ANNUAL FINANCIAL REPORT

31 December 2021

Pharmanutra S.p.A.

Headquarters	Via delle Lenze 216/B - 56122 PISA PI
REA (Economic Administrative Index)	146259
PISA Companies Register	no. 01679440501
Share capital	01679440501
	Euro 1,123,097.70 fully paid-in

PHARMANUTRA

Andrea Lacorte, Chairman of PharmaNutra S.p.A., comments: *'Once again, the PharmaNutra Group closes the year with extremely positive results in the economic, commercial and scientific fields. Although, in general, we are facing a difficult time, started with the pandemic and continued with the international crisis involving Russia and Ukraine, we close another growing year, in line with the Group's tradition. The constant international expansion and the recognition of further patents in new geographical areas, confirm strategic assets for the commercial and scientific affirmation of the company, which, combined with the increase in liquidity generated by operations, allow PharmaNutra to develop business while maintaining a high cash generation'.*

"In 2021, the financial statements recorded significant growth, returning to double-digit performance as PharmaNutra has accustomed us since its establishment", ***adds Roberto Lacorte, Vice President and CEO of the Group.*** *'The company's characteristic business, namely its organic growth, has generated important results, a fundamental aspect as a key element of future strategies, based on internationalisation towards strategic countries, new product lines, an implemented R&D activity – which will lead to the development of new proprietary technologies – and, finally, business combination and M&A operations. These are the key points that will lead us to further growth in the medium to long term. '*

Our History

PharmaNutra Group is a group of Italian companies based in Pisa, specialised in the pharmaceutical and nutraceutical sector. The companies PharmaNutra S.p.A., Junia Pharma S.r.l. and Alesco S.r.l. are part of the Group.

Thanks to continuous capital expenditures in R&D activities that have led to the development of innovative technologies, the Group has succeeded in a short time in establishing itself in the production of iron-based nutritional supplements with the brand SiderAL® where it boasts important patents related to Sucrosomial® Technology and, thanks to the brand Cetilar® is considered one of the top emerging players in the field of medical devices dedicated to the restoration of joint capacity.

The PharmaNutra Group has about 60 employees in Italy and a network of over 150 ISCs (Scientific Sales Agents), who are the real driving force of the company in the territory. The commercial structure of the Group was built to respond to the peculiarities of the domestic market, but has been able to adapt quickly and efficiently to international needs.

PharmaNutra has been present since 2013 in foreign markets with a flexible and innovative business model, based on a consolidated network of partners of excellence: structured and growing companies, whose business is focused on innovative and high quality products, solid scientific research and a commercial structure as close as possible to PharmaNutra's values. Currently, the Group's products are present in more than 50 countries worldwide, including Europe. Asia. Africa and America, through a network of 39 carefully selected business partners.

PHARMANUTRA HOLDS 100% OF JUNIA PHARMA AND ALESCOV

PharmaNutra

Founded and led by the Lacorte brothers. PharmaNutra S.p.A. was founded in 2003 with the aim of developing innovative nutritional supplements and medical devices, taking care of the entire production process, from the development of proprietary raw materials to the distribution of the finished product.

Junia Pharma

In 2010, PharmaNutra's management decided to invest in the creation of a new company, in order to respond to the ever increasing health demands of children. Thus, Junia Pharma S.r.l. was created, a company specialised in the development and distribution of drugs, medical devices, OTC and nutritional supplements dedicated to the pediatric area.

Alesco

Alesco S.r.l. was founded in 2000, with the aim of standing out in the nutraceutical market for the high scientific value of the raw materials distributed. Thanks to continuous capital expenditures in R&D activities, today Alesco's active ingredients are considered among the most effective on the market and are also applied in the pharmaceutical, food

CORPORATE BODIES

Board of Directors

Andrea Lacorte (Chairman)

Roberto Lacorte (Vice Chairman)

Carlo Volpi (Director)

Germano Tarantino (Director)

Alessandro Calzolari (Independent Director)

Marida Zaffaroni (Independent Director)

Giovanna Zanotti (Independent Director)

Board of Statutory Auditors

Michele Lorenzini (Chairman of the Board of Statutory Auditors)

Guido Carugi (Standing Auditor)

Andrea Circi (Standing Auditor)

Fabio Ulivieri (Substitute Auditor)

Giacomo Boni (Substitute Auditor)

Independent auditors

BDO Italia S.p.A.

INTRODUCTION

PharmaNutra S.p.A., whose shares are traded on the STAR Segment of the Mercato Telematico Azionario ("MTA"), organised and managed by Borsa Italiana as of 15 December 2020, operates in the nutraceutical and pharmaceutical sector with the objective of improving people's well-being. Based on continuous research and development, it has introduced new nutritional concepts and new active ingredients to the market. It manufactures products using innovative technologies, paying particular attention to the protection of intellectual property.

This Report is presented in a single document for the purposes of the Consolidated Financial Statements of the PharmaNutra Group (hereinafter the "Group") and the Statutory Financial Statements of the Parent Company PharmaNutra S.p.A..

The administrative body of PharmaNutra S.p.A. resolved to prepare the Consolidated and Parent Company Statutory Financial Statements in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The amounts in the accounting statements, tables and explanatory notes are expressed in thousands of Euro, unless otherwise stated.

These separate and consolidated financial statements constitute a non-official version and they are not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. Accordingly, only the original text in Italian language is authoritative.

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MANAGEMENT REPORT

Dear Shareholders,

the consolidated financial statements for the year ended 31.12.2021 show a net result of Euro 13.8 million compared to the net result of Euro 14.1 million of the previous year.

The result of the previous year benefited from Euro 4.1 million of lower taxes relating to the formalisation, in June 2020, of the agreement relating to the Patent Box with the Inland Revenue.

Current taxes for the year amount to Euro 5.0 million (net of deferred tax assets and the tax credit for listing). Pre-tax result amounts to Euro 18.8 million (Euro 13.3 million in 2020). Pre-tax result, in turn, was determined by allocating Euro 1.4 million (about Euro 2.3 million in 2020) to the provision for amortisation, depreciation and write-offs.

Pharmanutra Group (hereinafter also the "Group") consists of Pharmanutra S.p.A. (“Pharmanutra”, the “Company” or the “Paren Company”) and its subsidiaries Junia Pharma S.r.l. (“Junia Pharma”) and Alesco S.r.l. (“Alesco”).

Pharmanutra, a nutraceutical company located in Pisa, is specialised in the development of nutritional supplements and medical devices. In particular, it deals with the research, design, development and marketing of proprietary and innovative products. Among these, the most relevant are the ones based on Sucrosomial Iron®, namely the products of Sideral® line, and the products for the restoration of joint and movement capacity in osteo-articular diseases, consisting of Cetilar® line.

It complies with strict quality standards while focusing on the unique and exclusive raw materials used throughout the country.

It designs and produces formulations with an important scientific background.

Since 2005, it has been developing and marketing directly and independently a line of products under its own brand, being managed through a structure of sales representatives/scientific informants who present the products directly to the medical class. Pharmanutra now has the know-how to manage all stages from design,

formulation and registration of a new product, to marketing and sales, up to sales representatives/scienti informants training. The business model developed has been pointed out by key health marketing experts as an example of innovation and efficiency in the entire pharmaceutical scenario.

The company has also boosted its research and development activities in order to further strengthen its results in its industry.

Junia Pharma is active in the production and marketing of pharmaceuticals, medical devices, OTC and nutraceuticals for the paediatric sector.

Alesco produces and distributes raw materials and active ingredients for the food, pharmaceutical and food supplement industries.

Operating conditions and business development

An analysis of the Group's financial position, performance and operating result is provided in the following paragraphs, which specifically deal with the market scenario and the products and services offered, the investments and the main indicators of economic performance and the evolution of the financial position.

Operating results

The consolidated financial statements of Pharmanutra Group as at 31/12/2021 are as follows:

INCOME STATEMENT FIGURES (€/millions)	2021	%	2020	%	Chan
REVENUES	68.8	100.0%	58.7	100.0%	17.3%
REVENUES FROM SALES	68.1	99.0%	56.5	96.2%	20.7%
EBITDA net of non-recurring items *	20.1	29.2%	16.0	27.8%	25.3%
NET RESULT	13.8	20.0%	14.1	24.0%	-2.1%
NET RESULT excl. non-recurring items **	13.3	19.3%	10.2	17.7%	30.8%
EPS - NET EARNINGS PER SHARE (Euro)	1.42		1.45		-2.1%
EPS - NET EARNINGS PER SHARE excl. non-recurring items (Euro)	1.38		1.05		30.8%

BALANCE SHEET FIGURES (€/millions)	2021	2020	Changes
NET INVESTED CAPITAL	17.0	18.4	(1.4)
NFP (positive cash)	28.1	19.4	8.7
SHAREHOLDERS' EQUITY	(45.1)	(37.7)	7.4

* The Gross Operating Margin excluding the non-recurring items 2020 is net of non-recurring revenues relating to a contractual indemnity, equal to Euro 1 million, and non-recurring costs for a total of Euro 1.5 million, relating to the consultancy costs incurred for the completion of the agreement with the Revenue Agency for access to the tax relief represented by the Patent Box, and the costs incurred in relation to the transition of the group to the Euronext STAR Milan market (hereinafter "STAR").

** The Net Result excluding the non-recurring items 2021 is net of the tax credit obtained on the consulting costs incurred for the transition to the STAR market (Euro 457 thousand).

The net result excluding non-recurring items for 2020 does not include the tax benefit deriving from the finalisation of the agreement for the tax relief relating to the exclusion from taxable income for each year of part of the income deriving from the use of the so-called "intellectual property" (Patent Box) relating to the years 2016 to 2019 for the total amount of Euro 3.4 million, the cancellation of taxes relating to the first IRAP advance payment provided for by the Relaunch Decree, equal to Euro 254 thousand, and costs net of non-recurring revenues for Euro 1.5 million. In order to ensure a meaningful comparison, the 2020 figure was adjusted by removing the 2020 Patent Box benefit for the period.

Revenues from sales

In 2021, consolidated revenues from sales amounted to Euro 68.1 million, with an increase of 20.7% compared to the previous year.

In an extremely challenging year, the Group has demonstrated agility and strong execution capacity in the tw business areas, registering an increase in revenues of about 20% on the Italian market and about 23% on foreign markets.

In terms of volumes, the sales of finished products as at 31 December 2021 reached 9,712 thousand units, an increase of approximately 20.7% compared to 8,044 thousand units in the previous year.

Italy

Revenues from sales on the Italian markets increased by 19.6% to Euro 47.8 million (Euro 40.0 million in the previous year), thus returning to pre-pandemic growth levels.

The outcome is also the result of targeted investments in innovative digital remote working and interactive tools, such as augmented reality, developed in 2020, with which the sales network has managed to maintain a constant dialogue with doctors and pharmacists despite the operational difficulties imposed by the restrictive measures adopted to combat the Covid-19 pandemic.

Foreign market

Revenues from sales on foreign markets increased by 23.4%, reaching Euro 20.3 million (Euro 16.5 million in the previous year), and represent approximately 30% of total turnover, in line with the incidence for the previous year.

The foreign market with the highest incidence is Europe, which accounts for 53.5% of the total as at 31 December 2021. Revenues on foreign markets are represented almost exclusively by sales of products from the SiderAL® line.

The development of new markets continued during 2021 despite the operational difficulties generated by the restrictive measures put in place by the authorities of the various countries to contain the Covid-19 pandemic. In June, an exclusive distribution agreement was entered into with Fresenius Kabi for the distribution of SiderAL® Forte 30mg (two different capsules and sticks) and SiderAL® 14mg (sticks) in Germany, the first market acquired among those considered strategic for the Group's growth strategy. This agreement opens up a market of enormous potential for the Group, given that the German market is the second largest in Europe in terms of volumes of supplement sales. Even in non-European territories, the Group has confirmed and strengthened its

presence with the finalisation of important contracts for the distribution of Sideral® in Vietnam, Jordan a Argentina, and of Cetilar® in Malaysia and Singapore.

The **Gross Operating Result** excluding the non-recurring components of the Pharmanutra Group at 31 December 2021 amounted to 20.1 million euros (16.0 million in 2020), equal to a margin of 29.2% on total revenues, with an increase of approximately 25.4% compared to the previous year.

The increase compared with the previous year derives not only from the higher turnover achieved, but also from lower than expected growth in operating costs due to the protracted restrictions imposed by the ongoing Covid-19 epidemic, with particular reference to travel expenses and marketing costs.

The **Net result** for the period amounts to Euro 13.8 million compared with Euro 14.1 million as at 31 December 2020. The net result for the period as at 31 December 2021 benefits from the tax credit obtained pursuant to art.1 of Italian Law no.205 of 27/12/2017 against the costs for advisory services incurred by the Parent Company for listing on the STAR market, which took place on 15 December 2020, for the amount of Euro 457 thousand. In 2020, the net result for the period, in addition to the non-recurring items already mentioned, includes the tax benefit deriving from the delivery of the agreement relating to the Patent Box for the years 2016-2020, amounting to Euro 4.8 million. The agreement expired on 31 December 2020 and the Group submitted an application to renew the facility for the five-year period 2021-2026 in September 2020. On 15 February 2022, the implementing decree of the new regulations was issued, which raises doubts as to the applicability of the new rules in view of the provisions regarding the retroactivity of tax measures. In view of the uncertainty highlighted above, and pending discussion of the matter with the tax authorities, no tax benefits were recorded in the 2021 financial statements relating to the Patent Box.

The **Net Financial Position** in 2021 shows a positive trend of Euro 8.7 million compared to 31 December 2020, showing a positive balance of Euro 28.1 million compared Euro 19.4 million of the previous year.

The cash flow from operations amounts to Euro 20.5 million (Euro 11.8 million in 2020), thus confirming the Group's great cash generation capacity.

The results obtained come from continuous research and development and clinical activities on the products themselves, which generate a greater awareness of the effectiveness of the products among the medical class and a growing perception of quality on the part of consumers.

In light of the results obtained, there are no issues relating to the going concern, liquidity risk and t recoverability of goodwill as well as tangible and intangible assets recognised in the financial statements at 31 December 2021. The impairment test performed on the recoverability of goodwill, which amounted to Euro 2,750 thousand at 31 December 2021, of which Euro 960 thousand related to the subsidiary Alesco and Euro 1,790 thousand to the subsidiary Junia Pharma, which was unchanged compared to the previous year, showed an excess of the recoverable amount of 37 times for the amount related to the subsidiary Alesco and 8 times for the subsidiary Junia Pharma. For further details, see the relevant section of the Explanatory Notes to the Consolidated Financial Statements.

Information about Covid-19

The gradual elimination of the restrictive measures issued to control the Covid-19 pandemic, which had led to a slowdown in growth in 2020, and the ongoing vaccination campaign, have enabled the Group to return to pre-pandemic revenue growth levels in the Italian market.

The activities of suppliers related to production, logistics and those of customers continued normally. Raw material procurement activities were not negatively impacted.

However, a worsening of the current situation cannot be ruled out, with the consequent adoption of new restrictive measures that could expose the Group to the risk of a decrease in sales.

Smart working has continued to be implemented for all employees in the Group in a rolling mode. There was no contagion between employees in the production plants, in the network and among employees such as to generate negative impacts on regular production and sales.

The Group did not use any type of social safety net among those provided by the Authorities in the Covid-19 emergency.

Significant Events of 2021

The most significant events of the financial year 2021 are described below.

In March 2021, the Group achieved the best performance ever in terms of sell-out data (direct order channel and IMS data provided by the provider, IQVIA); volume sales in Italy reached a total of 311,426 units, up 11.2% compared to the same month last year.

On 20 April, Sideral® Med, the first Sucrosomial® Iron-based Food for Special Medical Purposes (FSMP) from t Sideral® range, began being marketed. It is used for the treatment of nutritional deficiencies in bariatric patients or in those with severe malabsorption. SiderAL® Med is a complete formulation containing vitamins, sucrosomial minerals (Iron, Iodine, Magnesium, Zinc and Selenium), copper and algal calcium, in enhanced dosages to meet special nutritional needs. It has been specially formulated for people with chronic conditions suffering from gastro-intestinal malabsorption problems, as well as for patients undergoing bariatric surgery who, in most cases, are subject to severe nutritional deficiencies both before and during the post-operative course. SiderAL® Med ensures adequate energy intake, high therapy compliance due to excellent tolerability and palatability, and does not interfere with the absorption of other nutrients.

The financial statements of Pharmanutra S.p.A., approved by the Board of Directors on 23 March 2021, were submitted to the Shareholders' Meeting on 26 April 2021, which resolved in favour and approved the distribution of a dividend of Euro 0.67 per share and the allocation of the residual profit for 2020 to the extraordinary reserve.

In May, the Group achieved an all-time high in sell-in (direct orders and wholesale channel) with 305,294 units sold (+36% compared to May 2020), confirming the recovery of the sales growth process on the Italian market.

In June an agreement was entered into with the multinational Fresenius Kabi for the distribution in Germany of Sideral®Forte 30 mg and Sideral® 14mg. This is a significant agreement in the context of the Group's international development process, given that the German market is the second largest in Europe in terms of volumes of supplement sales.

In the same month, the contract was formalised with the general contractor Saicam S.p.a., of the Rizzani de Eccher Group, for the construction of the new headquarters, as well as the new pharmaceutical and nutraceutical laboratory and production facility. The investment, worth a total of approximately Euro 20 million, will allow the Pharmanutra Group to position itself as an increasingly reactive and robust chemical-pharmaceutical business, thanks to full control of the production of sucrosomial elements and greater effectiveness and autonomy in terms of R&D activities.

On June 29, Pharmanutra's Board of Directors approved the new procedure for transactions with related parties, in compliance with the provisions of Consob Regulation No. 21624 of 10 December 2020, the new procedure for

the internal management of Relevant and Inside Information and public disclosure of Inside Information, as w as the procedure for managing the register of persons who have access to Relevant and Inside Information.

On July 21st, EFSA (the European Food Safety Authority) officially announced its positive opinion for the classification of Lipocet as Novel Food. It is a new oral formulation based on cetylated fatty acids (CFAs), the same active ingredient used in Cetilar® products. The eligibility for registration as Novel Food is based on scientific data related to the safety of CFAs and represents the first, fundamental step for the development of new oral formulations and, consequently, the marketing throughout Europe of nutritional supplements based on Cetylated Esters dedicated to the well-being of muscles and joints. Over the next few months, the application for registration as a Novel Food will be examined by the European Commission, which will have to officially authorise the marketing of the new ingredient, for which Pharmanutra will have exclusive use for five years.
In August, a patent for formulations based on cetylated fatty acids (CFA) was obtained in China. The patent certificate, granted on 03/08/2021, number CN 108137472 B, covers the development and use of topical formulations based on cetylated fatty acid esters (CFA), the active ingredient contained in all muscle and joint products in the Cetilar® range.

In October, new business agreements for the distribution of Cetilar® Crema were entered into with the Thai partner American Taiwan Biopharm Co. (ATB) in Malaysia and Singapore. ATB will sell SiderAL® Forte and SiderAL® Folic in Vietnam, a territory with a high incidence of iron deficiency.

Another agreement for the distribution and sale of four SiderAL® brand products in Jordan was entered into with the Jordanian company Argon Drug Store. The products are SiderAL® Gocce Int., SiderAL® Bimbi, SiderAL® Forte and SiderAL® Folic.

In the same month, the parent company Pharmanutra was granted a process patent by the Indian patent office for the production of Cetylated Fatty Acids (CFA), the functional ingredient contained in all products in the Cetilar® range. In addition, the subsidiary Alesco obtained a patent for Sucrosomial Berberine® from the Italian Patent and Trademark Office. This latter patent is especially noteworthy because this is the first application of Sucrosomial® Technology outside the mineral sector for which it was originally conceived, and opens up exciting prospects for new scientific breakthroughs and new products.

In November, it was concluded with Laboratorios Ariston, a company present throughout Latin America that markets a total of 53 products in different sectors, including hematology, gastroenterology, gynecology, urology,

neurology, psychiatry, rheumatology and traumatology, the agreement for the distribution in Argentina SiderAL® Forte 20 Capsules 30mg Sucrosomial® Iron.

In December, the Group obtained the granting of three new patents: two granted to the subsidiary Alesco by the Italian Patent and Trademark Office and the third, in the name of the parent company, granted by the Russian Federal Agency for Intellectual Property. The first Italian patent, identified with No. 102019000022989, relates to a new functional ingredient, Sucrosomial Chromium® (UltraChrome™). Chromium is a trace element that helps modulate energy metabolism and maintain normal blood glucose levels. The application of Sucrosomial® Technology will ensure better tolerability and absorption levels, finding application in formulations dedicated to cholesterol and blood glucose control.

The second patent certificate granted to Alesco (No. 102019000023016) concerns, instead, the production of new formulations comprising a mineral and a polysaccharide, their possible compositions and the use in the supplementation of that mineral. The new formulation represents a further upgrade of Sucrosomial® Technology, which aims to develop new solutions and technologies to amplify the absorption and tolerability of nutrients.

The Russian Federal Agency issued the patent certificate for the production and use of Cetylated Fatty Acids (CFA), the functional principle contained in all products of the Cetilar® line in Russia.

As of 1 December 2021, the PharmaNutra stock became part of the "MSCI World Small Cap Index" and as of 20 December 2021 it became part of the "FTSE Italia Mid Cap"index. The "MSCI World Small Cap" index, launched in January 2001, represents the leading small cap companies listed in 23 of the most developed markets. With 4,419 companies, the index covers about 14% of the market capitalisation (free-float) for each country. "FTSE Italia Mid Cap" is instead the index composed of the 60 largest capitalisation companies not included in the FTSE MIB and represents the reference list for equity investments in Italian Mid Cap stocks.

Operating Performance

Pharmanutra Group's Business Lines

The Pharmanutra Group's distribution and sales model consists of two main Business Lines:

Direct Business Line (LB1): it is characterised by direct presence in the reference markets in which the Gro operates; the logic that governs this model is to ensure complete control of the territory through an organisational structure of sales representatives who, through sales and scientific information activities, ensure full control of all the players in the distribution chain: hospital doctors, outpatient doctors, pharmacies and hospital pharmacies.

This model, adopted in the Italian market, characterises Pharmanutra and Junia Pharma.

Alesco's commercial activity in Italy is directed both outside the Group, to companies in the food, pharmaceutical and nutraceutical industries as well as to nutraceutical production workshops that produce on behalf of third parties and, within the Group, supplying and selling products and raw materials to Pharmanutra and Junia Pharma.

Sales made through the network known as "Direct Business Line" represent 70% of revenues, while the remaining 30% is guaranteed by sales made abroad through distributor customers, hereinafter referred to as "Indirect Business Line".

Indirect Business Line (LB2): the business model is common to all three companies and is mainly used in foreign markets. It is characterised by the marketing of finished products (Pharmanutra and Junia Pharma) and raw materials (Alesco) through local partners which, under long-term exclusive distribution agreements, distribute and sell the products in their own markets.

The consolidated revenues as at 31 December 2021, amounting to Euro 68.1 million, increased by 20.7% compared to 31 December 2020 (Euro 56.4 million).

Revenues by area of Business				Incidence	
€/1000	2021	2020	Δ%	2021	2020
LB1	46,124	38,593	19.5%	67.7%	68.4%
LB2	19,692	15,510	27.0%	28.9%	27.5%
Total Finished Products	***65,816***	***54,104***	***21.7%***	***96.6%***	***95.8%***
LB1	1,689	1,400	*20.7%*	*73.5%*	*59.7%*
LB2	610	946	*-35.6%*	*26.5%*	*40.3%*
Total raw material	***2,298***	***2,346***	**-2.0%**	**3.4%**	**4.2%**
Total	**68,114**	**56,449**	**20.7%**	**100.0%**	**100.0%**

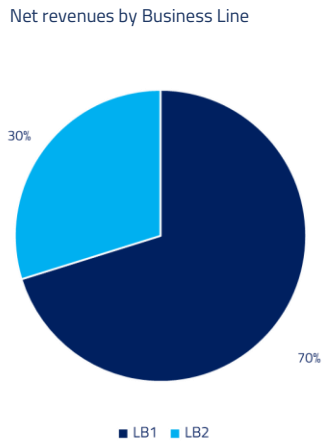
The breakdown of revenues in the Group's business areas shows that the sales of finished products increased by 19.5% and 27% on the Italian market (LB1) and on foreign markets (LB2), respectively, compared to the previous year.

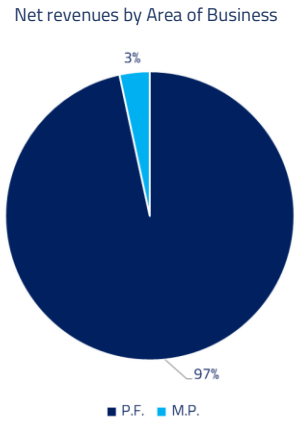
The performance of the sales area of proprietary and non-proprietary raw materials to companies in the food, pharmaceutical and nutraceutical industry, as well as to nutraceutical production plants producing on behalf of third parties (Alesco outgroup), managed by the subsidiary Alesco, recorded an increase in revenues in the Italian market and a decrease in foreign markets.

The following table shows the breakdown of the turnover into the two business lines described above.

Revenues by Business Line				Incidence	
€/1000	2021	2020	Δ%	2021	2020
Total LB1	47,813	39,993	19.6%	70.2%	70.9%
Total LB2	20,301	16,456	23.4%	29.8%	29.2%
Total	**68,114**	**56,449**	**20.7%**	**100.0%**	**100.0%**

Overall, revenues from sales on the Italian market increased by about 20%, reaching Euro 47.8 million (Euro 40 million in the previous year), and represent 70% of total revenues.





Revenues on foreign markets increased by 23% to Euro 20.3 million (Euro 16.5 million in 2020), and accounted for 30% of total revenues compared to 29.2% in the previous year.

Revenues by geographical area				Incidence	
€/1000	2021	2020	Δ%	2021	2020
Europe	10,864	8,896	22.1%	53.5%	54.1%
Middle East	6,981	6,199	12.6%	34.4%	37.7%
Africa	1,636	359	355.9%	8.1%	2.2%
Far East	616	892	-31.0%	3.0%	5.4%
Other	204	110	85.1%	1.0%	0.7%
Total	**20,301**	**16,456**	**23.4%**	**100.0%**	**100.0%**

The increase in revenues on foreign markets compared to the previous year arises from the progressive increase in volumes due to contracts stipulated in previous years. The foreign market with the highest incidence is Europe, which accounts for 53.5% of the total as at 31 December 2021. There was significant growth in revenues on the South African market. Revenues on foreign markets are almost exclusively represented by sales of products from Sideral® line.

In terms of volumes, the				Incidence	
Units/1,000	2021	2020	Δ%	2021	2020
LB1	3,464	2,951	17.4%	35.7%	36.7%
LB2	6,248	5,093	22.7%	64.3%	63.3%
Total	**9,712**	**8,044**	**20.7%**	**100.0%**	**100.0%**

The volumes of finished products invoiced by LB1 business line increased by 17.4% compared to the previo year, while the volumes of sales on foreign markets increased by 22.7%, accounting for 64% of the total volumes of finished products sold compared to 63% in the previous year.

The analysis of finished products revenues by product line (Trademark) reported in the following table shows the growth of all the main product lines.

Revenues P.F. by Product Line				Incidence	
€/1000	2021	2020	Δ%	2021	2020
Sideral	52,584	43,602	20.6%	79.9%	80.6%
Cetilar	6,556	5,511	19.0%	10.0%	10.2%
Apportal	3,885	2,390	62.5%	5.9%	4.4%
Ultramag	863	558	54.7%	1.3%	1.0%
Other	1,928	2,043	-5.6%	2.9%	3.8%
Total	**65,816**	**54,104**	**21.7%**	**100.0%**	**100.0%**

The Sideral® line, with an increase in revenues reach Euro 52.6 million as at 31 December 2021 (+20.6% compared to 2020) and an incidence on the total finished product revenues of 79.9% (80.6% in 2020), confirms its leadership in the reference market as shown in the market analysis in the following pages.

The Cetilar® line, which in 2020, had been more affected by the restrictions imposed on the performance of sports activities, shows an increase of 19% with the impact on total revenues remaining in line with the previous year. Apportal® shows a significant increase (+62.5% compared to the previous year) thanks to its features of tonic-energetic and restorative supplement. The Ultramag® line benefited from the commercial repositioning campaign carried out in the first half of 2021, with an increase of 54.7% compared to the previous year.

The decrease in the item Others was mainly attributable to the decrease in sales of products for the paediatric market caused by the restrictions imposed by the Covid-19 epidemic.

Pharmanutra Group Results

The reclassified adjusted income statement and balance sheet figures of the last two financial years are shown below.

The adjusted income statement is shown below:

OPERATING CONSOLIDATED INCOME STATEMENT (€/1000)	2021	Mng. Adj	2021 ADJ	2020	Mng. Adj	2020 ADJ
REVENUES	**68,836**	**-**	**68,836**	**58,680**	**(1,049)**	**57,631**
Net revenues	68,114		68,114	56,449		56,449
Other revenues	722		722	2,231	(1,049)	1,182
OPERATING COSTS	**48,756**	**-**	**48,756**	**43,124**	**(1,514)**	**41,610**
Purchases of raw materials, consum. and supplies	3,264		3,264	2,477		2,477
Change in inventories	(971)		(971)	240		240
Costs for services	41,534		41,534	35,285	(1,514)	33,771
Personnel costs	4,288		4,288	3,712		3,712
Other operating costs	641		641	1,410		1,410
EBITDA	**20,080**	**-**	**20,080**	**15,556**	**465**	**16,021**
Amortisation, depreciation and write-offs	1,389		1,389	2,338	(1,049)	1,289
OPERATING RESULT	**18,691**	**-**	**18,691**	**13,218**	**1,514**	**14,732**
FINANCIAL INCOME (EXPENSES) BALANCE	**118**	**-**	**118**	**84**	**-**	**84**
Financial income	159		159	146		146
Financial expenses	(41)		(41)	(62)		-62
Non-recurring income (expenses)		0	0		(1,514)	(1,514)
PRE-TAX RESULT	**18,809**	**-**	**18,809**	**13,302**	**-**	**13,302**
Taxes	(5,038)		(5,038)	770		770
Net result of third parties			**-**			**-**
Group net income	**13,771**		**13,771**	**14,072**		**14,072**

Management Adjustments in 2020 are broken down as follows: the item Other non-recurring income refers to the indemnity accrued following the non-renewal of a distribution contract which was fully written offs. Costs for non-recurring services include Euro 904 thousand for expenses relating to the translisting to the STAR market and the remainder for costs connected with the formalisation of the ruling to determine the tax benefit represented by the Patent Box.

Taxes for the year 2021 include the benefit, amounting to Euro 457 thousand, represented by the tax credit obtained on the costs incurred in 2020 for translisting to the STAR market.

Taxes for 2020 are net of the tax benefit deriving from the conclusion of the agreement for the tax relief relating to the exclusion from taxable income for each year of part of the income deriving from the use of the so-called "intellectual property" (Patent Box) relating to the years 2016 to 2020 for the total amount of Euro 4.8 million,

the cancellation of taxes relating to the first IRAP advance payment provided for by the Relaunch Decree, equ

to Euro 254 thousand.

The reconciliation of the Net Result and the Net Result excluding non-recurring items is shown below:

Net result excl. non-recurring items (k€)	2021	2020
Result of the period	**13,771**	**14,072**
Non-recurring expenses (net of tax effect)		1,211
Previous years taxes		(3,431)
Benefit from Patent Box 2020		(1,420)
Cancellation of the first IRAP advance payment		(254)
Tax receivable under art.1 Law 27/12/17 no.205	(457)	
Net result excl. Non-recurring items	**13,314**	**10,178**

Pharmanutra Group, in order to allow for a better evaluation of the management performance, uses a number of alternative performance indicators that are not identified as accounting measures under IFRS.

Therefore, the determination criterion applied by the Group may not be consistent with that adopted by other groups and the balance obtained may not be comparable with the one determined by the latter.

These alternative performance indicators, determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015, only relate to the performance of the accounting period covered by this Financial Report and the years being compared and not to the Group's expected performance.

Below is a definition of the alternative performance indicators used in this Financial Report:

- EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation.

- Adjusted EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of non-recurring items.

- EBIT: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of depreciation, amortisation and write-offs.

- Net Working Capital: it is calculated as the sum of inventories and trade receivables net of trade payables and all other balance sheet items classified as Other receivables or Other payables.

- Operating Working Capital: it is calculated as the sum of inventories and trade receivables, net of trade payables.

- Net Invested Capital: it is the sum of Net Working Capital, Total Fixed Assets net of Provisions and other medium/long-term liabilities, excluding items of a financial nature which are included in the Net Financial Position balance.

- Net Financial Position (NFP): it is calculated as the sum of current and non-current bank loans and borrowings, current and non-current liabilities for rights of use, net of cash and cash equivalents, and current and non-current financial assets.

Total Sources: it is represented by the sum of Shareholders' Equity and NFP.

CONSOLIDATED OPERATING INCOME STATEMENT (€/1000)	2021	%	2020 ADJ	%	2019 ADJ	%
REVENUES	**68,836**	**100.0%**	**57,631**	**100.0%**	**54,214**	**100.0%**
Net revenues	68,114	99.0%	56,449	98.0%	53,624	98.9%
Other revenues	722	1.1%	1,182	2.1%	590	1.1%
OPERATING COSTS	**48,756**	**70.8%**	**41,610**	**72.2%**	**41,036**	**75.7%**
Purchases of raw materials, consum. and supplies	3,264	4.7%	2,477	4.3%	2,560	4.7%
Change in inventories	(971)	-1.4%	240	0.4%	296	0.6%
Costs for services	41,534	60.3%	33,771	58.6%	34,262	63.2%
Personnel costs	4,288	6.2%	3,712	6.4%	3,264	6.0%
Other operating costs	641	0.9%	1,410	2.5%	654	1.2%
EBITDA	**20,080**	**29.2%**	**16,021**	**27.8%**	**13,178**	**24.3%**
Amortisation, depreciation and write-offs	1,389	2.0%	1,289	2.2%	974	1.8%
OPERATING RESULT	**18,691**	**27.2%**	**14,732**	**25.6%**	**12,204**	**22.5%**
FINANCIAL INCOME (EXPENSES) BALANCE	**118**	**0.2%**	**84**	**0.2%**	**(7)**	**0.0%**
Financial income	159	0.2%	146	0.3%	71	0.1%
Financial expenses	(41)	-0.1%	(62)	-0.1%	78	0.1%
Non-recurring income (expenses)		**0.0%**	**(1,514)**	**-2.6%**	**0**	**0.0%**
PRE-TAX RESULT	**18,809**	**27.3%**	**13,302**	**23.1%**	**12,197**	**22.5%**
Taxes	(5,038)	-7.3%	770	1.3%	(3,743)	-6.9%
Net result of third parties			**0**		**0**	
Group net income	**13,771**	**20.0%**	**14,072**	**24.4%**	**8,454**	**15.6%**

The increase in sales compared with the previous year is accompanied by a physiological increase in operating costs due to the higher volume of revenues generated. Specifically, the increases relate to finished goods processing and logistics costs (up Euro 3.7 million), sales network costs (up Euro 1.2 million) and marketing costs (up Euro 1.6 million), despite the fact that even in 2021, it was not possible to carry out all the planned events due to the continuing restrictions imposed by the Covid-19 epidemic.

Personnel costs increased due to the hiring of new staff as part of the organisational strengthening process underway in anticipation of growing business volumes.

The increase in Other operating costs in 2020 is mainly due to the failure of a customer to collect an order, against which the advance payments received were retained. The goods were subsequently repackaged and resold to other customers.

It should be noted that in the 2020 income statement, the tax benefit relating to the Patent Box had be recognised for a total of Euro 4.8 million following the formalisation of the ruling with the Inland Revenue for the years between 2016 and 2020 in June 2020. In view of the regulatory uncertainty surrounding the new rules governing the Patent Box, as mentioned above, no benefit relating to the Patent Box has been recorded for 2021.

