753)	357,665
Personnel costs for stock grants	-	793,833
Gains on the disposal of property, plant and machinery	(36,492)	(72,853)
Current assets write-downs	681,515	542,601
Net change in severance indemnity and pension funds	(154,123)	(109,339)
Net change in provisions for risks and charges	150,000	-
Net change in deferred tax assets and liabilities	362,992	355,942
Interest paid	-	(483,189)
Income taxes paid	-	(3,538,262)
<b>Changes in net working capital:</b>		
(Increase)/decrease in inventories	(8,075,510)	(7,006,852)
(Increase)/decrease in trade receivables	(9,696,571)	(9,093,958)
(Increase)/decrease in other non-financial assets and liabilities	4,563,141	(7,177,918)
Disposal of assets held for sale	-	495,000
Increase/(decrease) in trade payables	(1,802,758)	(3,799,739)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(3,621,712)</b>	<b>(8,616,719)</b>
<b>Investments:</b>		
Investments in tangible fixed assets	(11,092,500)	(6,983,087)
Disposal of tangible fixed assets	156,181	162,879
Investments in intangible fixed assets	(541,538)	(751,113)
Net (investments)/disposals in financial assets	416,796	4,151,576
Acquisition of Subsidiaries	-	(9,645,232)
<b>NET CASH FLOWS FROM INVESTMENTS</b>	<b>(11,061,062)</b>	<b>(13,064,978)</b>
<b>Financing:</b>		
New financing	72,650,407	31,621,332
Funding repayment	(55,637,508)	(302,129)
Principal payments - lease liabilities	(711,991)	(301,297)
Dividends paid to the parent company's shareholders	(3,866,869)	(3,205,727)
Share capital increase	-	168,560
Sale/(purchase) of treasury shares	(811,452)	(6,230,907)

<b>CASH FLOWS FROM FINANCING</b>	<b>11,622,588</b>	<b>21,749,833</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,060,186)</b>	<b>(2,820,374)</b>
Cash and short-term deposits as of 1 January	17,118,957	3,342,518
Cash and short-term deposits as of 30 September	14,058,769	522,145



## Consolidated Shareholders' equity changes

	Share Capital	Legal reserve	Negative reserve for treasury shares in the portfolio	Merger surplus reserve	Share premium reserve	Extraordinary reserve	Other reserves	FTA reserve	Employee benefit reserve	Profits/losses carried forward	Profit/loss for the financial year	Total Shareholders' equity
Balance as of 1 January 2022	22,770,445	5,000,000	(15,939,707)	29,741,389	86,743,750	19,556,720	7,512,947	(6,669,789)	(71,011)	-	(1,426,751)	147,217,991
Profit/(loss) for the financial year											(11,889,254)	(11,889,254)
Other income statement components	-	-	-	-	-	-	-	-	284,406			284,406
<b>Comprehensive profit/(loss)</b>	-	-	-	-	-	-	-	-	284,406	-	(11,889,254)	(11,604,848)
Dividends						(3,866,869)						(3,866,869)
IRS derivatives provision							22,390					22,390
Stock Grant			3,130,050				(3,130,050)					
Purchase of treasury shares			(811,452)									(811,452)
2021 profit allocation						(1,449,361)				22,610	1,426,751	-
Balance as of 30 September 2022	22,770,445	5,000,000	(13,621,109)	29,741,389	86,743,750	14,240,490	4,405,287	(6,669,789)	213,395	22,610	(11,889,254)	130,957,213

## Explanatory Notes

### Accounting Standards and consolidation

The Fine Foods Group's Interim Financial Report as of 30 September 2022 has been prepared under the Stock Exchange Regulations, which set the publication of the Interim Financial Reports as a requirement for maintaining a listing on the MTA - STAR segment.

The Interim Financial Report has been prepared under the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), recognised in the European Union under (EC) Regulation no. 1606/2002 applicable at the end of the period. The accounting standards and assessment criteria adopted to prepare the Interim Financial Report are consistent with those used in the 31 December 2021 Financial Statements to which reference is made.

