

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



Half-year Financial Report as of 30 June 2023

13 September 2023 Board of Directors

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CORPORATE POSITIONS

Board of Directors

Chairman and CEO

Marco Francesco Eigenmann

CEO

Giorgio Ferraris

Directors

Ada Imperadore

Adriano Pala Ciurlo

Chiara Medioli

Marco Costaguta

Susanna Pedretti

Board of Statutory Auditors

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 Medioli

Giorgio Ferraris

Half-year Report on Operations

Report on Operations: Summary

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Directors' Half-year Report

Introduction

The 30 June 2023 condensed consolidated interim 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 period. All of the above standards and interpretations are referred to as "IAS/IFRS".

The 30 June 2023 condensed consolidated interim Financial Statements have been prepared under IAS 34 Interim Financial Reporting. The scope of consolidation as of 30 June 2023 includes the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A., and the subsidiary Euro Cosmetic S.p.A.. On 27 December 2022, the merger deed of Pharmatek PMC S.r.l. into Euro Cosmetic S.p.A. was signed. The merger produced its legal, accounting, and tax effects as of 1 January 2023.

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

- Income statement and balance sheet figures as of 30 June 2023 refer to the consolidation of the Fine Foods Group, which includes the Parent Company Fine Foods and the subsidiary Euro Cosmetic S.p.A..
- The comparative balance sheet as of 31 December 2022 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 June 2022 includes the values of the Parent Company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.

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

Fine Foods develops and manufactures drugs, food supplements and other nutraceutical products and medical devices for pharmaceutical and nutraceutical companies. These products are in the form of powders, soluble, effervescent and chewable granules, filmed and effervescent tablets and hard gelatine capsules, and in various types of packaging: sachets, sticks, pillboxes, jars, blisters, tubes and strips. The fact we operate in the pharmaceutical and nutraceutical sectors allows us to benefit from commercial synergies, knowledge and technologies developed in both markets.



The **pharmaceutical** production is carried out at the Company's 26,100 sqm Brembate plant. In the 2016-2019 period, € 15.2 million worth of investments were made to expand this plant. This expansion was completed in the 2019 financial year. During the 2020 financial year, a € 3.8 million further development was carried out, bringing the total covered square metres to 14,200 sqm. The Brembate pharmaceutical plant has the authorisation to produce pharmaceuticals and European GMP certification, both issued by the Italian Medicines Agency (AIFA, Agenzia Italiana del Farmaco), and occupational and environmental safety approval.

The following images show the Brembate plant from above.



The production of **nutraceuticals** is carried out at the Company's 45,600 sqm plant in Zingonia, Verdellino. In the 2016-2019 period, € 19.7 million worth of investments were made to expand this plant, and these were completed in 2019. The Zingonia - Verdellino plant produces nutraceutical products under HACCP (Hazard Analysis and Critical Control Points) regulations and GMP (Good Manufacturing Practices) applicable to food supplements. The Company has obtained authorisation from the Italian 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 N.T.M. S.p.A. has a series of certifications.

- UNI EN ISO 9001: standard defining quality management system requirements. Scope: research, development and production of food supplements, food for special groups, pharmaceuticals for third parties.
- UNI EN ISO 14001: standard defining environmental protection management system requirements. Scope: research, development and production of food supplements, food for special groups, pharmaceuticals for third parties through the following processes: reception and storage of raw materials and packaging materials, grinding, mixing, granulation, screening, compressing, dedusting, filming, capsuling; packaging in bags, blisters, bottles, jars and tubes; storage and shipment of finished products.

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

Verdellino-Zingonia plant:

- UNI EN ISO 13485: standard defining the regulatory requirements of a quality management system to produce medical devices. Scope: contract designing and manufacturing of invasive medical devices concerning body orifices for gastrointestinal and oral use on injured mucosa.
- FSSC 22000: is a certification scheme based on the ISO 22000 standard, which defines a food safety management system, integrated with the ISO/TS 22002-1 technical standard and FSSC 22000 additional requirements. Scope: contract manufacturing of food supplements and foods for special groups, in powder, granules, tablets and capsules. Plastic and polylaminated 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 quinquagesdecies and smuggling referred to in Article 25 sexagesdecies in Legislative Decree no. 231/2001. This updating included risk control for the offences referred to in the previous articles and a risk assessment review. During H1 2023, Fine Foods' Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. They based their findings on the evidence of the assigned activities performance and deemed the control system correct and generally supplemented by a constant procedure updating process. This applied even during the Covid emergency.

The **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.

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

- compliance with GMPc requirements (UNI EN ISO 22716);
- compliance with UNI EN ISO 9001 requirements - Ed. 2015;
- compliance with the requirements for the production of medical-surgical aids (Executive Decree n. 24/2020);
- compliance with the requirements agreed with customers in the Technical Specifications and Quality Agreements;
- compliance with IFS – HCP requirements;
- compliance with COSMOS Natural & Organic requirements;
- compliance with ECO BIO COSMESI requirements;
- compliance with ECO CERT- ORGANIC AND NATURAL COSMETICS requirements;
- RSPO SCCS (Roundtable on Sustainable Palm Oil – Supply Chain Certification Standard).



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



Fine Foods Group does not have trademarks or hold any product patent rights. These remain the customer's property. However, the Group has relationships with approximately 170 highly loyal customers, including major Italian and multinational pharmaceutical, nutraceutical and cosmetics companies including Amway, Alfasigma, Angelini, Aurobindo, Bolton, Chiesi, Colgate, Coop, Davines, DOC, Dompè, EG-Stada, Equilibra, Giuliani, Herbalife, IBSA, Krka, Menarini, Mirato, Novartis, Paglieri, Pharmanutra, Recordati, Sanofi, Teva, Uriach, Vemedia, Viatris, Zentiva.

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 59.2% of revenue from customer contracts was recorded in H1 2023.

The diagram below shows the data for the European food supplements market in 2019-2025, in terms of value.

FOOD – DIETARY SUPPLEMENT (€BN)



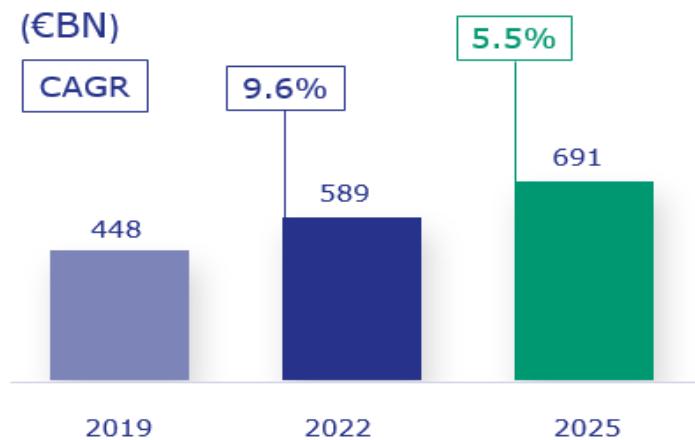
Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2023, Health and Wellness 2022, Beauty and Personal Care 2022, Home Care 2022, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Surface Care, Adult Mouth Care

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 € 17.2 billion 2022 to € 20.3 billion in 2025, with a CAGR '22-'25 of 5.7%. As of 30 June 2023, revenues from customer contracts generated by the Group's Nutraceutical Business Unit were € 75,405,422, up sharply from € 56,766,705 as of 30 June 2022.

The Pharmaceutical market is the Group's second-largest market, where 27.3% of revenue from customer contracts was recorded in H1 2023. As of 30 June 2023, the Company recorded revenues of € 34,840,185 in the Pharma Business Unit, **with an increase from € 25,825,493** at the end of the same period in 2022.

The diagram below shows this market trend and the forecast for the European pharmaceutical production value. A CAGR '22-'25 of 5.5% was recorded for the relevant period.

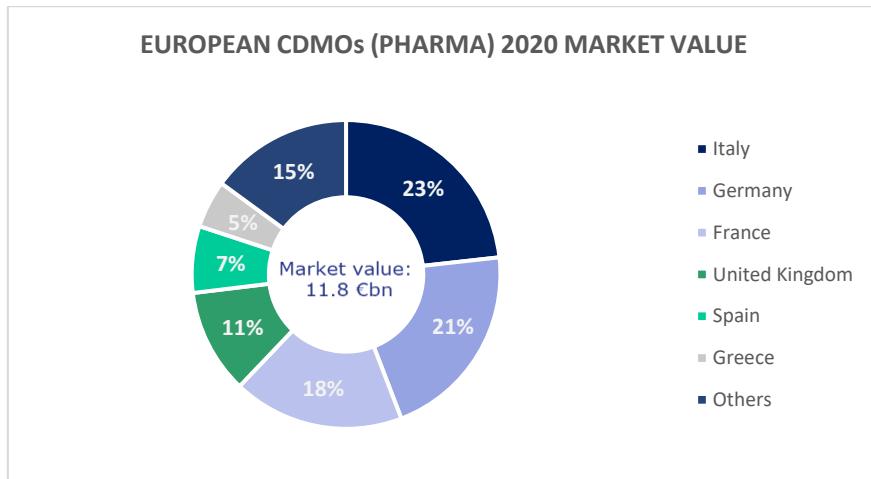
PHARMA



Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2023, Health and Wellness 2022, Beauty and Personal Care 2022, Home Care 2022, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Surface Care, Adult Mouth Care

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

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

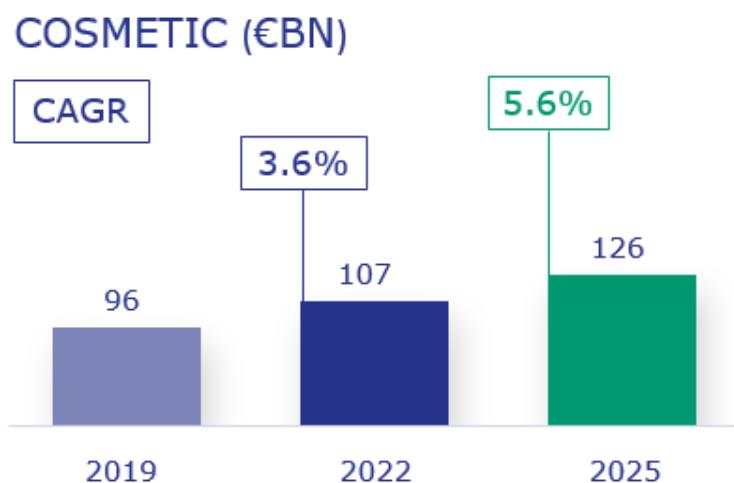


Source: Prometeia – Farmindustria 2022

The Group's third-largest market is where the subsidiary Euro Cosmetic operates, where 13.5% of revenues from contracts with customers in H1 2023 were recorded, amounting to € 17,214,911.

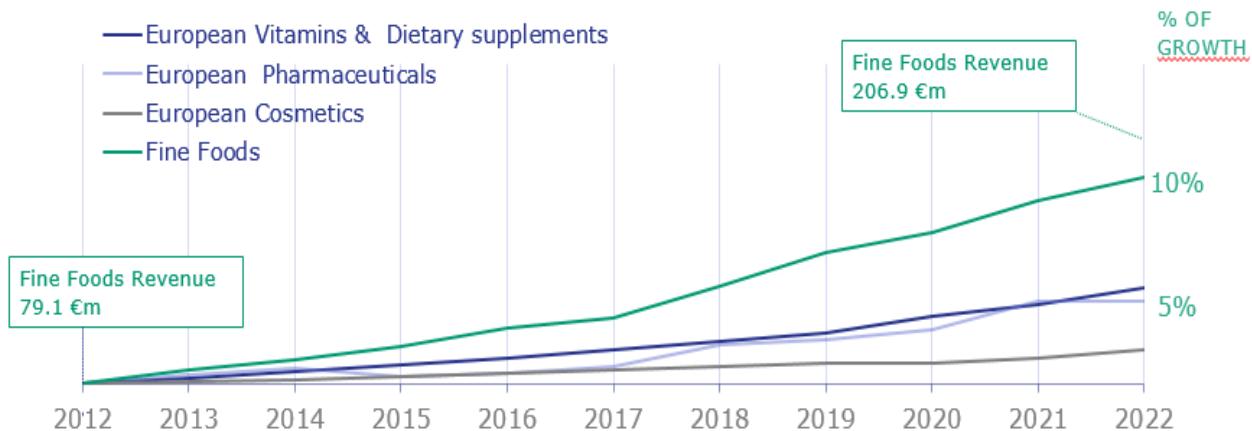
These figures aggregate the values of the following categories: "Cosmetics" refers to the aggregation of Euromonitor's "Bath and Shower", "Deodorants", "Hair Care" and "Skin Care" categories. "Biocides" refers to the aggregation of the Euromonitor's "Oral Care", "Dermatologicals", "Surface Care" and "Adult Mouth Care" categories.

The diagram below shows the European trend and forecast for this market, in terms of value. The European cosmetics and biocides market is expected to accelerate its growth in the coming years. A CAGR '22-'25 of 5.6% was recorded for the relevant period.