OPERATING BALANCE SHEET (€/1000)	31/12/2021	31/12/2020	31/12/2019
TRADE RECEIVABLES	16,673	15,053	15,028
INVENTORIES	2,865	1,894	1,853
TRADE PAYABLES	(9,751)	(7,175)	(8,165)
OPERATING WORKING CAPITAL	**9,787**	**9,772**	**8,716**
OTHER RECEIVABLES	2,042	2,646	1,517
OTHER PAYABLES	(6,177)	(2,859)	(3,242)
NET WORKING CAPITAL	**5,652**	**9,559**	**6,991**
INTANGIBLE FIXED ASSETS	5,500	5,181	4,728
TANGIBLE FIXED ASSETS	8,372	4,799	4,857
FINANCIAL ASSETS	1,490	1,105	918
TOTAL FIXED ASSETS	**15,362**	**11,085**	**10,503**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(3,996)	(2,273)	(2,914)
NET INVESTED CAPITAL	**17,018**	**18,371**	**14,580**
SHAREHOLDERS' EQUITY	**45,082**	**37,730**	**28,140**
NON-CURRENT FINANCIAL LIABILITIES	5,530	562	1,543
CURRENT FINANCIAL LIABILITIES	820	1,101	4,860
NON-CURRENT FINANCIAL ASSETS	(475)	(218)	(1,136)
CURRENT FINANCIAL ASSETS	(4,530)	(4,349)	(5,076)
CASH AND CASH EQUIVALENTS	(29,409)	(16,455)	(13,751)
NET FINANCIAL POSITION	**(28,064)**	**(19,359)**	**(13,560)**
TOTAL SOURCES	**17,018**	**18,371**	**14,580**

Operating working capital is essentially unchanged from 31 December 2020.

The reduction in the item Other receivables derives from the use of the Patent Box tax receivable for the years 2016 and 2017, while the increase in the item Other payables is attributable to the accounting of taxes on the operating result.

The increase in the item Intangible fixed assets derives from the capitalised costs for patents and trademar arising from research activities while Tangible fixed assets increased due to the progress of works for the construction of the new headquarters, the renewal of some lease contracts and for current investments.

The increase in the item Provisions and other medium/long-term liabilities mainly derives from the allocation of the portion of variable remuneration payable in the medium/long term accrued by the executive directors and the provision for severance indemnities accrued on the remuneration of executive directors in accordance with the resolution passed at the Shareholders' Meeting of 26 April 2021.

The Net Financial Position improves from a positive balance of Euro 19.4 million at 31.12.2020 to a positive balance of Euro 28.1 million as at 31 December 2021, net of payments relating to the progress of the works for the new headquarters for Euro 2.9 million.

The item Current financial assets refers to a temporary use of part of the Group's liquidity with the subscription of financial instruments as part of the individual management mandate granted to Azimut Capital Management.

Below are the Alternative Performance Indicators (APIs) considered to be the most significant by the Group, calculated using adjusted income statement figures, thus excluding the non-recurring items, already described above, which characterised 2021.

CONTENTS	31/12/2021	31/12/2020	31/12/2019
EBITDA adjusted/Revenues	29.2%	27.8%	24.3%
EBIT adjusted/Revenues	27.2%	25.6%	22.5%
R.O.S. (Ebitda adjusted/Net revenues)	29.5%	28.4%	24.6%
R.O.I. (Ebitda adjusted /Net invested capital)	118.0%	87.2%	90.4%
R.O.E. (Return On Equity)	30.6%	37.3%	-30.0%
NFP/Equity	0.62	0.51	0.48
NFP/ EBITDA Adjusted	1.40	1.21	-1.03

The analysis shows an improvement in all API compared to previous years.

Net Financial Position (€/1000)	31/12/2021	31/12/2020
Cash	(18)	(22)
Cash in Banks	(29,391)	(16,433)
Total cash and cash equivalents	**(29,409)**	**(16,455)**
Current financial assets	(4,530)	(4,349)
Current financial liabilities: due to banks	254	124
Current portion of non-current debt	305	758
Current financial payables for rights of use	261	219
Net current financial indebtedness	**(3,710)**	**(3,248)**
Net current financial (assets)/indebtedness	**(33,119)**	**(19,703)**
Non-current financial assets	(254)	
Deposits paid	(221)	(218)
Non-current bank payables	5,000	305
Derivative financial instruments	4	4
Non-current financial payables for rights of use	526	253
Non-current financial indebtedness	**5,055**	**344**
Net financial position	**(28,064)**	**(19,359)**

At the end of September, the parent company Pharmanutra obtained a medium-long term loan from BPER Banca S.p.A. for the amount of Euro 5 million to cover part of the investment in the new headquarters. The loan is not secured by real guarantees or covenants of any kind, has a duration of 60 months and a preamortisation period of 15 months and 90 days. The nominal annual rate is 0.21%.

The increase in the item Non-current financial assets occurred following the subscription of the insurance policy taken out to cover the Directors' severance indemnity provision accrued.

On 26 April 2021 the Shareholders' Meeting resolved the distribution of Euro 0.67 dividend per share, corresponding to a payout ratio of approximately 46%, given its structural financial capacity and the consolidated corporate practice on dividend distribution.

Income Statement and Balance Sheet of the Parent Company

As at 31 December 2021, Pharmanutra results are as follows:

NET RESULT FOR THE PERIOD: €/000 12,779

NET FINANCIAL POSITION: €/000 (25,790)

Below is a summary of the Parent Company's balance sheet and income statement of the last 3 financial years.

OPERATING INCOME STATEMENT (€/1000)	2021	%	2020 ADJ	%	2019 ADJ	%
REVENUES	**60,446**	**100.0%**	**49,025**	**100.0%**	**45,213**	**100.0%**
Net revenues	59,506	98.4%	48,011	97.9%	44,674	98.8%
Other revenues	940	1.6%	1,014	2.1%	539	1.2%
OPERATING COSTS	**43,980**	**72.8%**	**36,691**	**74.8%**	**35,967**	**79.6%**
Purchases of raw materials, consum. and supplies	3,311	5.5%	1,984	4.1%	2,520	5.6%
Change in inventories	(978)	-1.6%	223	0.5%	(482)	-1.1%
Costs for services	38,118	63.1%	30,701	62.6%	31,031	68.6%
Personnel costs	2,978	4.9%	2,661	5.4%	2,363	5.2%
Other operating costs	551	0.9%	1,122	2.3%	535	1.2%
EBITDA	**16,466**	**27.2%**	**12,334**	**25.2%**	**9,246**	**20.5%**
Amortisation, depreciation and write-offs	1,146	1.9%	1,023	2.1%	766	1.7%
OPERATING RESULT	**15,320**	**25.3%**	**11,311**	**23.1%**	**8,480**	**18.8%**
FINANCIAL INCOME (EXPENSES) BALANCE	**1,546**	**2.6%**	**1,536**	**3.1%**	**1,042**	**2.3%**
Financial income	1,569	2.6%	1,568	3.2%	1,080	2.4%
Financial expenses	(23)	0.0%	(32)	-0.1%	(38)	-0.1%
Non-recurring income (expenses)		**0.0%**	**(1,455)**	**-3.0%**	**0**	**0.0%**
PRE-TAX RESULT	**16,866**	**27.9%**	**11,392**	**23.2%**	**9,522**	**21.1%**
Taxes	(4,087)	-6.8%	1,244	2.5%	(2,654)	-5.9%
Net result of third parties			**0**		**0**	
Net result for the period	**12,779**	**21.1%**	**12,636**	**25.8%**	**6,868**	**15.2%**

The increase in sales for the year compared to the previous year is accompanied by a physiological increase in operating costs as a result of the higher volumes of revenues generated, in particular with regard to finished product processing and logistics costs, sales network costs and marketing costs despite the fact that it was not possible to carry out all the planned events in 2021 due to the continuing restrictions imposed by the Covid-19 pandemic.

Personnel costs increased due to the hiring of new staff as part of the organisational strengthening proce underway in anticipation of growing business volumes.

The increase in Other operating costs in 2020 is mainly due to the failure of a customer to collect an order, against which the advance payments received were retained. The goods were subsequently repackaged and resold to other customers.

It should be noted that in the 2020 income statement, the tax benefit relating to the Patent Box had been recognised following the formalisation of the ruling with the Inland Revenue for the years between 2016 and 2020 in June 2020. In view of the regulatory uncertainty surrounding the new rules governing the Patent Box, as mentioned above, no benefit relating to the Patent Box has been recorded for 2021.

Non-recurring costs in 2020 refer to the expenses incurred for the translisting to the MTA market - STAR segment and the formalisation of the agreement relating to the Patent Box mentioned above.

OPERATING BALANCE SHEET (€/1000)	31/12/2021	31/12/2020	31/12/2019
TRADE RECEIVABLES	14,565	13,325	12,583
INVENTORIES	2,480	1,502	1,624
TRADE PAYABLES	(10,062)	(6,444)	(8,315)
OPERATING WORKING CAPITAL	**6,983**	**8,383**	**5,892**
OTHER RECEIVABLES	1,618	2,269	1,261
OTHER PAYABLES	(5,709)	(2,192)	(2,401)
NET WORKING CAPITAL	**2,892**	**8,460**	**4,752**
INTANGIBLE FIXED ASSETS	1,372	1,096	839
TANGIBLE FIXED ASSETS	7,889	4,520	4,552
FINANCIAL ASSETS	3,695	3,419	3,417
TOTAL FIXED ASSETS	**12,956**	**9,035**	**8,808**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(3,527)	(1,822)	(2,521)
NET INVESTED CAPITAL	**12,321**	**15,673**	**11,039**
SHAREHOLDERS' EQUITY	**38,111**	**31,799**	**23,645**
NON-CURRENT FINANCIAL LIABILITIES	5,364	328	1,099
CURRENT FINANCIAL LIABILITIES	500	781	4,016
NON-CURRENT FINANCIAL ASSETS	(435)	(178)	(1,096)
CURRENT FINANCIAL ASSETS	(4,530)	(4,349)	(5,076)
CASH AND CASH EQUIVALENTS	(26,689)	(12,708)	(11,549)
NET FINANCIAL POSITION	**(25,790)**	**(16,126)**	**(12,606)**
TOTAL SOURCES	**12,321**	**15,673**	**11,039**

The change in operating working capital is affected by trade dynamics relating to receivables and payables.

The reduction in the item Other receivables derives from the use of the Patent Box tax receivable for the years 2016 and 2017, while the increase in the item Other payables is attributable to the accounting of taxes on the operating result.

The increase in the item Intangible fixed assets derives from the capitalised costs for patents and trademarks arising from research activities while Tangible fixed assets increased due to the progress of works for the construction of the new headquarters, the renewal of some lease contracts and for current investments.

The increase in the item Provisions and other medium/long-term liabilities mainly derives from the allocation of the portion of variable remuneration payable in the medium/long term accrued by the executive directors and the provision for severance indemnities accrued on the remuneration of executive directors in accordance with the resolution passed at the Shareholders' Meeting of 26 April 2021.

The Net Financial Position improves from a positive balance of Euro 16.1 million at 31.12.2020 to a positive balance of Euro 25.8 million as at 31 December 2021. The item Current financial assets refers to a temporary use of part of the Group's cash with the subscription of financial instruments as part of the individual management mandate granted to Azimut Capital Management.

Net Financial Position (€/1000)	**31/12/2021**	**31/12/2020**
Cash	(16)	(19)
Cash in Banks	(26,673)	(12,689)
Total cash and cash equivalents	**(26,689)**	**(12,708)**
Current financial assets	(4,530)	(4,349)
Current financial liabilities: due to banks	157	14
Current portion of non-current debt	151	604
Current financial payables for rights of use	192	163
Net current financial indebtedness	**(4,030)**	**(3,568)**
Net current financial (assets)/indebtedness	**(30,719)**	**(16,276)**
Non-current financial assets	(254)	
Deposits paid	(181)	(178)
Non-current bank payables	5,000	151
Derivative financial instruments	4	4
Non-current financial payables for rights of use	360	173
Non-current financial indebtedness	**4,929**	**150**
Net financial position	**(25,790)**	**(16,126)**

At the end of September, Pharmanutra obtained a medium-long term loan from BPER Banca S.p.A. for t amount of Euro 5 million to cover part of the capital expenditures in the new headquarters. The loan is not secured by real guarantees or covenants of any kind, has a duration of 60 months and a preamortisation period of 15 months and 90 days. The nominal annual rate is 0.21%.

The increase in the item Non-current financial assets occurred following the subscription of the insurance policy taken out to cover the Directors' severance indemnity provision accrued.

The reconciliation between shareholders' equity and the result of the Parent Company and the corresponding consolidated figures is as follows:

	Net result	Shareholders' equity
Shareholders' equity and result for the period from the Parent company's financial	**12,779**	**38,111**
Effects of the derecognition of the book value of consolidated equity investments:		
- Book value of investments	0	(2,801)
- Shareholders' equity (including the results for the year of consolidated companies)	2,630	7,654
- Goodwill	0	2,750
Derecognition of the effects of transactions between Group companies:		
- Write-off of intercompany dividends	(1,411)	0
- Derecognition of capital gains or losses on internal disposals	(227)	(632)
Shareholders' equity and result for the period of the Group	**13,771**	**45,082**
Shareholders' equity and result for the period of minority interest		
Shareholders' equity and result for the period of the Consolidated Financial	**13,771**	**45,082**

Reference markets in which the Group operates

The Pharmanutra Group, specialised in the development of nutraceutical products and medical devices, is one of the main players in the Italian market with a growing presence abroad.

Below is an overview of the general performance of the food supplements market and an in-depth analysis of the main reference markets in Italy for the product lines being more relevant in terms of revenues.

Food supplements market[1]

1 Source: IQVIA Solutions Italy data processing - rolling year ending December 2021

The food supplements closed 2021 with a value of over Euro 4 billion for a total of 292 million packs sold, al considering the e-commerce of pharmacies and parapharmacies.

The following changes are noted: +7.3% in value and +6.6% in terms of units sold.

Local pharmacies remain the preferred distribution channel with about 79% share in value, followed by large-scale retail trade sector, parapharmacy and e-commerce with shares of 8.8%, 7.6% and 4.8%, respectively.

In 2021, there will be an increase in the value of the pharmacy channel of 3.5%. In this context, food supplements mark +6.4% in value compared to an overall increase of 5.6% of OTC products.

In the e-commerce of pharmacies and parapharmacies, food supplements are confirmed as the leading category, representing about 44% of the total value generated by the channel.

Values, volumes (in millions) and trend of the total market and channels

	Values - MAT DEC 2021	Trend % MAT DEC 2020 vs 2021	Share	Volumes - MAT DEC 2021	Share	Trend % MAT DEC 2021 vs 2020
Total market	**4,055**	**7.3%**	**100%**	**292**	**100%**	**6.6%**
Pharmacies	3,194	6.4%	78.8%	192	65.7%	3.7%
Parapharmacies	306	6.0%	7.6%	19	6.6%	4.1%
Super/Iper No Corner	193	3.5%	4.7%	45	15.6%	9.1%
Super/Iper Corner	166	28.0%	4.1%	21	7.1%	29.4%
E-Commerce	196	15.2	4.8%	14	5%	16.3%

Figure 1: The role and trend of the channels in terms of value generated and sales volumes

Looking instead at the trend in volumes in 2021, there was a 3.7% increase in pharmacies. Parapharmacies reported a 4.1% increase in consumption in terms of units sold.

The market quarterly performance over the last three years shows fluctuating trends. In 2020, after a markedly positive first quarter, a negative trend was observed with a drop of over 10 points in the second quarter. On the other hand, the third and fourth quarters were positive with results of +4.6% and +8.1% respectively in terms of value. In 2021, after a negative first quarter, positive results of +20.7%, +7.6% and +5.8%, respectively, are observed in the following half-years.

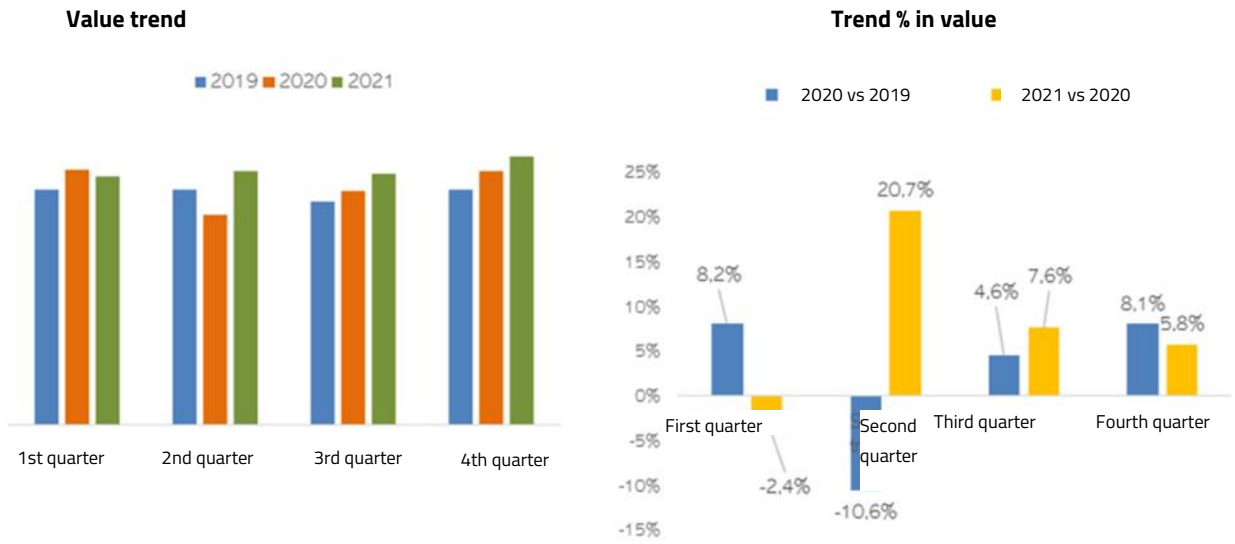


Figure 2: Trend of market value on a quarterly basis

Values in millions of €

	1st quarter	2nd quarter	3rd quarter	4th quarter
2019	933	932	886	932
2020	1,009	834	927	1,007
2021	985	1,007	997	1,066

Considering the performance of the major market classes in the last rolling year, the value results are generally positive even compared to as reported in 2020 to 2019.

Mineral supplements, probiotics, sleep and relaxation products, digestive and stomach products, antacids, vitamins as mono-compounds, cholesterol products and laxatives make the largest contributions to the trend in value with percentages ranging from +0.4% to +0.8%.

Figure 3: Trend of the main market classes in 2021

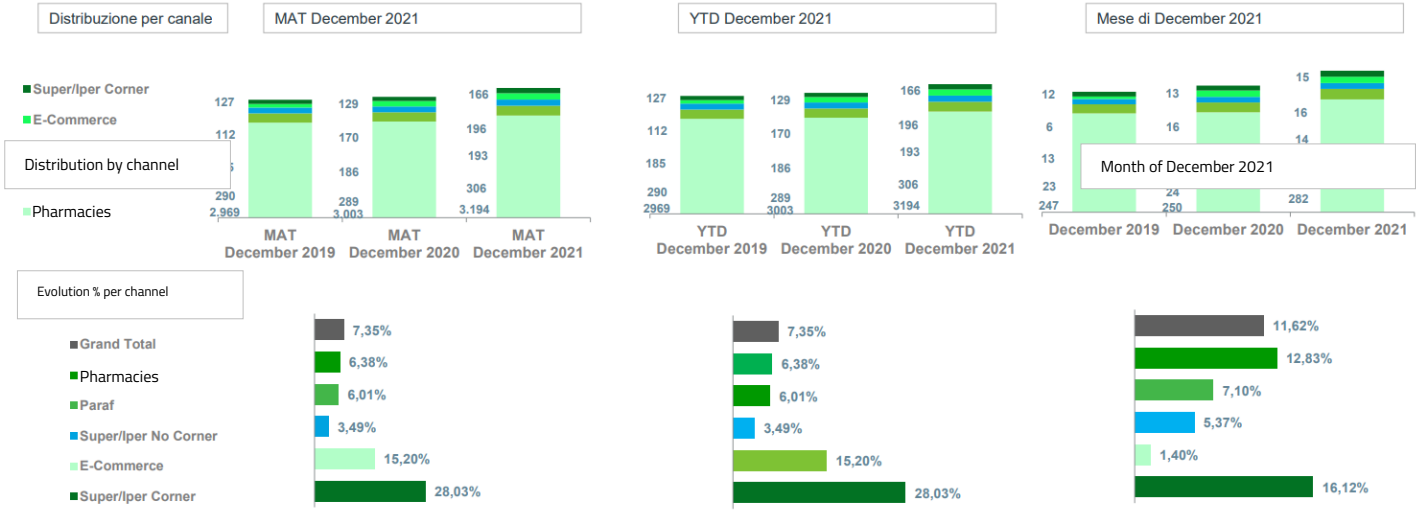
		Market share MAT DEC 2021	Trend MAT DEC 2020 vs. same period 2019	Trend MAT DEC 2021 vs. same period 2020	Contribution to trend in value MAT DEC 2021
Total market		**100.0%**	**2.6%**		**7.3%**
03F	**PROI**	10.4%	-7.1%		0.6%
04F	**SUPPLEMENTS MINERAL**	7.6%	0.2%	10.5%	0.8%
10F	**CHOLESTEROL REGULATORS**	5.3%	1.4%	6.9%	0.4%
13A	**SEDATIVES+SLEEPING PILLS**	4.7%	24.3%	13.9%	0.6%
04A	**POLYVIT.C/MINERALS**	4.0%	5.7%	0.1	0.0%
03C	**LAXATIVES**	3.9%	9.8%	10.1%	0.4%
03A	**PRD DIGEST TRACT AND STOMACH**	3.7%	2.9%	15.2%	0.5%
03G	**ANTACIDS/STOMACH BURN**	3.5%	8.6%	13.7%	0.5%
05A	**TONICS**	3.3%	-5.9%	6.8%	0.2%
05F	**IMMUNOSTIMULANTS**	3.1%	87.9%	-1.9%	-0.1%

Value trend

Trend % in value

12D	GYNECOLOG PRODUCTS	2.6%	0.7%	5.4%	0.1%
04C	VITAMIN GROUP B	2.5%	13.4%	12.2%	0.3%
07A	OPHTHALMIC PRODUCTS	2.4%	-3.2%	3.2%	0.1%
12C	PRD URINARY DISEASES	2.4%	2.3%	8.2%	0.2%
04J	ANTIOXIDANTS	2.3%	-7.7%	9.0%	
02G	PRODUCTS FOR JOINTS	2.3%	-10.8%	5.8%	0.2%
01A	ANTITUSSIVE PRODUCTS	2.2%	-28.7%	8.6%	0.1%
12F	PRD MALE UROLOGICAL MAL	2.2%	-0.9%	7.8%	0.2%
14A	PRODUCTS TO LOSE WEIGHT	2.0%	-13.0%	-2.7%	-0.1%
04E	OTHER VITAM. SIMPL.	1.9%	62.1%	31.3%	0.5%
10B	ANTIVARICOSIS	1.9%	-4.8%	15.6%	0.3%
36D	ENERGY FOODS FOR SPORTS	1.8%	-11.0%	20.3%	0.3%
01C	SORE THROAT	1.6%	-6.8%	-3.5%	-0.1%
86J	PROD. NUTR. FOR HAIR AND NAILS	1.6%	7.4%	13.4%	0.2%
04D	PROD. VITAMIN-C BASED	1.6%	166.9%	-17.2%	-0.4%
05G	COGNITIVE STIMULANTS	1.2%	-4.9%	12.8%	0.1%

The market for Food Supplements – sell-out[2] at retail price values in MAT[3], YTD[4] and month

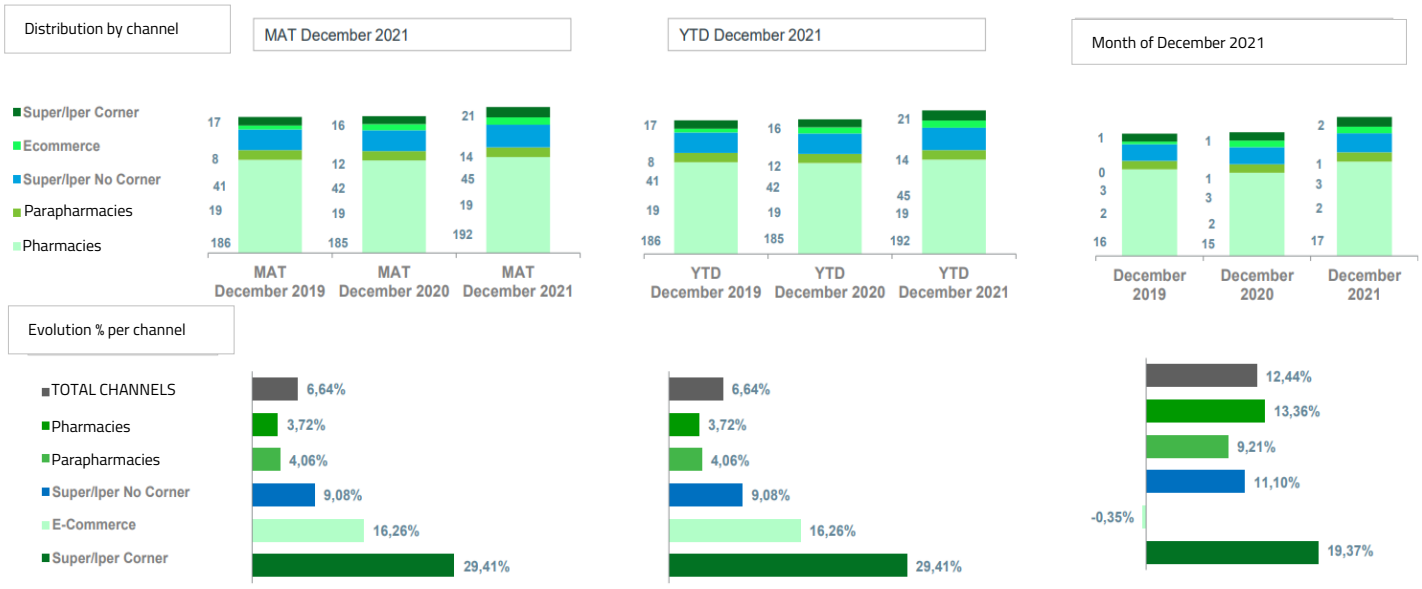


[2] Sell-out: sales to the public expressed in units (sell-out in volume) or valued at the retail price (sell-out in value).

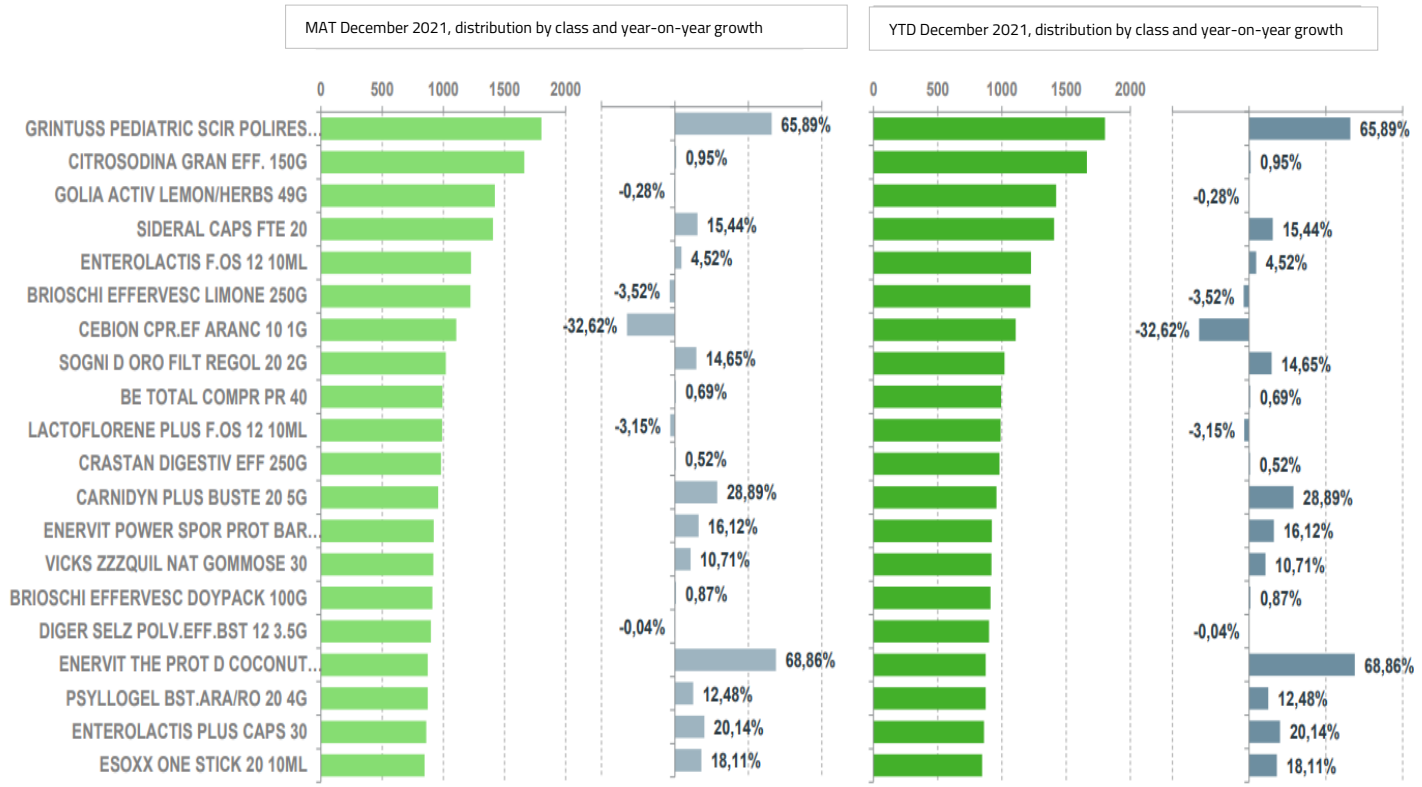
[3] MAT: Moving Annual Total.

[4] YTD: first months of the current year (Year to Date).

The market for Food Supplements – sell-out in volume in MAT, YTD and month



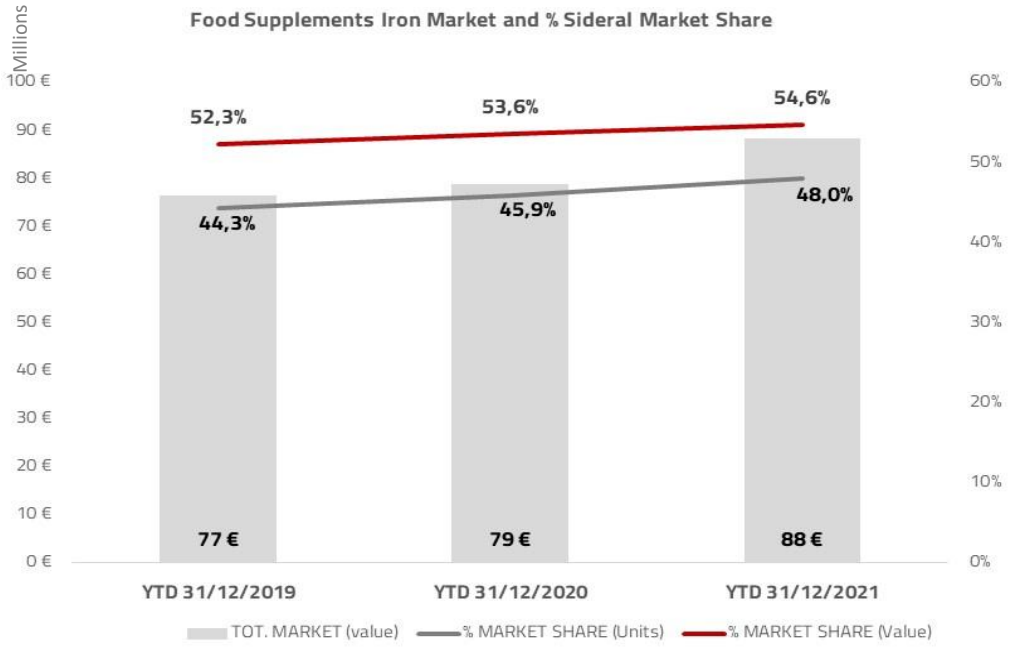
The market for Food Supplements – Top 20 product codes (sell-out in volume MAT and YTD)



Sideral® Forte is confirmed as one of the best-selling products on the food supplements market, occupying the fourth place among the top 20 product codes in terms of sell-out in volume.

Iron market

Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with Sideral© product line, in which it confirmed its leadership for 2021 with a market share in value of 54.6% in the Food Supplements segment and 39.8% in the overall market[5].

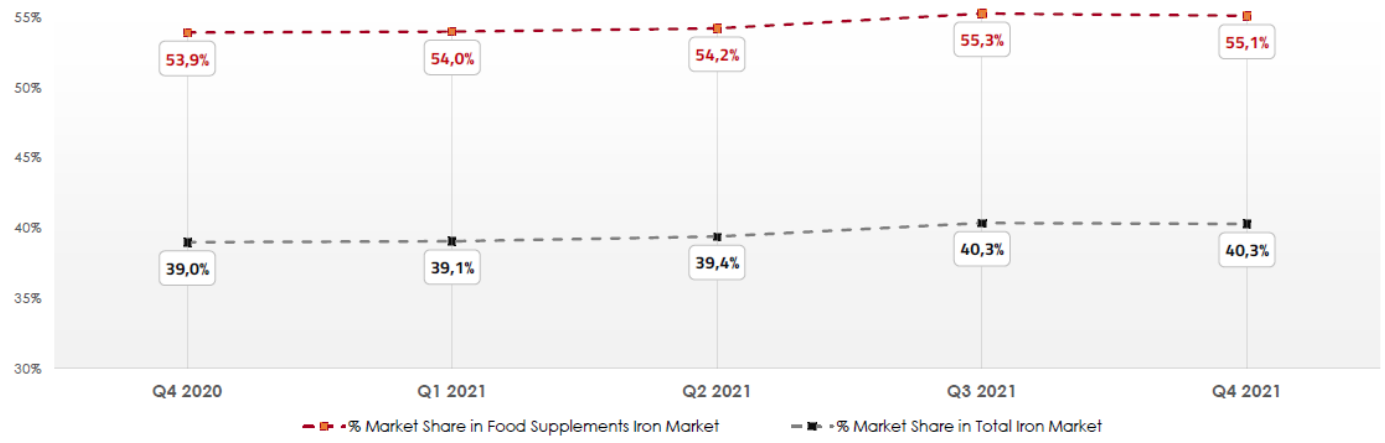


The charts below show the quarterly trends in the market share of Sideral© (expressed in value) in relation to the market for iron supplements only (Food Supplements) and the overall market consisting of both Food Supplements and Drugs[6].

[5] Source: IQVIA data

[6] Source: IQVIA data

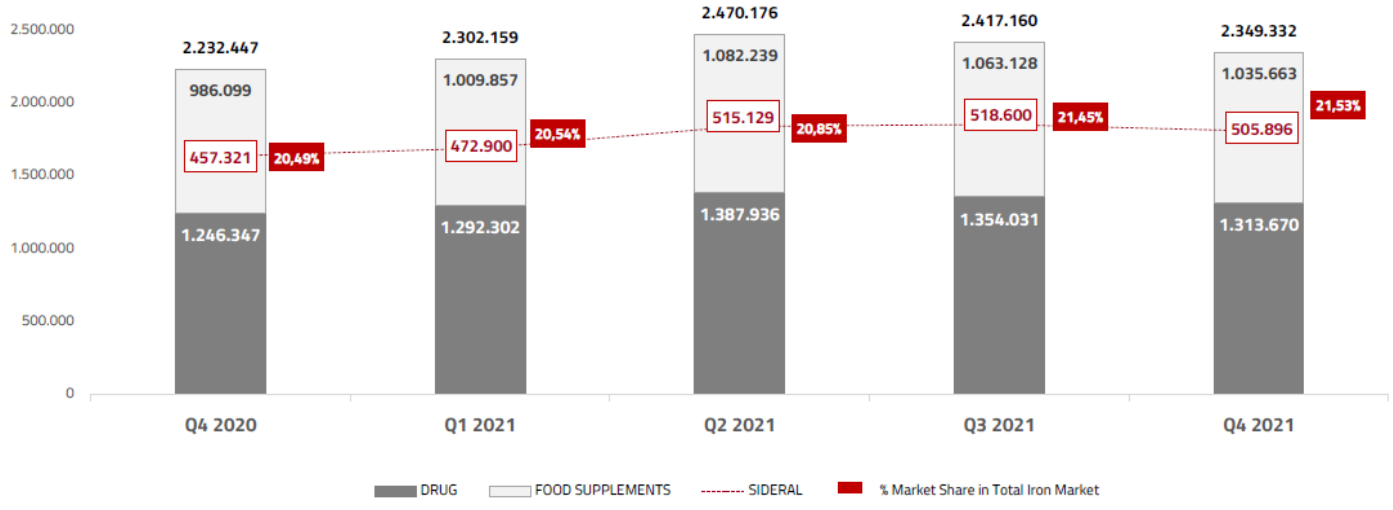
SIDERAL % MARKET SHARE - FOOD SUPPLEMENTS & DRUGS (VAL)



It should be noted that the Sideral© product line also has a significant market share in the entire panorama of the overall market, whose growth is driven by the food supplements segment at the expense of the drugs one.