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

- Income statement and balance sheet figures as of 30 September 2022 refer to the consolidation of the Fine Foods Group, which includes the parent company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.
- The comparative balance sheet as of 31 December 2021 relates to the consolidation of the Fine Foods Group, which includes the parent company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.  
The comparative income statement as of 30 September 2021 includes the values of the parent Company Fine Foods and the subsidiary Pharmatek but not the values of the subsidiary Euro Cosmetic, which was consolidated as of 1 October 2021.

The Interim Financial Report as of 30 September 2022 is not subject to auditing by the auditing company.

### Net Financial Position

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

<i>Thousands of Euro</i>	<b>30 September 2022</b>	<b>31 December 2021</b>
A. Liquid assets	14,059	17,119
B. Cash or cash equivalents	-	-
C. Other current financial assets	66,402	77,971
<b>D. Liquidity (A) + (B) + (C)</b>	<b>80,460</b>	<b>95,090</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	11,473	58,836
F. Current portion of non-current financial debt	30,941	10,169
<b>G. Current financial debt (E + F)</b>	<b>42,413</b>	<b>69,006</b>
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	5,767	5,709
- <i>not guaranteed</i>	36,646	63,297
<b>H. Net current financial debt (G - D)</b>	<b>(38,047)</b>	<b>(26,084)</b>

I. Non-current financial debt (excluding current portion and debt instruments)	81,559	38,435
J. Debt instruments	3,333	3,323
K. Trade payables and other non-current payables	-	-
<b>L. Non-current financial debt (I + J + K)</b>	<b>84,892</b>	<b>41,758</b>
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	14,078	15,387
- <i>not guaranteed</i>	70,814	26,371
<b>M. Total Financial Debt (H + L)</b>	<b>46,845</b>	<b>15,674</b>

As of 30 September 2022, current financial assets were € 66,401,641 (compared to € 77,971,110 as of 31 December 2021). This is detailed below:

<i>(Amounts in Euro units)</i>	<b>30 September 2022</b>	<b>31 December 2021</b>
Other securities	62,725,995	71,028,503
Directors' Severance Pay (TFM) receivables	208,671	208,671
Leakage receivable	3,466,976	6,733,936
<b>Total current financial assets</b>	<b>66,401,641</b>	<b>77,971,110</b>

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

- As of 31 December 2021, the portfolio Fair value was € 71,028,000.
- As of 30 September 2022, the negative change in Fair value was € 8,302,000 bringing the portfolio's total value to € 62,726,000.

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

The main leakage in the contract was due to:

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

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

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

In October 2022, Fine Foods received the Expert's Report on Fine Foods' Leakage Reimbursement Request against the former reference Euro Cosmetic's shareholders. Based on this Report, Fine Foods was granted a reimbursement of € 3,466,976 for purchase price adjustment - out of € 6,733,938 million originally requested. The Company has recorded € 3,266,960 write-down of receivables in financial charges.

The Expert did not deem this portion of the receivable admissible, even if, in their opinion, a Contract literal interpretation suggests that the Leakage reimbursement request should be entirely granted to the acquiring party. The Company will consider further action to recover the claim in its entirety.

## Reclassified Balance Sheet

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

<b>Working capital</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Inventories	42,597,018	35,050,484
Trade receivables	38,906,311	29,433,391
Other current assets	7,847,085	11,976,309
Trade payables	(30,655,197)	(32,532,117)
Other current liabilities	(8,575,220)	(8,168,729)
Provisions for risks and charges / deferred taxes	(1,224,080)	(1,116,648)
<b>Total working capital (A)</b>	<b>48,895,918</b>	<b>34,642,690</b>
<b>Fixed assets</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Tangible fixed assets	104,103,223	102,886,510
Intangible assets and rights of use	24,058,078	24,654,016
Other receivables and non-current assets	3,298,442	3,719,434
Employee severance indemnities and other provisions	(2,553,678)	(3,010,691)
<b>Total fixed assets (B)</b>	<b>128,906,065</b>	<b>128,249,269</b>
<b>Net Invested Capital (A) + (B)</b>	<b>177,801,983</b>	<b>162,891,959</b>
<b>Sources</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Shareholders' equity	130,957,212	147,217,991
Net financial debt	46,844,771	15,673,968
<b>Total Sources</b>	<b>177,801,983</b>	<b>162,891,959</b>