Source: Euromonitor International, Industrial, Pharmaceuticals 2022, data in Production MSP; Consumer Health 2023, Health and Wellness 2022, Beauty and Personal Care 2022, Home Care 2022, data in Retail Value RSP, EUR Fixed Ex Rates, Current Prices; Cosmetics as per aggregation of Euromonitor's Bath and Shower, Deodorants, Hair Care, Skin Care, Fragrances and Sun Care; Biocides as per aggregation of Euromonitor's Oral Care, Dermatologicals, Surface Care, Adult Mouth Care

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



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

Management Performance

Despite the international economic and geopolitical environment, the first half of 2023 closed with a growth compared to the first half of 2022.

The consolidation for the six-months ended 30 June 2022 included the parent company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic, while the consolidation for the six-months ended 30 June 2023, included the parent company Fine Foods, the subsidiary Euro Cosmetic, which incorporated Pharmatek on 1 January 2023.

Economic indicators for the year (In thousands of Euro)	30/06/2023	30/06/2022
Revenues	127,461	100,580
EBITDA	12,617	7,838
Operating profit (EBIT)	448	540
Profit/(loss) for the period	(1,663)	(6,036)

The above table provides an initial outline of the Group's economic performance as of 30 June 2023. Revenues increased compared to the previous six months and reached € 127.5 million (+26.7%), despite the international economic and geopolitical situation.

The gross operating result or EBITDA, of € 12.6 million as of 30 June 2023, showed a significant growth of 61% compared to the half-year of 2022.

The EBITDA Margin increased from 7.8% to 9.9%.

The operating result or EBIT, of € 0.4 million as of 30 June 2023, showed a decrease mainly generated by the Pharmatek CGU's goodwill impairment of € 4.4 million due to the impairment test performed by the directors as detailed below. Without the above, the operating result would have been € 4.8 million. This impairment was part of the broader reorganisation of the Cosmetic Business Unit, which included the disposal of some non-strategic business lines.

The impairment impacted the result for the period, which recorded a loss of € 1.7 million. Net of this impairment, the result would have been a positive € 2.7 million.

The result for both periods was also impacted by changes in the Fair Value of financial assets. In H1 2023, the Parent Company's asset securities management showed a positive change in Fair Value of € 1.7 million. The trend contrasted the corresponding period of the previous year (negative change in Fair Value of € 5.8 million). As of 30 June 2023, the Company closed its position with the primary Credit Institution which was entrusted with the management service for its investment portfolio in January 2019. The overall portfolio management, from the opening to closure, was positive for € 5.7 million.

Fine Foods economic performance

The 30 June 2023 revenues of the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. of € 110.2 million, compared to € 82.6 million in the previous year, increased by 33.5%.

Revenues of the Food Business Unit in H1 2023 were € 75.4 million with a growth of 32.8% compared to € 56.8 million in the previous half-year.

The Pharma Business Unit continued its recovery, bringing turnover to € 34.8 million and recording a growth of 34.9% in the first half of 2023 compared to the same period of the previous year.

The company's gross operating result or EBITDA increased compared to H1 2022 and amounted to € 12.2 million, compared to € 7.1 million (+71.5%). The Ebitda Margin as of 30 June 2023 was 11.1%, up sharply from 8.6% in H1 2022. The Fine Foods & Pharmaceuticals Financial Statements as of 30 June 2023 closed with a profit of € 3.9 million.

Euro Cosmetic economic performance

In the first half of 2023, Euro Cosmetic S.p.A. recorded a slight decrease in turnover from €18 million as of 30 June 2022 to € 17.2 million as of 30 June 2023 on a like-for-like basis. This decrease was also generated by the disposal of some non-strategic business lines (E-CIG and part of medical-surgical aids).

EBITDA was € 0.4 million. The Euro Cosmetic S.p.A. Financial Statements as of 30 June 2023 closed with a loss of € 1.2 million.

Business outlook

The global economy is recovering after the difficult period generated by the Covid-19 pandemic and the recent geopolitical events. However, global economic activity is impacted by high inflation and restrictive financing conditions. During 2022, global GDP trends slowed considerably, although many of the factors that had a negative impact are fading. The decline in energy prices and overall inflation, the easing of bottlenecks in supply chains and simultaneous reopening of the Chinese economy are contributing to an overall improvement in the global socio-economic situation.

This is reflected positively in the OECD's published growth estimates, which predict a weak recovery compared to past standards. According to the OECD Economic Outlook of last June, global growth is expected to be 2.7% in 2023, with a slight increase to 2.9% in 2024, below the average growth rate in the decade before the Covid-19 pandemic.

The Eurozone economy continued to show remarkable resilience in a difficult environment, due to the Russia's invasion of Ukraine. The EU successfully reduced its dependence on Russian fossil fuels, contained the negative impact on the economy and entered 2023 with better-than-expected values. GDP growth rebounded from the stagnation experienced at the end of 2022, and is set to strengthen during 2023, due to significantly lower wholesale gas prices and continued resilience in the labour market. However, high inflation continues to affect household purchasing power, particularly among the most vulnerable, leading to higher poverty risks and weighing on European competitiveness. Energy prices remain significantly higher than in the rest of the world. The external environment is enacting increasing geostrategic protectionism, underlining the need to safeguard the EU economy competitiveness and autonomous strategic openness. The last months' estimates (May 2023) show a growth of 1% for the European economy in 2023 (+0.8% compared to previous forecasts) and 1.7% in 2024 (previously +1.6%).

Italian GDP growth is expected to slow from 3.8% in 2022 to 1.2% in 2023 and 1% in 2024, as high inflation is eroding real incomes, according to the Economic Outlook published last June. Given the restrained wage growth, financial conditions are tightening and the exceptional fiscal support linked to the energy crisis is gradually disappearing, weighing on private consumption and investment. The substantial savings accumulated by households could support a faster rebound in domestic demand than expected. The June report prepared by Confindustria showed a second quarter 2023 moderately growing, driven by services, while industry showed resilience. As expected, inflation is persistent, interest rates are rising and loans are falling. There are signs in both directions for consumption, while investment is growing slightly.

OECD forecasts for the US showed that after +2.1% last year, GDP could grow by 1.6% in 2023 and 1% in 2024.

In 2023, China's economic growth will reach 5.4% after 3% in 2022, settling at 5.1% in 2024. Lifting the zero-Covid restrictions unlocked pent-up domestic demand for services, boosting revenues in service sectors, which were hard hit by closures, such as tourism or entertainment. Export growth will be mitigated by weak global demand. The impact of consumer price inflation will remain contained due to a moderate recovery in domestic demand.

The energy cost, although lower than in the previous period, remains significantly higher than historical trends.

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

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

The Pharma BU is expected to significantly grow due to the key multi-year agreements signed with important international customers that will require a production plant expansion.

The integration and optimisation of processes will continue for the Cosmetic BU. Investments for the Trenzano site production capacity expansion are nearing completion. Efficiency is expected to improve when fully operational and customer demand response ability is expected to increase. The Cremosano plant was permanently closed and production transferred to Trenzano.

The second quarter showed a decrease in margin compared to the first quarter which was mainly attributable to the Cosmetic BU reorganisation activities. Despite this, management remains reasonably confident of the margin improvement trend, in view of the results achieved in the period after the end of the half-year.

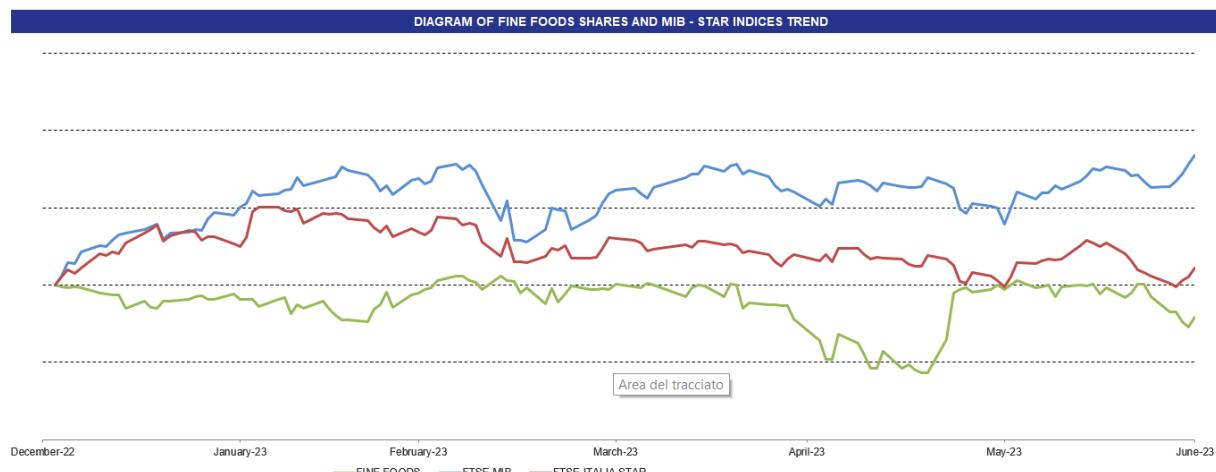
The Group believes in a fair and sustainable future, creating long-term value for the benefit of its stakeholders and contributing to the development and well-being of the communities in which it operates. Fine Foods has been a benefit corporation since April 2021. ESG issues for Fine Foods are a structured set of activities and the Group intends to continue its sustainability programme in the future.

Fine Foods & Pharmaceuticals N.T.M. S.p.a. Share trend

As of 30 June 2023, the Fine Foods & Pharmaceuticals N.T.M. S.p.A. share was listed at € 8 per share, with a decrease of 4.1 percentage points than the listing as of 30 December 2022 (€ 8.34 per share).

Market capitalisation as of 30 June 2023 was € 204.5 million.

The diagram below shows the Fine Foods share performance compared with the leading stock market indices as of 30 June 2023:



The table below shows the main share and stock market data as of 30 June 2023.

Share and stock market data	as of 30 June 2023
First listing price (02/01/2023)	8.35
Maximum listing price	8.45
Minimum listing price	7.40
Last listing price (30/06/2023)	8.00
No. of listed outstanding shares	22,060,125
No. of unlisted outstanding shares	3,500,000
Total capitalisation	€ 204.5 million

Balance sheet and financial position

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

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

Thousands of Euro	30/06/2023	31/12/2022
A. Liquid assets	49,243	10,232
B. Cash or cash equivalents	-	-

C. Other current financial assets	3,845	66,513
D. Liquidity (A) + (B) + (C)	53,088	76,745
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	18,914	10,821
F. Current portion of non-current financial debt	20,667	29,744
G. Current financial debt (E + F)	39,581	40,565
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	5,746	5,908
- <i>not guaranteed</i>	33,835	34,657
H. Net current financial debt (G - D)	(13,507)	(36,180)
I. Non-current financial debt (excluding current portion and debt instruments)	71,351	79,796
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	71,351	79,796
- <i>guaranteed</i>	-	-
- <i>secured by collateral</i>	8,444	9,654
- <i>not guaranteed</i>	62,907	70,142
M. Total Financial Debt (H + L)	57,844	43,616

Working capital	30/06/2023	31/12/2022
Inventories	51,283,098	40,422,499
Trade receivables	48,824,877	39,347,321
Other current assets	8,124,484	8,158,442
Trade payables	(38,121,073)	(33,450,468)
Other current liabilities	(11,152,511)	(10,018,421)
Provisions for risks and charges / deferred taxes	(285,061)	(281,658)
Total working capital (A)	58,673,814	44,177,716
Fixed assets	30/06/2023	31/12/2022
Tangible fixed assets	105,763,602	104,162,050
Intangible assets and rights of use	17,103,438	22,851,617
Other receivables and non-current assets	7,678,478	8,133,533
Employee severance indemnities and other provisions	(2,311,693)	(2,419,013)
Total fixed assets (B)	128,233,825	132,728,186
Net Invested Capital (A) + (B)	186,907,639	176,905,903
Sources	30/06/2023	31/12/2022
Shareholders' equity	129,063,976	133,289,763
Net financial debt	57,843,663	43,616,140

Total Sources	186,907,639	176,905,903
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Net invested capital as of 30 June 2023 was € 187 million (€ 177 million as of 31 December 2022) and was covered by:

- Shareholders' equity of € 129.1 million (€ 133.3 million as of 31 December 2022);
- The Group's Net Financial Position as of 30 June 2023 was € 57.8 million, with a negative change of € 14.2 million compared to the NFP of € 43.6 million as of 31 December 2022. The change was mainly due to the increase in Commercial Net Working Capital (15.7 million), change in net CAPEX made in the period (of about € 8 million), and the dividends distributed in H1 2022 (€ 2.5 million) following the resolution to approve the Financial Statements for the year ended 31 December 2022. The amount deriving from the disposal of the securities portfolio held by the Parent Company was reclassified from "Other current financial assets" to "Cash and cash equivalents" as of the reporting date.

Working capital as of 30 June 2023 was € 58.7 million compared to € 44.2 million at the end of the previous financial year. The Commercial Net Working Capital, of € 62 million (compared to € 46.3 million as of 31 December 2022), changed as follows: increase in trade receivables (€ 9.5 million) and in inventories (€ 10.9 million), partially offset by the increase in trade payables (€ 4.7 million).