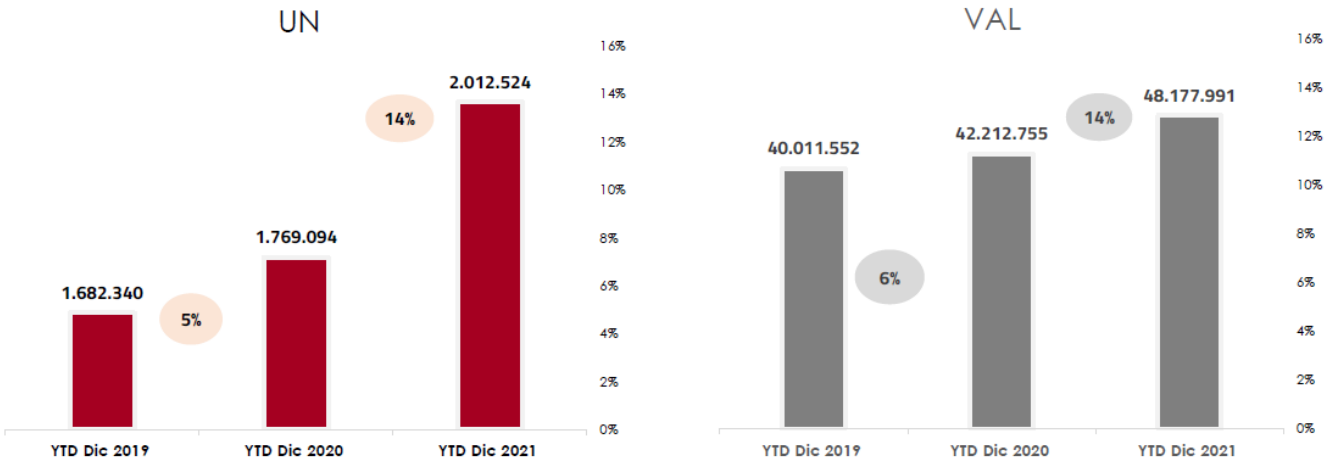
The performance of Sideral® in terms of units in the iron-based food supplements market and the overall iron market is shown in the table below.

SIDERAL TREND & TOTAL IRON MARKET (UN)

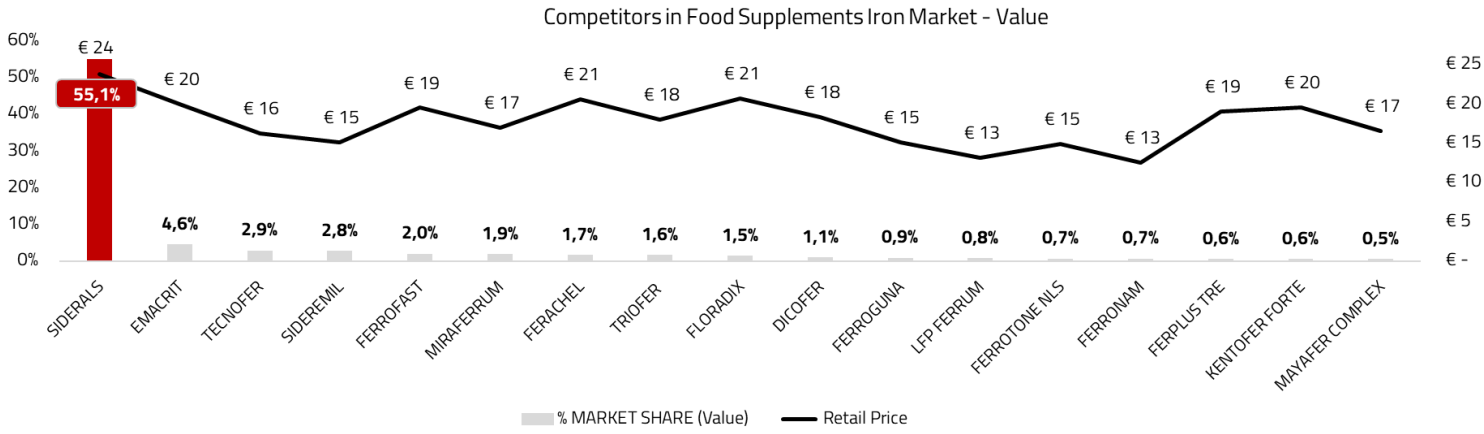


In the last quarter of 2021, the trend of Sideral© products per unit is slightly down compared to the previous quarter (-2%). However, there is a growth in the Total Market share from 20.49% in Q4 of 2020 to 21.53% in the last quarter of the year.

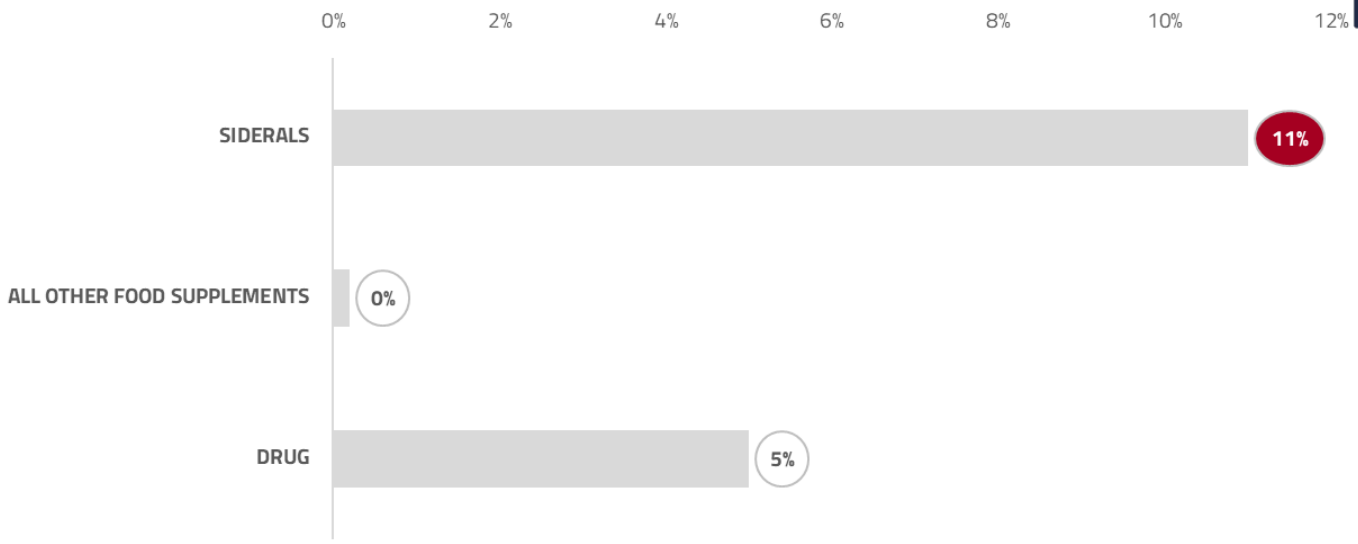
As shown in the chart below, the Sideral Line closes 2021 with growth in units and values of 14% over the pri
year, a positive result even compared to the Covid-19 effects that impacted 2020 to 2019 performance.



Going into detail, the different players operating in the iron supplements segment in terms of market shares and average price, the direct competitors of Sideral© have much smaller market shares (the second competitor has a market share almost 13 times lower than Sideral©) and, on average, lower market prices. This shows how the Sideral© product line is able to gain significant recognition in the market in terms of premium retail price, achieved thanks to significant investments in research and development and marketing.

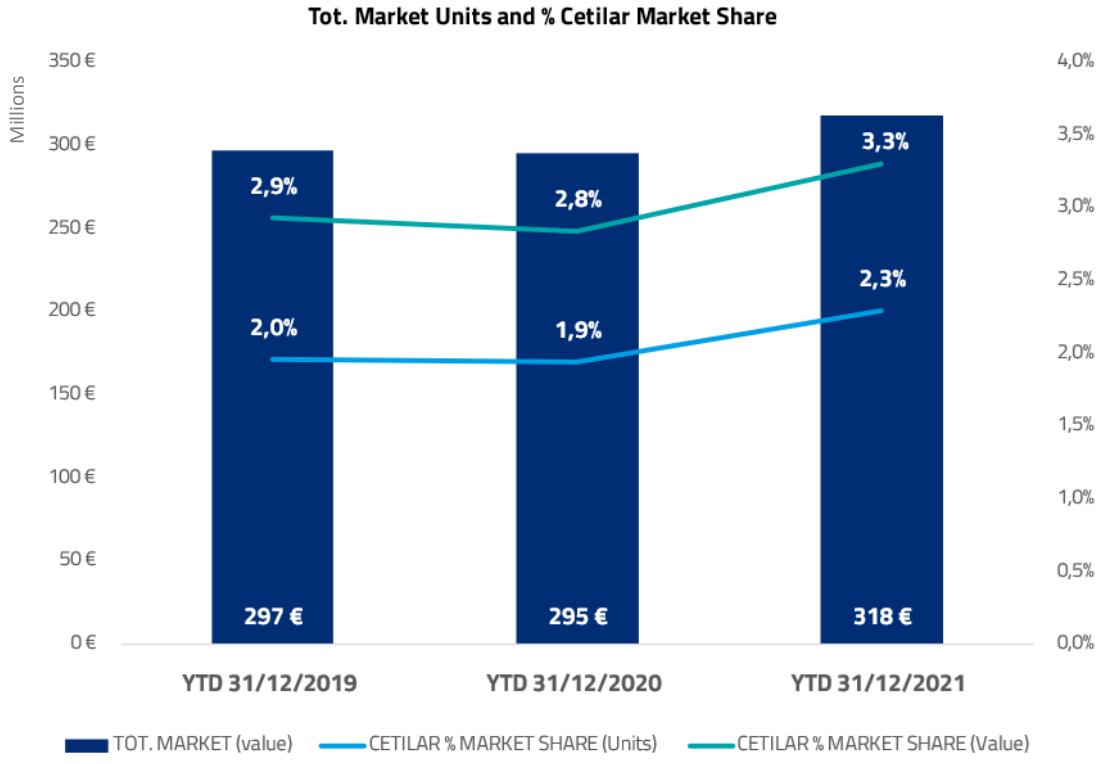


The graph below shows the fourth quarter 2021 growth compared to the same quarter of 2020 of the Sideral Line, the remaining Competitors in the Supplements Market and the Pharmaceutical Market.

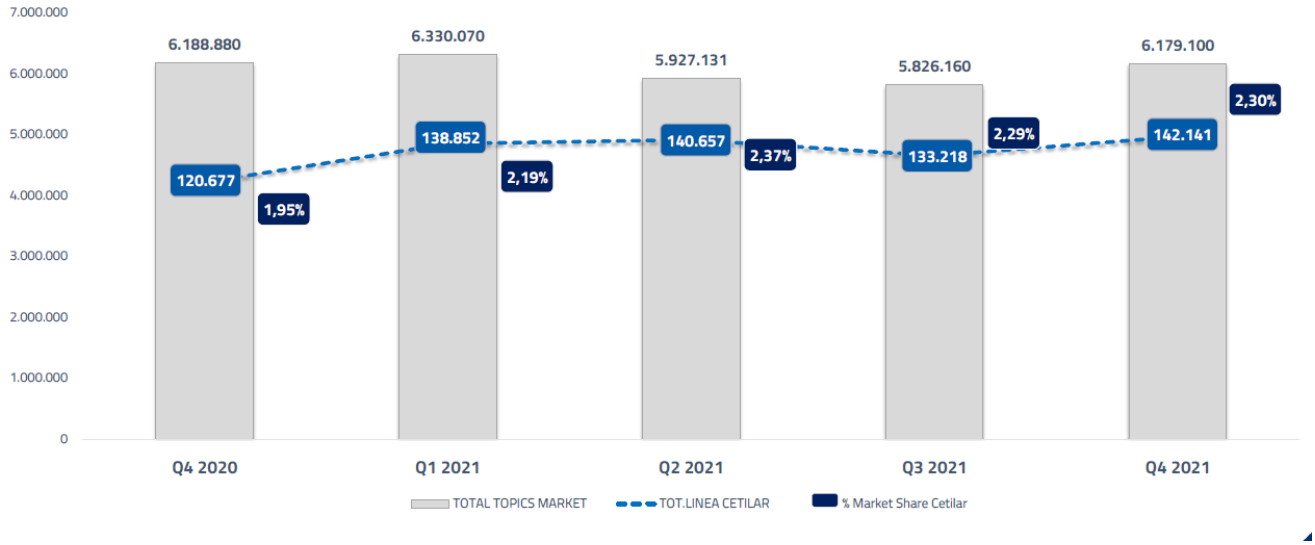


Market for topical painkillers

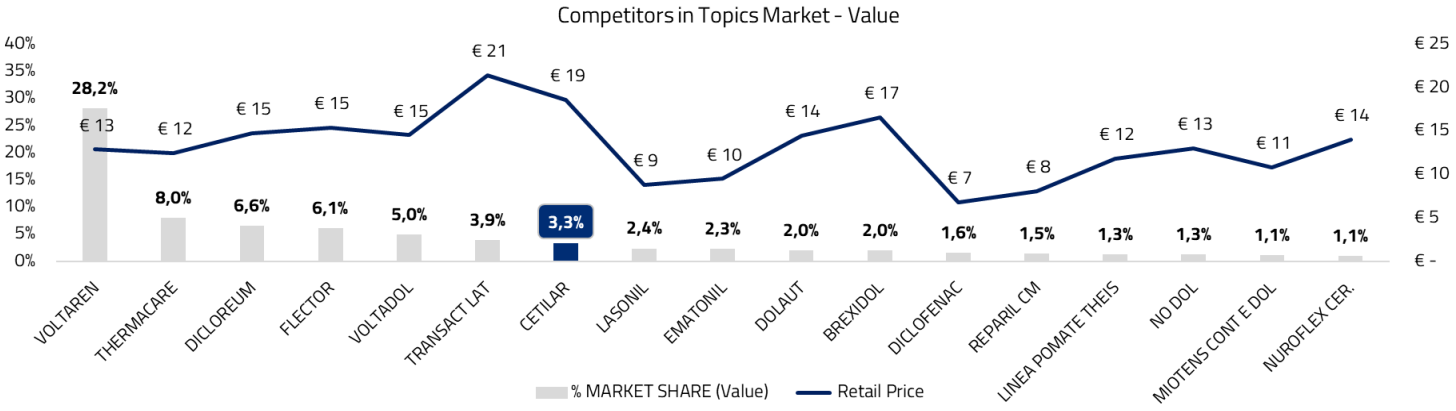
The Painkillers Market registers a positive result in 2021 as compared to the decline in the previous year, with an increase of approximately Euro 22 million over the previous year. Also the Cetilar® line shows an increase in market share from 2.8% to 3.3% at values with further important development prospects for future years.



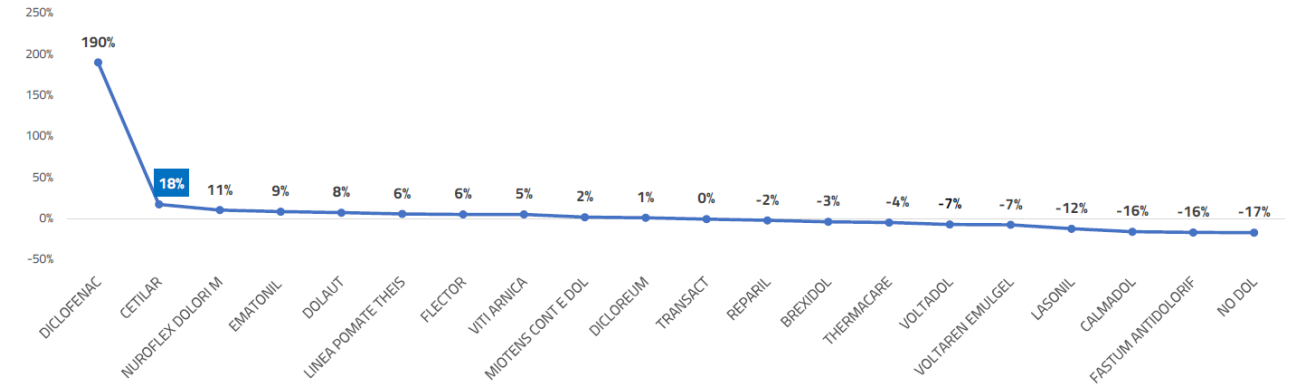
TOPICAL PRODUCTS MARKET TREND (UN)



Two charts are provided below: the first shows the market shares of the top competitors in the fourth quarter of 2021 in terms of value, while the second shows the trend in units of the best performers compared with the same period of the previous year.



BEST PERFOMERS IN TOPICAL MARKET _ ANNUAL GROWTH (UN)



Investments

During 2021, the Group made capital expenditures in intangible fixed assets totalling Euro 595 thousand, of which:

- Euro 211 thousand for the registration of patents;
- Euro 74 thousand for the purchase and implementation of company software;
- Euro 132 thousand for the registration of trademarks;
- Euro 178 thousand relating to software and projects in progress not yet completed.

The investments in tangible fixed assets amount to Euro 4,392 thousand, of which:

- Euro 2,863 thousand relating to the progress of the construction of the new headquarters;
- Euro 586 thousand for rights of use connected with the renewal of lease payments with the related company Solida S.r.l.;
- Euro 693 thousand for the purchase of vehicles used by the management and the sales force;
- Euro 250 thousand for the purchase of laboratory equipment and electronic devices.

Research and Development activities

Pharmanutra Group's Research and Development (R&D) has always been one of the main pillars on which the Group's growth is based. This is demonstrated by the important implementation in the last period of the research laboratory within the company and the hiring of a new employee as a researcher in addition to those already present.

The R&D work inevitably starts from a continuous study and a detailed knowledge of both the biology, human physiology and biochemistry aspects of nutrition, as well as medicine and pharmacology. It is fully driven by the objective to meet the needs of the market as well as the ones of consumers and doctors, to be able to provide them with new products with which to address unresolved issues.

The Group's R&D objectives are to find new formulations, implement or discover new applications for existing products, generate new scientific evidence, so as to always guarantee the effectiveness and innovation of its products.

Design and development activities and scientific research are constantly growing.

Basic research, through pre-clinical experiments (in-vitro, ex-vivo and in-vivo) has paid off with important international publications that are paramount tools available to the business and represent solid pillars, thus ensuring a significant competitive advantage. In addition, the research activity has been implemented in its own laboratory allowing to carry out the part of experimental research in the field of cell biology, which represents a fundamental step in the activity of screening and study of the effectiveness of all the formulation prototypes developed and to be tested before moving on to industrialisation. These capital expenditures in the internal laboratory, which have led to the purchase of innovative instruments and machinery, as well as the inclusion of a new researcher in the staff, has also allowed for greater speed in carrying out experiments.

The activity of Pharmanutra Group's Research and Development department also includes the execution of clinical studies on its products, both in the development and post-marketing phases. The practical implementation of these studies is carried out through formal collaborative relationships with clinics, hospitals, Italian and foreign research centers, depending on the skills and know-how required, or through formal agreements with Contract Research Organizations (CRO).

Research is mainly carried out on the group's flagship products, Sideral®, Cetilar® and its proprietary raw materials. Numerous studies (both clinical and pre-clinical), conducted in Italy or abroad, plus other clinical studies followed by international partners, are underway also on all the other products. Some of these studies are very innovative, and some are expected to allow to open new markets, others will be useful to strengthen current evidence and market positioning. The year 2021 saw the publication in international indexed journals of 8 studies on the Group's products. Among these, in particular, an observational study was published on the benefits of Apportal® in reducing fatigue and asthenia in subjects who had had a Sars-Cov-2 (Long-Covid) infection. To date, the Pharmanutra Group boasts a total of 135 publications on its products, including full papers and preliminary or poster data at accredited scientific congresses and conferences. At the same time, numerous papers continue to be published in which Sucrosomial® Iron is cited and identified as one of the most innovative oral iron products.

The Group is constantly disseminating its results, which it considers useful to publish and make available to the scientific community on the one hand and to the commercial network on the other. Therefore, the Group's R&D

staff participates in national and international congresses as speakers, or in hospital meetings and focus grou with doctors, where they show the evidence and results obtained on their products.

In addition, in 2021, together with the marketing and communications department, an international scientific disclosure campaign was carried out on the benefits obtained with Apportal in the Long-Covid; numerous training events on all products were also held for sales agents in order to transfer to them the features and competitive advantages of the Group's products. Among these, a special focus has been given to the products with a positive effect in supporting the immune system, precisely to meet the consumer needs in relation to the SARS-Cov-2 pandemic.

Also in 2021, a new product was launched, Sideral Med, which falls under a product category, Food for Special Medical Purposes (AFMS), and is the first product with this classification for the Group. The product has a specific indication for those patients who have undergone bariatric surgery or who have an intestinal malabsorption disorder. The launch of this product required specific training from the group's R&D to the external network, as well as the launch of possible clinical trials with this new product.

In close collaboration with the Group's Quality Control department, it constantly guarantees the maximum quality and stability of the products marketed and works on the production of new finished products.

Pursuant to Article 2428, paragraph 2, no. 1) of the Italian Civil Code, the following information is provided:

- the capitalised costs incurred for development activities in previous years are fully depreciated;
- the total costs incurred to carry out research and development activities amounts to Euro 463 thousand of which Euro 408 thousand charged to the income statement, to which should be added personnel costs for research and development activities;

The reasons underlying the capitalisation of development costs in 2021 equal to 55 thousand refer to the future estimated usefulness of development activities.

During 2021, 2 applications for the registration of new patents and 2 applications for the registration of new trademarks were filed. To date, the Group owns 19 patents, 33 trademarks, and has 18 proprietary raw materials.

The benefit represented by the specific tax credit referred to in Article 3 of Italian Decree-Law no. 145/2013 is fully enjoyable within the terms and in the manner set out in Italian Ministerial Decree 27/05/2015 and subsequent amendments, with respect to the research and development activities carried out by Pharmanutra

and Alesco, which qualify as eligible for the calculation of the facility in question. The tax credit relating research and development activities for the year 2021 amounts to Euro 254 thousand.

As anticipated, in July, EFSA (the European Food Safety Authority) officially announced its positive opinion for the classification of Lipocet as Novel Food. It is a new oral formulation based on cetylated fatty acids (CFAs), the same active ingredient used in Cetilar® products.

In August, a patent for formulations based on cetylated fatty acids (CFA) was obtained in China. The patent certificate covers the development and use of topical formulations based on cetylated fatty acid esters (CFA), the active ingredient contained in all muscle and joint products in the Cetilar® range.

In the same month, the parent company Pharmanutra was granted a process patent by the Indian patent office for the production of Cetylated Fatty Acids (CFA), the functional ingredient contained in all products in the Cetilar® range. In addition, the subsidiary Alesco obtained a patent for sucrosomial berberine® from the Italian Patent and Trademark Office. This latter patent is especially noteworthy because this is the first application of Sucrosomial® Technology outside the mineral sector for which it was originally conceived, and opens up exciting prospects for new scientific breakthroughs and new products.

In December, the Group obtained the granting of three new patents: two granted to the subsidiary Alesco by the Italian Patent and Trademark Office and the third, in the name of the parent company, granted by the Russian Federal Agency for Intellectual Property. The first Italian patent, identified with No. 102019000022989, relates to a new functional ingredient, Sucrosomial Chromium® (UltraChrome™). Chromium is a trace element that helps modulate energy metabolism and maintain normal blood glucose levels. The application of Sucrosomial® Technology will ensure better tolerability and absorption levels, finding application in formulations dedicated to cholesterol and blood glucose control.

The second patent certificate granted to Alesco (No. 102019000023016) concerns, instead, the production of new formulations comprising a mineral and a polysaccharide, their possible compositions and the use in the supplementation of said mineral. The new formulation represents a further upgrade of Sucrosomial® Technology, which aims to develop new solutions and technologies to amplify the absorption and tolerability of nutrients.

The Russian Federal Agency issued the patent certificate for the production and use of Cetylated Fatty Acids (CFA), the functional principle contained in all products of the Cetilar® line in Russia.

Lastly, on 14 February 2022, the European Union, through publication in the Official Journal, authorised t placing on the market of cetylated fatty acids as Novel Food. The new food (Lipocet®) consists mainly of a mixture of myristic acid, oleic acid and, to a lesser extent, other cetylated fatty acids, which until now could only be used in Cetilar® brand topical products. Cetylated fatty acids patented by Pharmanutra will therefore be included in the Union list of authorised novel foods established by Implementing Regulation (EU) 2017/2470. With the inclusion of Lipocet® in this list, the registration process, which in July 2021, had already seen EFSA (the European Food Safety Authority) issue its positive opinion for the classification of Lipocet® as a novel food, is officially concluded. The authorisation includes an industrial property protection that allows PharmaNutra to have an exclusive use of the new food for the next five years in all the countries of the European Union.

Marketing activities

The year 2021 saw an important consolidation of the digital strategy already implemented in 2020 through synergistic and structured work in SEO and SEA and targeted actions of Brand Protection.

These activities have involved all the websites of the companies of the group, which have been optimised to ensure a better browsing experience and a more effective customer experience; the most important digital projects include the new portal dedicated to the Sideral® brand, launched in January 2021.

The communication campaigns focused on the brands Sideral®, Cetilar®, Apportal® and Ultramag® with an omni-channel approach and coverage of both B2C and B2B targets.

In particular, for Cetilar® and Ultramag® a media mix has been adopted with wide coverage of the BtoC target and articulated on the following channels: National TV and radio, web search and display activities, and print media; the activities carried out on the Apportal® and Sideral® brands are of a different nature, with a focus on medical awareness and exclusive involvement of national and international specialist publications.

Main partnerships

Under the Cetilar® brand, the company is present in several sports disciplines. Starting from soccer, where it is the main sponsor of Pisa Sporting Club and Parma Calcio 1913 in Serie B; in motorsport, with the Cetilar Racing team; in sailing with the Vitamina Sailing team, alongside the FIV Olympic Team and in the famous regatta 151 Miglia-Trofeo Cetilar®; in running with the organisation of marathons and running events; in golf with the Livorno champion Tommaso Perrino, not to forget the commitment in Paralympic disciplines with Alex Zanardi's

Obiettivo 3 team. Finally, the company has promoted a project dedicated to the support of young promising athletes in their athletic, professional and human growth - the Cetilar Academy - and has expanded its medical partnerships, which currently include 31 top-level sports clubs including soccer, basketball, volleyball, hockey and now rugby.

Corporate Governance Information

Pursuant to article 123-*bis* of the Italian Consolidated Law on Finance, the Company is required to prepare an annual report on corporate governance and ownership structure, which contains a general description of the corporate governance system adopted by Pharmanutra Group and information on the ownership structure, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

The said Report, approved by the Board of Directors on 18 March 2022, is available on the Company's website www.pharmanutra.it in the Corporate Governance section.

Remuneration Report

The Remuneration Report, prepared in accordance with article 123-*ter* of the Consolidated Finance Act, is available on the Pharmanutra website at www.Pharmanutra.com in the Corporate Governance section.

Pharmanutra on the Stock Exchange

The shares of Pharmanutra S.p.A. were listed on the AIM Italia (Mercato Alternativo del

Capitale) from 18 July 2017 to 14 December 2020. As of 15 December 2020, the shares of Pharmanutra S.p.A. are listed on Mercato Euronext Star Milan of Borsa Italiana.

ISIN	IT0005274094
Alphanumeric Code	PHN
Bloomberg Code	PHN IM
Reuters code	PHNU.MI
Specialist	Intermonte
No. of ordinary shares	9,680,977
Price of admission *	10.00
Price at 31.12.2021	75.40
Capitalisation at the date of admission	96,809,770
Capitalisation at 31.12.2021	729,945,666

*= value on the date of admission to AIM

The share capital of the Company is represented by 9,680,977 ordinary shares, without nominal value, which confer the same number of voting rights.

According to the results of the shareholders' register as well as on the basis of other information available to Pharmanutra S.p.A., the following table shows the shareholders who hold a significant stake in the share capital at 31 December 2021.

Declarant or subject at the top of the investments chain	Direct shareholder	Number of shares		% of S.C. with voting rights
Andrea Lacorte	ALH S.r.l.	3,038,334	1)	31.38%
Roberto Lacorte	RLH S.r.l.	2,224,833	2)	22.98%
	Roberto Lacorte	14,000		0.14%
		2,238,833		23.13%
Carlo Volpi	Beda S.r.l.	1,014,993		10.48%
	Market	3,388,817		35.00%
	Total	**9,680,977**		**100.0%**

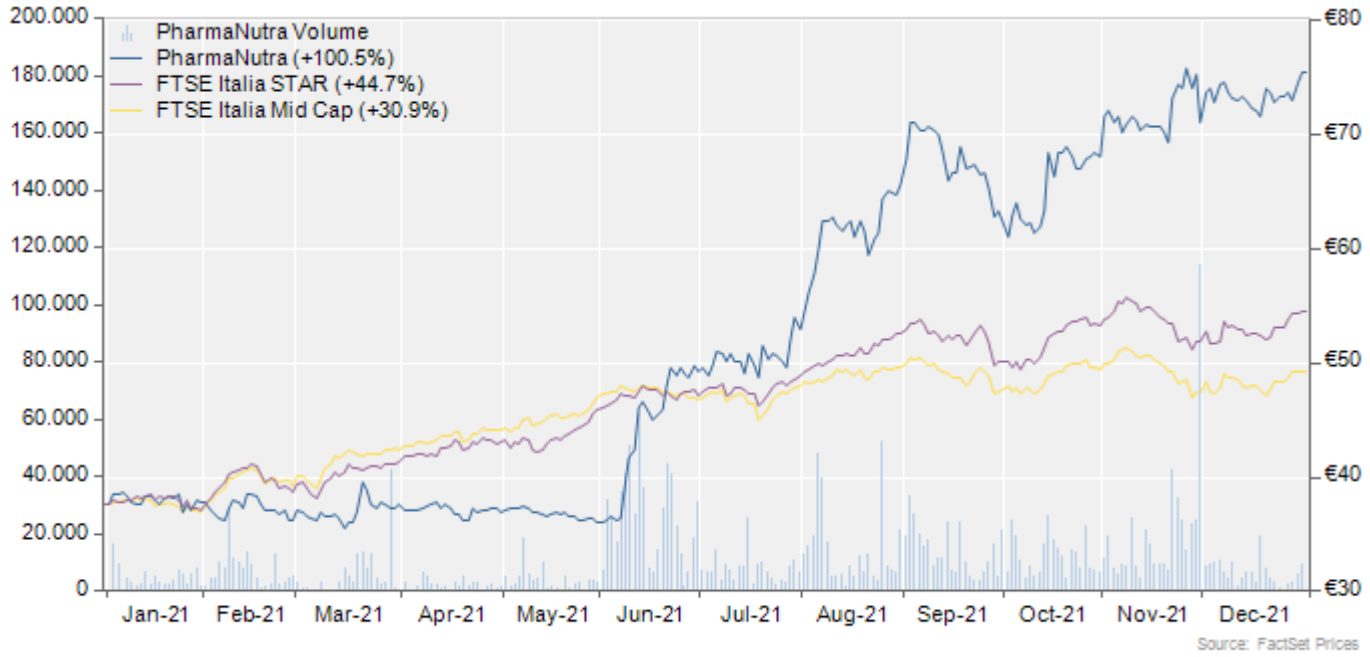
1) Including 953,334 PHN ordinary shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. under a specific fiduciary mandate.

2) Including 953,333 PHN ordinary shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. under a specific fiduciary mandate.

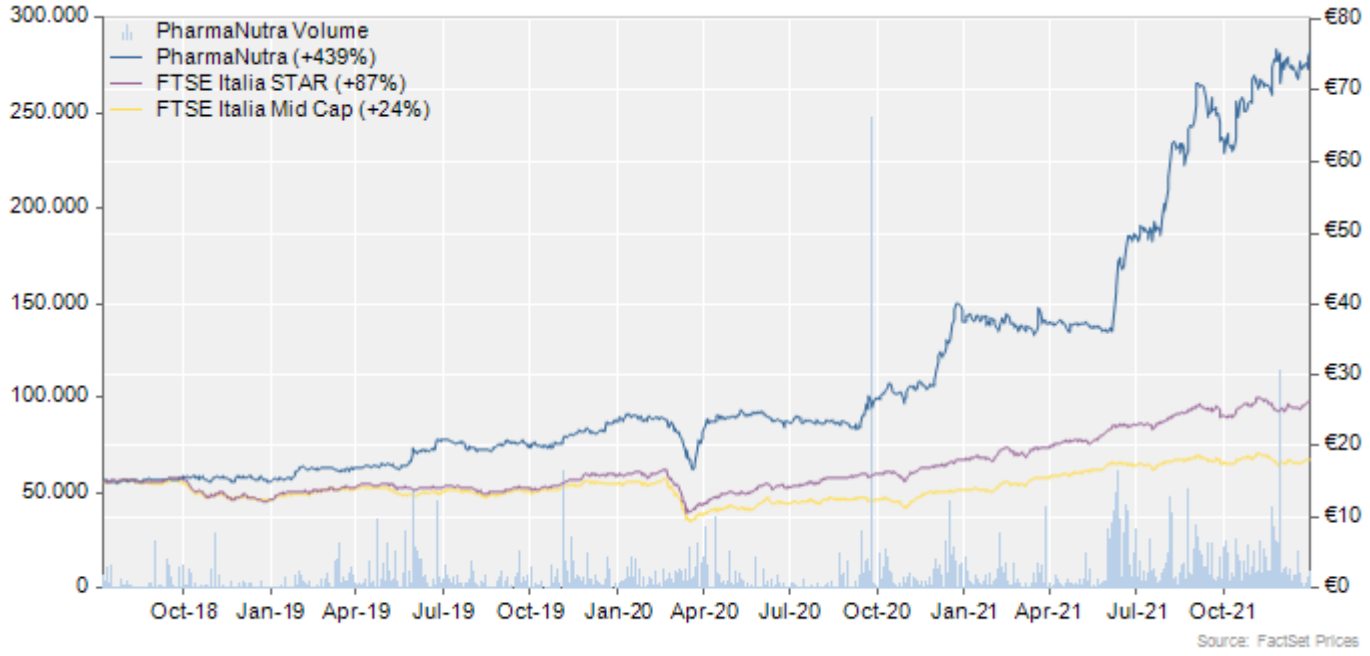
Andrea Lacorte is the sole shareholder and sole director of ALH S.r.l., Roberto Lacorte is the sole shareholder and sole director of RLH S.r.l. and Carlo Volpi is the sole shareholder and sole director of Beda S.r.l.

In 2021, the Company's shares had an average price of Euro 51.90 (Euro 18.59 in 2020), a maximum price of Euro 75.80 (at 25 November 2021) and a minimum price of Euro 35.40 (at 15 March 2021). During the same period, average daily trading volumes were approximately 11,402 shares (nearly double the 5,878 average trading volumes in 2020). After the start of listing on the AIM Italia segment on 18 July 2017, thanks to the subsequent admission to the STAR segment of Borsa Italiana (from 15 December 2020) and to the stock market performance, during 2021 PharmaNutra's stock was included in the MSCI World Small Cap Index (from 1 December 2021) and in the FTSE Italia Mid Cap Index (from 20 December 2021).

From the beginning of the year to 31 December 2021, the market value of the Company's shares increased by approximately 100.5%. The security performance was therefore better than the FTSE Italia STAR index, which increased by around 44.7% in the same period, and the FTSE Italia Mid Cap, which rose by around 30.9%. The graph below sets out respectively the prices and traded volumes of the Company's Shares and the performance of the FTSE Italia Mid Cap and FTSE Italia STAR indices in 2021.



On the other hand, the graph below shows the prices and traded volumes of the Company's Shares from the start of trading on the AIM Italia segment (18 July 2017) until 31 December 2021, compared with the performance of the FTSE Italia STAR and FTSE Italia Mid Cap indices over the same period. On this time horizon, PharmaNutra's stock has recorded an increase of 439% compared to +87% of the FTSE Italia STAR index and +24% of the FTSE Mid Cap index.



ANALYST COVERAGE	ALANTRA	MIDCAP PARTNERS	STIFEL	INTERMONTE
Start of coverage	04/02/2019	15/12/2020	01/06/2021	03/06/2021
Update	09/11/2021	09/11/2021	09/11/2021	16/02/2022
Target price	95.0	80.0	88.0	86.0

Transactions with related parties

All transactions with related parties are carried out at market conditions, form part of the Group's ordinary operations and are undertaken solely in the interests of the Group.

Pursuant to Consob Resolution no. 17221 of 12 March 2010, it is hereby acknowledged that during 2021 the Group did not enter into any significant transactions with related parties or transactions which had a material impact on the Group's financial position or results.

Transactions with related parties are as follows:

- Transactions entered into by Pharmanutra with its subsidiaries and transactions between subsidiaries:

regard the sale of goods and services that are part of the Group's ordinary operations. The related costs and revenues, receivables and payables have been eliminated in the preparation of the consolidated financial statements. The transactions between companies of the Group concern the supply by Alesco of the main active ingredients, the payment by Pharmanutra and Junia Pharma to Alesco of royalties for the exploitation of the patent relating to Sucrosomial® Iron technology, and the charge-back of personnel costs between companies of the Group.