Net invested capital as of 30 September 2022 was € 177.8 million (€ 162.9 million as of 31 December 2021) and is covered by:

- Shareholders' equity of € 131 million (€ 147.2 million as of 31 December 2021): as of 30 September 2022, it was mainly impacted by the loss for the period and the dividend distribution.
- The Net Financial Position as of 30 September 2022 was € 46.8 million, with a negative change of € 31.2 million compared to the NFP of € 15.7 million as of 31 December 2021. The change was mainly due to the increase in Commercial Net Working

Capital, net CAPEX made in the period of about € 11.8 million, and the dividends distributed (€ 3.9 million) following the resolution to approve the Financial Statements for the year ended 31 December 2021.

The improvement in the NFP trend in the three quarters of the 2022 financial year, with absorption of € 17.3 million in Q1 2022, € 9.2 million in Q2 2022 (€5.3 million net of dividends) and € 4.7 million in Q3 2022 (€ 1.4 million net of the financial receivables write-down).

Working capital as of 30 September 2022 was € 48.9 million compared to € 34.6 million at the end of the previous financial year. This decline was generated by the increase in trade receivables (€ 9.5 million) and inventories (€ 7.5 million), which rose sharply due to the unavailability of raw and packaging materials. The "Other current assets" item improved (€ 4.1 million) due to the reduction of the VAT Receivable of € 4.4 million.

Tangible Fixed Assets, Intangible Fixed Assets and Rights to Use were €128.2 million as of 30 September 2022 compared to € 127.5 million as of 31 December 2021, increasing by € 0.6 million due to investments of approximately € 11.8 million and amortisation of approximately € 11.1 million.

Intangible fixed assets included Euro Cosmetic goodwill. This asset was recognised following the Purchase Price Allocation (PPA) arising from the acquisition in October 2021 and was final at the date of preparation of this Interim Financial Report. For further details, please refer to the 31 December 2021 Annual Financial Report, where the relevant information is specified.

## Reclassified Income Statement

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

Item	30 September 2022	%	30 September 2021	%	Absolute change	% Changes
Revenues from contracts with customers	152,816,103	100%	144,857,681	100%	7,958,423	5.5%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(92,707,301)	(60.7%)	(87,128,213)	(60.1%)	(5,579,088)	6.4%
<b>VALUE ADDED</b>	<b>60,108,802</b>	<b>39.3%</b>	<b>57,729,468</b>	<b>39.9%</b>	<b>2,379,334</b>	<b>4.1%</b>
Other revenues and income	326,276	0.2%	211,990	0.1%	114,286	53.9%
Costs for services	(19,121,884)	(12.5%)	(14,016,014)	(9.7%)	(5,105,870)	36.4%
Personnel costs	(28,249,926)	(18.5%)	(25,077,300)	(17.3%)	(3,172,626)	12.7%
Other operating costs	(944,914)	(0.6%)	(866,095)	(0.6%)	(78,818)	9.1%
<b>EBITDA</b>	<b>12,118,355</b>	<b>7.9%</b>	<b>17,982,048</b>	<b>12.4%</b>	<b>(5,863,693)</b>	<b>(32.6%)</b>
<b>ADJUSTED EBITDA</b>	<b>12,554,824</b>	<b>8.2%</b>	<b>18,833,723</b>	<b>13.0%</b>	<b>(6,278,899)</b>	<b>(33.3%)</b>
Amortisation, depreciation, and impairment losses	(11,133,814)	(7.3%)	(9,640,744)	(6.7%)	(1,493,070)	15.5%
<b>EBIT</b>	<b>984,541</b>	<b>0.6%</b>	<b>8,341,304</b>	<b>5.8%</b>	<b>(7,356,764)</b>	<b>(88.2%)</b>
<b>ADJUSTED EBIT</b>	<b>1,421,010</b>	<b>0.9%</b>	<b>9,192,979</b>	<b>6.3%</b>	<b>(7,771,969)</b>	<b>(84.5%)</b>
Financial income	29,962	0%	24,854	0%	5,108	20.5%
Financial charges	(4,695,584)	(3.1%)	(513,262)	(0.4%)	(4,182,322)	814.9%
Changes in fair value of financial assets and liabilities	(7,885,713)	(5.2%)	(10,027,799)	(6.9%)	2,142,087	(21.4%)
<b>INCOME BEFORE TAXES</b>	<b>(11,566,794)</b>	<b>(7.6%)</b>	<b>(2,174,903)</b>	<b>(1.5%)</b>	<b>(9,391,892)</b>	<b>431.8%</b>
<b>ADJUSTED INCOME BEFORE TAXES</b>	<b>(11,130,324)</b>	<b>(7.3%)</b>	<b>11,413,575</b>	<b>7.9%</b>	<b>(22,543,899)</b>	<b>N/A</b>
Income taxes	(322,460)	(0.2%)	(713,607)	(0.5%)	391,147	(54.8%)
<b>Profit (loss) for the financial year</b>	<b>(11,889,254)</b>	<b>(7.8%)</b>	<b>(2,888,510)</b>	<b>(2%)</b>	<b>(9,000,744)</b>	<b>311.6%</b>
<b>ADJUSTED income/(loss)</b>	<b>(11,574,559)</b>	<b>(7.6%)</b>	<b>7,405,518</b>	<b>5.1%</b>	<b>(18,980,077)</b>	<b>N/A</b>