Tangible Fixed Assets increased by approximately € 1.6 million in H1 2023, due to net investments of € 8 million and depreciation for the period of € 6.4 million.

Intangible fixed assets and rights of use were € 17.1 million as of 30 June 2023 (€ 22.8 million at the end of FY 2022). This decrease was mainly due to the Pharmatek's goodwill impairment of € 4.4 million.

Financial indicators

A factor of 180 days was used for DSO, DPO and DIO indices calculation for the first half of 2023.

Indicator	30/06/2023	31/12/2022	Calculation Method
Capital structure margin	6,196,936	6,276,096	Shareholders' equity - Property, plant and machinery - Other intangible assets - Rights of use
Asset ratio	1.1	1.0	Shareholders' equity/(Property, plant and machinery - Other intangible assets - Rights of use)
Liquidity margin	21,182,847	40,216,748	Total current assets - Inventories - Total current liabilities
Current ratio	1.2	1.5	(Total current assets - Inventories)/Total current liabilities
DSO	69	69	31/12/2022 (Trade receivables/Sales revenues)*365 30/06/2023 (Trade receivables/Sales revenues)*180
DPO	87	95	31/12/2022 (Trade payables/Raw material purchase cost)*365 30/06/2023 (Trade payables/Raw material purchase cost)*180
DIO	117	115	31/12/2022 (Inventories/Raw material purchase cost)*365 30/06/2023 (Inventories/Raw material purchase cost)*180

Financial situation

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

Income Statement

Item	30/06/2023	%	30/06/2022	%	Absolute change	% Changes
Revenues from contracts with customers	127,460,518	100%	100,579,641	100%	26,880,878	26.7%
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	(79,184,580)	(62.1%)	(60,551,439)	(60.2%)	(18,633,141)	30.8%
VALUE ADDED	48,275,938	37.9%	40,028,201	39.8%	8,247,737	20.6%
Other revenues and income	1,108,891	0.9%	232,668	0.2%	876,222	376.6%
Costs for services	(13,212,226)	(10.4%)	(12,067,688)	(12.0%)	(1,144,538)	9.5%
Personnel costs	(22,571,196)	(17.7%)	(19,629,655)	(19.5%)	(2,941,541)	15.0%
Other operating costs	(984,846)	(0.8%)	(725,352)	(0.7%)	(259,493)	35.8%
EBITDA	12,616,561	9.9%	7,838,174	7.8%	4,778,387	61.0%
ADJUSTED EBITDA	12,616,561	9.9%	8,384,988	8.3%	4,231,572	50.5%
Amortisation, depreciation, and impairment losses	(12,168,816)	(9.5%)	(7,298,070)	(7.3%)	(4,870,746)	66.7%
EBIT	447,745	0.4%	540,104	0.5%	(92,360)	(17.1%)
ADJUSTED EBIT	4,847,745	3.8%	1,086,919	1.1%	3,760,826	346.0%
Financial income	32,367	0%	7,728	0%	24,638	318.8%
Financial charges	(2,290,377)	(1.8%)	(595,628)	(0.6%)	(1,694,749)	284.5%
Changes in fair value of financial assets and liabilities	1,702,536	1.3%	(5,845,820)	(5.8%)	7,548,356	(129.1%)
INCOME BEFORE TAXES	(107,729)	(0.1%)	(5,893,615)	(5.9%)	5,785,886	(98.2%)
ADJUSTED INCOME BEFORE TAXES	4,292,271	3.4%	(5,346,800)	(5.3%)	9,639,071	(180.3%)
Income taxes	1,555,543	1.2%	142,183	0.1%	1,413,360	994.0%
Profit (loss) for the financial year	(1,663,272)	(1.3%)	(6,035,798)	(6.0%)	4,372,526	(72.4%)
ADJUSTED income/(loss)	2,736,728	2.1%	(5,641,544)	(5.6%)	8,378,272	(148.5%)

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:

	30/06/2023	30/06/2022
Revenues from contracts with customers	127,460,518	100,579,641
Costs for consumption of raw materials, change in inventories of finished goods and work in progress	(79,184,580)	(60,551,439)
Value Added	48,275,938	40,028,201

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

	30/06/2023	30/06/2022
Profit/(loss) for the financial year (1)	(1,663,272)	(6,035,798)
Income taxes	(1,555,543)	(142,183)
Income before taxes (2)	(107,729)	(5,893,615)
Changes in fair value of financial assets and liabilities	(1,702,536)	5,845,820

Financial charges	2,290,377	595,628
Financial income	(32,367)	(7,728)
EBIT (3)	447,745	540,104
Amortisation	12,168,816	7,298,070
EBITDA (4)	12,616,561	7,838,174

Extraordinary and non-recurring items that have been adjusted during the period ended 30 June 2023 and 30 June 2022 are shown in the table below. For further details, please refer to what is reported below.

	30/06/2023	30/06/2022
Non-recurring income and charges attributable to Pharmatek	-	546,815
Total non-recurring income and charges (5)	-	546,815

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.

	30/06/2023	30/06/2022
ADJ EBITDA (4) + (5)	12,616,561	8,384,988
Pharmatek's goodwill impairment (6)	4,400,000	-
ADJ EBIT (3) + (5)	4,847,745	1,086,919
Income before taxes	(107,729)	(5,893,615)
Non-recurring income and charges (5)	-	546,815
Pharmatek's goodwill impairment (6)	4,400,000	-
ADJ Income before taxes	4,292,271	(5,346,800)
Income taxes	(1,555,543)	(142,183)
tax effect on non-recurring income and charges (5+6) * 27.9%	-	(152,561)
ADJ profit/(loss)	2,736,728	(5,641,544)

Before commenting on the Group's economic performance, please note the consolidation for H1 ending 30 June 2022 included the Parent Company Fine Foods, the subsidiaries Pharmatek and Euro Cosmetic, while the consolidation for H1 ending 30 June 2023 included Fine Foods and Euro Cosmetic following the merger by incorporation of the subsidiary Pharmatek into Euro Cosmetic.

Revenues from sales and services increased from € 100.6 million as of 30 June 2022 to € 127.5 million as of 30 June 2023, with an increase of 26.7%.

Raw material costs on sales revenues, of approximately 62.1%, increased compared to what was shown in the 2022 Half-year Financial Report (60.2%).

Personnel costs amounted to € 22.6 million, with an increase of € 2.9 million compared to the same period in FY 2022.

As of 30 June 2023, EBITDA amounted to € 12.6 million (9.9% of Ebitda Margin), up from € 7.8 million in the previous financial year (7.8% of Ebitda Margin). The margin improvement derived from the reduction in the impact of personnel and energy costs on revenues, and better absorption of fixed costs on revenues. The energy percentage cost is still higher than the historical cost. This impact is estimated at almost 0.6% on EBITDA, equal to about € 0.8 million, which would have brought EBITDA to € 13.4 million, with a margin of 10.5%.

EBIT amounted to € 0.4 million compared to € 0.5 million as of 30 June 2022. The drop in EBIT reflected the € 4.4 million Pharmatek's goodwill impairment. This result of € 1.3 million was affected by the above mentioned energy cost.

The Income Before Taxes for H1 2023 was € -0.1 million compared to € -5.9 million in H1 2022. This loss was almost entirely attributable to the impairment of Pharmatek's goodwill which merged by incorporation into Euro Cosmetic. This led to a loss in H1 2023 of € 1.7 million (€ -6 million as of 30 June 2022).

In H1 2023 there were no non-recurring expenses with an impact on EBITDA.

Non-recurring expenses attributable to Pharmatek were incurred in H1 2022. These included the hailstorm in May and the termination of a company manager for € 0.5 million.

In 2023, the Pharmatek's goodwill impairment of € 4.4 million should be noted as non-recurring on EBIT. Adjusted EBIT was € 4.8 million compared to € 1.1 million as of 30 June 2022.

The adjusted net result for H1 2023, net of the goodwill impairment, was € 2.7 million compared to the loss for the period of € 5.6 million as of 30 June 2022.

These adjustments were made for the related tax effect (27.9% tax rate) for calculating Adjusted Profit (Loss) for FY 2022.

Alternative Performance Indicators

To facilitate an understanding of Fine Foods' financial and economic performance, the directors have identified in the previous paragraphs several Alternative Performance Indicators ("APIs"). These indicators are the tools that assist the directors in identifying operating trends and making investments, resource allocations and other operating decisions.

For a correct interpretation of these APIs, the following should be noted:

- these indicators are constructed exclusively from historical data and are not indicative of the company's future performance;
- APIs are not required by the International Financial Reporting Standards (IFRS) and, although derived from the Company's Financial Statements, are not subject to audit;
- the APIs must not be considered as a replacement for the indicators provided for by the International Financial Reporting Standards (IFRS);
- these APIs should be read alongside the financial information derived from the Company's Financial Statements;
- the definitions of the indicators used, since they do not derive from the reference accounting standards, may not be consistent with those adopted by other groups/companies or comparable to them;
- the APIs used have been developed with continuity and uniformity of definition and representation for periods when financial information is included in these consolidated interim Financial Statements.

The APIs below were selected and presented in the Report on Operations because the Group believes that:

- the Net financial debt allows a better assessment of the overall debt level, the equity strength and the debt repayment capacity;
- Fixed assets and Net investments in tangible and intangible fixed assets, calculated as the sum of increases (net of decreases) in tangible fixed assets (including the right to use leased assets) and intangible fixed assets - Net working capital and Net invested capital allow a better assessment of the ability to meet short-term commercial commitments through current commercial assets and the consistency between the investments and financing sources structure over time;
- EBITDA is the operating result before depreciation, amortisation and provisions. The defined EBITDA is a measure used by management to monitor and evaluate the Company's operating performance. EBITDA is not an IFRS accounting measure and is an alternative measure for evaluating the Company's operating performance. Since the reference accounting principles do not regulate the EBITDA composition, the criteria for its definition applied by the Company may not be consistent with those adopted by other companies or comparable to them.
- The *ADJUSTED EBITDA* is the operating result before Amortisation, depreciation and provisions minus operating revenues and costs that, although inherent to the business, are non-recurring and significantly impact results. The defined *ADJUSTED EBITDA* is a measure used by Company management to monitor and evaluate the Company's operating performance. *ADJUSTED EBITDA* is not an IFRS accounting measure and is an alternative measure for evaluating the Company's operating performance. Since the reference accounting principles do not regulate the *ADJUSTED EBITDA* composition, the criteria for its definition applied by the Company may not be consistent with those adopted by other 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 directors' 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 30 June 2023, 35.7% of the Group's debt is due in less than one year (2022: 34%), 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.

30 June 2023	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	3,329,404	3,329,404	-	-
Non-current bank borrowings	70,079,730	-	56,210,711	13,869,020
Current bank borrowings	35,871,031	35,871,031	-	-
Non-current lease payables	1,271,003	-	277,262	993,740
Current lease payables	380,421	380,421	-	-
Total financial liabilities	110,931,589	39,580,856	56,487,973	14,862,760

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

Interest rate risk

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

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

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

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

Risks related to the COVID-19 virus (Coronavirus)

In 2020 and 2021, due to the COVID-19 pandemic and the consequent restrictive measures imposed by Italian and international legislation, the Group suffered a slowdown in the growth process of volumes sold and turnover in the Italian markets. The pandemic-related effects lasted until the end of FY2021, while no measurable effect occurred in 2022. The current pandemic management and control level is such that no negative effects are expected in 2023.

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

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

Risks related to the concentration of revenues on major customers

The Group has a significant concentration of revenues on its main customers, amounting to approximately 59.6% on the top five customers as of 30 June 2023. The loss of one or more of these relationships would have a significant impact on Group revenues. Contracts with the Group's main customers do not have minimum guaranteed quantities. If these relationships continue, there is no certainty that the amount of revenues generated by the Group in subsequent years will be similar to or greater than those recorded in previous years. The possible occurrence of such circumstances could have significant adverse effects on the Group's economic and financial situation.

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

Credit risk

This is the risk that a customer or a financial instrument counterparty causes a financial loss by failing to fulfil an obligation; for the Group, the risk is mainly related to the failure to collect trade receivables. Fine Foods' main counterparties are major companies active in the nutraceutical and pharmaceutical sectors. The Group carefully evaluates its customers' credit standing, considering that, due to its business's nature, the relationships with its customers are long-term.

Price risk

The price risk is mitigated using a solid cost accounting procedure that can identify the production cost. In this way, remunerative and competitive prices are established and adopted with the customer.

Risk of changes in cash flows

The risk of changes in cash flows is not considered significant in view of the Group's balance sheet. It is considered that the risks to which the business activity is exposed are not higher than those physiologically connected to the overall business risk.

Tax risks

The Group companies are subject to the taxation system under applicable Italian tax laws. Unfavourable changes to this legislation, and any Italian tax authorities or Law orientation related to the application, interpretation of tax regulations to determine the tax burden (Corporate Income Tax "IRES", Regional Tax on Production Activities "IRAP") and the Value Added Tax "VAT", could have significant negative effects on the companies economic and financial situation.