- Transactions carried out with related parties other than Group companies, mainly consisting of commercial transactions involving the rental of property, advertising consultancy services, the provision of services for sponsored events and agency agreements.

In general, the transactions with related parties are governed by the procedure for transactions with related parties that Pharmanutra has adopted from time to time, aimed at ensuring effective correctness and transparency, both substantive and procedural, in this area and to encourage - where necessary - full co-responsibility of the Board of Directors in the related decisions.

Details of the amounts relating to transactions with related parties are provided in Note 14 of the Explanatc Notes to the Consolidated Financial Statements.

Treasury shares and shares held by subsidiaries

The Ordinary Shareholders' Meeting of Pharmanutra held on 26 April 2021, after revocation of the previous resolution, authorised the purchase and disposal of treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Italian Legislative Decree 58/1998, for a period of 18 months and for a maximum amount of Euro 3 million, so as to allow the company to take advantage of the opportunity to make an advantageous investment, in cases where the market price of Pharmanutra shares, also due to factors external to the Company, is not able to adequately express its value. During 2021, the above conditions did not occur and therefore the treasury share buyback programme was not activated.

As at 31 December 2021, the Company did not hold any of its own ordinary shares and its subsidiaries did not hold any Pharmanutra shares.

Financial risk management objectives and policies

The treasury management policy adopted by the Group provides for a periodic monitoring of the financial situation (trends in cash inflows and outflows and balances relating to the main financial items, including current accounts) so as to have a complete picture of the Group's cash and cash equivalents.

In the context of financial policy decisions, the Group separately assesses the need for working capital, which responds to a short-term time horizon, compared to investment needs, which respond to medium/long-term requirements.

In the context of short-term management, also thanks to the management of working capital, the Group generates sufficient cash for its financial requirements while, in the context of medium/long-term financial management policies, investments are adequately covered by medium/long-term loans.

Cash and cash equivalents are free from constraints or restrictions on their use and can be destined to cover financial requirements linked to the dynamics of operating working capital, the distribution of dividends, as well as the realisation of the investment in the new Group’s headquarters.

During the financial year 2021, as in the previous year, the return on the Group's cash and cash equivalen given the level of market interest rates, was close to zero.

Cash and cash equivalents as at 31 December 2021 and 2020 are held in checking accounts opened at various credit institutions. The credit risk associated with cash and cash equivalents is considered to be low as these are fractionated bank deposits with high standing institutions.

As indicated in the next paragraph, in 2018 the Issuer granted Azimut Capital Management S.g.r. a mandate to manage a portion of the company's liquidity for a maximum amount of Euro 5 million.

Current financial assets

This item represents a temporary investment of part of the Company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r. By virtue of this mandate, bonds and units in investment funds of adequately rated issuers have been subscribed.

As at 31.12.2021, a comparison with the market value of the bonds held shows a net capital loss of Euro 39 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A loss of Euro 17 thousand was recorded in the income statement for the year on the fund units.

Considering the cash and cash equivalents available and the regular continuation of activities, the Group does not foresee the need to resort to the early disposal of the financial instruments in question.

A breakdown of "Current financial assets" is provided below:

€/1000	31/12/2021	31/12/2020	Change
Mutual fund shares	1,822	1,836	(14)
Bonds	2,708	2,513	195
Total current fin. assets	**4,530**	**4,349**	**181**

As at 31 December 2021, the Current financial assets consisted for 59.8% of bonds and for 40.2% of shares of open-ended mutual funds with fast disinvestment.

Due to the nature of the investments made, the entire value of the investment should be considered of possit immediate disinvestment. Progressive bond maturities will result in reinvestments of the management mandate unless there are changes in the Company's needs not being foreseeable at this time.

The following table shows the breakdown of the bond portfolio between fixed-rate and variable-rate bonds:

€/1000	31/12/2021	31/12/2020	Change
Fixed-rate bonds	2,282	2,083	199
Floating-rate bonds	426	430	(4)
Total Bonds	**2,708**	**2,513**	**195**

For the bond component of Financial assets, which coincide with those covered by the individual management mandate granted to Azimut Capital Management S.g.r., the Group is exposed to the risk of changes in capital in the portfolio as a result of changes in interest rates. The simulation carried out with data from Bloomberg based on the "Option Adjusted Duration" (OAD) model, which is the most widely used on the market and also adopted by ISMA (International Securities Market Association) indicates that the sensitivity to interest rates, i.e. the percentage of change in the value of the overall portfolio for every 1.42% of change in rates, is 1.89%. Qualitatively, this portfolio has a low sensitivity to interest rates and a medium/low sensitivity to spreads thanks to a very limited average maturity and a good dose of liquidity that acts as a volatility buffer.

Financial debt - Loans and financing

The following table provides a summary of loans from banks taken out by Group's companies, broken down into current and non-current portion outstanding at 31 December 2021 and 31 December 2020.

	Balance as at 31/12/2021	Due within 12 months	Due after 12 months
Pharmanutra S.p.A.	5,312	308	5,004
Junia Pharma S.r.l.	224	224	0
Alesco S.r.l.	27	27	0
Total Loans and borrowings from banks and other financial backers	*5,563*	*559*	*5,004*
Pharmanutra S.p.A.	552	192	360
Junia Pharma S.r.l.	90	34	56
Alesco S.r.l.	145	35	110
Total payables for rights of use	*787*	*261*	*526*
Total	***6,350***	***820***	***5,530***

At the end of September, the parent company Pharmanutra obtained a medium-long term loan from BPI Banca S.p.A. for the amount of Euro 5 million to cover part of the investment in the new headquarters. The loan is not secured by real guarantees or covenants of any kind, has a duration of 60 months and a preamortisation period of 15 months and 90 days. The nominal annual rate is 0.21%.

There are no mortgages and/or pledges on shares or quotas of subsidiaries to guarantee medium/long-term debt.

With reference to the financial covenants provided in the loan agreements, it should be noted that: (i) these covenants have never been activated; (ii) the Group has always fulfilled its commitments and obligations; (iii) the Group has regularly paid each bank intermediary the instalments due on the basis of the relevant amortisation schedules; (iv) with reference to the conditions of compulsory early repayment or other conditions of termination, withdrawal or forfeiture of the benefit of the term, there are no circumstances, including admission to listing, that could give rise to the occurrence of such conditions; (v) the existing bank loans have not been renegotiated.

The companies of the Group have floating-rate loan agreements in place, whose incidence on total payables to banks is approximately 10%, and are therefore exposed to the risk of changes in interest rates, which is considered to be low. This risk has been partly mitigated through the use of derivative financial instruments to hedge interest rate risk (IRS - Interest Rate Swap).

The Group has policies in place to hedge against interest rate fluctuation risk for an amount equal to 50% and 71% of the total medium to long-term floating rate loans as at 31 December 2021 and 31 December 2020, respectively.

Information pursuant to Article 2428, paragraph 2, point 6-bis, of the Italian Civil Code

Pursuant to Article 2428, paragraph 2, no. 6-bis) of the Italian Civil Code, information is provided on the use of financial instruments, as they are relevant for the purposes of assessing the financial position.

More specifically, the management objectives, policies and criteria used to measure, monitor and control financial risks are as follows:

Credit risk

With regard to credit risk, reference should be made to the specific paragraph in the explanatory notes to the financial statements.

Liquidity risk

With regard to liquidity risk, reference should be made to the specific paragraph in the explanatory notes to the financial statements.

Interest rate risk

With regard to interest rate risk, reference should be made to the specific paragraph in the explanatory notes to the financial statements.

Risk of changes in cash flows

With regard to the risk of changes in cash flows, reference should be made to the specific paragraph in the explanatory notes to the financial statements.

Exchange rate risk

The Group carries out transactions in currencies other than the Euro in a very limited way and therefore we consider this risk to be low.

Risk related to litigation

With regard to the risk related to litigation, reference should be made to the specific paragraph in the explanatory notes to the financial statements.

Secondary Offices

Pursuant to Article 2428 of the Italian Civil Code, it is communicated that the activity of the three companies is carried out at the registered office in Via delle Lenze 216/B, Pisa (PI) - Italy, where all offices are located.

Pharmanutra does not have any secondary offices. The Parent Company and the subsidiary Alesco have an operating unit in Montacchiello (Pisa), Italy.

Other information

Relationships with the personnel

One of the Group's primary objectives, as a determining factor for the efficient and lasting development of its activities, remains the growth, in terms of training and professional enrichment of its human resources. The level of skills and knowledge acquired, the daily search for excellence in one's work are a heritage that we intend to preserve and increase.

It is acknowledged that in this financial year, as in the past, there were no deaths at work of registered personnel, nor were there any serious accidents or registered charges for occupational diseases to employees or former employees and mobbing cases.

At 31.12.2021, the Group had 66 employees (58 in the previous year).

Environmental impact

Commitment to social and territorial responsibility has long been an integral part of the principles and conduct of companies of the Group oriented towards maintaining high levels of safety, environmental protection and energy efficiency, as well as training, awareness and involvement of personnel on social responsibility issues. It is acknowledged that in this financial year, as in the past, there was no damage caused to the environment for which the companies of the Group have been finally declared liable.

The Directors believe that in view of the business model adopted and the type of products marketed, the impact of future climate change on the Group is not significant.

The preparation of the first Sustainability Report is in the implementation phase.

Quality Management System

The companies of the Group have the following quality certifications:

- Pharmanutra and Junia Pharma: Social Accountability 8000:2014 granted by SGS Italia;

- UNI ISO 9001:2015 granted by SGS Italia.

The Group also holds the following product certifications:

-"Doping Free Play Sure" awarded by "Doping Free S.A." for controls carried out by Bureau Veritas Italia;

- CE certification awarded by the Notified Body Istituto Superiore di Sanità for medical devices class IIa.

Significant events occurring after the end of the financial year

In January, the subsidiary Junia Pharma signed a new distribution agreement with the Taiwanese company HONG CHI Biotech, a company of the KSMG group (Kuang Sheng Medical Group Pharma), already exclusive distributor in Taiwan of SiderAL® Forte Int. 30 cps 30 mg Sucrosomial® Iron from 2019, to market SiderAL® Drops P 7 mg Sucrosomial® Iron in Taiwan, thus extending the Sucrosomial® Iron product offering to the pediatric sector as well.

In the same month, a patent on the use of cetylated fatty acids (CFAs) was obtained in the United States. The patent certificate, identified as "US 11,186,536," consolidates PharmaNutra's intellectual property in the use of cetylated fatty acids (CFAs). In particular, the new concession protects certain specific steps in the manufacturing process and, most importantly, covers both topical and oral use of CFAs preparations.

On 24 January, the share buyback program was launched in execution of the resolution passed by the Ordinary Shareholders; Meeting on 26 April 2021. The purpose of the program is to enable the Company to take advantage of the opportunity to make a profitable investment, in cases where the market price trend of PHN shares, including for factors external to the Company, is not able to adequately express the value of the same, and thus to provide the Company with a useful strategic investment opportunity for any purpose permitted by current regulations. As of today, 30,121 shares, or 0.31% of the capital, have been purchased.

On 14 February 2022, the European Union, through publication in the Official Journal, authorised the placing on the market of cetified fatty acids as Novel Food. The new food (Lipocet®) consists mainly of a mixture of myristic

acid, oleic acid and, to a lesser extent, other cetylated fatty acids, which until now could only be used in Cetila brand topical products. Cetylated fatty acids patented by PharmaNutra will therefore be included in the Union list of authorised novel foods established by Implementing Regulation (EU) 2017/2470. With the inclusion of Lipocet® in this list, the registration process, which in July 2021, had already seen EFSA (the European Food Safety Authority) issue its positive opinion for the classification of Lipocet® as a novel food, is officially concluded. The authorisation includes an industrial property protection that allows PharmaNutra to have an exclusive use of the new food for the next five years in all the countries of the European Union.

At the beginning of March, the contract was formalised with Malaysian company Mint Health Ltd. for the distribution of Sideral® Forte Int in Malta and Gozo and with HONG CHI Biotech, a company of the KSMG group (Kuang Sheng Medical Group Pharma) and already distributor of SiderAL products, the agreement for the distribution of the Cetilar® range on the Taiwanese market.

Foreseeable Business Outlook

During 2022, Pharmanutra's strategy will essentially be oriented towards strengthening its leadership in the oral iron market, where it already holds a market share of approximately 54.6% thanks to Sideral® branded products, further increasing market shares with regard to Cetilar® branded products, also with the launch of new products, and continuing to develop the sales of Apportal® and Ultramag®.

Particular attention will be paid to international development, with specific reference to the European, Asian and US markets, and to growth by external lines. The range of products sold in countries where the Group is already present will continue to be expanded and new markets will be opened, possibly using corporate partnerships if deemed strategically important.

Recent international tensions and unpredictable developments in the scenarios linked to the conflict between Russia and Ukraine generate widespread macroeconomic uncertainty that could affect the achievement of corporate objectives if this situation persists for a long time. However, the Pharmanutra Group has a very limited exposure to the Russian distributor and has no exposure to the Ukrainian one and even the possible adoption of even more incisive sanctions could result in a small decrease in revenues expected for the year. Finally, the impact of the increases in energy and raw material costs at the moment does not significantly affect the profitability of the year, by virtue of an accurate and punctual management.

In this general framework, the PharmaNutra Group will work as always to meet commitments and objectiv maintaining a constant focus on the efficient management of its economic and financial structure to respond flexibly and immediately to the uncertainties of 2022.

We thank you for your trust.

Pisa, 18 March 2022

For the Board of Directors

The Chairman

(Andrea Lacorte)

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

PHARMANUTRA GROUP

FINANCIAL STATEMENTS

Consolidated Balance Sheet

€/1000	NOTES	31/12/2021	31/12/2020
NON-CURRENT ASSETS		**15,837**	**11,303**
Tangible fixed assets	9.1.1	8,372	4,799
Intangible Fixed Assets	9.1.2	5,500	5,181
Investments	9.1.3	254	254
Non-current financial assets	9.1.4	221	218
Other non-current assets	9.1.5	254	
Deferred tax assets	9.1.6	1,236	851
CURRENT ASSETS		**55,519**	**40,406**
Inventories	9.2.1	2,865	1,894
Cash and cash equivalent	9.2.2	29,409	16,455
Current financial assets	9.2.3	4,530	4,349
Trade receivables	9.2.4	16,673	15,053
Other current assets	9.2.5	1,099	1,031
Tax Receivables	9.2.6	943	1,624
TOTAL ASSETS		**71,356**	**51,709**

SHAREHOLDERS' EQUITY	**9.3.1**	**45,082**	**37,730**
Share capital		1,123	1,123
Legal reserve		225	225
Other reserves		29,949	22,363
IAS 19 reserve		56	(50)
OCI Fair Value Reserve		28	67
FTA reserve		(70)	(70)
Result for the period		13,771	14,072
SHAREHOLDERS' EQUITY		45,082	37,730
Non-controlling interest			
NON-CURRENT LIABILITIES		**9,526**	**2,835**
Non-current financial liabilities	9.4.1	5,530	562
Provisions for non-current risks and charges	9.4.2	1,475	1,018
Provisions for employee and directors benefits	9.4.3	2,521	1,255
CURRENT LIABILITIES		**16,748**	**11,144**
Current financial liabilities	9.5.1	820	1,101
Trade payables	9.5.2	9,751	7,175
Other current liabilities	9.5.3	2,748	2,348
Tax payables	9.5.4	3,429	520
TOTAL LIABILITIES		**71,356**	**51,709**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties the Consolidated Balance Sheet are reported in the specific Consolidated Balance Sheet table included in Note 14.

Consolidated Income Statement

€/1000	NOTES	2021	2020
REVENUES		**68,836**	**58,680**
Net revenues	9.6.1	68,114	56,449
Other revenues	9.6.2	722	2,231
of which other non-recurring revenues			*1,049*
OPERATING COSTS		**48,756**	**43,124**
Purchases of raw materials, consumables and supplies	9.7.1	3,264	2,477
Change in inventories	9.7.2	-971	240
Costs for services	9.7.3	41,534	35,285
of which Costs for non-recurring services			*1,514*
Personnel costs	9.7.4	4,288	3,712
Other operating costs	9.7.5	641	1,410
EBITDA		**20,080**	**15,556**
Amortisation, depreciation and write-offs	9.8	1,389	2,338
of which non-recurring provisions and write-offs			*1,049*
OPERATING RESULT		**18,691**	**13,218**
FINANCIAL INCOME (EXPENSES) BALANCE		**118**	**84**
Financial income	9.9.1	159	146
Financial Expenses	9.9.2	-41	(62)
PRE-TAX RESULT		**18,809**	**13,302**
Taxes	9.10	-5,038	770
Net result of third parties			
Group net income		**13,771**	**14,072**
Net earnings per share (Euro)	**9.11**	**1.42**	**1.45**

Consolidated Statement of Comprehensive Income

€/1000	Notes	2021	2020
Result for the period		13,771	14,072
Gains (losses) from IAS application that will be recognised in the income statement			
Gains (losses) from IAS application that will not be recognised in the income statement	9.3.1	67	(29)
Overall result for the period		**13,838**	**14,043**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the Consolidated Income Statement are reported in the specific Consolidated Income Statement table included in Note 14.

Consolidated Statement of Changes in Shareholders' Equity

€/1000	Notes	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2021	**9.3.1**	**1,123**	**225**	**22,363**	**(70)**	**67**	**(50)**	**14,072**	**37,730**
Other changes						(39)	106		67
Dividends distribution	9.3.1			(6,486)					(6,486)
Allocation of result	9.3.1			14,072				(14,072)	-
Result for the period								13,771	13,771
Balance as at 31.12.2021		**1,123**	**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**

€/1000	Notes	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2020		**1,123**	**225**	**18,358**	**(70)**	**109**	**(59)**	**8,454**	**28,140**
Other changes				4		(42)	9		(29)
Dividends distribution				(4,453)					(4,453)
Allocation of result				8,454				(8,454)	-
Result for the period								14,072	14,072
Balance as at 31/12/2020		**1,123**	**225**	**22,363**	**(70)**	**67**	**(50)**	**14,072**	**37,730**

Consolidated cash flow statement

CASH FLOW STATEMENT (€/1000) - INDIRECT METHOD	Notes	2021	2020
Net result before minority interests		**13,771**	**14,072**
NON-MONETARY COSTS/REVENUES			
Depreciation and write-offs amortisation	9.8	1,389	2,338
Allowances to provisions for employee and director benefits		222	203
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	9.4.2	227	178
Change in provisions for employee and director benefits	9.4.3	1,044	(1,176)
Change in inventories	9.2.1	(971)	(41)
Change in trade receivables	9.2.4	(1,772)	(1,275)
Change in other current assets	9.2.5	(68)	(109)
Change in tax receivables	9.2.6	681	(1,029)
Change in other current liabilities	9.5.3	405	218
Change in trade payables	9.5.2	2,576	(990)
Change in tax payables	9.5.4	2,909	(591)
CASH FLOW FROM OPERATIONS		**20,413**	**11,798**
Investments in intangible assets, property, plant and equipment	9.1.1-9.1.2	(4,987)	(1,682)
Disposal of int. assets, property, plant and equipment	9.1.1-9.1.2	83	353
Net investments in financial fixed assets		0	0
Change in TFM credit	9.1.5	(254)	918
Change in deferred tax assets	9.1.6	(385)	(187)
Increase/(decrease) in other non-current liabilities			
CASH FLOW FROM INVESTMENTS		**(5,543)**	**(598)**
Other increase/(decrease) in equity	9.3.1	67	(29)
Dividend distribution	9.3.1	(6,486)	(4,453)
Increase in current fin. assets	9.2.3	(197)	(4)
Increase in non-current fin. assets	9.1.4	(3)	
Decrease in current fin. assets	9.2.3	15	731
Decreases in non-current fin. assets	9.1.4		
Increase of current financial liabilities	9.5.1	132	2
Increase of non-current financial liabilities	9.4.1	5,273	
Decrease of current financial liabilities	9.5.1	(412)	(3,762)
Decrease of non-current financial liabilities	9.4.1	(305)	(981)
CASH FLOW FROM FINANCING		**(1,916)**	**(8,496)**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**12,954**	**2,704**
Cash and cash equivalents at the beginning of the period	9.2.2	16,455	13,751
Cash and cash equivalents at the end of the period	9.2.2	29,409	16,455
Change in cash and cash equivalents		**12,954**	**2,704**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS O

PHARMANUTRA GROUP

1. LAYOUT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2021 have been prepared in accordance with the valuation and measurement criteria established by the *International Financial Reporting Standards* (IFRS) issued by the *International Accounting Standards Board* (IASB) and adopted by the European Commission.

The reference date of the consolidated financial statements coincides with the closing date of the financial statements of the Parent Company and its subsidiaries.

The following classifications have been used:

- Balance sheet by current/non-current items;
- Income statement by nature;
- Cash flow statement - indirect method.

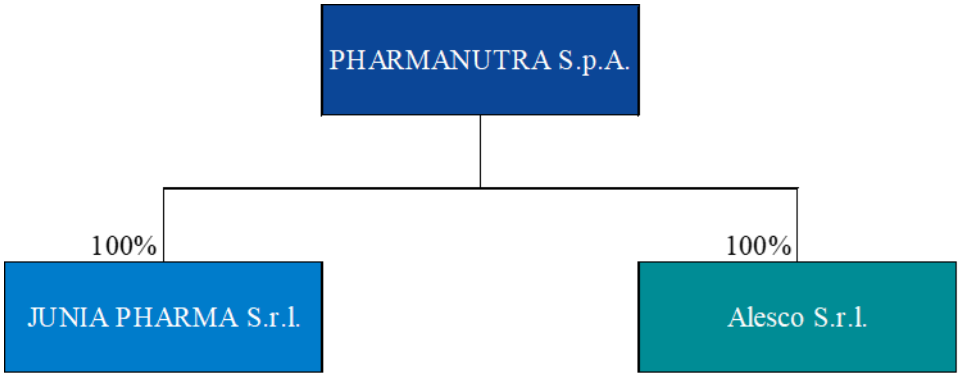
It is believed that these classifications provide information that is better suited to represent the financial position, results of operations and cash flows of the company.

The functional currency of the Parent Company and the presentation currency of the consolidated financial statements is the Euro (EUR). The schedules and tables contained in these explanatory notes are in thousands of Euro.

These consolidated financial statements have been prepared using the accounting policies and criteria illustrated below.

2. CONSOLIDATION AREA

Pharmanutra S.p.A.(hereinafter also referred to as "Pharmanutra" or the "Parent Company") is a company with registered office in Italy, Via delle Lenze 216/B, Pisa, which holds controlling interests in all the companies (the "Group" or also "Pharmanutra Group") shown in the following table:



Subsidiaries are companies in which Pharmanutra has the power to determine administrative and management decisions. Generally, control exists when the Group holds more than half of the voting rights, or exercises a dominant influence in the corporate and operating decisions.

Associated companies are those in which Pharmanutra exercises significant influence even though it does not have control. This generally occurs when it holds between 20% and 49% of the voting rights.

The companies included in the consolidation area are as follows:

COMPANY	REGISTERED OFFICE	DIRECT STAKE	INDIRECT STAKE	TOTAL
Pharmanutra S.p.A.	Pisa, Via delle Lenze 216/b		PARENT COMPANY	
Junia Pharma S.r.l.	Pisa, Via delle Lenze 216/b	100%	0%	100%
Alesco S.r.l.	Pisa, Via delle Lenze 216/b	100%	0%	100%

The consolidation area has not changed compared to the previous year.

3. CONSOLIDATION CRITERIA AND TECHNIQUES

Consolidation is carried out using the line-by-line method, which consists in including all assets and liabilities in their entirety. The main consolidation criteria adopted for the application of this method are as follows:

- subsidiaries are consolidated from the date on which control is actually transferred to the Group and are no longer consolidated on the date on which control is transferred outside the Group;

- where necessary, adjustments are made to the financial statements of subsidiaries to align t accounting policies used with those adopted by the Group;
- the assets and liabilities, charges and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements;
- The book value of investments is netted against the related share in the shareholders' equity of consolidated companies, attributing to balance sheet assets and liabilities the respective current value at the time control was acquired. Any residual difference is recorded under the asset item "Goodwill", if positive or in the income statement, if negative
- The balances of receivables and payables, as well as the economic effects of intra-group economic transactions and dividends approved by the consolidated companies have been eliminated in full. The consolidated financial statements do not include any profits or losses not yet made by the Group as a whole as they result from intra-group transactions. The portions of shareholders' equity and the results for the period of minority shareholders are shown separately in the consolidated shareholders' equity and income statement.

4. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The consolidated financial statements of the Pharmanutra Group as at 31 December 2021 were prepared in compliance with the international accounting standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and approved by the European Union. IFRS also means all the revised international accounting standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"). The consolidated financial statements are drawn up in the perspective of the continuation of the business activity. In consideration of what has already been reported in the Management Report, to which reference should be made for more details, the Directors believe that from the ongoing Covid-19 epidemic there are no problems that could affect the business continuity. The consolidated financial statements of the Pharmanutra group as at 31 December 2021 are audited by the independent auditors BDO S.p.A in execution of the shareholders' resolution of 13 October 2020. The Pharmanutra Group has prepared and made public the consolidated half-yearly financial report at 30 June 2021, subjected to limited audit, and the consolidated interim management reports at 31 March and 30 September 2021, within the terms of the law and on the basis of the rules issued by Consob.

The draft consolidated financial statements for the year ended December 31, 2021, was approved by the Boa of Directors on March 18, 2022, which also authorized its publication.

Directive 2004/109 / EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the obligation for issuers of securities listed on regulated markets of the European Union to draw up the annual financial report in the language XHTML, based on the European Single Electronic Format (ESEF), approved by ESMA. For the year 2021 it is expected that the consolidated financial statements must be "marked" with the ESEF taxonomy, using an integrated computer language (iXBRL).

The deposits of the entire document at the relevant offices and institutions are carried out in accordance with the law.

Below is a description of the most significant accounting principles adopted for the preparation of the consolidated financial statements of Pharmanutra as at 31 December 2021, unchanged from those used in the previous year.

Tangible fixed assets

Tangible fixed assets are recorded at purchase price or production cost, including directly attributable ancillary costs being necessary to make the assets available for use.

Tangible fixed assets are systematically depreciated on a straight-line basis over their useful life, which is an estimate of the period over which the asset will be used by the company. When the tangible fixed asset is made up of several significant components having different useful lives, depreciation is applied to each component. The value to be amortised is represented by the book value reduced by the presumed net transfer value at the end of its useful life, if significant and reasonably determinable. Land (items with an indefinite useful life), even if purchased together with a building, is not depreciated, as are tangible fixed assets held for sale, which are valued at the lower of their book value and their fair value, net of disposal charges.

Costs for improvements, modernisation and transformation that increase tangible fixed assets are charged to assets. All other repair and maintenance costs are recognised in the income statement when incurred.

The recoverability of the book value of tangible fixed assets is verified by adopting the criteria indicated under "Impairment of assets".

The depreciation reflects the asset economic and technical deterioration and begins when the asset becom available for use and is calculated according to the linear model of the estimated useful life of the asset.

The rates applied are as follows:

Equipment 25%

Plant and machinery 20%

Furniture and fittings 20%

Electronic office machines 20%

Vehicles 25%

The residual carrying amount, useful life and depreciation criteria are reviewed at the end of each financial year and adjusted prospectively if necessary.

An asset is derecognised at the time of sale or when there are no expected future economic benefits from its use or disposal. Any losses or gains (calculated as the difference between the net proceeds from sale and the carrying amount) are included in the income statement at the time of derecognition.

Leased assets

The assets acquired through leasing contracts, through which the risks and rewards of ownership are substantially transferred to the Group, are recognised as assets of the Group at their current value at the date of signing the contract or, if lower, at the current value of the minimum payments due for the lease, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is shown under financial payables.

Intangible fixed assets

Intangible fixed assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill when acquired for consideration.

Identifiability is defined by reference to the possibility of distinguishing the intangible fixed asset acquired from goodwill. This requirement is normally met when:

- the intangible fixed asset is attributable to a legal or contractual right, or

- the asset is separable, i.e. it can be sold, transferred, rented or exchanged independently or as part other assets. Control of the company consists of the power to enjoy the future economic benefits deriving from the asset and the possibility of limiting access to others.

Intangible fixed assets are recorded at cost determined according to the criteria indicated for tangible fixed assets.

Intangible fixed assets with a defined useful life are systematically amortised over their useful life, being understood as the estimate of the period in which the assets will be used by the company. The recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".

Goodwill and other intangible fixed assets, where present, with an indefinite useful life are not subject to amortisation. The recoverability of their book value is verified at least annually and in any case when events occur that indicate a reduction in value. With regard to goodwill, such verification is carried out at the level of the smallest aggregate on the basis of which management assesses, whether directly or indirectly, the return on investment that includes the goodwill itself *(cash generating unit*). Write-downs are not subject to impairment reversal.

Other intangible fixed assets have been amortised at 20%, estimating a useful life of 5 years, with the exception of patents, trademarks and licenses, which are amortised over a useful life of 18 years.

The amortisation period and criteria for intangible fixed assets with a finite useful life are reviewed at least at the end of each financial year and adjusted prospectively if necessary.

Goodwill

Business combinations are accounted for using the acquisition method (IFRS 3). The cost of an acquisition is measured as the sum of the consideration transferred measured at fair value at the acquisition date and the amount of any minority interest in the acquiree. For each business combination, any minority interest in the acquiree shall be measured either at fair value or at the minority interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed and classified under administrative expenses. If the business combination is achieved in stages, the fair value of the investment previously held is recalculated at fair value at the acquisition date, by recording any resulting gain or loss in the income statement. Goodwill is initially measured at the cost that emerges as the excess of the sum of the consideration paid and the amount recognised for minority interests over the identifiable net assets acquired and liabilities assumed. If the

consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognis in the income statement. After initial recognition, goodwill is measured at cost, net of accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination must, at the acquisition date, be allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, 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 the assets of that unit, the goodwill associated with the asset disposed of shall be included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the asset disposed of must be determined on the basis of the relative values of such asset and the portion of the cash-generating unit retained.

Investments in other companies are initially recorded at their fair value and subsequently, where it is not possible to determine a reliable fair value, they are maintained at cost, written down in the event of permanent impairment. The original value will not be restored in subsequent years, even if the reasons for the write-down no longer apply.

Inventories

Inventories are recorded at the lower of purchase or production cost and estimated realisable value based on market trends.

The method used for the valuation of inventories is the weighted average cost.

The value determined as indicated above is adjusted to take into account the obsolescence of inventories, by writing down inventories due within 6 months of the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of change in value.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their fair value and subsequently measured at amortised cost, net of any write-downs. At the time of recognition, the receivable nominal value is

representative of its fair value at that date. IFRS 9 defines a new model for impairment/devaluation of the assets, with the aim of providing useful information to users of the financial statements on the related expected losses. According to this model, the Group measures receivables using an expected loss approach, replacing the IAS 39 framework, which is typically based on the measurement of incurred losses. The Group adopts a simplified approach for the measurement of trade receivables, which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories on the basis of days past due, by defining the allocation based on the historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment.

Trade receivables are fully written down if there is no reasonable expectation of recovery or in the presence of inactive trade counterparties.

The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement.

With regard to financial assets, the Group adopts the accounting standard IFRS 9 Financial Instruments, Recognition and Measurement for the classification, measurement and accounting of financial instruments.

The accounting standard provides rules for the classification of financial assets in the following categories:

Amortised Cost;

Fair Value with change in equity (Fair Value Other Comprehensive Income or FVOCI);

Fair Value with changes in the income statement.

The determination of the category is made based on 2 factors:

1. The Business Model, i.e. the way in which the Group manages its financial assets or intends to achieve cash flows from financial assets.

   The possible Business Models envisaged by the accounting standard are:

- Hold to collect (HTC): it provides for the achievement of cash flows as contractually foreseen. This Business Model is attributable to financial assets that will presumably be held until their natural maturity;

- Hold to Collect and Sell (HTC&S): this Business Model provides for the achievement of cash flows contractually foreseen or through the sale of financial assets. This Business Model is therefore attributable to financial assets that may be held to maturity or even sold;
- Sell: it provides for the achievement of cash flows through the sale of the instrument. This Business Model is attributable to activities in which cash flows will be achieved through sale (the so-called trading).

2. Contractual cash flow characteristics of the instrument

The standard refers to the so-called SPPI (Solely Payments of Principal and Interest) test, which aims to define whether an instrument has the contractual characteristics allowing only the principal and interest to be paid.

If the SPPI test is not passed, regardless of the reference business model, the financial instrument must be classified and measured at Fair Value with changes in the income statement.

The classification of an instrument is defined at initial recognition and is no longer subject to change, except in cases that the standard expects to be rare.

With reference to the financial instruments, consisting of bonds issued by leading issuers, the management has carried out an analysis of its intentions in managing the instruments and has carried out the SPPI test for all the instruments in the portfolio, thus concluding that the most relevant business model to its management method is the HTC&S one and that the SPPI test has been passed.

The accounting rules that IFRS 9 defines for debt financial instruments classified to FVTOCI are as follows:

Interest income is recognised in the income statement using the effective interest rate method, in the same way as for instruments at amortised cost;

Impairment losses (and any write-backs) are recognised in the income statement in accordance with the rules set forth in IFRS 9;

The differences between the amortised cost and the fair value of the instrument are recognised in equity in the other items of the comprehensive income statement;

The cumulative reserve recognised in equity and relating to the debt instrument is reversed to the income statement only when the asset is derecognised.

With regard to the investments made in units of investment funds, the accounting rules provided for by IFRS are as follows:

The measurement criterion is fair value at the reporting date;

Changes in fair value are recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

the rights to receive cash flows from the asset are extinguished;

the right to receive cash flows from the asset is retained but a contractual obligation has been taken to pay them in full and without delay to a third party;

the company of the Group has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of it.

In cases where the company of the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the company's financial statements to the extent of its residual involvement in the asset.

Impairment of financial assets

The companies of the Group verify at each reporting date whether a financial asset or group of financial assets has suffered an impairment loss. A financial asset or group of financial assets is to be considered subject to impairment loss if, based on historical experience and on the forecast outcome of its recoverability, after the occurrence of one or more events since its initial recognition, this loss event can be reliably expected on the estimated future cash flows of the financial asset or group of financial assets.

Evidence of impairment loss may be represented by indicators such as financial difficulties, inability to meet obligations, insolvency in interest payments or major payments, which debtors, or a group of debtors, are going through. The probability that it will fail or is subject to another form of financial reorganisation, and where

observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes the context or economic conditions related to the obligations.

The management also evaluates elements such as the performance of the counterparty's sector and financial activity as well as the general economic performance and also makes forward looking considerations.

If there is objective evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the estimated write-down increases or decreases as a result of an event occurring after the write-down was recognised, the previously recognised write-down shall be increased or decreased by adjusting the provision to the income statement.

Impairment of non-financial assets

At each reporting date, the companies of the Group assess the possible existence of indicators of impairment loss of non-financial assets. When events occur that suggest a reduction in the value of an asset or when an annual impairment test is required, its recoverability is verified by comparing its book value with its recoverable amount, represented by the higher of fair value, net of disposal costs, and value in use.

In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, recent transactions or the best information available to reflect the amount that the company could obtain from selling the asset. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and provable assumptions that are representative of the best estimate of future economic conditions that will occur over the remaining useful life of the asset, giving greater importance to indications from outside. Discounting is carried out at a rate that takes into account the risk inherent in the business sector.

The valuation is carried out for each individual asset or for the smallest identifiable set of assets that generates autonomous cash inflows from ongoing use (the so-called cash generating units). When the reasons for the write-downs made cease to exist, the assets, except for goodwill, are revalued and the adjustment is charged to the income statement as a revaluation (reversal of impairment). The revaluation is carried out at the lower of the

recoverable value and the book value gross of the write-downs previously made and reduced by the depreciati that would have been allocated if no write-down had been made.

Financial liabilities

Financial liabilities falling within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value recognised in the balance sheet, as financial payables, or as derivatives designated as hedging instruments, as appropriate. The financial liabilities of the companies of the Group include trade and other payables, loans and derivative financial instruments. The companies of the Group determine the classification of their financial liabilities on initial recognition.

Financial liabilities are initially measured at their fair value equal to the consideration received on the settlement date plus, in the case of financial payables, directly attributable transaction costs.

Subsequently, non-derivative financial liabilities are measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by recording any discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included under financial charges in the income statement.

Gains and losses are recognised in the income statement when the liability is settled, as well as through the amortisation process.