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:

	30 September 2022	30 September 2021
<b>Revenues from contracts with customers</b>	152,816,103	144,857,681
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(92,707,301)	(87,128,213)
<b>Value Added</b>	<b>60,108,802</b>	<b>57,729,468</b>

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

	30 September 2022	30 September 2021
<b>Profit/(loss) for the financial year (1)</b>	<b>(11,889,254)</b>	<b>(2,888,510)</b>
Income taxes	(322,460)	(713,607)
<b>Income before taxes (2)</b>	<b>(11,566,794)</b>	<b>(2,174,903)</b>
Changes in fair value of financial assets and liabilities	7,885,713	10,027,799
Financial charges	4,695,584	513,262
Financial income	(29,962)	(24,854)
<b>EBIT (3)</b>	<b>984,541</b>	<b>8,341,304</b>
Amortisation	11,133,814	9,640,744
<b>EBITDA (4)</b>	<b>12,118,355</b>	<b>17,982,048</b>

Extraordinary and non-recurring items that have been adjusted during the period ended 30 September 2022 and 30 September 2021 are shown in the table below. For further details, please refer to what is reported below.

	30 September 2022	30 September 2021
Translating and M&A costs	-	851,675
Non-recurring income and charges attributable to Pharmatek	436,470	-
<b>Total non-recurring income and charges (5)</b>	<b>436,470</b>	<b>851,675</b>

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.

<b>ADJ EBITDA (4) + (5)</b>	<b>12,554,824</b>	<b>18,833,723</b>
<b>ADJ EBIT (3) + (5)</b>	<b>1,421,010</b>	<b>9,192,979</b>
<b>Income before taxes</b>	<b>(11,566,794)</b>	<b>(2,174,903)</b>

Change in FV Warrants (6)	-	12,736,802
Non-recurring income and charges (5)	436,470	851,675
<b>ADJ Income before taxes</b>	<b>(11,130,324)</b>	<b>11,413,574</b>
Income taxes	(322,460)	(713,607)
tax effect on non-recurring income and charges (5) * 27.9% + (6) * 24%	(121,775)	(3,294,450)
<b>ADJ income/(loss)</b>	<b>(11,574,559)</b>	<b>7,405,518</b>

Before commenting on the Group's economic performance, please note the consolidation for the period ending 30 September 2021 included the Parent Company Fine Foods and the subsidiary Pharmatek, while the consolidation for the period ending 30 September 2022 included the subsidiary Euro Cosmetic in addition to the companies mentioned above.

Revenues from sales and services increased from € 144.9<sup>1</sup> million as of 30 September 2021 to € 152.8 million as of 30 September 2022, with an increase of approximately 5%, despite the international economic and geopolitical situation. This growth was attributable to the acquisition of Euro Cosmetic in the last quarter of 2021 which resulted in revenues of € 19.1 million in the first nine months of 2022. The Pharma and Cosmetics BUs revenues offset the drop in turnover of the Food BU.