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

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

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

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

The Group risks a cost increase for raw and packaging materials, and production delay with potential negative effects on the Group's business, economic and financial situation. The Group's business is characterised, in certain cases, by a limited substitutability of suppliers, particularly in the pharmaceutical sector.

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

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

Energy cost risk

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

To mitigate this risk, the Group employed an energy manager to monitor the energy market trend to minimise the impact of energy costs and implement appropriate measures to increase production sites' energy efficiency. Fine Foods installed two co-generators for self-generation of electricity from gas combustion, which reduced energy consumption by using the thermal energy produced by the co-generators. There are photovoltaic systems at three plants with a total power of 850 kW covering part of the energy requirements.

Risks related to the Russian-Ukrainian conflict

The Group faces the risk of cancelling or suspending orders for products exported to Russia, Ukraine and neighbouring areas due to the Russian-Ukrainian conflict. As shown by the Pharma BU turnover trend in 2022, the risk is to be considered limited. Management considers the risk of a current loss of sales for the Food BU to be nil in 2023.

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

Manufacturer's liability risks

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

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

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

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

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

Risks related to production authorisations

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

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

Risks 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.

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

Risks related to the breach of the information system

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

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

Risks related to human capital management

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

non-discriminatory environment are provided. Flexible working hours and working methods are implemented to improve personnel's work-life balance.

Risks related to climate change

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

To address this risk, a strategy to reduce carbon emissions is in place. The hierarchy of decarbonisation plan solutions in Fine Foods' strategy is as follows: installation of renewable energy plants, process and plant efficiency to reduce energy consumption and CO₂ emissions, purchase of green energy from the grid and supply chain engagement

The Group employed an energy manager who oversees the implementation of measures to increase production sites' energy efficiency. Three Group plants have photovoltaic systems, totalling 850 Kw. This avoided more than 170 Tons of CO₂ emissions in 2022.

Key non-financial indicators

We provide the following company business non-financial indicators for a better understanding of the Company situation, operating trend and result:

- During the first half of the year, the Group had more than 170 customers;
- The Group can count on 141 production lines located in the various plants;
- The Group produced about 1,800 Stock-Keeping Units (SKUs) during the first half of the year;
- The Group employs more than 750 employees, of which 120 are in Quality and Research & Development (about 16% of the total workforce)

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 April 2023, 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 April 2024.

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

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

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

Work Risk Assessment Document

Under Legislative Decree no. 81 of 09/04/2008 and Legislative Decree no. 106/09 and subsequent amendments, which contain reference standards for workplace health and safety, the Parent Company has drawn up the Risk Assessment Document (DVR - Documento di Valutazione dei Rischi) filed at its registered office and revised on 27 March 2023, version no. 18.

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

The Risk Assessment Document for the subsidiary Euro Cosmetic (Trenzano and Cremosano sites) is filed at the company's registered office and was revised in June 2023 in its second version.

In April 2023, the Parent Company underwent the annual audit for the ISO 45001:2018 certification renewal, the international standard for an occupational health and safety management system (as of 21 May 2014, Fine Foods was certified under OHSAS 18001, the reference standard before ISO 45001).

During the first half of 2023, no accidents occurred at Fine Foods involving serious injuries to personnel enrolled in the employee register for which no company liability was ascertained.

In the first half of 2023, two occupational disease complaints were filed.

One complaint was not recognised by INAIL and, as a result, the parent company was found not liable, while for the second, the parent company is still waiting for feedback from INAIL.

As for Euro Cosmetic, during the year there were no serious accidents at work that resulted in serious injuries to personnel enrolled in the employee register for which corporate responsibility was ascertained. There are no cases of occupational disease.

During H1 2023, Fine Foods' Supervisory Body did not find any anomalies concerning implementing the current Organisation, Management and Control System under Legislative Decree no. 231/2001. They based their findings on the evidence of the assigned activities performance and deemed the control system correct and generally supplemented by a constant procedure updating process. This applied even during the Covid emergency.

Personnel Management Information

To better understand the Group situation and management performance, some information relating to personnel management is provided.

Attention was paid to personnel's professional growth. In the first half of 2023, 5,972 training courses and seminars were held, for all levels, making 21,906 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	1,867	10,405
BREMBATE	4,040	9,636
Euro Cosmetic (Trenzano)	65	1,865
TOTAL	5,972	21,906

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. The Group manufactures and develops, including on its own behalf, disinfectant, 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 2023, the Parent Company distributed a dividend of € 0.10 per share to the holding company Eigenfin S.r.l. as per the shareholders' resolution approving the 2022 Financial Statements.

On 02 January 2023, Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods") granted its subsidiary Euro Cosmetic S.p.A. a loan of € 2 million with an interest rate equal to a six-month EURIBOR plus a spread of 1.35%. On 15 June 2023, Fine Foods supplemented the above loan by disbursing a further € 4 million under the same conditions.

Related Party Relationships

On 30 March 2022, the Parent Company's Board of Directors updated the Procedure for related party transactions, under Article 2391-bis of the Italian Civil Code and Article 4 of the "Regulations for transactions with related parties" issued by Consob with Resolution no. 17221 of 12 March 2010. Considering the new Fine Foods Group corporate structure after the acquisition of the Euro Cosmetic S.p.A. shareholding, it was appropriate to draft an amendment to the definition of "Transactions of Negligible Amount" and further formal amendments were made for a better understanding of the Procedure. This procedure is available on the Company's website (<https://www.finefoods.it/>).

During the first half of 2023, transactions between the Company and related parties identified under the provisions of international accounting standard IAS 24 included the remuneration of Directors, established under applicable regulations, based on assessments of mutual interest and economic benefit.

Treasury shares buyback programme

On 15 May 2023, 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 09 May 2023 Shareholders' Meeting.

The Programme will last 18 months after the 09 May 2023 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 30/06/2023:

	Number	Fees Euro
Initial balance	1,022,247	12,195,431
Purchased shares	10,796	87,963
Shares allocated free of charge		
Shares sold		
Shares cancelled due to excess capital		
Shares cancelled to cover losses		
Final balance	1,033,043	12,283,394

As of 13 September 2023, Fine Foods & Pharmaceuticals N.T.M. S.p.A. holds 1,044,913 treasury shares equal to 4.0881% of the share capital, at a weighted average price of € 11.8470, for a total value of € 12,379,072.33. The change compared to 30 June 2023 derives from the purchases made from 1 July to 13 September equal to 11,870 shares.

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.

Parent Company shares/quotas

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

Use of financial instruments significant to the assessment of the balance sheet, 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 the Company.

Significant events in the first half of 2023

Closure of Securities Portfolio

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.

During the first half of the year, Fine Foods closed its investment portfolio, withdrawing € 64 million. To date, there is only one security in the portfolio of € 122,000. The Parent Company has closed its position. The overall portfolio management, from the opening to closure, was positive for € 5.7 million. During H1 2023, the change in fair value was a positive € 1.7 million.

Cosmetics Business Reorganisation

During the period, the group companies operating within the cosmetics business underwent a major reorganisation, which entailed the merger by incorporation of Pharmatek into Euro Cosmetic, effective as of 1 January 2023.

Production and management activities were focused on the Trenzano site, while the Cremosano production units were closed. The related leases, which were formally terminated, will be closed in the second half of the year. The electronic cigarette business (E-CIG) was disposed of and the medical-surgical aids portfolio was streamlined.

Events following the end of the period

No significant events were reported.

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.

Verdellino, 13 September 2023

for the Board of Directors
Chairman

Marco Francesco Eigenmann

30 June 2023 condensed consolidated interim Financial Statements

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Interim consolidated income statement

(amounts in € units)	Notes	Half-year as of 30 June 2023	Half-year as of 30 June 2022
Revenues and income			
Revenues from contracts with customers	2.1	127,460,518	100,579,641
Other revenues and income	2.2	1,108,891	232,668
Total revenues		128,569,409	100,812,309
Operating costs			
Costs for consumption of raw materials, change in inventories of finished goods and work in progress.	2.3	79,184,580	60,551,439
Personnel costs	2.4	22,571,196	19,629,655
Costs for services	2.5	13,212,226	12,067,688
Other operating costs	2.6	984,846	725,352
Amortisation, depreciation, and impairment losses	2.7	12,168,816	7,298,070
Total operating costs		128,121,664	100,272,205
Operating result		447,745	540,104
Changes in fair value of financial assets and liabilities	2.8	1,702,536	(5,845,820)
Financial income	2.9	32,367	7,728
Financial charges	2.10	(2,290,377)	(595,628)
Income before taxes		(107,729)	(5,893,615)
Income taxes	2.11	1,555,543	142,183
Profit/(loss) for the financial year		(1,663,272)	(6,035,798)

Interim consolidated comprehensive income statement

(amounts in € units)	Notes	Half-year as of 30 June 2023	Half-year as of 30 June 2022
Profit / (loss) for the financial year (A)		(1,663,272)	(6,035,798)
Components that will not be subsequently reclassified to profit/(loss) for the financial year			
Revaluation of net employee benefit liabilities/assets		(28,741)	324,505
Tax effect		6,898	(40,099)
Other comprehensive income (B) components		(21,843)	284,406
Comprehensive profit/(loss) (A+B)		(1,685,115)	(5,751,392)

Interim consolidated statement of financial position

(amounts in € units)	Notes	Half-year as of	Financial Statements as of	
		30 June 2023	31 December 2022	
Assets				
Non-current assets				
Property, plant and machinery	3.1	105,763,602	104,162,050	
Goodwill	3.2	11,507,954	15,907,954	
Other intangible fixed assets	3.3	1,805,112	1,780,551	
Rights of use	3.4	3,790,372	5,163,111	
Other non-current assets	3.7	354,120	820,871	
Deferred tax assets	3.5	7,324,358	7,312,662	
Total non-current assets		130,545,518	135,147,200	
Current assets				
Inventories	3.8	51,283,098	40,422,499	
Trade receivables	3.9	48,824,877	39,347,321	
Tax receivables	3.10	243,859	2,268,044	
Other current assets	3.11	7,880,625	5,890,398	
Current financial assets	3.12	3,844,715	66,512,584	
Cash and other liquid assets	3.13	49,243,212	10,232,262	
Total current assets		161,320,386	164,673,109	
Total assets		291,865,904	299,820,309	
Shareholders' equity				
Share Capital	4.1	22,770,445	22,770,445	
Other reserves	4.1	114,419,640	126,461,456	
Employee benefit reserve	4.1	184,343	206,186	
FTA reserve	4.1	(6,669,789)	(6,669,789)	
Profits carried forward	4.1	22,610	22,610	
Profit/(loss) for the financial year	4.1	(1,663,272)	(9,501,145)	
Total Shareholders' Equity		129,063,976	133,289,763	
Non-current liabilities				
Bonds	4.2	-	-	
Non-current bank borrowings	4.3	70,079,730	77,573,797	
Employee benefits	4.5	2,311,693	2,419,013	
Provision for risks and charges	4.6	36,305	41,105	
Provision for deferred taxes	3.6	248,757	240,553	
Non-current lease payables	3.4	1,271,003	2,222,216	
Total non-current liabilities		73,947,488	82,496,684	
Current liabilities				
Bonds	4.2	3,329,404	3,323,051	
Current bank borrowings	4.4	35,871,031	36,590,346	
Trade payables	4.7	38,121,073	33,450,468	
Taxes payable	4.8	159,014	-	
Current lease payables	3.4	380,421	651,576	
Other current liabilities	4.9	10,993,497	10,018,421	
Total current liabilities		88,854,440	84,033,862	
Total Shareholders' equity and Liabilities		291,865,904	299,820,309	

Interim consolidated cash flow statement

		Half-year as of 30 June 2023	Half-year as of 30 June 2022
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(1,663,272)	(6,035,798)
Adjustments to reconcile profit after tax with net cash flows:			
Depreciation and impairment of property, plant and machinery	2.7	6,821,818	6,382,993
Amortisation and impairment of intangible fixed assets	2.7	411,551	443,964
Amortisation of rights of use	2.7	535,446	471,112
Other write-downs of fixed assets	2.7	4,400,000	-
Financial income	2.9	(32,367)	(7,728)
Financial charges	2.10	2,290,888	568,076
Changes in fair value of financial assets and liabilities	2.8	(1,702,536)	5,845,820
Financial charges on financial liabilities for leases	3.4	(512)	27,552
Income taxes	2.11	1,552,408	(27,953)
Gains on the disposal of property, plant and machinery	2.2	(21,888)	(37,826)
Current assets write-downs	3.8,3.9	497,988	662,594
Net change in severance indemnity and pension funds	4.5	(174,114)	(203,827)
Net change in provision for risks and charges	4.6	(4,800)	260,345
Net change in deferred tax assets and liabilities	3.5,3.6	3,135	177,915
Interest paid	2.10	(2,219,685)	(575,006)
Changes in net working capital:			
(Increase)/decrease in inventories	3.8	(11,128,342)	(7,991,340)
(Increase)/decrease in trade receivables	3.9	(9,750,142)	(12,507,781)
(Increase)/decrease in other non-financial assets and liabilities		92,733	4,428,328
Increase/(decrease) in trade payables	4.7	4,702,605	898,346
NET CASH FLOWS FROM OPERATING ACTIVITIES		(5,389,086)	(7,220,212)
Investments:			
Investments in tangible fixed assets	3.1	(8,761,356)	(8,198,109)
Disposal of tangible fixed assets	3.1	359,874	105,590
Investments in intangible fixed assets	3.3	(436,112)	(450,078)
Net (investments)/disposals in financial assets	3.12	52,370,405	258,874
NET CASH FLOWS FROM INVESTMENTS		43,532,810	(8,283,723)
Financing:			
New financing	4.3,4.4	27,284,521	71,680,229
Funding repayment	4.2,4.3,4.4	(23,491,549)	(47,453,448)
Principal payments - lease liabilities	3.4	(385,075)	(541,321)
Dividends paid to the parent company's shareholders	4.1	(2,452,708)	(3,866,869)
Sale/(purchase) of treasury shares	4.1	(87,963)	(748,815)
CASH FLOWS FROM FINANCING		867,225	19,069,776
NET CHANGE IN CASH AND CASH EQUIVALENTS		39,010,949	3,565,841
Cash and short-term deposits as of 1 January		10,232,262	17,118,957
Cash and short-term deposits as of 30 June		49,243,212	20,684,799