Financial liabilities are derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Employee benefits

Employee severance indemnities fall within the scope of what IAS 19 defines as benefit plans forming post-employment benefits. The accounting treatment envisaged for these forms of remuneration requires an actuarial calculation that makes it possible to project into the future the amount of the Employee Severance Indemnity already accrued and to discount it for taking into account the time that will elapse before actual payment.

The actuarial valuation of the Employee Severance Indemnity was carried out on a closed group basis, i.e. no new hires were considered during the reference time horizon (such period equals the one envisaged for all employees leaving the Company).

With reference to the aforesaid international accounting standards, actuarial simulations were carried out using the Projected Unit Credit Method and determining:

- the cost of the service already provided by the worker (Past Service Liability);
- the cost of the service provided by the worker during the year (Service Cost);
- the cost relating to interest expense arising from the actuarial liability (Interest Cost);
- the actuarial gains/losses relating to the valuation period between one valuation and the next (Actuarial (gain)/loss).

The unit credit criterion provides that the costs to be incurred in the year for establishing the Employee Severance Indemnity are determined on the basis of the portion of the benefits accrued in the same year. Under the vested benefits method, the obligation to the employee is determined on the basis of the work already performed at the valuation date and on the basis of the salary achieved at the date of employment termination (only for companies with an average number of employees being less than 50 in 2006).

In particular:

- the Past Service Liability is the current value calculated in a demographic-financial sense of the benefits due to the employee (severance indemnity payments) deriving from seniority;
- the Current Concern Provision is the value of the provision for employee severance indemnities in accordance with Italian statutory accounting principles at the valuation date;
- the Service Cost is the current value calculated in a demographic-financial sense of the benefits accrued by the employee in the year ending;
- the Interest Cost represents the cost of the liability due to the lapse of time and is proportional to the interest rate adopted in the valuations and the amount of the liability in the previous year;
- the Actuarial (Gains)/Losses measure the liability change occurring in the period considered and being generated by:

a. deviation between the assumptions used in the calculation models and the actual dynamics the verified quantities;

b. changes in the assumptions during the period under review.

Moreover, in view of the evolutionary nature of the fundamental economic variables, actuarial valuations have been carried out under "dynamic" economic conditions. Such an approach requires the formulation of economic-financial hypotheses capable of summing up in the medium to long term:

the average annual changes in inflation in line with expectations regarding the general macroeconomic environment;

the development of expected interest rates in the financial market.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature and whose existence is certain or probable, their amount or date of occurrence being uncertain at the end of the financial year. Allowances to provisions are recognised when:

the existence of a current, legal or implied obligation, arising from a past event is probable;

it is likely that the settlement of the obligation will be onerous;

the amount of the obligation can be reliably estimated.

Allowance to provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to settle the obligation or transfer it to third parties at the end of the period.

Trade payables

Trade payables are recorded at nominal value.

Revenue recognition

Revenues are booked on an accrual basis regardless of the date of collection, net of returns, discounts, allowances and premiums.

Revenues for the sale of the products are recognised at the time of control transfer of the goods given to the buyer, which coincides with the shipment or delivery of the same.

Revenues from the provision of services are recorded in the financial statements when the service is actually rendered.

Revenues of a financial nature are recognised on an accrual basis. For all financial instruments measured at amortised cost, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period.

Service charges are recognised on an accrual basis.

For all financial instruments measured at amortised cost, interest expense is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Income taxes

Taxes for the year represent the sum of current, prepaid and deferred taxes.

Current taxes are calculated on the basis of the estimated taxable income for the year. Taxable income differs from the result reported in the income statement because it excludes positive and negative components that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible.

The liability for current taxes is calculated using the rates in force or actually in force at the reporting date.

Deferred tax assets and liabilities are determined on the basis of all temporary differences arising between the carrying values of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets on tax losses and temporary differences are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are determined at the tax rates being expected to apply in the years in which the temporary differences will be achieved or settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it no longer probable that sufficient taxable income will be available to allow all or part of these assets to be recovered.

Deferred taxes are directly charged to the income statement, except for those relating to items being directly recognised in equity, in which case the related deferred taxes are also charged to equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, when they relate to taxes due to the same tax authority and the company intends to settle current tax assets and liabilities on a net basis.

Criteria for the translation of items in foreign currency

Foreign currency transactions are initially recognised in the functional currency, by applying the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the reporting date.

Exchange differences are recorded in the income statement, including those achieved upon collection of receivables and payment of payables in foreign currency.

The gain or loss arising from the translation of non-monetary items is treated in line with the recognition of gains and losses relating to the change in the fair value of these items (translation differences on items whose change in fair value is recognised in the statement of comprehensive income or the income statement are recognised in the statement of comprehensive income or the income statement, respectively).

Earnings per share

Basic earnings per share are calculated by dividing the Group's results of operations by the weighted average number of shares outstanding during the year, excluding any treasury shares.

5. IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED OR APPLICABLE/APPLIED FROM 1.1.2021

5.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2021

- In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.
- Amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 Leases); In May 2020, the IASB issued an amendment to IFRS 16 COVID-19 Related Rent Concessions. This amendment provided a practical expedient to account for the reduction in rent due to COVID-19. The 2020 practical expedient was available for rent reductions that affected only payments originally due by 30 June 2021. On 31 March 2021, the IASB issued the amendment "COVID 19- Related Rent Concessions beyond 30 June 2021", which extended the period to qualify for the practical expedient from 30 June 2021 to 30 June 2022. This amendment is effective for years beginning on or after 1 April 2021.
- The amendments above had no impact on the financial statements or the disclosures.

5.1.2 International reporting standards and/or interpretations issued but not yet effective and/or not yet endorsed

- on 14 May 2020, the IASB published amendments entitled "Amendments to IFRS 3 Business Combinations", "Amendments to IAS 16 Property, Plant and Equipment", "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" and "Annual Improvements 2018-2020". All amendments will take effect on 1 January 2022;
- on 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent" and on July 15 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – deferral of Effective Date". The amendments will be effective as of 1 January 2023 and clarify the principles that must be applied for the classification of liabilities as current or non-current.
- on 12 February 2021, the IASB published the amendments entitled "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" and "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". All amendments will take effect on 1 January 2023;

- On 07 May 2021, the IASB published and amendment referred to as "Income Taxes: Deferred Tax relat to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12) . All amendments will take effect on 1 January 2023.

None of these Standards and Interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these Standards and Interpretations and based on the current state of analysis, no significant impact is expected.

Lastly, it should be noted that the statement of net financial debt shown in these consolidated financial statements, as required by the CONSOB communication of 28 July 2006, has been updated in accordance with the latest recommendations issued by ESMA on 4 March 2021.

6. MAIN ESTIMATES ADOPTED BY THE MANAGEMENT

The application of generally accepted accounting principles for the preparation of financial statements implies that management makes accounting estimates based on complex and/or subjective judgements, based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate.

Estimates are used to measure intangible assets subject to impairment testing (see § Impairment losses), as well as to recognise provisions for doubtful accounts, inventory obsolescence, amortisation and depreciation, asset write-downs, employee benefits, taxes, other provisions and reserves. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

The use of these accounting estimates affects the carrying amount of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reporting period. Actual results may differ from estimated results due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The following are the accounting estimates that are critical to the preparation of the financial statements because they involve a high degree of recourse to subjective judgements, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgements, assumptions and estimates adopted can have a significant impact on subsequent results.

Recoverable amount of non-current assets

Non-current assets include Property, plant and equipment, Goodwill, Other intangible assets, Equity investmer and Other financial assets. The Group periodically reviews the carrying amount of non-current assets held and used and assets to be disposed of, when facts and circumstances require such a review. For Goodwill, this analysis is carried out at least once a year and whenever facts and circumstances require it. The analysis of the recoverability of Goodwill carrying amount is generally performed using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value.

When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the excess of the carrying amount of the asset over its recoverable amount through use or sale.

Recoverability of deferred tax assets

The Group has deferred tax assets on deductible temporary differences. In determining the estimate of the recoverable amount, the Group took into consideration the results of the business plan.

- Allowance for doubtful accounts

The allowance for doubtful accounts reflects the management's estimate of the expected losses associated with the portfolio of receivables. The Group applies the simplified approach envisaged by IFRS 9 and records expected losses on all trade receivables on the basis of their residual duration, by defining the provision based on historical experience of credit losses, adjusted to take account of specific forecast factors relating to creditors and the economic environment (the Expected Credit Loss - ECL concept).

Contingent liabilities

The Group recognises a liability for ongoing litigation and lawsuits when it believes it is probable that a financial outlay will be made and when the amount of resulting losses can be reasonably estimated. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

Estimates adopted in the actuarial calculation for the purpose of determining defined benefit plans in the context of post-employment benefits

The liability for employees leaving entitlement was measured by an independent actuary on the basis of the following assumptions:

Demographic assumptions

The probability of death was derived from the Italian population, broken down by age and gender, measured by ISTAT in 2000 and reduced by 25%;

the probability of elimination due to absolute and permanent disability of the worker to become disabled and leave the company community is inferred from the disability tables currently used in reinsurance practice, broken down by gender and age;

the probability of leaving the company due to resignations and dismissals was estimated, on the basis of company data, over the observation period from 2015 to 2021 and amounts to 6.62% per year;

the probability of requesting an advance was set at 1% per year, with a 50% rate remaining;

for the period of retirement for the generic workforce, it was assumed that the earliest of the retirement requirements valid for the General Compulsory Insurance would be reached.

Economic and financial assumptions

The macroeconomic scenario used for the measurements is described in the table below:

Parameters	Assumptions for 2021
Rate of salary increase	4.32%
Inflation rate	1.50%
Discount rate of employees leaving entitlement	0.545%

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on 31.12.2021 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 23 years.

Estimates adopted in the actuarial calculation for the purpose of determining the provision for agents' termination indemnity

The liability for agents' termination indemnity was measured by an independent actuary on the basis of the following assumptions:

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- for the probabilities of leaving the company due to voluntary resignations or dismissals, the annual frequencies over the observation period from 2013 to 2021 has been estimated, based on company data, respectively at 4.15% and 6.45% per year;

Economic and financial assumptions

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on the assessment date (Source: *Il Sole 24 ore*). For the measurement as at 31.12.2021, a flat rate of 0.536% was adopted on the section of the curve corresponding to 25 years of average residual duration.

Estimates adopted in the determination of deferred taxes

A discretionary assessment is required of the Directors to determine the amount of deferred tax assets that can be recognised. They must estimate the probable occurrence in time and the amount of future taxable profits.

Amortisation/depreciation

Fixed assets cost is depreciated on a straight-line basis over their estimated useful lives, which for rights of use coincides with the assumed duration of the contract. The useful economic life of the Group's fixed assets is determined by the Directors at the time of purchase. It is based on the historical experience gained over their business years and on the knowledge of any technological innovations that could make the fixed asset obsolete or no longer economical.

The Group periodically evaluates technological and industry changes to update the remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

7. RISK AND UNCERTAINTY MANAGEMENT

The main risks identified, monitored and actively managed by the Pharmanutra Group are as follows:

7.1 EXTERNAL RISKS

7.1.1 Risks associated with Covid-19 (so-called "Coronavirus")

Despite the continuation of the COVID-19 pandemic (so-called "Coronavirus") also in 2021, the Group achieved excellent business results with revenues increasing by approximately 21%, in line with increases in pre-pandemic years. The evolution of the health situation, with the progressive elimination of the restrictive measures put in place and the end of the state of emergency foreseen for 31 March 2022, lead to the expectation of a gradual return to normality. In view of the above, there is no particular risk to the regularity of production and sales trends, although a further deterioration in the situation cannot be ruled out, which could expose the Group to the risk of a drop in sales.

7.1.2 Risks associated with production entrusted to third party suppliers

The Group is exposed to the risk that production activities entrusted to third party suppliers may not be carried out properly according to the quality standards required by the Group, leading to delays in the supply of products or even the need to replace the third party in charge. In addition, the production facilities of third party suppliers are subject to operational risks such as, for example, interruptions or delays in production due to faulty or failed machinery, malfunctions, breakdowns, delays in the supply of raw materials, natural disasters, or the revocation of permits and authorisations or even regulatory or environmental interventions. The possible occurrence of such circumstances could have negative effects on the Group's business.

7.1.3 Risks associated with the regulatory framework and the situation in the countries in which the Group operates

As a result of its international presence, the Group is exposed to a number of risk factors, particularly in developing countries where the regulatory framework is not permanently defined and clear. This could force the Group to change its business practices, increase costs or expose it to unforeseen civil and criminal liability.

Moreover, the Group cannot be sure that its products can be successfully marketed in these developing markets, given the less stable economic, political or social conditions than in Western European countries and which may result in the possibility of facing political, social, economic and market risks.

With reference to the geopolitical situation relating to the conflict between Russia and Ukraine and the sanctio issued by the European Union against Russia, the Group currently has very limited exposure to the Russian distributor. The possible adoption of even stronger penalties could lead to a small decrease in the expected revenues for the year. Regarding Ukraine, a marginal market, there are no open positions as of today.

7.1.4 Risks associated with the high degree of competitiveness of the reference market

In view of the fact that the market segments in which the Group is active are characterised by a high level of competition in terms of quality, price and brand awareness and by the presence of a large number of operators, the possible difficulty for the Group in facing competition could have a negative impact on its market position, with consequent negative effects on the Group's business.

The production activities of the Group are characterised by technology that cannot be replicated and is protected by patents, and this is considered an important competitive advantage, which - together with proprietary raw materials, the strategy of protecting intellectual property rights (trademarks and patents) and continuous investment in research and development - makes it possible to obtain products with characteristics that cannot be replicated by competitors.

7.2 MARKET RISKS

7.2.1 Risks associated with dependence on certain key products

The Group's ability to generate operating profits and cash flows largely depends on maintaining the profitability of a number of key products; among these, the most significant are those based on Sucrosomial® Iron, consisting of the products of the Sideral line, which represent approximately 80% of the Group's revenues at 31 December 2021. A contraction in sales of these key products could have negative effects on the Group's business and prospects.

7.2.2 Risks associated with the iron-related therapy market in which the Group operates

The risks to which the Group is exposed are related: to any changes in the regulatory framework in relation to the way iron is taken, the identification of new therapeutic protocols relating to these consumption ways (of which the Group is unable to predict the timing and methods) and/or to the need to reduce the selling prices of products. The Group's iron-based products are currently all classified as food supplements. In the case of iron, as

well as many other nutrients, regulations concern the amount of daily intake beyond which the product cannot be marketed as a supplement because it would fall into the pharmaceutical category.

A possible regulatory change could have more of an impact on the maximum (or minimum) level of intake which would then lead to a simple formula adjustment.

7.3 FINANCIAL RISKS

7.3.1 Credit risk

Credit risk represents the exposure to potential losses deriving from the non-fulfilment of the obligations undertaken by both commercial and financial counterparties.

The Group's credit risk is essentially attributable to the amount of trade receivables for the sale of finished products and, to a very limited extent, raw materials.

The Group does not have a significant concentration of credit risk and is subject to moderate credit risks.

The exposure to credit risk as at 31 December 2021 and 31 December 2020 is shown below:

€/1000	31/12/2021	31/12/2020
Non-current financial assets	221	218
Other non-current assets	254	-
Deferred tax assets	1,236	851
Current financial assets	4,530	4,349
Trade receivables	18,515	16,908
Other current assets	1,099	1,031
Total Exposure	**25,855**	**23,357**
Provision for doubtful accounts	(1,842)	(1,855)
Total exposure net of Allowance for doubtful accounts (*)	**24,013**	**21,502**

(*) = equity investments and tax receivables are not included

Below is a breakdown of receivables as at 31 December 2021 and 31 December 2020 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1000	Carrying amount at 31/12/2021	Due	Overdue			
			0-90	90-180	180-360	> 360
Non-current financial assets	221	221				
Other non-current assets	254	254				
Deferred tax assets	1,236	1,236				
Current financial assets	4,530	4,530				
Trade receivables	18,515	15,604	860	101	191	1,759
Other current assets	1,099	1,099				
Total financial assets	**25,855**	**22,944**	**860**	**101**	**191**	**1,759**

€/1000	Carrying amount at 31/12/2020	Due	Overdue			
			0-90	90-180	180-360	> 360
Non-current financial assets	218	218				
Other non-current assets	-	-				
Deferred tax assets	851	851				
Current financial assets	4,349	4,349				
Trade receivables	16,908	14,210	623	189	1,215	670
Other current assets	1,031	1,031				
Total financial assets	**23,357**	**20,659**	**623**	**189**	**1,215**	**670**

7.3.2 Liquidity risk

The liquidity risk relates to the Group's ability to meet its commitments arising from its financial liabilities.

During the period, the Group met its operational financial needs through the use of its own resources without recourse to new credit lines from the banking system, with the exception of a new loan to partially cover the investment for the new company headquarters. Despite having available short-term bank credit lines, aimed at managing the requirements related to increases in working capital, the management did not deem it necessary to use these instruments during the year thanks to the generation of liquidity from current operations.

In any case, the liquidity risk originating from normal operations is kept at a low level by managing an adequate level of cash and cash equivalents and controlling the availability of funds obtainable through credit lines.

Financial liabilities as at 31 December 2021 and 31 December 2020, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1000	Balance at 31/12/2021	Current Amount	Due in 2 to 5 years	Due over 5 years
Bank loans and borrowings	5,559	559	3,745	1,255
Financial liabilities for rights of use	787	261	526	
Other lenders	4		4	
Total financial liabilities	**6,350**	**820**	**4,275**	**1,255**

€/1000	Balance at 31/12/2020	Current Amount	Due in 2 to 5 years	Due over 5 years
Bank loans and borrowings	1,187	882	305	
Financial liabilities for rights of use	472	219	253	
Other lenders	4		4	
Total financial liabilities	**1,663**	**1,101**	**562**	**0**

Trade payables and other liabilities are all due within 12 months.

7.3.3 Interest rate risk

The Group's companies have floating-rate loan agreements in place and are therefore exposed to the risk of changes in interest rates, which is considered to be low. This risk has been mitigated through the use of derivative financial instruments to hedge interest rate risk (IRS - Interest Rate Swap). Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 10% as at 31 December 2021 and 100% as at 31 December 2020.

The Group has policies in place to hedge against interest rate fluctuation risk for an amount equal to 50% and 71% of the total medium to long-term floating rate loans as at 31 December 2021 and 31 December 2020, respectively.

In consideration of the low amount of interest expected until the expiry of the medium/long-term lo agreements still in place at 31 December 2021, and of the fact that the same will expire in the near future, as well as the small portion of medium/long-term loans at variable interest rates not covered by derivative instruments, the Group does not carry out sensitivity analyses to assess the impact of changes in interest rates on the future results of operations and financial position.

The Group is also exposed to the risk of changes in interest rates on financial assets held in portfolio. This risk is considered to be low since these are mainly fixed-rate financial instruments.

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following information is provided.

The fair value of trade assets and liabilities and other financial receivables and payables approximates the nominal value recorded in the financial statements.

The fair value of receivables and payables due from and to banks and related companies does not differ from the values recorded in the financial statements, as the credit spread has been kept constant.

In relation to financial instruments recognised in the Balance Sheet at fair value, IFRS 7 requires these values to be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in determining the fair value. The following levels are distinguished:

Level 1 - quotations recorded on an active market, for assets or liabilities subject to valuation;

Level 2 - inputs other than quoted prices, as referred to in the previous paragraph, that are observable

directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs that are not based on observable market data.

With respect to the values as at 31 December 2021 and 31 December 2020, the following table shows the fair value hierarchy for the Group's assets that are measured at fair value:

€/1000	31/12/2021				31/12/2020			
Current financial	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bonds	2,505		203	2,708	2,310		203	2,513
Investment Funds	1,822			1,822	1,836			1,836
Total	**4,327**	**-**	**203**	**4,530**	**4,146**	**-**	**203**	**4,349**

For the only asset that falls within level 3, the valuation model applied is that of nominal value since the underlying of the issue is a securitisation of reinsured trade receivables.

7.3.4 Risk of changes in cash flows

The Group has historically highlighted a substantial and constant increase in the cash flows generated by operations compared to the previous year.

There is no particular need for access to bank credit, except for current commercial activities, given the willingness of banks to extend, when necessary, existing credit lines for the companies of the Group.

In view of the above, for the companies of the Group, the risk associated with a decrease in cash flows is considered to be low.

7.3.5 Risks related to litigation

The Parent Company and the subsidiary Junia Pharma are part of a series of single-brand agency and procurement agreements for the promotion of their products. The activity carried out by agents for the Group also plays an important role in providing scientific information to the medical class. During the year 2020, there were a number of cases in which agents and/or procurers initiated disputes aimed at ascertaining the existence of an employment relationship and claimed for compensation. For the risks highlighted, specific provisions are accrued to cover the estimated liabilities. At the end of February 2022, disputes were settled by conciliation. As a result of the agreements reached, the provision accrued at 31 December 2021 was fully utilised.

There are uncertainties of interpretation regarding the qualification for direct tax purposes of the indemnity received by the Company in 2019 from the pre-listing shareholders on the basis of the reps and warranties given by them in the admission document section one, chapter 16, paragraph 16.1. The risk cannot be excluded that, if

the position taken by Pharmanutra is not considered correct by the Italian Inland Revenue, the latter m ascertain the existence of taxes to be paid in relation to the indemnity amount (up to a maximum of approximately Euro 220 thousand) plus penalties and interest.

8. INFORMATION BY OPERATING SEGMENTS

The Group has identified operating segments on the basis of two geographical areas that represent the organisational components according to which the business is managed and monitored, i.e., as required by IFRS 8, *"... a component whose operating results are periodically reviewed at the entity's highest operational decision-making level for the purposes of making decisions about resources to be allocated to the segment and performance assessment*".

The segments identified are Italy (LB1) and abroad (LB2), which represent the Group's business model.

INCOME STATEMENT (€/000)	31/12/2021	LB1	LB2	31/12/2020	LB1	LB2
A) REVENUES	**68,837**	**48,533**	**20,304**	**58,680**	**41,961**	**16,720**
Net revenues	68,114	47,813	20,301	56,449	39,993	16,456
Other revenues	723	720	3	2,231	1,968	264
B) OPERATING COSTS	**(48,757)**	**(34,680)**	**(14,077)**	**(43,124)**	**(30,948)**	**(12,176)**
Costs for services, goods and operating costs	(38,134)	(27,224)	(10,910)	(33,919)	(24,426)	(9,493)
Costs for personnel and corporate bodies	(10,623)	(7,457)	(3,166)	(9,205)	(6,521)	(2,684)
(A-B) EBITDA	**20,080**	**13,853**	**6,227**	**15,556**	**11,013**	**4,543**
EBITDA (% on revenues)	***29.2%***	***28.5%***	***30.7%***	***26.5%***	***26.3%***	***27.2%***
C) Amortisation, depreciation and write-offs	(1,389)			(2,338)		
(A-B-C) EBIT	**18,691**			**13,218**		
D) FINANCIAL INCOME (COSTS)	**118**			**84**		
Financial income	159			146		
Financial costs	(41)			(62)		
PRE-TAX RESULT (A-B-C+D)	**18,809**			**13,302**		
Taxes	(5,038)			770		
Net result	**13,771**			**14,072**		

The performance of the two business lines in 2021 compared to the previous year reflects what has already been reported above in relation to the Group's performance. Sales on the Italian market rose by 19.6% and those abroad by 23.4%.

The item Other revenues of LB1 segment for 2020 includes the contractual indemnity of approximately Euro 1 million, already mentioned.

Costs for services attributable to the Italian market, amounting to Euro 27,224 thousand, rose by around 1 compared with the previous year due to higher revenues for the year and the increase in marketing costs. Costs for services attributable to foreign markets, which amounted to Euro 10,910 thousand in 2021, compared to Euro 9,493 thousand in 2020 show an increase of 15% due to higher business volumes.

As a result of the above, the EBITDA of LB1 segment in 2021 amounted to Euro 13,853 thousand (Euro 11,013 thousand in 2020), an increase of about 26% compared to 2020, while the EBITDA of LB2 segment increased by about 36.7% from Euro 4,543 thousand in 2020 to Euro 6,227 thousand in 2021.

9. COMMENTS ON THE MAIN ITEMS

9.1 Non-current assets

9.1.1. Tangible fixed assets

	Opening balance	Increases	Decreases	Depreciation	Other Changes	Closing balance
Land and buildings	95	2		(7)	(56)	34
Plant and machinery	131	52		(37)		146
Furniture and office machines	287	196		(109)		374
Vehicles	542	693	(224)	(258)	141	894
Rights of use	469	586		(269)	0	786
Assets under construction	3,275	2,863				6,138
TOTAL	**4,799**	**4,392**	**(224)**	**(680)**	**85**	**8,372**

	Opening balance	Increases	Decreases	Other Changes	Closing balance
Land and buildings	642	2		0	644
Plant and machinery	205	52		0	257
Equipment	18			0	18
Furniture and office machines	879	196		0	1,075
Vehicles	1,029	693	(224)	0	1,498
Rights of use	1,011	586		(239)	1,358
Assets in progress	3,275	2,863		0	6,138
TOTAL	**7,059**	**4,392**	**(224)**	**(239)**	**10,988**

	Opening balance	Depreciation	Decreases	Other Changes	Closing balance
Land and buildings	547	7		56	610
Plant and machinery	74	37		0	111
Equipment	18			0	18
Furniture and office machines	592	109		0	701
Vehicles	487	258	(141)	0	604
Rights of use	542	269		(239)	572
TOTAL	**2,260**	**680**	**(141)**	**(183)**	**2,616**

The amount of the increases in the year refer for Euro 2,863 thousand to the progress of the construction of the new headquarters, for Euro 586 thousand to the rights of use connected with the renewal of some leases with the related company Solida S.r.l., for Euro 693 thousand to the purchase of vehicles for use by the management and sales force, and for the remainder to the purchase of instruments for the laboratory and electronic equipment.

9.1.2 Intangible fixed assets

The following table shows historical costs net of previous amortisation, movements during the period and final balances for each item.

	Opening balance	Increases	Decreases	Depreciation	Other changes	Closing balance
Industrial patent rights	784	285		(152)	121	**1,038**
Concessions, licenses and trademarks	1,395	132		(117)	0	**1,410**
Goodwill	2,750				0	**2,750**
Other intangible assets	8			(61)	56	**3**
Assets under development and	244	178			(123)	**299**
TOTAL	**5,181**	**595**	**0**	**(330)**	**54**	**5,500**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 410 thousand. The increase in fixed assets under construction refers to costs capitalised on research contracts in progress and software being implemented.

Testing for impairment of goodwill and intangible fixed assets with indefinite useful life (Impairment Test)

As stated in the section on valuation criteria, intangible fixed assets with an indefinite useful life are not amortised but are tested for impairment annually, or more frequently if specific events or changes in the circumstances indicate that they may have suffered an impairment loss, in accordance with IAS 36 Impairment

of Assets (impairment test). The recoverability of the values recorded is verified by comparing the net carrying amount of the individual cash generating unit with the recoverable value (value in use). Such recoverable value is represented by the current value of future cash flows that are estimated to derive from the continuous use of the assets related to Cash Generating Unit (CGU).

The cash flows used to determine the value in use derive from the most recent estimates made by the management, and in particular the 2022 budget approved on 18 December 2021. Two CGUs have been identified: Junia Pharma and Alesco.

The recoverable value of the two CGUs identified every goodwill refers to and amounting to a total of Euro 2,750 thousand, of which Euro 960 thousand refer to Alesco and Euro 1,790 thousand refer to Junia Pharma, was verified through the value in use, determined by applying the discounted cash flow method. If the recoverable amount is higher than the net carrying amount of the CGU, no impairment loss is recognised; otherwise, the difference between the net carrying amount and the recoverable amount, as a result of the impairment test, determines the amount of the adjustment to be recognised.

The main assumptions used for the calculation of value in use concern the discount rate (WACC post-tax) of cash flows and the growth rate "g" used for the calculation of the perpetual annuity. With particular reference to the valuations relating to 31 December 2021, the Group used a discount rate of 7.73%, with a growth rate "g" of 1% for both CGUs.

From the results of the impairment test, it emerged for each CGU that the recoverable value exceeds the carrying value and therefore no write-down was made.

Sensitivity

The sensitivity analysis carried out considering a change of +/- 1% in the WACC and g-rate used to perform the test did not show any impairment of goodwill.

9.1.3 Investments

€/1000	31/12/2021	31/12/2020	Change
Investments in other companies	254	254	0
Investments	**254**	**254**	**0**

The item includes the amount of Euro 250 thousand representing the subscription value of the equity interest Red Lions S.p.A., of which Pharmanutra S.p.A. holds 179,512 shares, which equal to 14.33% of the capital. The equity value of the investee company, based on an appraisal drawn up on 27 February 2020 as part of a contribution transaction (which involved third parties and not the Group), shows no need for adjustments. The shares of the company Red Lions S.p.A. are held by companies of significant importance in the industrial context of Pisa area, all sensitive to innovation and development activities. The Group, which shares this sensitivity, could obtain interesting contacts and exchanges of experience from its equity investment in Red Lions S.p.A., both with the other shareholder companies (and their subsidiaries) and with the "target companies" of Red Lions S.p.A.'s business.

9.1.4 Non-current financial assets

€/1000	31/12/2021	31/12/2020	Change
Deposits and advances	221	218	3
Non-current financial assets	**221**	**218**	**3**

The item includes security deposits, amounting to Euro 123 thousand, which refer for Euro 105 thousand to the amounts paid at the signing of the lease contracts stipulated with the related company Solida S.r.l.; in addition, advances paid by Pharmanutra to Solida for Euro 85 thousand were also included.

9.1.5 Other non-current assets

€/1000	31/12/2021	31/12/2020	Change
Insurance for Directors' severance indemnity	254		254
Other non-current assets	**254**		**254**

The change is due to the subscription of the insurance policy against the Directors' Severance Indemnity accrued.

9.1.6 Deferred tax assets

	Opening balance	Increases	Decreases	Closing balance
All. Provision for legal dispute risks	45	66		111
Allowance to provision for inventory	43	23		66
All. Provision for doubtful accounts	363	15	(38)	340
Directors' remunerations	311	545	(311)	545
Allocation to the provision for severance	66	4		70
Allocation to the provision for Supplementary Client Indemnities	(22)	15	(1)	(8)
Consolidation entries	45	88	(21)	112
Total	**851**	**756**	**(371)**	**1,236**

Deferred tax assets have been calculated taking into account the cumulative amount of all the temporary differences, on the basis of the expected rates in force when the temporary differences will reverse. Deferred tax assets have been recognised because there is reasonable certainty that taxable income will not be less than the amount of the differences to be reversed, in the years in which the deductible temporary differences against which deferred tax assets have been recognised will reverse.

Deferred tax assets relating to the application to the Employee Severance Indemnity Provision and the Indemnity for termination of agency contracts of the IAS/IFRS valuation of these items are the result of all adjustments made from the FTA until the closing of the financial statements in question.

Deferred tax assets relating to the remuneration of corporate bodies concern the non-deductibility of the variable remuneration as it was not paid by 12 January 2022.

9.2 Current assets

9.2.1 Inventories

€/1000	31/12/2021	31/12/2020	Change
Raw materials, consumables and supplies	455	226	229
Finished products and goods	2,642	1,820	822
Provision for inventory write-offs	(232)	(152)	(80)
Total inventories	**2,865**	**1,894**	**971**

The increase in inventories of finished goods and merchandise is attributable to production planning.

The value of finished product inventories is net of the sum of Euro 232 thousand (Euro 152 thousand as at 31.12.2020) accrued as a write-down of finished product inventory.

9.2.2 Cash and cash equivalents

€/1000	31/12/2021	31/12/2020	Change
Bank and postal accounts	29,391	16,433	12,958
Cash and cheques	18	22	(4)
Total cash and cash equivalents	**29,409**	**16,455**	**12,954**

The balance represents the liquid funds and the existence of cash and securities at the end of the period. For the evolution of cash and cash equivalents, reference should be made to the cash flow statement for the year and to what is indicated in the Management Report.

9.2.3 Current financial assets

€/1000	31/12/2021	31/12/2020	Change
Mutual fund shares	1,822	1,836	(14)
Bonds	2,708	2,513	195
Total current fin. assets	**4,530**	**4,349**	**181**

This item represents a temporary investment of part of the company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r. In accordance with this mandate, bonds and units in investment funds of adequately rated issuers have been subscribed. As at 31.12.2021, a comparison with the market value of the bonds held shows a net capital loss of Euro 39 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A loss of Euro 17 thousand was recorded in the income statement for the year on the fund units.

Considering the liquid funds available and the regular continuation of activities as stated above, the Group does not foresee the need to resort to the early disposal of the financial instruments in question.

9.2.4 Trade receivables

€/1000	31/12/2021	31/12/2020	Change
Trade receivables - Italian customers	11,635	10,570	1,065
Trade receivables - Other countries	2,652	2,828	(176)
Other receivables (subject to collection)	4,223	3,477	746
Invoices to be issued	5	33	(28)
Provision for doubtful accounts	(1,842)	(1,855)	13
Total trade receivables	**16,673**	**15,053**	**1,620**

The amounts shown in the financial statements are net of provisions made in the Provision for doubtful accounts, estimated by the Group's management on the basis of the seniority of the receivables, the assessment of their collectability and also taking into account historical experience and forecasts of future bad debts also for the part of receivables that is collectable at the reporting date. For an update on the ongoing litigation involving contractual indemnities, refer to note 13.

The breakdown of trade receivables by geographical area is shown below:

€/1000	31/12/2021	31/12/2020	Change
Italy	14,051	12,236	1,815
Asia	1,966	2,197	(231)
Europe	568	616	(48)
Africa	83	0	83
America	5	5	1
Total trade receivables	**16,673**	**15,053**	**1,620**

Changes in the Provision for doubtful accounts during 2021 were as follows:

PROVISION FOR DOUBTFUL ACCOUNTS	
Initial balance	(1,855)
Allowances	(152)
Decreases	165
Final balance	**(1,842)**

9.2.5 Other current assets

A breakdown of "Other current assets" is provided in the table below:

€/1000	31/12/2021	31/12/2020	Change
Receivables from employees	48	44	4
Advances	903	790	113
Prepayments and accrued income	148	197	(49)
Total other current assets	**1,099**	**1,031**	**68**

The item "Advances" includes receivables from agents for advances, amounting to Euro 333 thousand (Euro 308 thousand in the previous year), relating to amounts advanced by the Group's companies upon signing agency agreements, advances to suppliers for Euro 144 thousand (as at 31.12.2020 Euro 482 thousand), and Euro 426 thousand relating to the advance paid for shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times).

The advances paid to agents shall be returned on termination of the relationship with each agent.

9.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

€/1000	31/12/2021	31/12/2020	Change
VAT receivables	499	300	199
R&D tax receivables	387	199	188
Patent Box tax receivables		1,112	(1,112)
Other tax receivables	57	4	53
Tax receivables	**943**	**1,624**	**(681)**

During the year, the Patent Box tax receivable relating to 2016 and 2017 was fully utilised.

With reference to the item Receivables for tax bonuses on R&D expenses and for the Patent Box tax bonus, reference should be made to the Management Report.

9.3 Shareholders' Equity

9.3.1 Shareholders' Equity

The changes in the items of shareholders' equity of the Group and of minority interests are shown below:

€/1000	Notes	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2021	**9.3.1**	**1,123**	**225**	**22,363**	**(70)**	**67**	**(50)**	**14,072**	**37,730**
Other changes						(39)	106		67
Dividends Distributed	9.3.1			(6,486)					(6,486)
Allocation of results	9.3.1			14,072				(14,072)	-
Result for the period								13,771	13,771
Balance at 31.12.2021		**1,123**	**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**

The Share capital, fully subscribed and paid up, amounts to Euro 1,123 thousand and consists of 9,680,977 ordinary shares, with no par value, of the Parent Company.

On 26 April 2021 the Shareholders' Meeting resolved the distribution of Euro 0.67 dividend per share, corresponding to a payout ratio of approximately 46% of the 2020 consolidated net result, for a total amount of Euro 6,486 thousand.

9.4 Non-current liabilities

9.4.1 Non-current financial liabilities

€/1000	31/12/2021	31/12/2020	Change
Payables for derivative fin. instruments	4	4	0
Payables for BPER bank loans	5,000	154	4,846
Payables for CRFI bank loans	0	151	(151)
Non-current fin. payables for rights of use	526	253	273
Non-current financial liabilities	**5,530**	**562**	**4,968**

Bank loans and borrowings consist of the portion of loans payable by Group companies due beyond 12 months.

Non-current payables for rights of use represent the discounted amount due beyond one year of the lease contracts in force as at 31.12.2021 in accordance with IFRS 16.

The following table shows the breakdown of bank indebtedness by company and due date as at 31/12/2021. It is important to stress that payables due within one year are classified as "Current financial liabilities" (see paragraph 9.5.1).