The Q3 2022 revenue trend (€ 52.2 million) increased compared to the previous quarters as follows: € 49.8 million in Q2 2022 and € 50.8 million in Q1 2022. The Parent Company Q3 22 revenues (€ 43.8 million) were higher than the previous three quarters.

(Amounts in Euro units)	30 September 2022	30 September 2021
Business Unit – Food	86,351,332	107,221,573
Business Unit – Pharma	40,005,225	28,840,136
Business Unit – Cosmetics	26,459,546	8,795,972
<b>Total Revenues from contracts with customers</b>	<b>152,816,103</b>	<b>144,857,681</b>

Food Business Unit revenues in the first nine months of 2022 were €86.4 million compared to €107.2 million in the previous period (-19% up from -23% in Q1 2022). This result was mainly attributable to a production decrease in markets affected by the Russian-Ukrainian conflict and a slowdown in our customers' activities in the Multilevel Marketing sector. They saw a sales drop following the recovery of the post-Covid economy.

The Pharma Business Unit confirmed its turnover increase, reaching € 40 million in 9M 2022. This represented a growth of 39% compared to the same period of the previous year. Pharma BU revenues in 9M 2022 exceeded FY 2021 revenues.

The contribution of the Cosmetics Business Unit in 9M 2022 was € 26.5 million. Considering that Pharmatek was acquired in January 2021 and Euro Cosmetic in October 2021, a year-on-year comparison was not shown. However, comparing the Cosmetics BU revenues in 9M 2022 to the aggregate figure of the two stand-alone companies in the same period of 2021 there was an increase of 8.5% due to the progressive organisational, production and commercial integration of the two companies.

Cost for Services increased between 9M 2022 and 9M 2021 by € 5.1 million, mainly for Utilities expenses (+ € 4.0 million; incidence on turnover from 1% to 3.5%).

Personnel Costs were € 28.2 million, with an increase of € 3.2 million compared to the same period in FY 2021, attributable to the first-time consolidation of Euro Cosmetic.

The gross operating result or EBITDA (€ 12,118,355 as of 30 September 2022; Ebitda Margin at approximately 8%) was negatively affected by the economic situation. This resulted in production chain inefficiencies (primarily related to procurement and price increase of raw materials) and a significant increase in energy costs (which impacted the EBITDA margin reduction by approximately 2.5%).

To cope with the economic situation, the Group adopted a policy of recharging increased raw and packaging material costs and increased energy costs to customers. Supply chain difficulties and production downtime were reduced thanks to our inventories

<sup>1</sup>The Group reclassified the revenues from services provided to customers from "other revenues" to "revenues", as the latter meet the requirements to be reported under "revenues from customer contracts." The comparative figures have been restated accordingly. Revenues from customer contracts as of 30 September 2021 are currently € 144.9 million compared to € 143.4 million presented before according to the Interim Financial Report on 30 September 2021. This did not effect the Income Statement subtotal Total revenue or other Income Statement items. The percentages for the 30 September 2021 figures reported in this document have been recalculated based on the new value of customer contract revenues of € 144.9 million.



management policy. The company continued optimising energy costs using co-generators, installing photovoltaic systems, and purchasing part of the energy requirements with forward contracts.

The operating result or EBIT (€ 540,105 as of 30 June 2022) decreased mainly due to the EBITDA decrease and the increase in depreciation and amortisation for the period.

The result in 9M 2022 was € -11.9 million compared to € -2.9 million in the same period of 2021. The result for both periods was negatively impacted by changes in the fair value of financial assets and liabilities, which details were provided below:

<i>(Amounts in Euro units)</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
Change in fair value of other securities	(7,885,713)	2,709,003
Change in fair value of warrants	-	(12,736,802)
<b>Total changes in Fair Value of financial assets and liabilities</b>	<b>(7,885,713)</b>	<b>(10,027,799)</b>

In 9M 2022, a negative fair value change of € 7.9 million emerged from the Parent Company's asset securities management (compared to a positive effect of € 2.7 million in 9M 2021). Despite the negative fair value of the securities management, the overall management showed a positive performance of about € 3.9 million as of 30 September 2022.