Interim 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 1 January 2023	4.1	22,770,445	5,000,000	(13,680,454)	29,741,389	86,743,750	14,240,490	4,416,281	(6,669,789)	206,186	22,610	(9,501,145)	133,289,763
Profit/(loss) for the financial year												(1,663,272)	(1,663,272)
Other income statement components												(21,843)	(21,843)
Comprehensive profit/(loss)												(21,843)	- (1,663,272) (1,685,115)
Dividends							(2,452,708)						(2,452,708)
IRS derivatives provision													-
Purchase of treasury shares				(87,963)									(87,963)
2022 profit allocation							(9,501,145)					(9,501,145)	-
Balance as of 30 June 2023	4.1	22,770,445	5,000,000	(13,768,417)	29,741,389	86,743,750	2,286,638	4,416,281	(6,669,789)	184,343	22,610	(1,663,272)	129,063,977

1. Corporate information

The publication of the Fine Foods & Pharmaceuticals N.T.M. S.p.A. 30 June 2023 condensed consolidated interim Financial Statements was authorised by the Board of Directors on 13 September 2023.

Following the acquisitions of the subsidiaries Pharmatek PMC S.r.l. and Euro Cosmetic, which took place in 2021, there was an obligation to prepare consolidated Financial Statements and interim reports.

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

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

- Income Statement and Balance Sheet figures as of 30 June 2023 refer to the consolidation of Fine Foods, which includes the Parent Company Fine Foods and the subsidiary Euro Cosmetic.
- The Comparative Balance sheet as of 31 December 2022 relates to the consolidation of Fine Foods, which includes the Parent Company Fine Foods and the subsidiaries Pharmatek and Euro Cosmetic.
- The comparative Income Statement as of 30 June 2022 includes the values of the Parent Company Fine Foods & Pharmaceuticals N.T.M. S.p.A. and its subsidiaries Pharmatek PMC S.r.l. and Euro Cosmetic.

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). The Company, listed on the Euronext STAR Milan segment 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 industry with its acquisition of Pharmatek-PMC S.r.l. and the most recent Euro Cosmetic S.p.A. acquisition. Founded in 1984, Fine Foods strives for innovation and quality in its products and solutions for its customers. This is approached with care, dedication and scientific rigour. With € 207 million revenue in 2022 and more than a ten per cent CAGR over the last decade, Fine Foods is a growing and future-oriented company. Its business model sustainability, the synergy between the different business units, product quality, production flexibility, product and process innovation capability, an ESG holistic approach, and supporting customers in product development are the company's core values.

1.1 Significant events during the period

Closure of Securities Portfolio

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.

During the first half of the year, Fine Foods closed its investment portfolio, withdrawing € 64 million. To date, there is only one security in the portfolio of € 122,000. The Parent Company has closed its position. The overall portfolio management, from the opening to closure, was positive for € 5.7 million. During H1 2023, the change in fair value was a positive € 1.7 million.

Cosmetic Business Reorganisation

During the period, the group companies operating within the cosmetic business underwent a major reorganisation, which entailed the merger by incorporation of Pharmatek into Euro Cosmetic, effective as of 1 January 2023.

Production and management activities were focused on the Trenzano site, while the Cremosano production units were closed. The related leases, which were formally terminated, will be closed in the second half of the year. The electronic cigarette business (E-CIG) was disposed of and the medical-surgical aids portfolio was streamlined.

1.2 Form and content of the 30 June 2023 consolidated interim Financial Statements

1.2.1 Principles followed when preparing the Financial Statements

The 30 June 2023 condensed consolidated interim 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".

The 30 June 2023 condensed consolidated interim Financial Statements have been prepared under IAS 34 *Interim Financial Reporting*. The Group has prepared the condensed consolidated interim Financial Statements as a going concern. The directors consider there are no material uncertainties that cast doubt on this assumption. They have assessed a reasonable expectation that the Group has adequate resources to continue as a going concern for the near future, not less than 12 months from the Financial Statements' date. The condensed consolidated interim Financial Statements do not present all the information required to prepare the annual consolidated Financial Statements. For this reason, it is necessary to read the condensed consolidated interim Financial Statements together with the Financial Statements as of 31 December 2022.

1.2.2 *New accounting standards, interpretations and amendments adopted by the Group*

The accounting standards and assessment criteria adopted to prepare the condensed consolidated interim Financial Statements are consistent with those used in the 31 December 2022 Financial Statements to which reference is made, except for the adoption of the new standards and amendments effective from 1 January 2023. The Group has not adopted any new standards, interpretations or amendments early, which have been issued but are not effective.

For new standards or amendments to existing standards that apply from 1 January 2023, please note:

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

An onerous contract is when the non-discretionary costs necessary to fulfil the obligations undertaken are higher than the financial benefits that are supposed to be obtainable from the contract.

The amendment clarified that in determining whether a contract is onerous or generates a loss, an entity should consider costs directly related to the contract for the provision of goods or services that include incremental expenses and costs directly attributable to the contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty under the contract.

These amendments had no impact on the Group's condensed consolidated interim Financial Statements as there are no onerous contracts.

Reference to the Conceptual Framework - Amendments to IFRS 3

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

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

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

These amendments had no impact on the Group's condensed interim Financial Statements as no contingent assets, liabilities or contingent liabilities were recognised in the half-year for these amendments.

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

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

This amendment had no impact on the Group's condensed consolidated interim Financial Statements as there were no sales of such property, plant and equipment before they were put into operation before or after the beginning of the previous comparative period.

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

This amendment 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.

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

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

This amendment clarifies the fees that an entity includes when defining whether the terms and conditions 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. No such amendment was proposed for IAS 39 Financial Instruments: Recognition and Measurement.

This amendment had no impact on the Group's condensed consolidated interim Financial Statements as there were no changes in the Group's financial liabilities during the half-year.

IAS 41 Agriculture - Taxation in Fair Value Measurements

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.

This amendment had no impact on the Group's condensed consolidated interim Financial Statements as the Group did not have any assets under IAS 41 at the date of the Financial Statements.

1.2.3 *Consolidation standards*

The condensed consolidated interim Financial Statements include the 30 June 2023 Financial Statements of Fine Foods & Pharmaceuticals N.T.M. S.p.A., the Parent Company, and companies' financial statements over which Fine Foods has control under IFRS 10.

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.

1.2.4 *Consolidation area*

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

Parent company:

Company name	Registered office	Currency	Share Capital
Fine Foods & Pharmaceuticals N.T.M. S.p.A.	Verdellino (BG)	EUR	22,770,445

Consolidated subsidiaries:

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

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

As of 30 June 2023, the companies included in the consolidation of Fine Foods & Pharmaceuticals N.T.M are as follows:

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
Euro Cosmetic S.p.A.	100%	Trenzano (BS)	EUR	1,582,968

Pharmatek PMC S.R.L. was merged by incorporation into Euro Cosmetic S.p.A. as of 1 January 2023.

1.2.5 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.

1.3 Summary of significant accounting policies

1.3.1 *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 plan,
- 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.

1.3.2 *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 is classified.

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 entire fair value measurement) at each reporting date.

At each Financial Statements date, the Group'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.

Management compared 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 30 June 2023 and 31 December 2022.

30 June 2023	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
Financial assets					
Current financial assets	3,844,715	3,844,715	3,844,715		
Cash and other liquid assets	49,243,212	49,243,212	49,243,212		
Total financial assets	53,087,927	53,087,927	53,087,927		
Financial liabilities					
Current bonds	3,329,404	3,329,404		3,329,404	
Non-current bonds	-	-		-	
Non-current bank borrowings	70,079,730	70,079,730		70,079,730	
Current bank borrowings	35,871,031	35,871,031		35,871,031	
Non-current lease payables	1,271,003	1,271,003		1,271,003	
Current lease payables	380,421	380,421		380,421	
Total financial liabilities	110,931,589	110,931,589		- 110,931,589	
31 December 2022	Total	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
Financial assets					
Current financial assets	66,512,584	66,512,584	63,045,608	3,466,976	
Cash and other liquid assets	10,232,262	10,232,262	10,232,262	-	
Total financial assets	76,744,846	76,744,846	73,277,870	3,466,976	
Financial liabilities					
Current bonds	3,323,051	3,323,051		3,323,051	
Non-current bonds	-	-		-	
Non-current bank borrowings	77,573,797	77,573,797		77,573,797	
Current bank borrowings	36,590,346	36,590,346		36,590,346	
Non-current lease payables	2,222,216	2,222,216		2,222,216	
Current lease payables	651,576	651,576		651,576	
Total financial liabilities	120,360,986	120,360,986		- 120,360,986	

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

1.4 Operating sectors: disclosure

For management and production purposes, the Group 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: The subsidiary Euro Cosmetic is active in the contract manufacturing and trading of cosmetic products (hair, skin, and oral care). Until 31/12/2022, the Cosmetic BU comprised the subsidiaries Pharmatek and Euro Cosmetic.

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 of the Parent Company are managed at the Parent Company level and are not allocated to the operating sectors.

30/06/2023	Food	Pharma	Cosmetics	Total sectors
Revenues and income				
Revenues from contracts with customers				
75,405,422	34,840,185	17,214,911	127,460,518	
Other revenues and income	231,638	192,196	685,057	1,108,891
Total revenues	75,637,060	35,032,381	17,899,968	128,569,409
Operating costs				
Costs for consumption of raw materials, change in inventories of finished goods and work in progress				
51,655,980	17,061,484	10,467,116	79,184,580	
Personnel costs	9,748,213	8,942,060	3,880,923	22,571,196
Costs for services	5,912,300	4,471,243	2,828,683	13,212,226
Other operating costs	318,918	338,970	326,958	984,846
Amortisation, depreciation, and impairment losses	3,404,070	3,012,071	5,752,675	12,168,816
Total operating costs	71,039,481	33,825,828	23,256,356	128,121,664
OPERATING RESULT	4,597,579	1,206,553	(5,356,388)	447,745

30/06/2022	Food	Pharma	Cosmetics	Total sectors
Revenues and income				
Revenues from contracts with customers				
56,766,705	25,825,493	17,987,443	100,579,641	
Other revenues and income	24,562	16,687	191,420	232,668
Total revenues	56,791,267	25,842,180	18,178,862	100,812,309
Operating costs				

Costs for consumption of raw materials, change in inventories of finished goods and work in progress	38,330,540	11,591,109	10,629,791	60,551,439
Personnel costs	8,567,201	7,062,625	3,999,829	19,629,655
Costs for services	5,791,581	3,528,517	2,747,590	12,067,688
Other operating costs	393,862	243,038	88,453	725,352
Amortisation, depreciation, and impairment losses	3,254,795	2,914,478	1,128,796	7,298,070
Total operating costs	56,337,978	25,339,767	18,594,459	100,272,205

OPERATING RESULT	453,288	502,413	(415,597)	540,104
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30/06/2023

	Food	Pharma	Cosmetics	Non-sector	Total
Assets					
Non-current assets					
Property, plant and machinery	51,452,105	39,211,641	15,094,530	5,325	105,763,602
Goodwill	-	-	11,507,954	-	11,507,954
Other intangible fixed assets	731,925	684,065	389,122	-	1,805,112
Rights of use	82,841	31,951	3,675,580	-	3,790,372
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	354,120	354,120
Deferred tax assets	-	-	-	7,324,358	7,324,358
Total non-current assets	52,266,871	39,927,658	30,667,186	7,683,804	130,545,518
Current assets					
Inventories	26,526,973	14,614,859	10,141,267	-	51,283,098
Trade receivables	22,036,125	17,021,540	9,767,212	-	48,824,877
Tax receivables	-	-	-	243,859	243,859
Other current assets	704,787	227,923	533,593	6,414,321	7,880,625
Current financial assets	-	-	-	3,844,715	3,844,715
Cash and other liquid assets	-	-	-	49,243,212	49,243,212
Total current assets	49,267,885	31,864,322	20,442,072	59,746,107	161,320,386
Total assets	101,534,755	71,791,980	51,109,258	67,429,910	291,865,904
Shareholders' equity					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	114,419,640	114,419,640
Employee benefit reserve	-	-	-	184,343	184,343
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	22,610	22,610
Profit/(loss) for the financial year	-	-	-	(1,663,272)	(1,663,272)
Total Shareholders' Equity	-	-	-	129,063,976	129,063,976
Non-current liabilities					
Bonds	-	-	-	-	-
Non-current bank borrowings	-	-	-	70,079,730	70,079,730
Employee benefits	411,942	434,180	1,465,572	-	2,311,693