	Balance as at 31/12/2021	Due within 12 months	Due after 12 months
Pharmanutra S.p.A.	5,312	308	5,004
Junia Pharma S.r.l.	224	224	0
Alesco S.r.l.	27	27	0
Total Loans and borrowings from banks and other financial backers	*5,563*	*559*	*5,004*
Pharmanutra S.p.A.	552	192	360
Junia Pharma S.r.l.	90	34	56
Alesco S.r.l.	145	35	110
Total payables for rights of use	*787*	*261*	*526*
Total	***6,350***	***820***	***5,530***

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA update with reference to the "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", we report that the Group's Net Financial Position as at 31 December 2021 is as follows:

		31/12/2021	31/12/2020
	A Cash and cash equivalents	(29,409)	(16,455)
	B Cash equivalents		
	C Other current financial assets	(4,530)	(4,349)
	D Liquidity (A+B+C)	**(33,939)**	**(20,804)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	515	343
	F Current portion of non-current financial debt	305	758
	G Current financial debt (E+F)	**820**	**1,101**
	of which guaranteed	154	154
	of which not guaranteed	666	947
	H Net current financial debt (G-D)	**(33,119)**	**(19,703)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	5,526	558
	J Debt instruments	4	4
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**5,530**	**562**
	of which guaranteed	0	0
	of which not guaranteed	5,530	562
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**(27,589)**	**(19,141)**
3)	N Other current and non-current financial assets	(475)	(218)
	O Net financial debt (M-N)	**(28,064)**	**(19,359)**

1) It includes the following items of the financial statements: Current financial liabilities (Bank overdraf
Euro 254 thousand, Financial payables for rights of use Euro 261 thousand).
2) It includes the following items of the financial statements: Non-current financial liabilities (M/L financial debt Euro 5 million, Non-current financial payables for rights of use Euro 526 thousand);
3) It includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 221 thousand) and Other non-current assets (Insurance for Directors' termination indemnity Euro 254 thousand).

9.4.2 Provisions for non-current risks and charges

	31/12/2021	31/12/2020	Change
Provision for termination indemnity of agency contracts	970	743	227
Provision for sundry risks and legal disputes	505	275	230
Provisions for non-current risks and charges	**1,475**	**1,018**	**457**

Provisions for risks and charges include:

Provision for risks to cover the risk of legal disputes in progress, measured at Euro 505 thousand to cover outstanding disputes with agents following the termination of the agency agreement; at the end of February, the disputes were settled and the provision was fully used.

Provision for indemnity for termination of agency contracts, set up under article 1751 of the Italian Civil Code and the current collective economic agreement of 20 March 2002, which provide that, upon termination of the agency relationship, the agent is entitled to an indemnity for employment termination. The indemnity for termination of agency contracts is calculated by applying to the fees and other considerations accrued by the agent during the course of the employment relationship, a rate that can vary from 3 to 4%, depending on the duration of the agency contract. The resulting amount was measured in accordance with IAS/IFRS International Accounting Standards (IAS 37). The Group has therefore accrued an amount of Euro 295 thousand in the Provision for indemnity for termination of agency contracts, based on legal provisions and in relation to the positions at the end of the year, bringing the same to a total of Euro 970 thousand.

9.4.3 Provisions for employee benefits and director benefits

€/1000	31/12/2021	31/12/2020	Change
Provision for employee severance indemnity	929	889	40
Directors' severance indemnity provision	942	366	576
Provision for. L/T Directors Variable Compensation ML	650		650
Provisions for employee and director benefits	**2,521**	**1,255**	**1,266**

Provisions for benefits refer to:

Directors' severance indemnity provision.

The accrual of Euro 576 thousand was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting held on 26 April 2021 and corresponds to the Company's actual commitment to the Directors at the reporting date.

Provision for medium/long-term variable Directors compensation

In view of the changeover to the STAR market, a remuneration policy for directors has been adopted that meets the requirements of the Governance Code issued by Borsa Italiana (the "Code"). Therefore, for the financial years 2021 and 2022, a new criterion for determining the variable remuneration to be allocated to Executive Directors has been adopted, which meets the criteria set out in the Code, which are summarised below:

- fixed and variable component adequately balanced according to the strategic objectives;
- provision of maximum limits for variable components;
- adequacy of the fixed component to compensate directors' performance if the variable component is not achieved due to failure to meet targets;
- objectives whose achievement is linked to the payment of variable components that are predetermined, measurable and linked to the creation of value for shareholders;
- deferred payment of a significant portion of the variable component in an appropriate timeframe with respect to the vesting period.

On the basis of the above, the portion of medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 650 thousand.

Employees leaving entitlement amounts accrued by companies included in the consolidated financial statements.

The liability for employees leaving entitlement has been calculated in compliance with the current provisio governing the employment relationship for employees and corresponds to the actual commitment of the companies towards individual employees at the reporting date. The amount accrued refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their leaving entitlement accruing from 1 January 2007 to the company. The amount relating to the provision for employees leaving entitlement is therefore net of the amounts paid out during the year and allocated to pension funds. The resulting amount was measured in accordance with IAS/IFRS (IAS 19).

9.5 Current liabilities

9.5.1 Current financial liabilities

€/1000	31/12/2021	31/12/2020	Change
Bank loans and borrowings for loans	305	758	(453)
Bank loans and borrowings for current accounts	254	124	130
Current fin. payables for rights of use	261	219	42
Tot. Current fin. liabilities	**820**	**1,101**	**(281)**

The item "Bank loans and borrowings for current accounts" amounting to Euro 254 thousand mainly consists of advances received on bills subject to collection (Euro 124 thousand as at 31/12/2020).

The item “Bank loans and borrowings for loans” represents the portion of debt relating to loans and instalments of loans to be repaid within the next financial year (see the table in paragraph 9.4.1 for details).

9.5.2 Trade payables

Trade payables are broken down in the table below:

€/1000	31/12/2021	31/12/2020	Change
Trade payables - suppliers in Italy	7,570	6,270	1,300
Trade payables - suppliers in Other countries	921	108	813
Advances paid	1,260	797	463
Total trade payables	**9,751**	**7,175**	**2,576**

The increase in the item Payables to Italian suppliers is due to the higher operating costs incurred during the year.

The following table shows the breakdown of trade payables by geographical area:

€/1000	31/12/2021	31/12/2020	Change
Italy	7,493	6,233	1,260
Asia	1,064	799	266
Europe	1,167	100	1,067
America	3	28	(25)
Other	23	14	9
Total trade payables	**9,751**	**7,175**	**2,576**

9.5.3 Other current liabilities

A breakdown of "Other current liabilities" is provided in the table below:

€/1000	31/12/2021	31/12/2020	Change
Payables for wages and salaries	563	433	130
Payables to social security institutions	409	366	43
Payables to directors and statutory auditors	1,469	1,420	49
Accrued expenses and deferred income	50	9	41
Leaving entitlement provision for agents	154	120	34
Guarantee withholding	103		103
Total other current liabilities	**2,748**	**2,348**	**400**

The item Payables to directors and statutory auditors includes the amount of short-term variable remuneration accrued by executive directors on the results for 2021 equal to Euro 1,300 thousand.

9.5.4 Tax payables

	31/12/2021	31/12/2020	Change
Income taxes	2,918	48	2,870
Payables for withholdings	511	472	39
Total tax payables	**3,429**	**520**	**2,909**

The change in the item Income taxes compared to the previous year is due to the recognition in 2020 of the tax benefit related to the Patent Box and the cancellation of the first advance payment of IRAP for 2020 as provided for by art. 24 of Decreto Rilancio.

9.6 Revenues

9.6.1 Net revenues

	2021	2020	Change
LB1 REVENUES	47,812	39,992	7,820
LB2 REVENUES	20,302	16,457	3,845
TOTAL SALES	**68,114**	**56,449**	**11,665**

The table below provides a breakdown of net revenues by business segment and geographical market:

€/1000	2021	2020	Change	Δ%	Incidence 2021	Incidence 2020
Italy	46,124	38,592	7,532			
Total LB1	***46,124***	***38,592***	***7,532***	**19.5%**	**67.7%**	**68.4%**
Europe	10,679	8,564	2,115	24.7%		
Middle East	6,858	6,161	697	11.3%		
Far East	518	427	91	21.4%		
Africa	1,636	359	1,277	355.9%		
Total LB2	***19,691***	***15,510***	***4,181***	**27.0%**	**28.9%**	**27.5%**
Raw materials - Italy	1,689	1,400	289	20.7%	**2.5%**	**2.5%**
Raw materials - Abroad	610	947	(337)	-35.6%	**0.9%**	**1.7%**
Total net revenues	**68,114**	**56,449**	**11,665**	**20.7%**	**100.0%**	**100.0%**

As described above, the Group's activities are divided into two business lines, sale of finished products (Pharmanutra and Junia Pharma) and sale of raw materials (Alesco):

Direct business line: it is characterised by the direct control of the distribution channels in the reference markets and the relevant marketing activities by the companies of the Pharmanutra group.

In 2021, the direct business line accounted for 70.2% (about 70.8% in 2020) of net revenues.

The distribution channels for the companies Pharmanutra and Junia Pharma can be broken down into:

Direct: deriving from the activity carried out by the network of sales agents who are entrusted with the marketing of products throughout the national territory.

Wholesalers who directly supply the pharmacies and parapharmacies with the products.

The activity carried out by sales representatives/scientific informants directly addressing the medical class in order to make known the clinical efficacy and uniqueness of the products is paramount for both distribution channels.

Tenders for supply contracts with public facilities.

Alesco's commercial activity in Italy outside the group is aimed at companies in the food, pharmaceutical and nutraceutical industries as well as at nutraceutical production plants that produce on behalf of third parties.

Indirect Business Line: the business model is common to all three companies and is mainly used in foreign markets. It is characterised by the marketing of finished products (Pharmanutra and Junia Pharma) and raw materials (Alesco) through local partners who, under long-term distribution contracts, distribute and sell the products in their own markets.

In 2021, the Indirect business line accounted for 29.8% of the turnover (about 29.2% in the previous year).

9.6.2 Other revenues and income

	2021	2020	Change
R&D tax receivable	258	200	58
Contractual indemnities	142	1,371	(1,229)
Refunds and recovery of expenses	20	28	(8)
Contingent assets	272	312	(40)
Other revenues and income	30	320	(290)
Total Other revenues and income	**722**	**2,231**	**(1,509)**

The item "R&D tax receivables" includes the amount of the Research and Development tax receivable benefit calculated on the basis of Italian Decree-Law no. 145/2013 and subsequent amendments for research and development expenses incurred by the Group.

The item contractual indemnities refers to indemnities invoiced to agents for non-notice of termination. In 2020, it also includes the compensation due contractually following the termination of the contract for the amount of Euro 1 million by a supplier.

9.7 Operating costs

9.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2021	2020	Change
Costs for raw materials and semi-fin. goods	1,060	920	140
Costs for consumables	467	349	118
Costs for the purchase of fin. goods	1,737	1,208	529
Total purchases of raw materials, consumables and supplies	**3,264**	**2,477**	**787**

The increase in the cost of purchases of raw materials, consumables and supplies is related to the higher volume of business compared to the previous year.

9.7.2 Change in inventories

	2021	2020	Change
Change in raw materials	(229)	51	(280)
Change in finished product inventories	(822)	118	(940)
All. write-down provision Inventories	80	71	9
Change in inventories	**(971)**	**240**	**(1,211)**

The increase in inventories as at 31.12.2021 results from production planning and production performed in anticipation of higher raw material and consumable prices.

9.7.3 Costs for services

	2021	2020	Change
Marketing and advertising costs	7,819	6,226	1,593
Production and logistics	12,513	8,823	3,690
General service costs	2,821	3,892	(1,071)
Research and development costs	379	637	(258)
Costs for IT services	287	308	(21)
Commercial costs and commercial network	9,557	8,335	1,222
Corporate bodies	7,940	6,870	1,070
Rental and leasing costs	17	8	9
Financial costs	201	186	15
Total costs for services	**41,534**	**35,285**	**6,249**

The increase in the item "Costs for general services" is due to the higher revenues realised during the year for the items "Production and logistics" and "Commercial costs". The increase in the item "Costs for general services" is determined by the fact that the 2020 balance included non-recurring costs related to: (i) the formalisation of the ruling with the Italian Inland Revenue of the Patent Box for the period 2016-2020 and (ii) costs connected with

the transition to the STAR market for a total of Euro 1.5 million. The increase in marketing and advertising cos is due to the capital expenditures made in support of the Group's products. Marketing and communication activities were also affected in 2021, albeit less significantly than in 2020, by restrictive measures related to the Covid-19 epidemic.

9.7.4 Personnel costs

The breakdown of personnel costs is shown in the table below:

	2021	2020	Change
Wages and salaries	3,079	2,675	404
Social security charges	946	821	125
Severance Indemnity	222	203	19
Other personnel costs	41	13	28
Total personnel costs	**4,288**	**3,712**	**576**

The item includes all expenses for employees, including accrued holidays and additional months' pay as well as related social security charges, in addition to the provision for severance indemnities and other contractual costs. The increase compared to the previous year is due to the hiring of new employees.

The breakdown of the average number of employees by category is shown in the following table:

Units	2021	2020	Change
Executives	2	2	0
White collars	59	54	5
Blue collars	2	1	1
Total	**62**	**57**	**6**

9.7.5 Other operating costs

	2021	2020	Change
Capital losses	19	68	(49)
Sundry tax charges	86	68	18
Membership fees	37	57	(20)
Charitable donations and social security	174	190	(16)
Other costs	325	1,027	(702)
Total other operating costs	**641**	**1,410**	**(769)**

The change in the item "Other costs" derives from the accounting in 2020 of the costs relating to the failure of a foreign customer to collect an order for finished products, against which the advance payments received had been retained. The Group regained possession of the goods, which were subsequently repackaged and resold to other customers.

9.8 AMORTISATION, DEPRECIATION AND PROVISIONS

	2021	2020	Change
Amortisation of intangible fixed assets	599	609	(10)
Depreciation of tangible fixed assets	408	325	83
Allowance to prov. for risks related to legal disputes	230	154	76
Allowance to provision for doubtful accounts from customers	74	94	(20)
Allowance to provision for doubtful accounts from customers not tax ded.	78	1,156	(1,078)
Total amortisation, depreciation and write-offs	**1,389**	**2,338**	**(949)**

The provision for doubtful accounts non tax deductable in 2020 includes Euro 1,050 thousand in write-downs of the receivable for indemnity from a supplier, as referred to above.

For details on the allowances to Provisions for risks and charges, see paragraph 9.4.2.

9.9 FINANCIAL INCOME AND EXPENSES

9.9.1 Financial revenues

	2021	2020	Change
Interest income	118	88	30
Dividends	29	0	29
Exchange gains	3	2	1
Other financial income	9	56	(47)
Total financial income	**159**	**146**	**13**

9.9.2 Financial costs

	2021	2020	Change
Other financial expenses	(19)	(34)	15
Interest expense	(19)	(27)	8
Realised exchange losses	(3)	(1)	(2)
Total financial expenses	**(41)**	**(62)**	**21**

9.10 INCOME TAXES

	2021	2020	Change
Direct taxes on business income	5,923	2,848	3,075
Deferred tax assets	(383)	(187)	(196)
Previous year taxes and tax receivables	(502)	(3,431)	2,929
Total taxes	**5,038**	**(770)**	**5,808**

Taxes are recognised on an accruals basis and have been determined in accordance with current rates and regulations.

The item Previous year taxes and tax receivables includes the tax receivables obtained against the costs incurred in 2020 for translisting to the Star market for Euro 457 thousand and the tax receivables obtained against the sponsorship costs incurred in 2020 for Euro 45 thousand. For the previous year, it represents the tax benefit relating to the years 2016-2019 recognised following the formalisation of the ruling for the Patent Box benefit. The benefit relating to the year 2020, amounting to Euro 1.4 million, had been deducted from the taxes for the year.

The agreement expired on 31 December 2020 and in September 2020, the Group submitted an application to renew the facility for the five-year period 2021-2025. However, it is necessary to inform that the Patent Box regime relating to the aforementioned agreement (hereinafter the "old Patent Box") has been repealed as from 2021 by Decree Law 146 of 21 October 2021, amended by Law 215 of 17 December 2021, which

simultaneously introduced a replacement facility (hereinafter the "new Patent Box"), commensurate with t costs incurred for R&D and no longer with the extra income earned thanks to the eligible IP.

There is a situation of regulatory uncertainty with reference to the possibility of benefiting from the previous facilitation (the old Patent Box) at least for the four-year period 2021-2024, which is the subject of a timely request for renewal.

In this context of uncertain application, pending clarification from the tax authorities, the Company has not estimated the tax benefits achievable in application of either the old or the new Patent Box for the year ended 31.12.2021.

9.11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's results of operations by the weighted average number of shares outstanding during the year.

The calculation of basic earnings per share is shown in the following table:

EURO	2021	2020
Group net income	13,771,802	14,070,708
Number of outstanding shares	9,680,977	9,680,977
Earnings per share	**1.42**	**1.45**

10. OTHER INFORMATION

In accordance with the law, the total compensation due to the Directors, the members of the Board of Statutory Auditors and the independent auditors, if any, is shown below:

Directors: Euro 7,537 thousand

Board of Statutory Auditors: Euro 70 thousand

Independent auditors: Euro 88 thousand

Information pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation

The following table, prepared in accordance with Article 149-*duodecies* of the CONSOB Issuers' Regulations, shows the fees accrued in the year 2021 for audit and non-audit services rendered by the Independent auditors and by entities belonging and not belonging to its network.

Values expressed in thousands of Euro

Service provider	Notes	Recipient	Fees accrued in the FY 2021
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	Parent Company - Pharmanutra S.p.A.	44
BDO ITALIA S.p.A.	[1]	Subsidiaries	24
Other services			
BDO ITALIA S.p.A.	[2]	Parent Company - Pharmanutra S.p.A.	20
Total			**88**

[1] This includes the signing of income, IRAP, 770 and tax receivables certification forms
[2] Assistance in starting up the Internal Audit function

11. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2021

As for the events after the closing date of 31 December 2021, reference should be made to the Directors' Report on Operations.

12. COMMITMENTS

The Parent Company has issued the following guarantees in favour of its subsidiaries:

To Junia Pharma, a guarantee for Euro 1 million;

To Alesco, a guarantee for credit limit subject to collection for Euro 210 thousand;

To Alesco, a guarantee for credit facility on current account for Euro 52 thousand.

In June 2021, the Parent Company entered into a contract for the construction of the new headquarters. The amount of the contract, equal to Euro 14.5 million plus VAT, will be paid on the basis of progress reports issued by the constructor. At the beginning of August, the advance payment of 10% of the contractual value was paid. The contractually agreed duration of the works is 15 months.

The Parent Company entered into a contract for the purchase of shares in an aircraft that will be used to optimise management travel for a total amount of USD 1.1 million. An advance payment of USD 400 thousand was made upon signing the contract. The balance of the purchase of shares will be paid upon delivery of the asset, which is expected in June 2022.

13. CONTINGENT LIABILITIES AND MAIN OUTSTANDING DISPUTES

The Group does not have any significant contingent liabilities of which information has not already been provided in this report and which are not covered by adequate provisions.

It should be noted that after 31 December 2021, the appeals lodged in 2021 by some ISC agents following termination of the agency contract were settled by means of a settlement agreement. In particular, the above-mentioned appeals focused on the annulment of the dismissal and the recognition of a subordinate employment relationship, as well as the request for payment of the fees relating to the agency contract.

Regarding the ongoing litigation concerning indemnity due to the subsidiary Junia Pharma following the termination of the contract by the supplier, in 2020, the evidence requested by the parties was admitted and at the next hearing, set for 07 June 2022; witnesses will be heard. The Judge also set the date for the definition of the conclusions, given the request for an expert opinion on the date of the second quarter of 2023.

The lawsuit, as filed by the opposing party, is based on two requests, the second of which is put forward as a subordinate claim or in the event that the main one is not accepted. The counterparty's main request is to ascertain the invalidity or nullity of the clause of the contract stipulated between the supplier and Junia Pharma Srl - according to the counterparty's assumption, the aforementioned clause would have been vexatious and therefore not stipulated according to legal criteria. The subordinate request relates to the allegedly excessive amount of the "penalty" referred to in the above clause.

The fact that Junia Pharma S.r.l. lost the case is to be considered rather remote.

14. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are identified according to the extended definition provided by IAS 24, i.e. including relations with administrative and control bodies as well as with senior managers.

The financial impact at 31 December 2021 and the economic impact for 2021 is shown in the table below:

Related party Balance sheet (€/1000)	ROU Assets	Non-current financial assets	Other current assets	Other current liabilities	Provisions for employee and director benefits	Trade payables	ROU non-current financial liabilities:	ROU current financial liabilities:
Members of Pharmanutra S.p.A. BoD				1,442	1,646	11		
Members of subsidiaries BoD				31				
Board of Statutory Auditors								
Supervisory Body fees						19		
Senior management compensation				11	89			
Solida S.r.l.	660	218					441	222
Calabughi S.r.l.						34		
Ouse S.r.l.								
Studio Bucarelli, Lacorte, Cognetti						14		
Other related parties			25					
TOTAL	**660**	**218**	**25**	**1,484**	**1,735**	**79**	**442**	**223**

Related party Income statement (€/1000)	Costs for services	Financial expenses	Personnel costs	Amort. rights of use
Members of Pharmanutra S.p.A. BoD	6,580		157	
Members of subsidiaries BoD	957			
Board of Statutory Auditors	70			
Supervisory Body fees	22			
Senior management compensation			423	
Solida S.r.l.		5		224
Calabughi S.r.l.	694			
Ouse S.r.l.	483			
Studio Bucarelli, Lacorte, Cognetti	79			
Other related parties	25			
TOTAL	**8,909**	**5**	**581**	**224**

On 29 June 2021, Pharmanutra's Board of Directors approved the new procedure for related party transactions, in compliance with the provisions of Consob Resolution no. 21624 of 10 December 2020, the "New RPT Procedure". This procedure, which is effective as of 01 July 2021, is available on the website www.pharmanutra.it, “Governance” section. It should also be noted that the company, as (i) a smaller company, as well as (ii) a newly listed company pursuant to art. 3 of the RPT Regulations, will apply to the related party transactions governed by the New RPT Procedure, including those of greater importance (as identified pursuant to Annex 3 of the RPT Regulations), a procedure which takes into account the principles and rules set out in art. 7 of the RPT Regulations, as an exception to art. 8 of the RPT Regulations.

The members of the Board of Directors of the Parent Company receive a compensation consisting of a fixed part, and for executive directors only, also a variable part and a part by way of severance indemnity. The variable component paid to Executive Directors is divided between a short-term component and a medium/long-term

component based on the recommendations contained in the Corporate Governance Code defined by t Corporate Governance Committee.

Financial charges refer to interest expense accrued on outstanding lease agreements with the related company Solida S.r.l.

The members of the Board of Directors of the subsidiaries receive a compensation consisting of a fixed part.

The remuneration of senior management consists of a fixed component and a variable incentive calculated on the basis of sales volumes and parameters relating to the financial statements.

The companies of the Group have established their registered office and operational headquarters in properties owned by Solida S.r.l., which is owned by some of the shareholders of the Parent Company; the Group companies pay a rent and have paid amounts to Solida S.r.l. as a security deposit and advance.

The Parent Company has outsourced part of its communication and marketing activities, by strategic choice. These activities are entrusted to Calabughi S.r.l., a company in which the wife of the Vice President, Roberto Lacorte, holds 47% of the capital and is Chair of the Board of Directors. The contract between Pharmanutra and Calabughi S.r.l. has annual duration with tacit renewal unless terminated by one of the parties three months prior to the expiry of the contract and consists in the provision of communication services. These services include the management of the Company web sites and media channels, the design, development and implementation of advertising campaigns to support the products and corporate image, the graphic design of product packaging, promotional material and scientific information documents, as well as the organisation and management of corporate conventions. Moreover, the Parent Company entered into a contract with the same firm, Calabughi, for the sponsorship as "Title Sponsor" of the 151 Miglia regatta and a contract for the management of all the communication, event planning, merchandising activities related to the participation of Cetilar Racing - the team sponsored by the Parent Company - in the endurance world championship races in Europe and the United States.

Each company of the Group has an agency agreement in place with Ouse S.r.l., a company in which the wife of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, effective from 1 June 2020 and for an indefinite period. The agency agreements provide for the granting to Ouse S.r.l. of an exclusive agency mandate without representation with the aim to promote and develop the sales of each company in the assigned territories. The compensation is composed of a fixed annual fee and a variable fee determined by

applying a percentage to the turnover achieved for amounts between the minimum and maximum thresholds, defined annually.

Group companies have entered into consulting agreements with Studio Bucarelli, Lacorte, Cognetti. The contracts, which are valid for one year and renewable from year to year by tacit consent, cover general tax advice, the drafting and sending of tax returns, general advice on labour law and the processing of monthly pay slips.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, the consolidated balance sheet and the consolidated income statement, showing transactions with related parties separately, are provided below.

	31/12/2021	of which with related parties	31/12/2020	of which with related parties
NON-CURRENT ASSETS	**15,837**	**878**	**11,303**	**569**
Property, plant and equipment	8,372	660	4,799	379
Intangible assets	5,500		5,181	
Investments	254	0	254	0
Non-current financial assets	221	218	218	190
Other non-current assets	254			
Deferred tax assets	1,236		851	
CURRENT ASSETS	**55,519**	**25**	**40,406**	
Inventories	2,865		1,894	
Trade receivables	16,673	0	15,053	0
Other current assets	1,099	25	1,031	
Tax receivables	943		1,624	
Current financial assets	4,530		4,349	
Cash and cash equivalents	29,409		16,455	
TOTAL ASSETS	**71,356**	**903**	**51,709**	**569**
SHAREHOLDERS' EQUITY	**45,082**		**37,730**	
Share capital	1,123		1,123	
Legal reserve	225		225	
Other reserves	29,949		22,363	
IAS 19 reserve	56		(50)	
OCI Fair Value Reserve	28		67	
FTA reserve	(70)		(70)	
Net result	13,771		14,072	
GROUP SHAREHOLDERS' EQUITY	45,082		37,730	
Non-controlling interest				
NON-CURRENT LIABILITIES	**9,526**	**2,177**	**2,835**	**686**
Non-current financial liabilities	5,530	442	562	196
Provisions for non-current risks and charges	1,475		1,018	
Provisions for employee and director benefits	2,521	1,735	1,255	490
CURRENT LIABILITIES	**16,748**	**1,786**	**11,144**	**1,882**
Current financial liabilities	820	223	1,101	188
Trade payables	9,751	79	7,175	116
Other current liabilities	2,748	1,484	2,348	1,578
Tax payables	3,429		520	
TOTAL LIABILITIES	**71,356**	**3,963**	**51,709**	**2,568**

	31/12/2021	of which with related parties	31/12/2020	of which wi related parties
REVENUES	**68,836**	**0**	**58,680**	**0**
Net revenues	68,114		56,449	
Other revenues	722	0	2,231	0
of which other non-recurring revenues			1,049	
OPERATING COSTS	**48,756**	**9,482**	**43,124**	**8,196**
Purchases Raw materials, consum. and supplies	3,264	0	2,477	0
Change in inventories	(971)		240	
Costs for services	41,534	8,901	35,285	7,818
of which Costs for non-recurring services			1,514	
Personnel costs	4,288	581	3,712	378
Other operating costs	641		1,410	
EBITDA	**20,080**	**(9,482)**	**15,556**	**(8,196)**
Amortisation, depreciation and write-offs	1,389	224	2,338	229
of which non-recurring provisions and write-offs			1,049	
OPERATING RESULT	**18,691**	**(9,706)**	**13,218**	**(8,425)**
FINANCIAL INCOME (EXPENSES) BALANCE	**118**	**(5)**	**84**	**(23)**
Financial income	159	0	146	0
Financial expenses	(41)	(5)	(62)	(23)
PRE-TAX RESULT	**18,809**	**(9,711)**	**13,302**	**(8,448)**
Taxes	(5,038)		770	
Net result of third parties				
Group result	**13,771**	**(9,711)**	**14,072**	**(8,448)**
Net earnings per share	**1.42**		**1.45**	

Pisa, 18 March 2022

For the Board of Directors

The Chairman

(Andrea Lacorte)

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5, OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned Roberto Lacorte, Managing Director, and Francesco Sarti, Manager responsible for the preparation of Pharmanutra S.p.A.'s financial reports, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, certify:

a) the adequacy in relation to the characteristics of the undertaking; and

b) the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2021.

2. It is also certified that:

the consolidated financial statements for the year ended 31 December 2021:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- correspond to the results of the accounting books and records;

- are capable of providing a true and fair view of the equity, economic and financial position of the issuer as well as of all the companies included in the consolidation;

- the Management Report includes a reliable analysis of the progress and results of operations, as well as the issuer's situation and the one of the undertakings included in the consolidation taken as a whole, together with a description of the main risks and uncertainties to which they are exposed.

Pisa, 18 March 2022

Pharmanutra S.p.A.

Managing Director

Pharmanutra S.p.A.

Manager in charge

INDEPENDENT AUDITOR'S REPORT

Pharmanutra S.p.A.

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

Consolidated financial statements at December 31, 2021

VCP/AMR/lsm - RC062822021BD1150

Tel: +39 02 58.20.10
www.bdo.it

Viale Abruzzi, 94
20131 Milano

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

To the Shareholders of
Pharmanutra S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Pharmanutra Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the company Pharmanutra S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response
IMPAIRMENT OF THE GOODWILL *NOTE 9.1.2. "INTANGIBLE ASSETS"* Intangible assets, accounted for in the consolidated financial statements for a total amount of euro 5.500 thousand, include goodwill for an amount of euro 2.750 thousands, referred to two cash generating unit ("CGU") identified in the wholly controlled companies Junia Pharma S.r.l., for euro 1.790 thousand, and Alesco S.r.l., for euro 960 thousand. The recoverability of the amounts accounted for is tested comparing the carrying amount of each CGU to the recoverable amount (value in use); value in use has been estimated applying the Discounted Cash Flow ("DCF") method The recoverability of goodwill is considered a key audit matter for the audit of the consolidated financial statements, due to the subjectivity of the selection of parameters used to estimate the value in use.	Our main audit procedures performed are the following: ▪ also being supported by BDO experts: – we verified the reasonableness of key assumptions underlying the plans of the management; – we verified the adequacy of the impairment model prepared by the Group and its compliance to the accounting principles; – we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, future growth rates and discount rates and determination of "terminal value"; – we verified the clerical accuracy of the impairment model; ▪ we verified the disclosures provided in the accompanying notes.

Responsibilities of Management and Those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/05 and, within the terms prescribed by the law, for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Parent Company Pharmanutra S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We have communicated with Those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided Those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the Shareholders meeting of Pharmanutra S.p.A. on October 13, 2020 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2020 to December 31, 2027.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Pharmanutra S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to Those charged with governance.

Report on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Pharmanutra S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98

The Directors of Pharmanutra S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Pharmanutra S.p.A. as at December 31, 2021, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of Pharmanutra Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Pharmanutra Group as at December 31, 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 31, 2022

BDO Italia S.p.A.
Signed by Vincenzo Capaccio
Partner

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

FINANCIAL STATEMENTS AT 31 DECEMBER 2021

PHARMANUTRA S.p.A.

FINANCIAL STATEMENTS

Pharmanutra S.p.A. Balance sheet

	Notes	31/12/2021	31/12/2020
NON-CURRENT ASSETS		**13,389,267**	**9,210,839**
Tangible fixed assets	6.1.1	7,886,613	4,518,460
Intangible fixed assets	6.1.2	1,372,872	1,095,709
Investments	6.1.3	3,051,045	3,051,045
Non-current financial assets	6.1.4	180,822	178,072
Other non-current assets	6.1.5	254,320	
Deferred tax assets	6.1.6	643,595	367,553
CURRENT ASSETS		**49,880,789**	**34,164,227**
Inventories	6.2.1	2,479,472	1,502,235
Cash and cash equivalents	6.2.2	26,688,745	12,707,709
Current financial assets	6.2.3	4,529,888	4,347,852
Trade receivables	6.2.4	14,563,963	13,326,297
Other current assets	6.2.5	999,161	939,665
Tax receivables	6.2.6	619,560	1,340,469
TOTAL ASSETS		**63,270,056**	**43,375,066**
SHAREHOLDERS' EQUITY	**6.3.1**	**38,109,628**	**31,798,187**
Share capital		1,123,098	1,123,098
Legal reserve		224,620	224,620
Other reserves		23,801,152	17,651,520
IAS 19 reserve		47,265	(10,325)
OCI Fair Value Reserve		27,554	66,914
FTA reserve		106,474	106,474
Result for the period		12,779,466	12,635,886
GROUP SHAREHOLDERS' EQUITY		38,109,628	31,798,187
Non-controlling interest			
NON-CURRENT LIABILITIES		**8,891,343**	**2,150,054**
Non-current financial liabilities	6.4.1	5,364,375	328,290
Provisions for non-current risks and charges	6.4.2	1,344,129	903,651
Provisions for employee and director benefits	6.4.3	2,182,839	918,113
CURRENT LIABILITIES		**16,269,085**	**9,426,825**
Current financial liabilities	6.5.1	500,584	780,706
Trade payables	6.5.2	10,061,233	6,443,129
Other current liabilities	6.5.3	2,351,665	1,898,903
Tax payables	6.5.4	3,355,603	304,087
TOTAL LIABILITIES		**63,270,056**	**43,375,066**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the Balance Sheet are reported in the specific Balance Sheet table included in Note 11.

Pharmanutra S.p.A. Income Statement

	Notes	2021	2020
REVENUES		**60,445,570**	**49,025,731**
Net revenues	6.6.1	59,506,726	48,011,552
Other revenues	6.6.2	938,844	1,014,179
of which other non-recurring revenues			
OPERATING COSTS		**43,975,814**	**38,147,022**
Purchases of raw materials, consumables and supplies	6.7.1	3,310,130	1,983,282
Change in inventories	6.7.2	-977,237	222,930
Costs for services	6.7.3	38,117,451	32,154,401
of which Costs for non-recurring services			*1,454,724*
Personnel costs	6.7.4	2,976,726	2,661,738
Other operating costs	6.7.5	548,745	1,124,671
EBITDA		**16,469,756**	**10,878,709**
Amortisation, depreciation and write-offs	6.8.1	1,148,775	1,022,351
of which non-recurring provisions and write-offs			
OPERATING RESULT		**15,320,980**	**9,856,358**
FINANCIAL INCOME (EXPENSES) BALANCE		**1,544,808**	**1,535,909**
Financial income	6.9.1	1,568,935	1,569,016
Financial expenses	6.9.2	(24,127)	(33,107)
PRE-TAX RESULT		**16,865,788**	**11,392,267**
Taxes	6.10	(4,086,322)	1,243,619
Net result of third parties			
Net result of the period		**12,779,466**	**12,635,886**
Net earnings per share	**6.11**	**1.32**	**1.31**

Pharmanutra S.p.A. Comprehensive Income Statement

	Notes	2021	2020
Net result for the period		12,779,466	12,635,886
Gains (losses) from IAS application that will be recognised in the income statement			
Gains (losses) from IAS application that will not be recognised in the income statement	6.3.1	18,231	(29,163)
Total net result		**12,797,697**	**12,606,723**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the Income Statement are shown in the specific Income Statement table included in Note 11.