The € 3.3 million write-down of the leakage receivable significantly impacted the first nine months of 2022, and was recorded in financial charges, following the receipt of the Expert's Report, as described above

The loss for the first nine months of 2021 was attributable to the accounting effects generated by the change in fair value of listed and unlisted warrants (€ -12.7 million) held by the Parent Company that have been fully converted into shares.

During 9M 2021, a portion of non-recurring charges of € 852,000, relating to the Company translisting to the STAR segment, was incurred.

Non-recurring charges attributable to Pharmatek were incurred in 9M 2022. These included the hailstorm in May and the termination of a company manager for € 436,000.

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

Adjusted EBITDA was € 12.6 million, down from € 18.8 million in the same period of the previous financial year. The revenue percentage decreased from 13% as of 30 September 2021 to 8.2% as of 30 September 2022. The Adjusted EBITDA Margin comparison over the last four quarters showed a 4.7% in Q4 2021, a 7.8% in Q1 2022, an 8.9% in Q2 2022 and an 8% in Q3 2022. This quarter was marked by further significant increases in energy costs. Excluding the above increases, Adjusted EBITDA Margin was 12% in Q3 2022 and 10.8% in 9M 2022. These values were closer to Fine Foods' historical margin trends.

The Adjusted Income Before Taxes as of 30 September 2021 was presented net of the change in fair value of listed and unlisted warrants, for a total of € 12.7 million. Adjusted Net Income for the first nine months of 2021, of € 7.4 million, was changed in this Interim Financial Report, and the 30 June 2022 Half-Year Financial Report compared to € 10.5 million in the 30 September 2021 Interim Financial Report to incorporate the taxation on the change in the fair value of the warrants specified in the reply to the question ("interpello") submitted by the Parent Company to the Inland Revenue Agency, received at the end of 2021.

## Events following the end of the period

By a 13 October 2022 resolution, the Shareholders' Meetings approved the planned Merger by incorporation of "PHARMATEK PMC S.R.L." with a Sole Shareholder into "EURO COSMETIC S.P.A". The proposed merger will be implemented using a simplified procedure under Art. 2505 of the Italian Civil Code. The merger's civil legal effects will run from the date on which the last merger deed registration is made in the Companies' Register or from the date specified in the merger deed (by the end of December 2022). Transactions carried out by PHARMATEK PMC S.R.L. will be recorded in the Financial Statements of the merging company as of 1 January 2023, along with the merger tax effects.



## **Business outlook**

Due to the results achieved in 9M 2022, we confirm what was stated in the Half-Year Financial Report, i.e. the Group expects to meet the challenges of the current and future years and return to historical growth.

The Group will develop the business along the three main lines - Pharma, Food and Cosmetics - by strengthening R&D, marketing and sales activities and implementing continuous improvement projects.

Due to synergies with the Parent Company, the development and integration activities of the acquired companies continue to generate future business opportunities in the cosmetics sector. Fine Foods will seize any opportunities for growth through external lines.

In addition to the policies for the management of inventories and for recharging the cost of raw and packaging materials, and incremental energy costs to customers, the Group has installed two photovoltaic systems at its Trezzano (BS) and Brembate (BG) sites. These will bring energy efficiencies in the last period of 2022, and positive environmental effects, which will be consolidated in FY2023.

The Parent Company applied for recognition by the relevant authorities of the 'White Certificates' resulting from the activation of the two co-generators.

Fine Foods' sustainability programme is continuing and obtained the Platinum Sustainability Rating from Ecovadis. This is an increasingly competitive factor in a world oriented toward developing and implementing sustainable practices which create wealth while reducing the environmental impact.

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

Under paragraph 2 of Article 154-bis of Legislative Decree no. 58/1998 (Consolidated Law on Financial Intermediation), the Manager in charge of preparing the company's financial reports, Pietro Bassani, certifies that the accounting information contained in the Interim Financial Report as of 30 September 2022 of Fine Foods & Pharmaceuticals N.T.M. S.p.A. reflects the accounting documents, books and records.

Verdellino-Zingonia, 14 November 2022

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