Provisions for risks and charges	-	-	-	36,305	36,305
Provision for deferred taxes	-	-	-	248,757	248,757
Non-current lease payables	42,602	17,809	1,210,591	-	1,271,003
Other non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	454,544	451,989	2,676,163	70,364,792	73,947,488

Current liabilities

Bonds	-	-	-	3,329,404	3,329,404
Current bank borrowings	-	-	-	35,871,031	35,871,031
Trade payables	17,432,370	9,519,683	11,169,020	-	38,121,073
Taxes payable	-	-	-	159,014	159,014
Current lease payables	41,286	14,558	324,577	-	380,421
Other current financial liabilities	-	-	-	-	-
Other current liabilities	4,144,181	3,824,997	1,390,327	1,633,991	10,993,497
Total current liabilities	21,617,837	13,359,238	12,883,924	40,993,440	88,854,440

Total Shareholders' equity and Liabilities	22,072,381	13,811,227	15,560,087	240,422,208	291,865,904
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31/12/2022

	Food	Pharma	Cosmetics	Non-sector	Total
Assets					
Non-current assets					
Property, plant and machinery	52,847,312	39,084,149	12,230,589	-	104,162,050
Goodwill	-	-	15,907,954	-	15,907,954
Other intangible fixed assets	772,836	698,672	309,043	-	1,780,551
Rights of use	162,301	42,630	4,958,180	-	5,163,111
Non-current financial assets	-	-	-	-	-
Other non-current assets	-	-	-	820,871	820,871
Deferred tax assets	-	-	-	7,312,662	7,312,662
Total non-current assets	53,782,449	39,825,451	33,405,767	8,133,533	135,147,200
Current assets					
Inventories	22,013,208	11,485,551	6,923,741	-	40,422,499
Trade receivables	18,172,370	11,880,933	9,294,019	-	39,347,321
Tax receivables	-	-	-	2,268,044	2,268,044
Other current assets	366,167	69,991	449,906	5,004,335	5,890,398
Current financial assets	-	-	-	66,512,584	66,512,584
Cash and other liquid assets	-	-	-	10,232,262	10,232,262
Total current assets	40,551,744	23,436,474	16,667,665	84,017,225	164,673,109
Total assets	94,334,193	63,261,925	50,073,432	92,150,758	299,820,309
Shareholders' equity					
Share Capital	-	-	-	22,770,445	22,770,445
Other reserves	-	-	-	126,461,456	126,461,456
Employee benefit reserve	-	-	-	206,186	206,186
FTA reserve	-	-	-	(6,669,789)	(6,669,789)
Profits carried forward	-	-	-	22,610	22,610
Profit/(loss) for the financial year	-	-	-	(9,501,145)	(9,501,145)
Total Shareholders' Equity	-	-	-	133,289,763	133,289,763

Non-current liabilities					
Bonds	-	-	-	-	-
Non-current bank borrowings	-	-	-	77,573,797	77,573,797
Employee benefits	544,301	300,042	1,574,670	-	2,419,013
Provisions for risks and charges	-	-	41,105	-	41,105
Provision for deferred taxes	-	-	-	240,553	240,553
Non-current lease payables	69,998	18,386	2,133,832	-	2,222,216
Other non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	614,299	318,428	3,749,607	77,814,350	82,496,684
Current liabilities					
Bonds	-	-	-	3,323,051	3,323,051
Current bank borrowings	-	-	-	36,590,346	36,590,346
Trade payables	17,814,373	8,663,539	6,972,556	-	33,450,468
Taxes payable	-	-	-	-	-
Current lease payables	95,176	24,999	531,401	-	651,576
Other current financial liabilities	-	-	-	-	-
Other current liabilities	3,357,083	3,048,182	1,641,504	1,971,652	10,018,421
Total current liabilities	21,266,631	11,736,720	9,145,462	41,885,049	84,033,862
Total Shareholders' equity and Liabilities	21,880,930	12,055,148	12,895,069	252,989,162	299,820,309

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. The Cosmetic BU operating result was impacted by the Pharmatek's goodwill impairment of € 4.4 million.

As for the aggregation of revenues, the Group generates a significant part of its turnover from a limited number of customers, the first five customers, in the period ended 30 June 2023, cumulatively accounting for approximately 59.6% of the turnover, compared to 57% reported on 30/06/2022.

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

1.5 Capital management

For Group's capital managing purposes, capital is the issued share capital, convertible preferred shares, the share premium reserve and other capital reserves attributable to the Parent Company's shareholders. The capital management primary objective is to maximise its value for shareholders. The Group manages the capital structure and makes adjustments based on economic conditions and financial covenant requirements. To maintain or adjust the capital structure, the Group may intervene on dividends paid to shareholders, repay the capital to shareholders or issue new shares. The Group controls capital using a gearing ratio, which is the ratio of net debt to total capital plus net debt. The Group's policy is to maintain this ratio below 40%.

	30/06/2023	31/12/2022
Interest-bearing loans and borrowings other than convertible preferred shares	105,950,762	114,164,143
Bonds payable	3,329,404	3,323,051
Payables from derivative instruments - warrants	-	-
Lease payables	1,651,424	2,873,792
Less: liquid assets and short-term deposits	(49,243,212)	(10,232,262)
Less: current financial assets	(3,844,715)	(66,512,584)
Net debt	57,843,663	43,616,140
Shareholders' equity	129,063,976	133,289,763

Equity and net debt	186,907,639	176,905,903
Gearing ratio	31%	25%

1.6 Financial risk management

1.6.1 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 within 60%. As of 30 June 2023, 35.7% of the Company's debt is due in less than one year (31 December 2022: 34%), calculated based on the debts' book value on the 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.

30 June 2023	Total	1 to 12 months	1 to 5 years	> 5 years
Financial liabilities				
Bonds	3,329,404	3,329,404	-	-
Non-current bank borrowings	70,079,730	-	56,210,711	13,869,020
Current bank borrowings	35,871,031	35,871,031	-	-
Non-current lease payables	1,271,003	-	277,262	993,740
Current lease payables	380,421	380,421	-	-
Total financial liabilities	110,931,589	39,580,856	56,487,973	14,862,760

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

INCOME STATEMENT

2.1 Revenues from contracts with customers

Revenues as of 30 June 2023 were € 127,460,518, compared to € 100,579,641 in the first half of the previous year, with an increase of 26.7%.

A breakdown by business unit and geographical area is provided below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Business Unit – Food	75,405,422	56,766,705
Business Unit – Pharma	34,840,185	25,825,493
Business Unit – Cosmetic	17,214,911	17,987,443
Total Revenues from contracts with customers	127,460,518	100,579,641

The Food sector turnover represents the majority (59.2%) of the Group's turnover. This BU grew from € 56.8 million to € 75.4 million, with an increase of 32.8% compared to the same period of the previous year. The Pharma sector grew in 2023, with an increase of 34.9% compared to 30 June 2022. The Cosmetic BU turnover declined slightly from € 18 million as of 30 June 2022 to € 17.2 million as of 30 June 2023 (with a decrease of 4.3%).

(Amounts in Euro units)	30 June 2023	30 June 2022
Italian Revenues	68,635,140	54,836,531
Foreign Revenues	58,825,379	45,743,110
Total Revenues from contracts with customers	127,460,518	100,579,641

Group revenues in H1 2023 were mainly attributable to sales in Italy (53.9% of the total). This figure is in line with the same period of the previous year, where sales recorded in Italy accounted for 54.5% of total sales.

2.2 Other revenues and income

As of 30 June 2023, the Group's other revenues and income was € 1,108,891 compared to € 232,668 in the previous year. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Insurance reimbursements and indemnities	463,458	72,670
Other revenues and income	251,876	59,050
Capital gains	171,798	38,762
Write-down adjustments to receivables and liquid assets	56,719	58,819
Allowances and rounding up	2,111	3,368
Total other revenues and income	1,108,891	232,668

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

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

As of 30 June 2023, the cost of raw materials and consumables, net of change in inventories, was € 79,184,580 compared to € 60,551,439 in the previous year, with an increase of 30.8%. The impact of costs of purchasing materials on revenues from customer contracts (62.1%) increased compared to the value recorded at the end of the first half of 2022 (60.2%).

A breakdown is provided below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Goods on purchase account	88,316,969	66,763,235
Raw materials, ancillary materials, and consumables	1,467,091	1,286,943
Change in inventories of raw materials, ancillary materials, consumables, and goods	(5,596,647)	(7,878,270)
Change in inventories of finished goods and work in progress	(5,002,833)	379,530
Total costs for consumption of raw materials, change in inventories of finished goods and work in progress	79,184,580	60,551,439

2.4 Personnel costs

As of 30 June 2023, the Group's personnel costs were € 22,571,196 compared to € 19,629,655 in the previous year, with an increase of 15%. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Wages and salaries	14,181,179	13,368,690
Social security contributions	4,637,805	4,282,901
Severance indemnity	875,598	895,976
Other costs	1,559	-
Temporary employment	2,875,055	1,082,087
Total personnel costs	22,571,196	19,629,655

2.5 Costs for services

As of 30 June 2023, the Group's service costs were € 13,212,226 compared to € 12,067,688 in the previous year, with an increase of 9.5%. A breakdown is provided below:

(Amounts in Euro units)	30 June 2023	30 June 2022
External and ecological analyses	448,381	373,820
Insurance	402,184	504,225
Electronic Data Processing fees	455,604	281,178
Bank fees	112,757	189,253
Statutory auditors and directors remuneration	1,108,723	739,731
Rental, lease and miscellaneous costs	533,220	444,727
Trade fair and advertising costs	318,797	162,136
Costs for processing goods on behalf of third parties	906,687	484,843
Ordinary maintenance costs	1,575,605	1,432,889
Cleaning, pest control and surveillance costs	933,902	734,458
Transport, fuel and tolls costs	757,514	796,241
Temporary employment	490,177	175,356
Sales commissions	82,816	154,441
Qualifications and Calibration	101,682	104,386
Waste, effluent and solid waste disposal	788,796	619,668
Consultancy costs	1,272,296	1,320,411
Ticket	419,347	369,899

Various utilities	2,122,494	2,866,917
Other costs	381,245	313,109
Total service costs	13,212,226	12,067,688

The "Rental, lease and miscellaneous costs" item refers to short term and low-value contracts for which the Group took advantage of the exemption granted by the principle, as reported in paragraph "3.4 Leases."

2.6 Other operating costs

Other operating costs as of 30 June 2023 were € 984,846 compared to € 725,352 in the previous year.

(Amounts in Euro units)	30 June 2023	30 June 2022
Duties and taxes	167,726	265,148
Bad debt provision	230,244	160,677
Contingency liabilities	92,598	13,025
Capital losses from dismissal of assets	149,910	936
Membership Fees	94,325	145,402
Entertainment costs and gifts	12,111	11,413
Waste and reclamation costs	6,250	1,800
Costs for certifications, endorsements and Chamber of Commerce fees	15,424	19,461
Penalties and indemnities	129,915	12,510
Donations	14,630	-
Other operating costs	71,712	94,982
Total other operating costs	984,846	725,352

2.7 Amortisation, depreciation, and impairment losses

As of 30 June 2023, the Group's depreciation, amortisation and impairment losses were € 12,168,816 compared to € 7,298,070 in the previous year. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Depreciation of tangible assets	6,821,818	6,382,993
Amortisation of intangible assets	720,432	443,964
Amortisation of rights of use	226,565	471,112
Pharmatek's goodwill impairment	4,400,000	-
Total amortisation, depreciation, and impairment losses	12,168,816	7,298,070

For information on the Pharmatek's goodwill impairment, please refer to section 3.2 of this report.

2.8 Changes in Fair Value on financial assets and liabilities

As of 30 June 2023, changes in the fair value of financial assets and liabilities showed a positive balance of € 1,702,536 compared to a negative balance of € 5,845,820 in the previous year. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Change in fair value of other securities	1,702,536	(5,845,820)
Total changes in Fair Value on financial assets and liabilities	1,702,536	(5,845,820)

The "Changes in fair value of other securities" item showed a change in the fair value of securities held with a major credit institution. As mentioned in section 3.12 "Current Financial Assets" included in the Directors' Report as of 30 June 2023, the securities portfolio was almost entirely disposed of (one security of about € 122,000 remained). The income recorded in the income statement was final.