Pharmanutra S.p.A. Statement of changes in shareholders' equity

	Notes	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2021		**1,123,098**	**224,620**	**17,651,519**	**106,474**	**66,914**	**(10,325)**	**12,635,886**	**31,798,186**
Other changes				1		(39,360)	57,590		18,231
Dividends distribution	6.3.1			(6,486,255)					
Allocation of result	6.3.1			12,635,886					0
Result for the period								12,779,466	12,779,466
Balance at 31.12.2021		**1,123,098**	**224,620**	**23,801,152**	**106,474**	**27,554**	**47,265**	**12,779,466**	**38,109,628**

	Notes	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2020		**1,123,098**	**224,620**	**15,365,058**	**(38,865)**	**109,387**	**(6,616)**	**6,868,032**	**23,644,714**
Other changes				(128,320)	145,339	(42,473)	(3,709)		(29,163)
Dividends distribution				(4,453,249)					
Allocation of result				6,868,031					(1)
Result for the period								12,635,886	12,635,886
Balance as at 31/12/2020		**1,123,098**	**224,620**	**17,651,520**	**106,474**	**66,914**	**(10,325)**	**12,635,886**	**31,798,187**

Pharmanutra S.p.A. Statement of Cash Flows- Indirect Method

	Notes	2021	2020
Net result before minority interests		**12,779,467**	**12,635,887**
NON-MONETARY COSTS/REVENUES			
Depreciation and write-offs amortisation	6.8	1,148,775	1,022,349
Allowances to provisions for employee and director benefits		149,526	138,439
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	6.4.2	210,963	151,373
Change in provisions for employee and director benefits	6.4.3	1,115,200	(1,143,110)
Change in inventories	6.2.1	(977,237)	121,676
Change in trade receivables	6.2.4	(1,365,590)	(893,316)
Change in other current assets	6.2.5	(59,496)	(81,017)
Change in tax receivables	6.2.6	720,909	(935,809)
Change in other current liabilities	6.5.3	452,762	165,497
Change in trade payables	6.5.2	3,618,104	(1,870,720)
Change in tax payables	6.5.4	3,051,516	(367,189)
CASH FLOW FROM OPERATIONS		**20,844,899**	**8,944,060**
Investments in intangible assets, property, plant and equipment	6.1.1-	(4,493,894)	(1,293,511)
Disposal of int. assets, property, plant and equipment	6.1.1-	57,242	353,356
Net investments in financial fixed assets	6.1.4	0	0
Change in. TFM insurance receivables	6.1.5	(254,320)	918,233
Change in deferred tax assets	6.1.6	(276,042)	(1,922)
Increase/(decrease) in other non-current liabilities			
CASH FLOW FROM INVESTMENTS		**(4,967,014)**	**(23,844)**
Other increase/(decrease) in equity	6.3.1	18,230	(29,164)
Dividend distribution	6.3.1	(6,486,255)	(4,453,249)
Increase in current fin. assets	6.2.3	(197,094)	(4,042)
Increase in non-current fin. assets	6.1.4	(2,750)	(8)
Decrease in current fin. assets	6.2.3	15,057	731,074
Decreases in non-current fin. assets	6.1.4		
Increase of current financial liabilities	6.5.1	28,993	2,242
Increase of non-current financial liabilities	6.4.1	5,187,413	
Decrease of current financial liabilities	6.5.1	(309,104)	(3,237,464)
Decrease of non-current financial liabilities	6.4.1	(151,339)	(771,340)
CASH FLOW FROM FINANCING		**(1,896,849)**	**(7,761,951)**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**13,981,036**	**1,158,265**
cash and cash equivalents at the beginning of the period	6.2.2	12,707,709	11,549,444
Cash and cash equivalents at the end of the period	6.2.2	26,688,745	12,707,709
Change in Cash and cash equivalents		**13,981,036**	**1,158,265**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF PHARMANUTRA S.p.A.

1. EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The financial statements as at 31 December 2021 have been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission.

The following classifications have been used:

Balance sheet by current/non-current items;

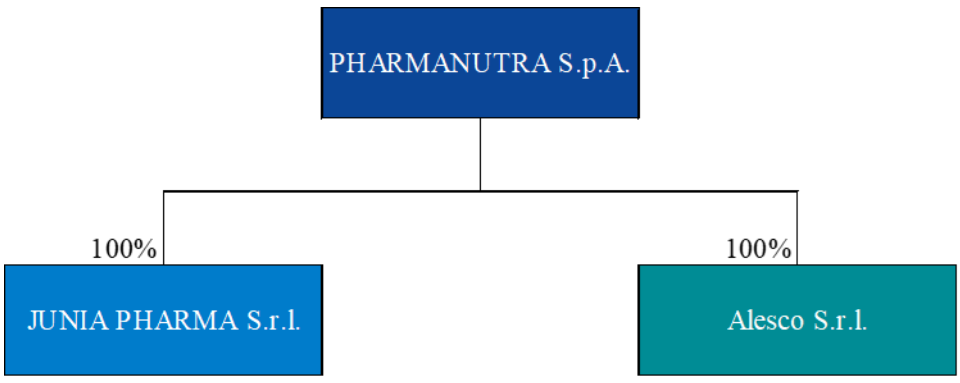
Income statement by nature;

Cash flow statement - indirect method.

It is believed that these classifications provide information that is better suited to represent the financial position, results of operations and cash flows of the Company.

The functional currency of the Company and the presentation currency of the financial statements is the Euro (EUR). The schedules and tables contained in these explanatory notes are in thousands of Euro.

Pharmanutra S.p.A. (hereinafter also referred to as "Pharmanutra" or the "Company") is a company with registered office in Italy, Via delle Lenze 216/B, Pisa, which holds controlling interests in all the companies (the "Group" or also "Pharmanutra Group") shown in the following table:



2. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements (or "separate" as defined by the reference accounting standards) of Pharmanutra S.p.A. as at 31 December 2021 it was prepared in accordance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. IFRS also means all the revised international accounting standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The financial statements are drawn up in the perspective of the continuation of the business activity. In consideration of what has already been reported on the Management Report, to which reference should be made for more details, the Directors believe that from the ongoing Covid-19 epidemic there are no problems that could affect the business continuity.

The financial statements of Pharmanutra S.p.A. as at 31 December 2021 are audited by the independent auditing company BDO S.p.A in execution of the shareholders' resolution of 13 October 2020.

Pharmanutra SpA, as parent company, prepared the consolidated financial statements of the Pharmanutra Group at 31 December 2021. The draft financial statements of Pharmanutra for the year ended 31 December 2021 were approved by the Board of Directors on 18 March 2022, who also authorized its publication.

Below is a description of the most significant accounting principles adopted for the preparation of the Pharmanutra financial statements at 31 December 2021, unchanged from those used in the previous year.

Tangible fixed assets

Tangible fixed assets are recorded at purchase price or production cost, including directly attributable ancillary costs being necessary to make the assets available for use.

Tangible fixed assets are systematically depreciated on a straight-line basis over their useful life, which is an estimate of the period over which the asset will be used by the company. When the tangible fixed asset is made up of several significant components having different useful lives, depreciation is applied to each component. The value to be amortised is represented by the book value reduced by the presumed net transfer value at the

end of its useful life, if significant and reasonably determinable. Land (items with an indefinite useful life), ever purchased together with a building, is not depreciated, as are tangible fixed assets held for sale, which are valued at the lower of their book value and their fair value, net of disposal charges.

Costs for improvements, modernisation and transformation that increase tangible fixed assets are charged to assets. All other repair and maintenance costs are recognised in the income statement when incurred.

The recoverability of the book value of tangible fixed assets is verified by adopting the criteria indicated under "Impairment of assets".

The depreciation reflects the asset economic and technical deterioration and begins when the asset becomes available for use and is calculated according to the linear model of the estimated useful life of the asset.

The rates applied are as follows:

- Equipment 25%
- Plant and machinery 20%
- Furniture and fittings 20%
- Electronic office machines 20%
- Vehicles 25%

The residual carrying amount, useful life and depreciation criteria are reviewed at the end of each financial year and adjusted prospectively if necessary.

An asset is derecognised at the time of sale or when there are no expected future economic benefits from its use or disposal. Any losses or gains (calculated as the difference between the net proceeds from sale and the carrying amount) are included in the income statement at the time of derecognition.

Leased assets

The assets acquired through leasing contracts, through which the risks and rewards of ownership are substantially transferred to the Company, are recognised as assets of the Company at their current value at the date of signing the contract or, if lower, at the present value of the minimum payments due for the lease, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is shown under financial payables.

Intangible fixed assets

Intangible fixed assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill when acquired for consideration.

Identifiability is defined by reference to the possibility of distinguishing the intangible fixed asset acquired from goodwill. This requirement is normally met when:

- the intangible fixed asset is attributable to a legal or contractual right, or
- the asset is separable, i.e. it can be sold, transferred, rented or exchanged independently or as part of other assets. Control of the company consists of the power to enjoy the future economic benefits deriving from the asset and the possibility of limiting access to others.

Intangible fixed assets are recorded at cost determined according to the criteria indicated for tangible fixed assets.

Intangible fixed assets with a definite useful life are systematically amortised over their useful life, being understood as the estimate of the period in which the assets will be used by the company. The recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".

Goodwill and other intangible fixed assets, where present, with an indefinite useful life are not subject to amortisation. The recoverability of their book value is verified at least annually and in any case when events occur that indicate a reduction in value. With regard to goodwill, such verification is carried out at the level of the smallest aggregate on the basis of which management assesses, whether directly or indirectly, the return on investment that includes the goodwill itself *(cash generating unit*). Write-downs are not subject to impairment reversal.

Other intangible fixed assets have been amortised at 20%, estimating a useful life of 5 years, with the exception of patents, trademarks and licenses, which are amortised over a useful life of 18 years.

The amortisation period and criteria for intangible fixed assets with a finite useful life are reviewed at least at the end of each financial year and adjusted prospectively if necessary.

Investments

The investments in subsidiaries and associated companies are carried at cost, adjusted for impairment losses accordance with IAS 36. The positive difference, arising at the time of purchase, between the acquisition cost and the Company's share of the investee company's shareholders' equity at current values, is included in the book value of the investment. The investments in subsidiaries are tested for impairment annually, or more frequently, if necessary. If there is evidence that these investments have suffered an impairment loss, this is recognised in the income statement as a write-down. If any Company's share of the subsidiary's losses exceeds the book value of the investment, the investment amount is written off and the share of further losses is recognised as a provision among liabilities, to the extent that the investor is committed to fulfilling legal or constructive obligations towards the investee company, or in any case to covering its losses. If the impairment loss subsequently ceases to exist or is reduced, a reversal of the impairment loss is recognised in the Income Statement within the limits of its original cost.

Investments in other companies are initially recorded at their fair value and subsequently, where it is not possible to determine a reliable fair value, they are maintained at cost, written down in the event of permanent impairment. The original value will not be restored in subsequent years, even if the reasons for the write-down no longer apply.

Impairment of assets

At least once a year, the Company reviews the recoverability of the carrying amount of tangible and intangible assets as well as investments in subsidiaries and associates to determine whether those assets may have suffered an impairment loss. If there is such evidence, the book value of the asset is reduced to the relative recoverable value, thus recording any write-down compared to the relative book value in the income statement. The recoverable amount of an asset is the higher between its fair value, net of sale costs, and its value in use. The value in use is defined on the basis of discounting expected cash flows from the use of the asset or a combination of assets (Cash Generating Unit), as well as the value expected from its disposal at the end of its useful life.

The Cash Generating Units were identified to be tested for impairment, consistently with the Company's organisational and business structure, by identifying in the subsidiaries (Junia Pharma and Alesco) the lowest possible level of homogeneous combinations that generate independent cash inflows from the continuous use of the assets attributable to them.

When, subsequently, the loss in value of an asset no longer exists or is reduced, the carrying amount of the ass is increased up to the new estimate of the recoverable value and may not exceed the value that would have been determined if no impairment loss had been recorded. The reversal of an impairment loss is recognised in the income statement in the year in which it is recorded.

Inventories

Inventories are recorded at the lower of purchase or production cost and estimated realisable value based on market trends.

The method used for the valuation of inventories is the weighted average cost.

The value determined as indicated above is adjusted to take into account the obsolescence of inventories, by writing down inventories due within 6 months of the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of change in value.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their fair value and subsequently measured at amortised cost, net of any write-downs. At the time of recognition, the receivable nominal value is representative of its fair value at that date.

IFRS 9 defines a new model for impairment/devaluation of these assets, with the aim of providing useful information to users of the financial statements on the related expected losses. According to this model, the Company measures receivables using an expected loss approach, replacing the IAS 39 framework, which is typically based on the measurement of incurred losses. The Company adopts a simplified approach for the measurement of trade receivables, which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Company provides for the stratification of trade receivables into categories on the basis of days past due, by defining the allocation based on the historical

experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors a the economic environment.

Trade receivables are fully written down if there is no reasonable expectation of recovery or in the presence of inactive trade counterparties.

The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement.

With regard to financial assets, the Company adopts the accounting standard IFRS 9 Financial Instruments, Recognition and Measurement with regard to the classification, measurement and accounting of financial instruments.

The accounting standard provides rules for the classification of financial assets in the following categories:

Amortised Cost;

Fair Value with change in equity (Fair Value Other Comprehensive Income or FVOCI);

Fair Value with changes in the income statement.

The determination of the category is made based on 2 factors:

The Business Model, i.e. the way in which the Company manages its financial assets or intends to achieve cash flows from financial assets.

The possible Business Models envisaged by the accounting standard are:

Hold to collect (HTC): it provides for the achievement of cash flows as contractually foreseen. This Business Model is attributable to financial assets that will presumably be held until their natural maturity;

Hold to Collect and Sell (HTC&S): this Business Model provides for the achievement of cash flows as contractually foreseen or through the sale of financial assets. This Business Model is therefore attributable to financial assets that may be held to maturity or even sold;

Sell: it provides for the achievement of cash flows through the sale of the instrument. This Business Model is attributable to activities in which cash flows will be achieved through sale (the so-called trading).

Contractual cash flow characteristics of the instrument

The standard refers to the so-called SPPI (Solely Payments of Principal and Interest) test, which aims to defi whether an instrument has the contractual characteristics allowing only the principal and interest to be paid.

If the SPPI test is not passed, regardless of the reference business model, the financial instrument must be classified and measured at Fair Value with changes in the income statement.

The classification of an instrument is defined at initial recognition and is no longer subject to change, except in cases that the standard expects to be rare.

With reference to the financial instruments, consisting of bonds issued by leading issuers and investment fund units, the management has carried out an analysis of its intentions in managing the instruments and has carried out the SPPI test for all the instruments in the portfolio, thus concluding that the most relevant business model to its management method is the HTC&S one and that the SPPI test has been passed.

The accounting rules that IFRS 9 defines for debt financial instruments classified to FVTOCI are as follows:

- Interest income is recognised in the income statement using the effective interest rate method, in the same way as for instruments at amortised cost;
- Impairment losses (and any write-backs) are recognised in the income statement in accordance with the rules set forth in IFRS 9;
- The differences between the amortised cost and the fair value of the instrument are recognised in equity;
- The cumulative reserve recognised in equity and relating to the debt instrument is reversed to the income statement only when the asset is derecognised.

With regard to the investments made in units of investment funds, the accounting rules provided for by IFRS 9 are as follows:

- The measurement criterion is fair value at the reporting date;
- Changes in fair value are recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

the rights to receive cash flows from the asset are extinguished;

the right to receive cash flows from the asset is retained but a contractual obligation has been taken to pay them in full and without delay to a third party;

the Company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of it.

In cases where the Company has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the Company's financial statements to the extent of its residual involvement in the asset.

Impairment of financial assets

The Company verifies at each reporting date whether a financial asset or group of financial assets has suffered an impairment loss. A financial asset or group of financial assets is to be considered subject to impairment loss if, based on historical experience and on the forecast outcome of its recoverability, after the occurrence of one or more events since its initial recognition, this loss event can be reliably expected on the estimated future cash flows of the financial asset or group of financial assets.

Evidence of impairment loss may be represented by indicators such as financial difficulties, inability to meet obligations, insolvency in interest payments or major payments, which debtors, or a group of debtors, are going through. The probability that it will fail or is subject to another form of financial reorganisation, and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in the context or economic conditions related to the obligations.

The management also evaluates elements such as the performance of the counterparty's sector and financial activity as well as the general economic performance and also makes forward looking considerations.

If there is objective evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the estimated write-down increases or decreases as a result of an event occurring after the write-

down was recognised, the previously recognised write-down shall be increased or decreased by adjusting t provision to the income statement.

Impairment of non-financial assets

At each reporting date, the Company assesses the possible existence of indicators of impairment loss of non-financial assets. When events occur that suggest a reduction in the value of an asset or when an annual impairment test is required, its recoverability is verified by comparing its book value with its recoverable amount, represented by the higher of fair value, net of disposal costs, and value in use.

In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, recent transactions or the best information available to reflect the amount that the company could obtain from selling the asset. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and provable assumptions that are representative of the best estimate of future economic conditions that will occur over the remaining useful life of the asset, giving greater importance to indications from outside. Discounting is carried out at a rate that takes into account the risk inherent in the business sector.

The valuation is carried out for each individual asset or for the smallest identifiable set of assets that generates autonomous cash inflows from ongoing use (the so-called cash generating units). When the reasons for the write-downs made cease to exist, the assets, except for goodwill, if any, are revalued and the adjustment is charged to the income statement as a revaluation (reversal of impairment). The revaluation is carried out at the lower of the recoverable value and the book value gross of the write-downs previously made and reduced by the depreciation that would have been allocated if no write-down had been made.

Financial liabilities

Financial liabilities falling within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value recognised in the balance sheet, as financial payables, or as derivatives designated as hedging instruments, as appropriate. The financial liabilities of the Company include trade and other payables, loans and derivative financial instruments. The Company determines the classification of its financial liabilities on initial recognition.

Financial liabilities are initially measured at their fair value equal to the consideration received on the settleme date plus, in the case of financial payables, directly attributable transaction costs.

Subsequently, non-derivative financial liabilities are measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by recording any discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included under financial charges in the income statement.

Gains and losses are recognised in the income statement when the liability is settled, as well as through the amortisation process.

Financial liabilities are derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Employee benefits

Employee severance indemnities fall within the scope of what IAS 19 defines as benefit plans forming post-employment benefits. The accounting treatment envisaged for these forms of remuneration requires an actuarial calculation that makes it possible to project into the future the amount of the Employee Severance Indemnity already accrued and to discount it for taking into account the time that will elapse before actual payment.

The actuarial valuation of the Employee Severance Indemnity was carried out on a closed group basis, i.e. no new hires were considered during the reference time horizon (such period equals the one envisaged for all employees leaving the Company).

With reference to the aforesaid international accounting standards, actuarial simulations were carried out using the Projected Unit Credit Method and determining:

- the cost of the service already provided by the worker (Past Service Liability);
- the cost of the service provided by the worker during the year (Service Cost);
- the cost relating to interest expense arising from the actuarial liability (Interest Cost);
- the actuarial gains/losses relating to the valuation period between one valuation and the next (Actuarial (gain)/loss).

The unit credit criterion provides that the costs to be incurred in the year for establishing the Employ Severance Indemnity are determined on the basis of the portion of the benefits accrued in the same year. Under the vested benefits method, the obligation to the employee is determined on the basis of the work already performed at the valuation date and on the basis of the salary achieved at the date of employment termination (only for companies with an average number of employees being less than 50 in 2006).

In particular:

- the Past Service Liability is the current value calculated in a demographic-financial sense of the benefits due to the employee (severance indemnity payments) deriving from seniority;
- the Current Concern Provision is the value of the provision for employee severance indemnities in accordance with Italian statutory accounting principles at the valuation date;
- the Service Cost is the current value calculated in a demographic-financial sense of the benefits accrued by the employee in the year ending;
- the Interest Cost represents the cost of the liability due to the lapse of time and is proportional to the interest rate adopted in the valuations and the amount of the liability in the previous year;
- the Actuarial (Gains)/Losses measure the liability change occurring in the period considered and being generated by:
    - deviation between the assumptions used in the calculation models and the actual dynamics of the verified quantities;
    - changes in the assumptions during the period under review.

Moreover, in view of the evolutionary nature of the fundamental economic variables, actuarial valuations have been carried out under "dynamic" economic conditions. Such an approach requires the formulation of economic-financial hypotheses capable of summing up in the medium to long term:

- the average annual changes in inflation in line with expectations regarding the general macroeconomic environment;
- the development of expected interest rates in the financial market.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature and whose existence is certain probable, their amount or date of occurrence being uncertain at the end of the financial year. Allowances to provisions are recognised when:

the existence of a current, legal or implied obligation, arising from a past event is probable;

it is likely that the settlement of the obligation will be onerous;

the amount of the obligation can be reliably estimated.

Allowance to provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to settle the obligation or transfer it to third parties at the end of the period.

Trade payables

Trade payables are recorded at nominal value.

Revenue recognition

Revenues are booked on an accrual basis regardless of the date of collection, net of returns, discounts, allowances and premiums.

Revenues for the sale of the products are recognised at the time of control transfer of the goods given to the buyer, which coincides with the shipment or delivery of the same.

Revenues from the provision of services are recorded in the financial statements when the service is actually rendered.

Revenues of a financial nature are recognised on an accrual basis. For all financial instruments measured at amortised cost, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period.

Service charges are recognised on an accrual basis.

For all financial instruments measured at amortised cost, interest expense is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Financial income and charges

Financial income and charges are recognised in the income statement in the year in which they are accrued.

Dividends received

Dividends received from subsidiaries are recognised in the income statement when the right to receive such payment is established.

Income taxes

Taxes for the year represent the sum of current, prepaid and deferred taxes.

Current taxes are calculated on the basis of the estimated taxable income for the year. Taxable income differs from the result reported in the income statement because it excludes positive and negative components that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible.

The liability for current taxes is calculated using the rates in force or actually in force at the reporting date.

Deferred tax assets and liabilities are determined on the basis of all temporary differences arising between the carrying values of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets on tax losses and temporary differences are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are determined at the tax rates being expected to apply in the years in which the temporary differences will be achieved or settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of these assets to be recovered.

Deferred taxes are directly charged to the income statement, except for those relating to items being directly recognised in equity, in which case the related deferred taxes are also charged to equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities when they relate to taxes due to the same tax authority and the company intends to settle current tax assets and liabilities on a net basis.

Criteria for the translation of items in foreign currency

Foreign currency transactions are initially recognised in the functional currency, by applying the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the reporting date. Exchange differences are recorded in the income statement, including those achieved upon collection of receivables and payment of payables in foreign currency. The gain or loss arising from the translation of non-monetary items is treated in line with the recognition of gains and losses relating to the change in the fair value of these items (translation differences on items whose change in fair value is recognised in the statement of comprehensive income or the income statement are recognised in the statement of comprehensive income or the income statement, respectively).

Earnings per share

Basic earnings per share are calculated by dividing the Company's results of operations by the weighted average number of shares outstanding during the year, excluding any treasury shares held in portfolio.

3. IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2021

- In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.

- Amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS Leases); In May 2020, the IASB issued an amendment to IFRS 16 COVID-19 Related Rent Concessions. This amendment provided a practical expedient to account for the reduction in rent due to COVID-19. The 2020 practical expedient was available for rent reductions that affected only payments originally due by 30 June 2021. On 31 March 2021, the IASB issued the amendment "COVID 19- Related Rent Concessions beyond 30 June 2021", which extended the period to qualify for the practical expedient from 30 June 2021 to 30 June 2022. This amendment is effective for years beginning on or after 1 April 2021.
- The amendments above had no impact on the financial statements or the disclosures.

3.1.2 International reporting standards and/or interpretations issued but not yet effective and/or not yet endorsed

- on 14 May 2020, the IASB published amendments entitled "Amendments to IFRS 3 Business Combinations", "Amendments to IAS 16 Property, Plant and Equipment", "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" and "Annual Improvements 2018-2020". All amendments will take effect on 1 January 2022;
- on 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent" and on July 15 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – deferral of Effective Date". The amendments will be effective as of 1 January 2023 and clarify the principles that must be applied for the classification of liabilities as current or non-current.
- on 12 February 2021, the IASB published the amendments entitled "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" and "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". All amendments will take effect on 1 January 2023;
- On 07 May 2021, the IASB published and amendment referred to as "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12) . All amendments will take effect on 1 January 2023.

None of these Standards and Interpretations have been early adopted by the Group. Pharmanutra is in t process of assessing the impact of these Standards and Interpretations and based on the current state of analysis, no significant impact is expected.

Lastly, it should be noted that the statement of net financial debt shown in these consolidated financial statements, as required by the CONSOB communication of 28 July 2006, has been updated in accordance with the latest recommendations issued by ESMA on 4 March 2021.

4. MAIN ESTIMATES ADOPTED BY THE MANAGEMENT

The application of generally accepted accounting principles for the preparation of financial statements implies that management makes accounting estimates based on complex and/or subjective judgements, based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate.

Estimates are used to measure intangible assets subject to impairment testing (see § Impairment losses), as well as to recognise provisions for doubtful accounts, inventory obsolescence, amortisation and depreciation, asset write-downs, employee benefits, taxes, other provisions and reserves. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

The use of these accounting estimates affects the carrying amount of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reporting period. Actual results may differ from estimated results due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The following are the accounting estimates that are critical to the preparation of the financial statements because they involve a high degree of recourse to subjective judgements, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgements, assumptions and estimates adopted can have a significant impact on subsequent results.

Recoverable amount of non-current assets

Non-current assets include Property, plant and equipment, Other intangible assets, Equity investments a Other financial assets.

The Company periodically reviews the carrying amount of non-current assets held and used and assets to be disposed of, when facts and circumstances require such a review. When the carrying amount of a non-current asset is impaired, the Company recognises an impairment loss equal to the excess of the carrying amount of the asset over its recoverable amount through use or sale.

Recoverability of deferred tax assets

The Company has deferred tax assets on deductible temporary differences. The results of the business plan were taken into account in determining the estimated recoverable amount.

Provision for doubtful accounts

The allowance for doubtful accounts reflects the management's estimate of the expected losses associated with the portfolio of receivables. The Company applies the simplified approach envisaged by IFRS 9 and records expected losses on all trade receivables on the basis of their residual duration, by defining the provision based on historical experience of credit losses, adjusted to take account of specific forecast factors relating to creditors and the economic environment (the Expected Credit Loss - ECL concept).

Contingent liabilities

The Company recognises a liability for ongoing litigation and lawsuits when it believes it is probable that a financial outlay will be made and when the amount of resulting losses can be reasonably estimated. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

Estimates adopted in the actuarial calculation for the purpose of determining defined benefit plans in the context of post-employment benefits

The liability for employees leaving entitlement was measured by an independent actuary on the basis of the following assumptions:

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, measured by ISTAT in 2000 and reduced by 25%;
- the probability of elimination due to absolute and permanent disability of the worker to become disabled and leave the company community is inferred from the disability tables currently used in reinsurance practice, broken down by gender and age;
- the probability of leaving the company due to resignations and dismissals was estimated, on the basis of company data, over the observation period from 2015 to 2021 and amounts to 6.62% per year;
- the probability of requesting an advance was set at 1% per year, with a 50% rate remaining;
- for the period of retirement for the generic workforce, it was assumed that the earliest of the retirement requirements valid for the General Compulsory Insurance would be reached.

Economic and financial assumptions

The macroeconomic scenario used for the measurements is described in the table below:

Parameters	Assumptions for 2021
Rate of salary increase	4.32%
Inflation rate	1.50%
Discount rate of employees leaving entitlement	0.545%

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on 31.12.2021 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 23 years.

Estimates adopted in the actuarial calculation for the purpose of determining the provision for agents' termination indemnity

The liability for agents' termination indemnity was measured by an independent actuary on the basis of the following assumptions:

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- for the probabilities of leaving the company due to voluntary resignations or dismissals, the annual frequencies over the observation period from 2015 to 2021 has been estimated, based on company data, respectively at 4.15% and 6.45% per year;

Economic and financial assumptions

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on the assessment date (Source: *Il Sole 24 ore*). For the measurement as at 31.12.2021, a flat rate of 0.536% was adopted on the section of the curve corresponding to 25 years of average residual duration.

Estimates adopted in the determination of deferred taxes

A discretionary assessment is required of the Directors to determine the amount of deferred tax assets that can be recognised. They must estimate the probable occurrence in time and the amount of future taxable profits.

Amortisation/depreciation

The cost of fixed assets is amortised/depreciated on a straight-line basis over their estimated useful lives, which for rights of use.

coincides with the assumed duration of the contract. The useful economic life of the Company's fixed assets is determined by the Directors at the time of purchase. It is based on the historical experience gained over their business years and on the knowledge of any technological innovations that could make the fixed asset obsolete or no longer economical.

The Company periodically evaluates technological and industry changes to update the remaining useful life. This

periodic update could lead to a change in the period of depreciation or amortisation and hence also in the depreciation or amortisation charge in future years.

5. RISK AND UNCERTAINTY MANAGEMENT

The main risks identified, monitored and actively managed by Pharmanutra are as follows:

5.1 EXTERNAL RISKS

5.1.1 Risks associated with Covid-19 (so-called "Coronavirus")

Despite the continuation of the COVID-19 pandemic (so-called "Coronavirus") also in 2021, the Group achieved excellent business results with revenues increasing by approximately 21%, in line with increases in pre-pandemic years. The evolution of the health situation, with the progressive elimination of the restrictive measures put in place and the end of the state of emergency foreseen for 31 March 2022, lead to the expectation of a gradual return to normality. In view of the above, there are no particular risks for the regularity of production and sales trends.

5.1.2 Risks associated with production entrusted to third party suppliers

The Company is exposed to the risk that production activities entrusted to third party suppliers may not be carried out properly according to the quality standards required by the Group, leading to delays in the supply of products or even the need to replace the third party in charge. In addition, the production facilities of third party suppliers are subject to operational risks such as, for example, interruptions or delays in production due to faulty or failed machinery, malfunctions, breakdowns, delays in the supply of raw materials, natural disasters, or the revocation of permits and authorisations or even regulatory or environmental interventions. The possible occurrence of such circumstances could have negative effects on the Company's business.

5.1.3 Risks associated with the regulatory framework and the situation in the countries in which the Company operates

As a result of its international presence, Pharmanutra is exposed to a number of risk factors, particularly in developing countries where the regulatory framework is not permanently defined and clear. This could force the Company to change its business practices, increase costs or expose it to unforeseen civil and criminal liability.

Moreover, the Company cannot be sure that its products can be successfully marketed in these developing markets, given the less stable economic, political or social conditions than in Western European countries and which may result in the possibility of facing political, social, economic and market risks.

With reference to the geopolitical situation relating to the conflict between Russia and Ukraine and the sanctions issued by the European Union against Russia, the Group currently has very limited exposure to the Russian

distributor. The possible adoption of even stronger penalties could lead to a small decrease in the expect revenues for the year. Regarding Ukraine, a marginal market, there are no open positions as of today.

5.1.4 Risks associated with the high degree of competitiveness of the reference market

In view of the fact that the market segments in which Pharmanutra is active are characterised by a high level of competition in terms of quality, price and brand awareness and by the presence of a large number of operators, the possible difficulty for the Company in facing competition could have a negative impact on its market position, with consequent negative effects on its business.

The production activities of the Company are characterised by technology that cannot be replicated and is protected by patents, and this is considered an important competitive advantage, which - together with proprietary raw materials, the strategy of protecting intellectual property rights (trademarks and patents) and continuous investment in research and development - makes it possible to obtain products with characteristics that cannot be replicated by competitors.

5.2 MARKET RISKS

5.2.1 Risks associated with dependence on certain key products

The Group's ability to generate operating profits and cash flows largely depends on maintaining the profitability of a number of key products; among these, the most significant are those based on Sucrosomial® Iron, consisting of the products of the Sideral line, which represent approximately 80% of the Group's revenues at 31 December 2021. A contraction in sales of these key products could have negative effects on the Group's business and prospects.

5.2.2 Risks associated with the iron-related therapy market in which the Company operates

The risks to which Pharmanutra is exposed are related: to any changes in the regulatory framework in relation to the way iron is taken, the identification of new therapeutic protocols relating to these consumption ways (of which the Group is unable to predict the timing and methods) and/or to the need to reduce the selling prices of products. The Company's iron-based products are currently all classified as food supplements. In the case of iron, as well as many other nutrients, regulations concern the amount of daily intake beyond which the product cannot be marketed as a supplement because it would fall into the pharmaceutical category.

A possible regulatory change could have more of an impact on the maximum (or minimum) level of intake whi would then lead to a simple formula adjustment.

5.3 FINANCIAL RISKS

5.3.1 Credit risk

Credit risk represents the exposure to potential losses deriving from the non-fulfilment of the obligations undertaken by both commercial and financial counterparties.

Credit risk is essentially attributable to the amount of trade receivables for the sale of finished products.

The Company does not have a significant concentration of credit risk and is subject to moderate credit risks.

The exposure to credit risk as at 31 December 2021 and 31 December 2020 is shown below:

€/1000	31/12/2021	31/12/2020
Non-current financial assets	181	178
Other non-current assets	254	-
Deferred tax assets	644	369
Current financial assets	4,530	4,349
Trade receivables	15,148	13,939
Other current assets	998	938
Total Exposure	**21,755**	**19,773**
Provision for doubtful accounts	(583)	(614)
Total exposure net of Allowance for doubtful accounts	**21,172**	**19,159**

(*) = equity investments and tax receivables are not included

Below is a breakdown of receivables as at 31 December 2021 and 31 December 2020 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1000	Carrying amount at 31/12/2021	Due	Overdue			
			0-90	90-180	180-360	> 360
Non-current financial assets	181	181				
Other non-current assets	254	254				
Deferred tax assets	644	644				
Current financial assets	4,530	4,530				
Trade receivables	15,148	13,550	824	81	179	514
Other current assets	998	998				
Total financial assets	**21,755**	**20,157**	**824**	**81**	**179**	**514**

€/1000	Carrying amount at 31/12/2020	Due	Overdue			
			0-90	90-180	180-360	> 360
Non-current financial assets	178	178				
Other non-current assets	-	-				
Deferred tax assets	369	369				
Current financial assets	4,349	4,349				
Trade receivables	13,939	12,536	576	179	118	531
Other current assets	938	938				
Total financial assets	**19,773**	**18,370**	**576**	**179**	**118**	**531**

5.3.2 Liquidity risk

The liquidity risk relates to the Company's ability to meet its commitments arising from its financial liabilities.

During the period, Pharmanutra met its financial needs through the use of its own resources without recourse to new credit lines from the banking system. Despite having available short-term bank credit lines, aimed at managing the peaks in working capital, the management did not deem it necessary to use these instruments during the year thanks to the positive generation of liquidity from current operations.

In any case, the liquidity risk originating from normal operations is kept at a low level by managing an adequate level of cash and cash equivalents and controlling the availability of funds obtainable through credit lines.

Financial liabilities as at 31 December 2021 and 2020, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1000	Balance at 31/12/2021	Current Amount	Due in 2 to 5 years	Due over 5 years
Bank loans and borrowings	5,308	308	3,745	1,255
Financial liabilities for rights of use	552	192	360	
Other lenders	4		4	
Total financial liabilities	**5,864**	**500**	**4,109**	**1,255**

€/1000	Balance at 31/12/2020	Current Amount	Due in 2 to 5 years	Due over 5 years
Bank loans and borrowings	769	618	151	
Financial liabilities for rights of use	336	163	173	
Other lenders	4		4	
Total financial liabilities	**1,109**	**781**	**328**	**0**

Trade payables and other liabilities are all due within 12 months.

5.3.3 Interest rate risk

The Company has floating-rate loan agreements in place and is therefore exposed to the risk of changes in interest rates, which is considered to be low. This risk has been partly mitigated through the use of derivative financial instruments to hedge interest rate risk (IRS - Interest Rate Swap). Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 6% as at 31 December 2021 (100% as at 31 December 2020).

The Company has policies in place to hedge against interest rate fluctuation risk for an amount equal to 100% of the total medium to long-term floating rate loans as at 31 December 2021 and 31 December 2020, respectively.

In consideration of the low amount of interest expected until the expiry of the medium/long-term lo agreement still in place at 31 December 2021, and of the fact that the same will expire in the near future, the Company does not carry out sensitivity analyses to assess the impact of changes in interest rates on the future results of operations and financial position.

Pharmanutra is also exposed to the risk of changes in interest rates on financial assets held in portfolio. This risk is considered to be low since these are mainly fixed-rate financial instruments.

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following information is provided.

The fair value of trade assets and liabilities and other financial receivables and payables approximates the nominal value recorded in the financial statements.

The fair value of receivables and payables due from and to banks and related companies does not differ from the values recorded in the financial statements, as the credit spread has been kept constant.

In relation to financial instruments recognised in the Balance Sheet at fair value, IFRS 7 requires these values to be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in determining the fair value. The following levels are distinguished:

Level 1 - quotations recorded on an active market, for assets or liabilities subject to valuation;

Level 2 - inputs other than quoted prices, as referred to in the previous paragraph, that are observable

directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs that are not based on observable market data.

With respect to the values as at 31 December 2021 and 31 December 2020, the following table shows the fair value hierarchy for the Company's assets that are measured at fair value:

€/1000	31/12/2021				31/12/2020			
Current financial	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bonds	2,505		203	2,708	2,310		203	2,513
Investment Funds	1,822			1,822	1,836			1,836
Total	**4,327**	**-**	**203**	**4,530**	**4,146**	**-**	**203**	**4,349**

For the only asset that falls within level 3, the valuation model applied is that of nominal value since the underlying of the issue is a securitisation of reinsured trade receivables.

5.3.4 Risk of changes in cash flows

The Company has historically highlighted a substantial and constant increase in the cash flows generated by operations compared to the previous year.

There is no particular need for access to bank credit, except for current commercial activities, given the willingness of banks to extend, when necessary, the existing credit lines.

In view of the above, the risk associated with a decrease in cash flows is considered to be low.

5.3.5 Risks related to litigation

The Company is part of a series of single-brand agency and procurement agreements for the promotion of its products. The activity carried out by agents for the Group also plays an important role in providing scientific information to the medical class. During the year 2020, there were a number of cases in which agents and/or brokers initiated disputes aimed at ascertaining the existence of an employment relationship and claimed for compensation. For the risks highlighted, specific provisions are accrued to cover the estimated liabilities. At the end of February 2022, disputes were settled by conciliation. As a result of the agreements reached, the provision set aside at 31 December 2021 was fully utilised.