2.9 Financial income

As of 30 June 2023, the Group's financial income was € 32,367 compared to € 7,728 in the previous year. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Foreign exchange gains	28,295	1,336
Bank interest income	4,072	6,392
Total financial income	32,367	7,728

2.10 Financial charges

As of 30 June 2023, the Group's financial charges were € 2,290,377 compared to € 595,628 in the previous year. This is detailed below:

(Amounts in Euro units)	30 June 2023	30 June 2022
Interest expenses on bonds	41,331	82,609
Interest expenses on financing and bank loans	2,004,211	278,013
Interest expenses on bank accounts	166,503	114,541
Foreign exchange losses	39,263	80,020
Financial charges on severance indemnity discounting	38,325	12,893
Interest on financial liabilities for lease	744	27,552
Total financial charges	2,290,377	595,628

The increase in financial charges was mainly attributable to the higher debt exposure to credit institutions and interest rate increases.

2.11 Income taxes

The tax burden as of 30 June 2023 was € 1,555,543 compared to € 142,183 in the previous year.

(Amounts in Euro units)	30 June 2023	30 June 2022
Current taxes	1,552,408	(27,953)
Deferred tax assets and liabilities	3,135	177,915
Taxes from previous years	-	(7,779)
Total income tax	1,555,543	142,183

As of 30 June 2023, current taxes of € 1.6 million have been set aside in the Financial Statements of the Parent Company Fine Foods. Due to the negative tax result, the subsidiary Euro Cosmetic did not allocate current taxes and prudentially no deferred tax assets were allocated on the tax losses generated in the half-year.

Considering the financial results of the companies included in the consolidation as of 30 June 2022, no current taxes were set aside; the negative value represented the tax benefit for the period.

For details on deferred taxes, see 3.5 Deferred tax assets and note 3.6 Deferred tax provision.

BALANCE SHEET

ASSETS

3.1 Property, plant and machinery

The net book value of tangible fixed assets as of 30 June 2023 was € 105,763,602 compared to € 104,162,050 as of 31 December 2022. 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 - 01 January 2023	71,973,613	121,817,223	12,629,617	10,117,386	2,440,886	218,978,725
Increases	342,283	1,288,123	677,000	710,599	5,817,877	8,835,882
Decreases	(26,850)	(673,555)	(59,473)	(425,131)	-	(1,185,009)
Reclassifications	452,455	2,601,982	86,148	23,209	(3,163,794)	-
Other changes	-	-	-	-	(74,528)	(74,528)
Historical cost - 30 June 2023	72,741,501	125,033,774	13,333,292	10,426,063	5,020,441	226,555,070
Accumulated depreciation - 01 January 2023	23,995,017	73,010,441	10,599,217	7,211,998	-	114,816,673
Increases	1,269,168	4,466,048	524,141	562,461	-	6,821,818
Decreases	(1,589)	(461,009)	(58,667)	(325,759)	-	(847,023)
Reclassifications	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Accumulated depreciation - 30 June 2023	25,262,597	77,015,480	11,064,691	7,448,700	-	120,791,468
Net book value - 01 January 2023	47,978,595	48,806,782	2,030,400	2,905,388	2,440,886	104,162,051
Net book value - 30 June 2023	47,478,904	48,018,294	2,268,600	2,977,363	5,020,441	105,763,602

The main investments made in the period related to the subsidiary Euro Cosmetic for the Trenzano site's expansion and reorganisation.

3.2 Goodwill

The net book value of goodwill as of 30 June 2023 was € 11,507,594

The change in the goodwill value compared to the year ended 31 December 2022 was attributable to the Pharmatek's goodwill impairment of € 4.4 million following the impairment test performed by the directors.

<i>(Amounts in Euro units)</i>	30 June 2023	31 December 2022
Segment reporting: Cosmetics		

Pharmatek Goodwill	2,644,809	7,044,809
Euro Cosmetic Goodwill	8,863,145	8,863,145
Total Goodwill	11,507,954	15,907,954

As required by the international accounting standard IAS 36, the Group performs an impairment test at least once a year and in circumstances where an impairment indicator becomes apparent. Among the various impairment indicators, the Group considered elements such as i) the relationship between its market capitalisation and shareholders' equity (which, as of 30 June 2023 did not show any impairment indicators), ii) the results achieved during the period by the CGUs, iii) other factors such as strategic business decisions, such as those affecting the Group's Cosmetic BU, or iv) sudden changes in the competitive environment or main economic variables.

The macro-economic variables in the first half of 2023 showed considerable uncertainties connected to the sudden rise in interest rates, continuation of commodities and energy markets instability and a high inflationary trend.

During the period, the Group's activities of the Cosmetic BU were reorganised, and the subsidiary Pharmatek was merged by incorporation into Euro Cosmetic as of 1 January 2023. Due to

- the focusing of activities in a single production facility where the production lines are used in an undifferentiated manner when manufacturing cosmetics for new and existing customers,
- the new company organisation that no longer duplicates roles and responsibilities for the Pharmatek and Euro Cosmetic's businesses,
- the complete transition of Pharmatek operations into the Euro Cosmetic management system,

on 30 June 2023, Pharmatek and Euro Cosmetic CGUs were merged into the "Cosmetic" CGU, and the related unified impairment test was carried out starting from that date.

Under the CONSOB communication 3907 of 19 January 2015, before the merger of "Pharmatek" and "Euro Cosmetic" CGUs into the "Cosmetic" CGU, the directors carried out an impairment test referred to the "Pharmatek" CGU.

The impairment test and its related business plans were approved by the Parent Company's Board of Directors during its 13 September 2023 meeting. The directors considered:

- The identification of the portion of turnover relating to the discontinued businesses (E-CIG and part of the medical-surgical aids) considering the average incidence of the turnover of these products in the last two financial years (approximately 60%).
- The recoverable amount of the individual Pharmatek Cash Generating Unit, by discounting their expected cash flows (using the Discounted Cash Flow Model - DCF) taking into account the effect of the discontinuation of the electronic cigarettes business and part of the medical-surgical aids and comparing their value with the related Net Invested Capital.

The discount rate (WACC) is 10.1% (9.96% as of 31 December 2022) and reflects the current market situation, current cost of money and implicit business risks. 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.

Together with this revision of the plans, the WACC calculation was updated by incorporating the most recent data. The discount rate (WACC) is 10.1% (9.96% as of 31 December 2022) and reflects the current market situation, current cost of money and implicit business risks. The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 2% (as applied on 31 December 2022).

The impairment test result led to a CGU goodwill impairment of € 4.4 million. After this impairment, goodwill attributable to the Pharmatek acquisition was € 2.6 million.

The directors performed the impairment test on the "Cosmetic" CGU arising from the merger of the "Pharmatek" and "Euro Cosmetic" CGUs, incorporating the most recent closing estimates for 2023 in the plans approved by the Board of Directors on 30 March 2023 and revised the plans for 2024 and 2025 based on the new dynamics. These business plans and the impairment tests were approved by the Parent Company's Board of Directors at its 13 September 2023 meeting.

The recoverable amount of the Cosmetic Cash Generating Unit was determined by discounting its expected cash flows (using the Discounted Cash Flow Model - DCF) and comparing its value with the related Net Invested Capital. 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.

Together with this revision of the plans, the WACC calculation was updated by incorporating the most recent data. The discount rate (WACC) is 10.1% (9.96% as of 31 December 2022) and reflects the current market situation, current cost of money and implicit business risks.

The cash flows for the years not included in the plan's implicit period were defined using a growth rate of 2% (as applied on 31 December 2022).

The impairment test confirmed that the recoverable value of the CGU was higher than their respective book values.

A sensitivity analysis was carried out, concerning:

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

From the sensitivity analysis, there was no need for an asset impairment.

3.3 Other intangible fixed assets

The net book value of intangible assets as of 30 June 2023 was € 1,805,112 compared to € 1,780,551 as of 31 December 2022.

Changes in intangible fixed assets and their respective amortisation provisions are shown below.

(Amounts in Euro units)	Industrial patents and intellectual property rights	Total intangible fixed assets
Historical cost - 01 January 2023	5,776,086	5,776,086
Increases	436,112	436,112
Decreases	-	-
Historical cost - 30 June 2023	6,212,198	6,212,198
Amortisation provision - 01 January 2023	3,995,535	3,995,535
Increases	411,551	411,551
Decreases	-	-
Amortisation provision - 30 June 2023	4,407,086	4,407,086
Net book value - 01 January 2023	1,780,551	1,780,551
Net book value - 30 June 2023	1,805,112	1,805,112

Intangible fixed assets mainly refer to software licences.

3.4 Leases

As already mentioned, the Group adopted IFRS 16 as of 1 January 2019.

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

(Amounts in Euro units)	Property	Plant and machinery	Equipment	Cars and vehicles	Total
Right of use as of 01 January 2023	8,843,894	2,036,887	215,394	149,221	11,245,397
Increases	63,586	-	-	-	63,586
Decreases	(1,013,139)	-	(75)	-	(1,013,214)
Right of use as of 30 June 2023	7,894,341	2,036,887	215,319	149,221	10,295,769
Amortisation provision as of 01 January 2023	4,425,063	1,338,060	182,003	137,160	6,082,286
Increases	440,220	82,511	8,053	4,662	535,446
Decreases	(112,335)	-	-	-	(112,335)
Amortisation provision as of 30 June 2023	4,752,948	1,420,571	190,056	141,822	6,505,397
Net book value as of 01 January 2023	4,418,831	698,828	33,391	12,061	5,163,110
Net book value as of 30 June 2023	3,141,393	616,317	25,263	7,398	3,790,372

Below is a breakdown of the current and non-current liabilities arising from applying IFRS 16 as the Right of use as of 31 December 2022 and 30 June 2023.

Financial liability	
Financial liability as of 01 January 2023	2,873,792
Increases	855,978
Decreases	(1,756,938)
Interest	2,676
Fees	(324,084)
Financial liability as of 30 June 2023	1,651,424
Short-term financial liability	380,421
Long-term financial liability	1,271,003

The Parent Company's main leasing contracts refer to a logistics hub used by the Company for the Food sector.

The production and management activities of the former subsidiary Pharmatek were focused on the Trenzano site, while the Cremosano production units were closed. The related leases, which were formally terminated, will be closed in the second half of the year.

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 of the "credit risk" attributable to the Group (1%).

The Group 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 Group's operational needs. Management exercises significant professional assessment to define extension or early termination options. Renewal for contracts that did not provide for it or for contracts already being considered for early termination was not considered.

3.5 Deferred tax assets

Deferred tax assets as of 30 June 2023 were € 7,324,358 compared to € 7,312,662, 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.

<i>(Amounts in Euro units)</i>	01 January 2023	2023 EC taxes	OCI	Other changes	30 June 2023
Deferred tax assets for inventory write-down	303,410	38,865	-	-	342,275
Deferred tax assets for goodwill amortisation	162,499	(13,542)	-	-	148,957
Deferred tax assets on IRES tax loss	6,707,417	(1,494)	-	-	6,705,923
Deferred tax assets for equity transaction costs	-	-	-	-	-
Deferred tax assets for other items	139,337	(20,248)	8,385	(272)	127,203
Total deferred tax assets	7,312,662	3,581	8,385	(272)	7,324,358

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

The results achieved in H1 2023 confirmed the recovery assumptions contained in the above plan.

3.6 Provision for deferred taxes

As of 30 June 2023, the Group's deferred tax provision was € 248,757 compared to € 240,553 as of 31 December 2022, 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 as of 30 June 2023.

(Amounts in Euro units)	01 January 2023	2023 financial year	OCI	30 June 2023
Deferred taxes lease IFRS 16	210,419	8,017	-	218,436
Deferred taxes on brand revaluation	-	-	-	-
Deferred taxes IAS 19	20,944	(1,300)	1,487	21,131
Deferred taxes on stock grant plans	-	-	-	-
Deferred taxes for other items	9,190	-	-	9,190
Total deferred taxes	240,553	6,717	1,487	248,757

3.7 Other non-current assets

As of 30 June 2023, non-current assets were € 354,120 (compared to € 820,871 as of 31 December 2022).

(Amounts in Euro units)	30 June 2023	31 December 2022
Tax credit for subsidised assets – amount after 12 months	354,120	820,871
Total non-current financial assets	354,120	820,871

These receivables were attributable to tax credits for subsidised goods.

3.8 Inventories

Inventories net of the related write-down provision for finished products and goods as of 30 June 2023 were € 51,283,098 compared to € 40,422,499 as of 31 December 2022.

The increase in inventories as of 30 June 2022 was mainly attributable to a higher procurement of raw and packaging material.

(Amounts in Euro units)	30 June 2023	31 December 2022
Raw materials, ancillary materials, and consumables	36,337,114	30,340,048
Raw, ancillary materials and consumables write-down provision	(1,226,792)	(1,087,492)
Work in progress and semi-finished products	6,098,295	3,571,520
Finished products and goods	10,074,481	7,598,424
Total inventories	51,283,098	40,422,499

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 31 December 2022	1,087,492
Accrual	343,005
Provision Use	(203,706)
Balance as of 30 June 2023	1,226,792

The inventory obsolescence provision set aside as of 30 June 2023 was € 1,226,792 and was intended to cover write-downs made due to goods expiring or non-compliant.

Uses for the year are those disposals made in 2023 concerning expired or non-conforming batches and were written off as of 30/06/2023.

3.9 Trade receivables

As of 30 June 2023, trade receivables were € 49,868,481 (€ 40,182,075 as of 31 December 2022), gross of the related bad debt provision of € 1,043,604 (€ 834,754 as of 31 December 2022).

The increase in trade receivables was due to a different mix of customers according to their payment terms which were invoiced during H1 2023.

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>	30 June 2023	31 December 2022
ITALY trade receivables	37,860,091	28,718,777
EEC trade receivables	9,932,667	10,193,630
NON-EEC trade receivables	2,075,723	1,269,668
Total trade receivables	49,868,481	40,182,075

As of 30 June 2023, invoices to be issued were € 961,731, referring mainly to price adjustments applied by one of the main customers. These invoices were regularly issued when drafting these Financial Statements.

The first five customers represent 38.3% of the trade receivables (gross of the bad debt provision) reported in the Financial Statements for approximately € 19.1 million.

Changes in the bad debt provision are summarised below:

Balance as of 31 December 2022	834,754
Accrual	230,244
Provision Use	(21,394)
Balance as of 30 June 2023	1,043,604

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

<i>(Amounts in Euro units)</i>	30 June 2023	31 December 2022
ITALY trade receivables	37,386,693	28,626,362
EEC trade receivables	9,448,074	9,532,917
NON-EEC trade receivables	1,990,110	1,188,042
Total trade receivables	48,824,877	39,347,321

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:

<i>(Amounts in Euro units)</i>	30 June 2023	Total receivables	Not due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-180	Overdue +180
Italy	37,860,091	32,346,433	2,564,920	1,539,734	313,253		434,116	661,635
EEC	9,932,667	7,702,839	1,096,052		33,073	190,489		232,932
Non-EEC	2,075,723	1,100,166	559,954		-26,089	270,669		51,368
Gross trade receivables	49,868,481	41,149,438	4,220,925	1,546,718	774,411		718,416	1,458,572
% write-down of receivables		2.1%	0%	0%	-	0%	0%	71.5%
Bad debt provision		1,043,604	-	-	-	-	-	1,043,604
Net trade receivables		48,824,877	41,149,438	4,220,925	1,546,718	774,411	718,416	414,968

3.10 Tax receivables

As of 30 June 2023, tax receivables were € 243,859 compared to € 2,268,044 on 31 December 2022. This is detailed below:

(Amounts in Euro units)	30 June 2023	31 December 2022
IRES receivables	-	1,977,648
IRAP receivables	243,859	290,396
Total tax receivables	243,859	2,268,044

3.11 Other current assets

Total other current assets as of 30 June 2023 were € 7,880,625 compared to € 5,890,398 as of 31 December 2022. The table below provides a breakdown.

(Amounts in Euro units)	30 June 2023	31 December 2022
VAT receivables	3,816,778	2,053,502
Receivables for withholding tax on collected coupons, dividends and realised capital gains	1,192,094	941,291
Receivables from social security institutions	241,683	80,097
Receivables for energy account withholdings	5,145	255
Accrued income and prepaid expenses	492,774	137,286
Other receivables	731,846	668,680
White Certificates	455,923	566,211
Tax receivables for tax benefits	944,381	1,443,075
Total other current assets	7,880,625	5,890,398

The "Other receivables" item mainly refers to advances to suppliers for goods and services.

3.12 Current financial assets

As of 30 June 2023, current financial assets were € 3,844,715 (compared to € 66,512,584 as of 31 December 2022). This is detailed below:

(Amounts in Euro units)	30 June 2023	31 December 2022
Other securities	166,474	62,834,343
Directors' Severance Pay (TFM) receivables	211,265	211,265
Leakage receivable	3,466,976	3,466,976
Total current financial assets	3,844,715	66,512,584

Other Securities

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

- As of 31 December 2022, the portfolio Fair Value was € 62,834,000.
- As of 30 June 2023, the positive change in Fair Value was € 1.7 million.
- As of 30 June 2023, Fine Foods has withdrawn € 64 million from the portfolio. To date, there is only one security in the portfolio of € 122,000. The company intends to close its position.

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

Portfolio allocation	30 June 2023	31 December 2022
Shares	77.71%	22.20%
Equity securities	77.71%	14.81%

Equity funds	0%	5.88%
Options	0%	1.51%
Bonds	0%	62.71%
Bonds	0%	21.52%
Bond funds	0%	41.19%
Alternative investments	0%	0%
Alternative funds	0%	0%
Liquid assets	22.29%	15.09%

The Parent 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 securities portfolio held by the Company is configured in percentage terms:

Currency exposure	Gross Exposure	Net Exposure
Euro	99.75%	99.75%
U.S. dollars	0.25%	0.25%

Leakage receivable

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

The main leakage in the contract was due to:

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

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

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

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

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

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

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

3.13 Cash and other liquid assets

As of 30 June 2023, the Group's cash and liquid assets were € 49,243,212 compared to € 10,232,262 as of 31 December 2022. This is detailed below:

(Amounts in Euro units)	30 June 2023	31 December 2022
Bank and postal deposits	49,237,878	10,224,410
Cash and cash equivalents on hand	5,333	7,853
Total cash and other liquid assets	49,243,212	10,232,262

SHAREHOLDERS' EQUITY

4.1 Shareholders' equity

For the share capital please refer to the paragraph "Categories of shares issued by the Company."

All subscribed shares have been fully paid up.

Other reserves are detailed below:

(Amounts in Euro units)	30 June 2023	31 December 2022
Legal reserve	5,000,000	5,000,000
Negative reserve for treasury shares in the portfolio	(13,768,417)	(13,680,454)
Merger surplus reserve	29,741,389	29,741,389
Share premium reserve	86,743,750	86,743,750
Extraordinary reserve	2,286,637	14,240,490
Reserve for share-based payments	-	-
First Euro Cosmetic consolidation reserve	(6,928,892)	(6,928,892)
IRS derivative hedging reserve	33,384	33,384
Warrant conversion reserve	11,311,789	11,311,789
Total reserves	114,419,640	126,461,456

Categories of shares issued by the Company

The following table shows the number of Parent Company's shares. No movements occurred during the period.

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

The Parent Company is constantly engaged in buy-back 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 buy-back 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 30 June 2023, the Parent Company's bonds were € 3,329,404 compared to € 3,323,051 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	30 June 2023	31 December 2022
Bonds payable - Non-current liabilities	-	-
Bonds payable - Current liabilities	3,329,404	3,323,051
Total bonds	3,329,404	3,323,051

Bonds payable originated in 2016 with a due date of 28 October 2023, 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.

They have been fully complied with as of the date of the 30 June 2023 Half-year Financial Report.

4.3 Non-current bank borrowings

As of 30 June 2023, non-current bank borrowings were € 70,079,731 compared to € 77,573,797 as of 31 December 2022. This is detailed below:

<i>(Amounts in Euro units)</i>	30 June 2023	31 December 2022
MedioCredito mortgage loan	4,965,401	5,787,952
Intesa loan	58,675,543	64,291,256
Subsidiary loans	6,438,787	7,494,589
Total non-current bank borrowings	70,079,731	77,573,797

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% spread.
- There are no financial constraints on the loan

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

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

They have been complied with as of the date of the 30 June 2023 Half-year Financial Report.

4.4 Current bank borrowings

As of 30 June 2023, current bank borrowings were € 35,871,031, compared to € 36,590,346 as of 31 December 2022, broken down as follows:

(Amounts in Euro units)	30 June 2023	31 December 2022
Invoice advances	5,677,933	6,757,788
Bank liabilities	9,497,056	-
Accrued expenses Interest	28,840	88,340
Loans and mortgages - amount due within 12 months	20,667,203	29,744,218
Total current bank borrowings	35,871,031	36,590,346

As of 30 June 2022, the Group has used several invoice advances and hot money lines for better financial management.

Under loans and mortgages - portion due within the next financial year, on 21 October 2021, the Parent Company signed a 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 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.

4.5 Employee benefits

As of 30 June 2023, the Employee benefits item was € 2,311,693 compared to € 2,419,013 as of 31 December 2022. This item refers exclusively to provisions set aside for severance indemnities.

(Amounts in Euro units)	
Balance as of 31 December 2022	2,419,013
Provision Use	(286,755)
Discounting interest current year	38,325
Service Cost	112,369
Actuarial profits and losses current year	28,741
Other changes	-
Balance as of 30 June 2023	2,311,693

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:

	30 June 2023	31 December 2022
Annual discount rate	3.67%	3.63%
Annual inflation rate	2.30%	2.30%
Severance indemnity increase annual rate	3.23%	3.225%

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 30 June 2023	DBO as of 31 December 2022
Turnover rate +1%	2,108,330	2,218,614
Turnover rate -1%	2,091,631	2,195,628
Inflation rate +0.25%	2,129,405	2,238,529
Inflation rate -0.25%	2,072,100	2,177,666
Discount rate +0.25%	2,061,674	2,166,487
Discount rate -0.25%	2,140,531	2,250,467

Estimated future disbursements – Years	2023	2022
1	253,660	238,306
2	201,143	245,570
3	278,678	253,960
4	206,950	261,494
5	227,989	220,297

4.6 Provisions for risks and charges

Provisions for risks and charges as of 30 June 2023 were € 36,305 compared to € 41,105 as of 31 December 2022. This item referred exclusively to the subsidiaries' contingent liabilities as detailed below:

(Amounts in Euro units)	30/06/2023	31/12/2022
Euro Cosmetic provisions for risks and charges	36,305	2,105
Pharmatek provisions for risks and charges	-	39,000
Total other non-current financial liabilities	36,305	41,105

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

4.7 Trade payables

Trade payables as of 30 June 2023 were € 38,121,073, compared to € 33,450,468 as of 31 December 2022, broken down geographically as follows:

(Amounts in Euro units)	30 June 2023	31 December 2022
Trade payables in ITALY	30,433,930	28,216,591
EEC trade payables	5,847,301	4,170,304
NON-EEC trade payables	1,839,842	1,063,573
Total trade payables	38,121,073	33,450,468

4.8 Taxes payable

Total tax payables as of 30 June 2023 were € 159,014.

(Amounts in Euro units)	30 June 2023	31 December 2022
Payables for IRES	111,347	-
Payables for IRAP	47,667	-
Total taxes payable	159,014	-

Tax payables referred exclusively to the Parent Company and concerned the allocation of current taxes.

4.9 Other current liabilities

Total other current liabilities as of 30 June 2023 were € 10,993,497, compared to € 10,018,421 as of 31 December 2022, and are broken down as follows:

(Amounts in Euro units)	30 June 2023	31 December 2022
Payables due to pension and social security institutions	3,009,928	2,614,421
Payables to employees for production bonuses and accrued thirteenth month's pay, fourteen month's pay holidays	4,419,310	3,579,197
Payables for withholding taxes on employees	842,347	1,006,899
Payables for withholding taxes on self-employment	49,342	29,908
Substitute tax on severance indemnity	7,015	42,916
Accrued expenses and deferred income	1,633,991	1,971,652
Advances from customers	16,600	45,631
Other payables	1,014,963	727,797
Total other current liabilities and payables	10,993,497	10,018,421

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

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 Group certifies that no sum of money has been received.

5.4 Related party transaction information

Other than the remuneration of directors, during 2023, the Company did not enter into any transactions with related parties that were not under unusual market conditions.

<i>(Amounts in Euro units)</i>	30 June 2023
Directors' remuneration	952,550
Board of Statutory Auditors	37,000

5.5 Events after the Financial Statements date

No significant events were reported.

Verdellino, 13 September 2023

for the Board of Directors

Chairman

Marco Francesco Eigenmann

Attestation of the 30 June 2023 condensed consolidated interim Financial Statements

under Article 154-bis of Legislative Decree no. 58/98

The Manager responsible for preparing the company's financial reports of Fine Foods & Pharmaceuticals N.T.M. S.p.A. Pietro Bassani certifies the following, under art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the Financial Statements' adequacy in relation to the Company features;
- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim Financial Statements, during the first half of 2023.

The undersigned declares that:

- The condensed consolidated interim Financial Statements:
 - have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through EC Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
 - reflect the accounting books and records;
 - 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 Half-year Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's condensed consolidated interim Financial Statements, along with a description of the main risks and uncertainties for the remaining six months of the year. Furthermore, the Half-year Report on Operations contains a reliable analysis of significant related party transactions.

Verdellino-Zingonia, 13 September 2023

Chief Executive Officer

Giorgio Ferraris

The Manager

**preparing the corporate
accounts**

Pietro Bassani

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

Review report on the interim condensed consolidated
financial statements

(Translation from the original Italian text)



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Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the interim consolidated statement of financial position, the interim consolidated income statement, the interim consolidated comprehensive income statement, the interim consolidated Shareholders' equity changes and interim consolidated cash flow statement and the related explanatory notes of Fine Foods & Pharmaceuticals N.T.M. S.p.A. and its subsidiary (the "Fine Foods Group") as of 30 June 2023. The Directors of Fine Foods & Pharmaceuticals N.T.M. S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Fine Foods Group as of 30 June 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bergamo, September 13, 2023

EY S.p.A.

Signed by: Marco Malaguti, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

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