There are uncertainties of interpretation regarding the qualification for direct tax purposes of the indemnity received by the Company in 2019 from the pre-listing shareholders on the basis of the reps and warranties given by them in the admission document section one, chapter 16, paragraph 16.1. The risk cannot be excluded that, if the position taken by Pharmanutra is not considered correct by the Italian Inland Revenue, the latter may

ascertain the existence of taxes to be paid in relation to the indemnity amount (up to a maximum approximately Euro 220 thousand) plus penalties and interest.

6. COMMENTS ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

6.1 Non-current assets

6.1.1. Tangible fixed assets

	Opening balance	Increases	Decreases	Depreciation	Other Changes	Closing balance
Land and buildings	94	2		(7)	(56)	33
Plant and machinery	40	27		(15)		52
Furniture and office machines	269	160		(102)		327
Vehicles	509	574	(184)	(237)	127	789
Rights of use	333	416		(199)	0	550
Assets under construction	3,275	2,863				6,138
TOTAL	**4,520**	**4,042**	**(184)**	**(560)**	**71**	**7,889**

	Opening balance	Increases	Decreases	Other changes	Closing balance
Land and buildings	639	2		0	641
Plant and machinery	99	27		0	126
Equipment	18			0	18
Furniture and office machines	784	160		0	944
Vehicles	941	574	(184)	0	1,331
Rights of use	735	416		(147)	1,004
Assets under construction	3,275	2,863		0	6,138
TOTAL	**6,491**	**4,042**	**(184)**	**(147)**	**10,202**

	Opening balance	Depreciation	Decreases	Other changes	Closing balance
Land and buildings	545	7		56	608
Plant and machinery	59	15		0	74
Equipment	18			0	18
Furniture and office machines	515	102		0	617
Vehicles	432	237	(127)	0	542
Rights of use	402	199		(147)	454
TOTAL	**1,971**	**560**	**(127)**	**(91)**	**2,313**

The amount of the increases for the year refers for Euro 2,863 thousand to the progress of the construction the new headquarters, for Euro 574 thousand to the purchase of vehicles for the management and sales force managers, for Euro 416 to the renewal of some lease contracts with the related company Solida S.r.l., and for the remainder to the purchase of laboratory instruments and IT equipment.

6.1.2 Intangible fixed assets

The following table shows historical costs net of previous amortisation, movements during the period and final balances for each item.

	Opening balance	Increases	Decreases	Depreciation	Other transactions	Closing balance
Industrial patent rights	409	238		(125)	122	**644**
Concessions, licenses and trademarks	547	100		(44)	0	**603**
Goodwill					0	
Other intangible assets	8			(61)	56	**3**
Assets under development	132	113			(123)	**122**
TOTAL	**1,096**	**451**	**0**	**(230)**	**55**	**1,372**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 338 thousand. The increase in fixed assets under construction refers to costs capitalised on research contracts in progress and software being implemented.

6.1.3 Investments

€/1000	31/12/2021	31/12/2020	Change
Investments in subsidiaries	2,801	2,801	0
Investments in other companies	250	250	0
Investments	**3,051**	**3,051**	**0**

Testing for impairment of investments in subsidiaries (Impairment test)

As stated in the section on valuation criteria, the investments in subsidiaries are tested for impairment annually, or more frequently if specific events or changes in the circumstances indicate that they may have suffered an impairment loss, in accordance with IAS 36 Impairment of Assets (impairment test). The recoverability of the values recorded is verified by comparing the net carrying amount of the individual cash generating unit with the

recoverable value (value in use). Such recoverable value is represented by the current value of future cash flo
that are estimated to derive from the continuous use of the assets related to Cash Generating Unit (CGU).

The cash flows used to determine the value in use derive from the most recent estimates made by the management, and in particular the 2022 budget approved on 18 December 2021. Two CGUs have been identified: Junia Pharma and Alesco.

The recoverable value of the two CGUs identified, amounting to a total of Euro 2,801 thousand, of which Euro 1 million refers to Alesco and Euro 1,801 thousand refer to Junia Pharma, was verified through the value in use, determined by applying the discounted cash flow method.

If the recoverable amount is higher than the net carrying amount of the CGU, no impairment loss is recognised; otherwise, the difference between the net carrying amount and the recoverable amount, as a result of the impairment test, determines the amount of the adjustment to be recognised.

The main assumptions used for the calculation of value in use concern the discount rate (WACC post-tax) of cash flows and the growth rate "g" used for the calculation of the perpetual annuity. With particular reference to the valuations relating to 31 December 2021, the Company used a discount rate of 7.73%, with a growth rate "g" of 1% for both CGUs.

From the results of the impairment test, it emerged for each CGU that the recoverable value exceeds the carrying value and therefore no write-down was made.

Sensitivity

The sensitivity analysis carried out considering a change of +/- 1% in the WACC and g-rate used to perform the test did not show any impairment of goodwill.

Investments in other companies

The item amounts to Euro 250 thousand and is unchanged compared to the previous year. It represents the subscription value of the investment in Red Lions S.p.A., of which Pharmanutra S.p.A. holds 179,512 shares, which are equal to 14.33% of the capital. The equity value of the investee company, based on an appraisal drawn up on 27 February 2020 as part of a contribution transaction (which involved third parties and not the Group), shows no need for adjustments. The shares of the company Red Lions S.p.A. are held by companies of significant importance in the industrial context of Pisa area, all sensitive to innovation and development activities.

6.1.4 Non-current financial assets

€/1000	31/12/2021	31/12/2020	Change
Deposits and advances	181	178	3
Non-current financial assets	**181**	**178**	**3**

The item amounts to Euro 181 thousand, includes Euro 65 thousand of guarantee deposits and Euro 85 thousand of advances paid to the related company Solida S.r.l., at the signing of the lease contracts stipulated with the same.

6.1.5 Other non-current assets

€/1000	31/12/2021	31/12/2020	Change
Insurance for Directors' severance indemnity	254		254
Other non-current assets	**254**		**254**

The change is due to the subscription of the insurance policy against the Directors' Severance Indemnity accrued.

6.1.6 Deferred tax assets

	Opening balance	Increases	Decreases	Closing balance
All. Provision for legal dispute risks	45	66		111
Allowance to provision for inventory	1	8		9
All. Provision for doubtful accounts	77	10	(38)	49
Directors' remunerations	311	545	(311)	545
Allocation to the provision for severance	45	3		48
Allocation to the provision for Supplementary Client Indemnities	(27)	15		(12)
Consolidation entries	(84)		(21)	(105)
Total	**368**	**647**	**(370)**	**645**

Deferred tax assets have been calculated taking into account the cumulative amount of all the temporary differences, on the basis of the expected rates in force when the temporary differences will reverse. Deferred tax assets have been recognised because there is reasonable certainty that taxable income will not be less than the amount of the differences to be reversed, in the years in which the deductible temporary differences against which deferred tax assets have been recognised will reverse.

Deferred tax assets relating to the application to the Employee Severance Indemnity Provision and the Indemn for termination of agency contracts of the IAS/IFRS valuation of these items are the result of all adjustments made from the FTA until the closing of the financial statements in question.

Deferred tax assets relating to the remuneration of corporate bodies concern the non-deductibility of the variable remuneration as it was not paid by 12 January 2022.

6.2 Current assets

6.2.1 Inventories

€/1000	31/12/2021	31/12/2020	Change
Raw materials, consumables and supplies	710	342	368
Finished products and goods	1,799	1,162	637
Provision for inventory write-offs	(29)	(2)	(27)
Total inventories	**2,480**	**1,502**	**978**

The increase in inventories results from production planning policies and production carried out in anticipation of increases in the prices of raw materials and consumables.

6.2.2 Cash and cash equivalents

€/1000	31/12/2021	31/12/2020	Change
Bank and postal accounts	26,673	12,689	13,984
Cash and cheques	16	19	(3)
Total cash and cash equivalents	**26,689**	**12,708**	**13,981**

The balance represents the liquid funds and the existence of cash and securities at the end of the period. For the evolution of cash and cash equivalents, reference should be made to the cash flow statement for the year and to what is indicated in the Management Report.

6.2.3 Current financial assets

€/1000	31/12/2021	31/12/2020	Change
Mutual fund shares	1,822	1,836	(14)
Bonds	2,708	2,513	195
Total current fin. assets	**4,530**	**4,349**	**181**

This item represents a temporary investment of part of the company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r. In accordance with this mandate, bonds and units in investment funds of adequately rated issuers have been subscribed. As at 31.12.2021, a comparison with the market value of the bonds held shows a net capital loss of Euro 39 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted in accordance with IFRS 9. A gain of Euro 17 thousand was recorded in the income statement for the year on the fund units.

Considering the liquid funds available and the regular continuation of activities as stated above, the Company does not foresee the need to resort to the early disposal of the financial instruments in question.

6.2.4 Trade receivables

€/1000	31/12/2021	31/12/2020	Change
Trade receivables - Italian customers	9,895	9,027	868
Trade receivables - Other countries	1,663	1,908	(245)
Other receivables (subject to collection)	3,240	2,675	565
Invoices to be issued	350	329	21
Provision for doubtful accounts	(583)	(614)	31
Total trade receivables	**14,565**	**13,325**	**1,240**

The amounts shown in the financial statements are net of the provisions made in the allowance for doubtful accounts, estimated by the management on the basis of the seniority of the receivables, the assessment of their collectability and also taking into account the historical experience and forecasts of future bad debts also for the part of receivables that is collectable at the reporting date.

The breakdown of trade receivables by geographical area is shown below:

€/1000	31/12/2021	31/12/2020	Change
Italy	12,927	11,417	1,510
Asia	1,070	1,374	(304)
Europe	485	534	(49)
Africa	83	-	83
America	-	-	-
Total trade receivables	**14,565**	**13,325**	**1,240**

Changes in the Provision for doubtful accounts during 2021 were as follows:

	PROVISION FOR DOUBTFUL ACCOUNTS
Initial balance	(614)
Allowances	(128)
Decreases	159
Final balance	**(583)**

6.2.5 Other current assets

A breakdown of "Other current assets" is provided in the table below:

€/1000	31/12/2021	31/12/2020	Change
Receivables from employees	42	40	2
Advances	822	728	94
Prepayments and accrued income	135	170	(35)
Total other current assets	**999**	**938**	**61**

The item "Advances" includes receivables from agents for advances, amounting to Euro 255 thousand, Euro 246 thousand in the previous year, relating to amounts advanced upon signing agency agreements, Euro 426 thousand relating to the advance paid for the shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times), and advances to suppliers for Euro 141 thousand (at 31.12.2020 Euro 482 thousand). The advances paid to agents shall be returned on termination of the relationship with each agent.

6.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

€/1000	31/12/2021	31/12/2020	Change
VAT receivables	300	178	122
R&D tax receivables	266	139	127
Patent Box tax receivables		1,011	(1,011)
Other tax receivables	53	3	50
Tax receivables	**619**	**1,340**	**(721)**

During the year, the Patent Box tax receivable remaining at the end of the previous year was fully utilised.

With reference to the item "R&D tax receivables", please refer to the paragraph Research and Development activities in the Management Report.

6.3 Shareholders' Equity

6.3.1 Shareholders' Equity

The changes in the items of shareholders' equity are shown below:

	Share capital	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01.01.2021	**1,123**	**225**	**17,652**	**106**	**67**	**(10)**	**12,636**	**31,798**
Other changes	-	-	-	-	(39)	58	-	18
Distribution of dividends	-	-	(6,486)	-	-	-	-	(6,486)
Allocation of result	-	-	12,636	-	-	-	(12,636)	-
Profit (loss) for the period	-	-	-	-	-	-	12,779	12,779
Balance at 31.12.2021	**1,123**	**225**	**23,801**	**106**	**28**	**47**	**12,779**	**38,110**

The Share capital, fully subscribed and paid up, amounts to Euro 1,123 thousand and consists of 9,680,977 ordinary shares, with no par value.

In 2021, a coupon of Euro 0.67 was distributed for each ordinary share, with a payout ratio of approximately 46% of consolidated net income in 2020, in line with the consolidated dividend distribution policy and taking into account the Parent Company's confirmed earnings capacity, for a total dividend of Euro 6,486 thousand.

The table below shows the classification of reserves according to their availability:

€/1000	Amount	Possible uses	Available share	Summary of uses made in the three previous years	
				to hedge losses	for other reasons
Capital reserves:					
Share capital	1,123				
Share premium provision	7,205	A,B,C	7,205		
Earnings reserves:					
Legal reserve	225	B	225		
Extraordinary reserve	16,497	A,B,C	16,497		
Other reserves:					
Expected cash flow hedging reserve	-4				
Result of the previous years	103				
OCI Fair Value Reserve	27				
FTA reserve	106				
IAS 19 reserve	47				
Total	**25,329**		**23,927**	**0**	**0**
Non-distributable share			**225**		
Distributable share			**23,702**		

A: for capital increase, B: to cover losses, C: for distribution to shareholders

6.4 Non-current liabilities

6.4.1 Non-current financial liabilities

€/1000	31/12/2021	31/12/2020	Change
Payables for derivative fin. instruments	4	4	0
Payables for BPER bank loans	5,000		5,000
Payables for CRFI bank loans	0	151	(151)
Non-current fin. payables for rights of use	360	173	187
Non-current financial liabilities	**5,364**	**328**	**5,036**

Bank loans and borrowings consist of the portion of outstanding loans due beyond 12 months.

At the end of September, Pharmanutra obtained a medium-long term loan from BPER Banca S.p.A. for t amount of Euro 5 million to cover part of the capital expenditures in the new headquarters. The loan is not secured by real guarantees or covenants of any kind, has a duration of 60 months and a preamortisation period of 15 months and 90 days. The nominal annual rate is 0.21%.

Non-current financial liabilities for non-current rights of use represent the discounted amount due beyond one year of the lease contracts in force as at 31.12.2021 in accordance with IFRS16. The increase over the previous year stems from the renewal of certain lease contracts.

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA update with reference to the "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", we report that the Company's Net Financial Position as at 31 December 2021 is as follows:

		31/12/2021	31/12/2020
	A Cash and cash equivalents	(26,689)	(12,708)
	B Cash equivalents		
	C Other current financial assets	(4,530)	(4,349)
	D Liquidity (A+B+C)	**(31,219)**	**(17,057)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	349	177
	F Current portion of non-current financial debt	151	604
	G Current financial debt (E+F)	**500**	**781**
	of which guaranteed	154	154
	of which not guaranteed	346	627
	H Net current financial debt (G-D)	**(30,719)**	**(16,276)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	5,360	324
	J Debt instruments	4	4
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**5,364**	**328**
	of which guaranteed	0	0
	of which not guaranteed	5,364	328
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**(25,355)**	**(15,948)**
3)	N Other current and non-current financial assets	(435)	(178)
	O Net financial debt (M-N)	**(25,790)**	**(16,126)**

1) It includes the following items of the financial statements: Current financial liabilities (Bank overdraf
Euro 157 thousand, Financial payables for rights of use Euro 192 thousand).
2) It includes the following items of the financial statements: Non-current financial liabilities (M/L financial debt Euro 5 million, Non-current financial payables for rights of use Euro 360 thousand):
3) It includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 181 thousand), Other non-current financial assets (Insurance for Directors' termination indemnity Euro 254 thousand).

6.4.2 Provisions for risks and charges

	31/12/2021	31/12/2020	Change
Provision for termination indemnity of agency contracts	838	627	211
Provision for sundry risks and legal disputes	505	275	230
Provisions for non-current risks and charges	**1,343**	**902**	**441**

Provisions for risks and charges include:

Provision for risks to cover the risk of legal disputes in progress, measured at Euro 505 thousand to cover outstanding disputes with agents following the termination of the agency agreement; in February 2022, the disputes were settled by conciliation and the provision was fully used.

Provision for indemnity for termination of agency contracts, set up under article 1751 of the Italian Civil Code and the current collective economic agreement of 20 March 2002, which provide that, upon termination of the agency relationship, the agent is entitled to an indemnity for employment termination. The indemnity for termination of agency contracts is calculated by applying to the fees and other considerations accrued by the agent during the course of the employment relationship, a rate that can vary from 3 to 4%, depending on the duration of the agency contract. The resulting amount was measured in accordance with IAS/IFRS International Accounting Standards (IAS 37). The Company has therefore accrued an amount of Euro 272 thousand in the Provision for indemnity for termination of agency contracts, based on legal provisions and in relation to the positions at the end of the year, bringing the same to a total of Euro 838 thousand.

6.4.3 Provisions for benefits

€/1000	31/12/2021	31/12/2020	Change
Provision for employee severance indemnity	592	554	38
Directors' severance indemnity provision	942	366	576
Provision for L/T Directors variable compensation	650		650
Provisions for employee and director benefits	**2,184**	**920**	**1,264**

Provisions for benefits refer to:

Directors' severance indemnity provision.

The amount accrued of Euro 576 thousand was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting held on 26 April 2021 and corresponds to the Company's actual commitment to the Directors at the reporting date.

Provision for medium/long-term Directors variable compensation

In view of the changeover to the STAR market, a remuneration policy for directors has been adopted that meets the requirements of the Governance Code issued by Borsa Italiana (the "Code"). Therefore, for the financial years 2021 and 2022, a new criterion for determining the variable remuneration to be allocated to Executive Directors has been adopted, which meets the criteria set out in the Code, which are summarised below:

- fixed and variable component adequately balanced according to the strategic objectives;
- provision of maximum limits for variable components;
- adequacy of the fixed component to compensate directors' performance if the variable component is not achieved due to failure to meet targets;
- objectives whose achievement is linked to the payment of variable components that are predetermined, measurable and linked to the creation of value for shareholders;
- deferred payment of a significant portion of the variable component in an appropriate timeframe with respect to the vesting period.

On the basis of the above, the portion of medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 650 thousand.

Employee severance indemnity. The liability for employee severance indemnity has been calculated compliance with the current provisions governing the employment relationship for employees and corresponds to the actual commitment of the Company towards individual employees at the reporting date. The amount accrued refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their leaving entitlement accruing from 1 January 2007 to the company. The amount relating to the provision for employees leaving entitlement is therefore net of the amounts paid out during the year and allocated to pension funds. The resulting amount was measured in accordance with IAS/IFRS (IAS 19).

6.5 Current liabilities

6.5.1 Current financial liabilities

€/1000	31/12/2021	31/12/2020	Change
Bank loans and borrowings for loans	151	604	(453)
Bank loans and borrowings for current accounts	157	14	143
Current fin. payables for rights of use	192	163	29
Tot. Current fin. liabilities	**500**	**781**	**(281)**

The item "Bank loans and borrowings for loans" represents the portion of debt relating to loans and instalments of loans to be repaid within the next financial year.

6.5.2 Trade payables

Trade payables are broken down in the table below:

€/1000	31/12/2021	31/12/2020	Change
Trade payables - suppliers in Italy	8,433	5,859	2,574
Trade payables - suppliers in Other countries	673	27	646
Payments on account	956	558	398
Total trade payables	**10,062**	**6,444**	**3,618**

The change in payables occurs as a result of the commercial dynamics associated with purchases. The item Trade payables - suppliers in Italy as at 31 December 2021 and 2020 includes Euro 2,430 thousand and Euro 759 thousand of payables to subsidiaries, respectively.

The breakdown of trade payables by geographical area is shown below:

€/1000	31/12/2021	31/12/2020	Change
Italy	8,403	5,823	2,580
Asia	768	457	311
Europe	866	122	744
America	1		1
Other	23	42	(19)
Total trade payables	**10,062**	**6,444**	**3,618**

6.5.3 Other current liabilities

A breakdown of "Other current liabilities" is provided in the table below:

€/1000	31/12/2021	31/12/2020	Change
Payables for wages and salaries	360	278	82
Payables to social security institutions	282	266	16
Payables to directors and statutory auditors	1,438	1,249	189
Accrued expenses and deferred income	39	0	39
Leaving entitlement provision for agents and representatives	131	103	28
Guarantee withholding	103		103
Total other current liabilities	**2,353**	**1,896**	**457**

The item Payables to directors and statutory auditors refers to the amount of short-term variable remuneration accrued by executive directors on the results for the year 2021.

6.5.4 Current tax payables

	31/12/2021	31/12/2020	Change
Income taxes	2,971	(51)	3,022
Payables for withholdings	385	356	29
Total tax payables	**3,356**	**305**	**3,051**

6.6 Revenues

6.6.1 Net revenues

	2021	2020	Change
LB1 REVENUES	42,844	35,540	7,304
LB2 REVENUES	16,662	12,471	4,191
TOTAL SALES	**59,506**	**48,011**	**11,495**

The table below provides a breakdown of net revenues by geographical market:

€/1000	2021	2020	Change	Δ%	Incidence 2021	Incidence 2020
Italy	42,844	35,540	7,304			
Total LB1	***42,844***	***35,540***	***7,304***	**20.6%**	**72.0%**	**74.0%**
Europe	10,226	7,984	2,242	28.1%		
Middle East	4,315	3,808	507	13.3%		
Far East	518	354	164	46.3%		
Africa	1,603	325	1,278	n.s.		
Total LB2	***16,662***	***12,471***	***4,191***	**33.6%**	**28.0%**	**26.0%**
Total net revenues	**59,506**	**48,011**	**11,495**	**23.9%**	**100.0%**	**100.0%**

The gradual easing of restrictions imposed to contain the Covid-19 epidemic has enabled the company to return to pre-pandemic growth levels in the Italian market with revenues up 20.6% on the previous year.

Revenues earned on foreign markets show an increase of about 34% from Euro 12,471 thousand in 2020 to Euro 16,662 thousand in 2021, thanks to the progressive increase in the operations of distribution contracts stipulated in previous years.

The Company's activity is divided into the following business lines:

Direct business line (LB1): it is characterised by the direct control of the distribution channels in the reference markets and the relevant marketing activities.

In 2021, the direct business line accounted for 72% (about 74% in 2020) of total revenues.

The distribution channels for the Company can be broken down into:

- Direct: deriving from the activity carried out by the network of sales representatives who are entrusted with the marketing of products throughout the national territory. 95% of direct orders are orders directly from pharmacies and parapharmacies.
- Wholesalers who directly supply the pharmacies and parapharmacies with the products.

The activity carried out by sales representatives/scientific agents directly addressing the medical class in orc to make known the clinical efficacy and uniqueness of the products is paramount for both distribution channels.

Indirect business line (LB2): the business model is mainly used in foreign markets. It is characterised by the marketing of finished products through local partners which, under long-term exclusive distribution contracts, distribute and sell the products in their own markets.

In 2021 the Indirect business line accounted for about 28% of the turnover (about 26% in the previous year).

6.6.2 Other revenues and income

	2021	2020	Change
R&D tax receivable	178	140	38
Contractual indemnities	108	244	(136)
Refunds and recovery of expenses	8	16	(8)
Contingent assets	236	217	19
Other revenues and income	410	397	13
Total Other revenues and income	**940**	**1,014**	**(74)**

The item "R&D tax receivable" includes the amount of the Research and Development tax receivable benefit calculated on the basis of Italian Decree-Law no. 145/2013 and subsequent amendments for research and development expenses incurred by the Company in 2021.

The item contractual indemnities refers to indemnities invoiced to agents for non-notice of termination.

The item Other revenues and income mainly includes re-invoicing to subsidiaries for services rendered within the scope of existing intercompany agreements.

6.7 OPERATING COSTS

6.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2021	2020	Change
Costs for raw materials and semi-fin. goods	2,619	1,648	971
Costs for consumables	405	332	73
Costs for the purchase of fin. goods	287	4	283
Total purchases of raw materials, consumables and supplies	**3,311**	**1,984**	**1,327**

The increase in the cost of purchases of raw materials, consumables and supplies is related to the higher volume of business compared to the previous year.

Raw materials and semi-finished goods costs include Euro 2,586 thousand (Euro 1,518 thousand in 2020) of purchases from subsidiaries.

6.7.2 Change in inventories

	2021	2020	Change
Change in raw materials	(368)	87	(455)
Change in finished product inventories	(637)	134	(771)
All. write-offs provision Inventories	27	2	25
Change in inventories	**(978)**	**223**	**(1,201)**

The increase in inventories as at 31.12.2021 results from production planning and production performed in anticipation of higher raw material and consumable prices.

6.7.3 Costs for services

	2021	2020	Change
Marketing and advertising costs	7,645	6,144	1,501
Production and logistics	10,446	7,240	3,206
General service costs	4,235	4,937	(702)
Research and development costs	331	581	(250)
Costs for IT services	287	308	(21)
Commercial costs and commercial network	8,181	7,162	1,019
Corporate bodies	6,826	5,643	1,183
Rental and leasing costs	17	8	9
Financial costs	150	133	17
Total costs for services	**38,118**	**32,156**	**5,962**

The increase in the item "Costs for general services" is due to the higher revenues realised during the year for t items "Production and logistics" and "Commercial costs". The decrease in "Costs for general services" is determined as the 2020 balance includes non-recurring costs related to (i) the formalisation of the ruling with the Italian Inland Revenue of the Patent Box for the period 2016-2019 and (ii) costs connected with the transition to the STAR market for a total of Euro 1.5 million. The increase in marketing and advertising costs is due to the capital expenditures made in support of the Group's products. Marketing and communication activities were also affected in 2021, albeit less significantly than in 2020, by restrictive measures related to the Covid-19 epidemic.

Costs for services include Euro 9,444 thousand (Euro 7,866 thousand in the previous year) of costs relating to transactions with related parties, details of which can be found in note 11.

6.7.4 Personnel costs

The breakdown of personnel costs is shown in the table below:

	2021	2020	Change
Wages and salaries	2,133	1,920	213
Social security charges	659	594	65
Severance Indemnity	150	138	12
Other personnel costs	36	9	27
Total personnel costs	**2,978**	**2,661**	**317**

The item includes all expenses for employees, including accrued holidays and additional months' pay as well as related social security charges, in addition to the provision for severance indemnities and other contractual costs. The increase compared to the previous year is due to the hiring of new employees.

The breakdown of the average number of employees by category is shown in the following table:

Units	2021	2020	Change
Executives	2	2	0
White collars	36	35	1
Blue collars	0	0	0
Total	**38**	**37**	**1**

6.7.5 Other operating costs

	2021	2020	Change
Capital losses	10	68	(58)
Sundry tax charges	77	64	13
Membership fees	32	50	(18)
Charitable donations and social security	163	181	(18)
Other costs	269	759	(490)
Total other operating costs	**551**	**1,122**	**(571)**

In 2020, the item "Other costs" included the costs related to the failure of a foreign customer to collect an order for finished products, against which the advance payments received were retained. The Company regained possession of the goods, which were subsequently repackaged and resold to other customers.

6.8 AMORTISATION, DEPRECIATION AND PROVISIONS

6.8.1 Amortisation, depreciation and provisions

	2021	2020	Change
Amortisation of intangible fixed assets	428	433	(5)
Depreciation of tangible fixed assets	360	284	76
Allowance to prov. for risks related to legal disputes	230	154	76
Allowance to provision for doubtful accounts	74	78	(4)
Allowance to provision for doubtful accounts from customers not ded.	54	74	(20)
Total amortisation, depreciation and write-offs	**1,146**	**1,023**	**123**

For details on the allowances to Provisions for risks and charges, see paragraph 6.4.2.

6.9 FINANCIAL INCOME AND EXPENSES

6.9.1 Financial income

	2021	2020	Change
Interest income	118	88	30
Dividends	1,440	1,422	18
Exchange gains	2	2	0
Other financial income	9	56	(47)
Total financial income	**1,569**	**1,568**	**1**

6.9.2 Financial costs

	2021	2020	Change
Other financial expenses	(16)	(28)	12
Interest expense	(4)	(4)	0
Realised exchange losses	(3)		(3)
Total financial expenses	**(23)**	**(32)**	**9**

6.10 Income taxes

	2021	2020	Change
Direct taxes on business income	4,865	1,828	3,037
Deferred tax assets	(276)	(2)	(274)
Previous year taxes and tax receivables	(502)	(3,070)	2,568
Total taxes	**4,087**	**(1,244)**	**5,331**

Taxes are recognised on an accruals basis and have been determined in accordance with current rates and regulations.

The item Previous year taxes and 2021 tax receivables includes the tax receivables obtained against the costs incurred in 2020 for translisting to the Star market for Euro 457 thousand and the tax receivables obtained against the sponsorship costs incurred in 2020 for Euro 45 thousand. In 2020 instead, it represents the tax benefit relating to the years 2016-2019 recognised following the formalisation of the ruling for the Patent Box benefit. The benefit relating to the financial year 2020, amounting to Euro 1.2 million, had been deducted from taxes for the year.

6.11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the results of operations for the year by the weighted average number of shares outstanding during the year.

The calculation of basic earnings per share is shown in the following table:

EURO	31/12/2021	31/12/2020
Group interest in profit/loss for the period	12,779,466	12,635,887
Number of outstanding shares	9,680,977	9,680,977
Earnings per share	1.32	1.31

7. OTHER INFORMATION

In accordance with the law, the total compensation due to the Directors, the members of the Board of Statutory Auditors and the independent auditors, if any, is shown below:

Directors: Euro 6,580 thousand

Board of Statutory Auditors: Euro 70 thousand

Independent auditors: Euro 64 thousand

Information pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation

The following table, prepared in accordance with Article 149-*duodecies* of the CONSOB Issuers' Regulations, shows the fees accrued in the year 2021 for audit and non-audit services rendered by the Independent auditors and by entities belonging and not belonging to its network.

Values expressed in thousands of Euro

Service provider	Notes	Recipient	Fees accrued in the FY 2021
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	Pharmanutra S.p.A.	44
Other services			
BDO ITALIA S.p.A.	[2]	Pharmanutra S.p.A.	20
Total			**64**

[1] This includes the signing of income, IRAP, 770 and tax receivables certification forms

[2] Assistance in starting up the Internal Audit function

8. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2021

As for the events after the closing date of 31 December 2021, reference should be made to the Directors' Report on Operations.

9. COMMITMENTS

The Company has issued the following guarantees in favour of its subsidiaries:

To Junia Pharma, a guarantee for Euro 1 million;

To Alesco, a guarantee for credit limit subject to collection for Euro 210 thousand;

To Alesco, a guarantee for credit facility on current account for Euro 52 thousand.

In June 2021, the Parent Company entered into a contract for the construction of the new headquarters. The amount of the contract, equal to Euro 14.5 million plus VAT, will be paid on the basis of progress reports issued by the constructor. At the beginning of August, the advance payment of 10% of the contractual value was paid. The contractually agreed duration of the works is 15 months.

The Parent Company entered into a contract for the purchase of shares in an aircraft that will be used optimise management travel for a total amount of USD 1.1 million. An advance payment of USD 400 thousand was made upon signing the contract. The balance of the purchase of shares will be paid upon delivery of the asset, which is expected in June 2022.

10. CONTINGENT LIABILITIES AND MAIN OUTSTANDING DISPUTES

The Company does not have any significant contingent liabilities of which information has not already been provided in this report and which are not covered by adequate provisions.

It should be noted that after 31 December 2021, the appeals lodged in 2021 by some ISC agents following termination of the agency contract were settled by means of a settlement agreement. In particular, the above-mentioned appeals focused on the annulment of the dismissal and the recognition of a subordinate employment relationship, as well as the request for payment of the fees relating to the agency contract.

As at 31 December 2021, the provision for risks to hedge potential liabilities estimated to be incurred by the Company in connection with the above claims amounted to Euro 505 thousand (Euro 275 thousand at 31.12.2020).

11. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are identified according to the extended definition provided by IAS 24, i.e. including relations with administrative and control bodies as well as with managers with strategic responsibilities and transactions with subsidiaries.

The tables below show the amounts of commercial and financial transactions entered into in 2021 between the Parent Company and its subsidiaries and other related parties.

Transactions with subsidiaries

The transactions with the Group's companies, all concluded at standard market conditions, concern the supply by Alesco of the main active ingredients to Pharmanutra, the payment by the latter to Alesco of royalties for the exploitation of the patent relating to Sucrosomial® Iron technology, and the charge-back of personnel.

The following is a summary of financial transactions during the year and the related balances at 31.12.2021.

Amounts in €/1000	Income statement item at 31.12.2021				Balance sheet item a 31.12.2021	
Subject Related Party	Other Revenues	Purchases of raw materials, consum. supplies	Costs for services	Dividends	Trade receivables	Trade payables
Junia Pharma S.r.l.	257	270	204	473	253	205
Alesco S.r.l.	125	2,584	1,585	938	123	2,196
TOTAL	**382**	**2,854**	**1,789**	**1,411**	**376**	**2,401**

Transactions with other related parties

The financial impact as at 31 December 2021 and the economic impact for 2021 of the transactions with other related parties is shown in the table below:

Related party Balance sheet	ROU Assets	Non-current financial assets	Other current assets	Other current liabilities	Provisions for employee and director benefits	Trade payables	ROU non-current financial liabilities:	ROU current financial liabilities:
Members of Pharmanutra S.p.A. BoD				1,442	1,646	11		
Board of Statutory Auditors								
Supervisory Body fees						19		
Senior management compensation				11	89			
Solida S.r.l.	426	178					275	154
Calabughi S.r.l.						34		
Ouse S.r.l.								
Studio Bucarelli, Lacorte, Cognetti						8		
Other related parties			25					
TOTAL	**426**	**178**	**25**	**1,453**	**1,735**	**72**	**275**	**154**

Related party Income statement	Costs for services	Financial expenses	Personnel costs	Amort. rights of use
Members of Pharmanutra S.p.A. BoD	6,580		157	
Board of Statutory Auditors	70			
Supervisory Body fees	22			
Senior management compensation			423	
Solida S.r.l.		3		154
Calabughi S.r.l.	594			
Ouse S.r.l.	326			
Studio Bucarelli, Lacorte, Cognetti	40			
Other related parties	25			
TOTAL	**7,656**	**3**	**581**	**154**

On 29 June 2021, Pharmanutra's Board of Directors approved the new procedure for related party transactions, in compliance with the provisions of Consob Resolution no. 21624 of 10 December 2020, the "New RPT Procedure". This procedure, which is effective as of 01 July 2021, is available on the website

www.pharmanutra.it, "Governance" section. It should also be noted that the company, as (i) a smaller compar as well as (ii) a newly listed company pursuant to art. 3 of the RPT Regulations, will apply to the related party transactions governed by the New RPT Procedure, including those of greater importance (as identified pursuant to Annex 3 of the RPT Regulations), a procedure which takes into account the principles and rules set out in art. 7 of the RPT Regulations, as an exception to art. 8 of the RPT Regulations.

The members of the Board of Directors of the Company receive a compensation consisting of a fixed part, and for executive directors only, also a variable part and a part by way of severance indemnity. The variable component paid to Executive Directors is divided between a short-term component and a medium/long-term component based on the recommendations contained in the Corporate Governance Code defined by the Corporate Governance Committee.

Financial charges refer to interest expense accrued on outstanding lease agreements with the related company Solida S.r.l.

The remuneration of senior management consists of a fixed component and a variable incentive calculated on the basis of sales volumes and parameters relating to the financial statements.

The Companies have established their registered office and operational headquarters in properties owned by Solida S.r.l., which is owned by some of the shareholders of the Parent Company; the Group's companies pay a rent and have paid amounts to Solida S.r.l. as a security deposit and advance.

Pharmanutra has outsourced part of its communication and marketing activities, by strategic choice. These activities are entrusted to Calabughi S.r.l., a company in which the wife of the Vice President, Roberto Lacorte, holds 47% of the capital and is Chair of the Board of Directors. The contract between Pharmanutra and Calabughi S.r.l. has annual duration with tacit renewal unless terminated by one of the parties three months prior to the expiry of the contract and consists in the provision of communication services. These services include the management of the Company web sites and media channels, the design, development and implementation of advertising campaigns to support the products and corporate image, the graphic design of product packaging, promotional material and scientific information documents, as well as the organisation and management of corporate conventions. Moreover, the Parent Company entered into a contract with the same firm, Calabughi, for the sponsorship as "Title Sponsor" of the 151 Miglia regatta and a contract for the management of all the communication, event planning, merchandising activities related to the participation of Cetilar Racing - the team

sponsored by the Parent Company - in the endurance world championship races of which the most famous is t 24 Hours of Le Mans.

The Company has an agency agreement in place with Ouse S.r.l., a company in which the wife of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, effective from 1 June 2020 and for an indefinite period. The agency agreement provide for the granting to Ouse S.r.l. of an exclusive agency mandate without representation with the aim to promote and develop the sales of Pharmanutra in the assigned territories. The compensation is composed of a fixed annual fee and a variable fee determined by applying a percentage to the turnover achieved for amounts between the minimum and maximum thresholds, as defined annually.

Pharmanutra has entered into a consulting agreement with Studio Bucarelli, Lacorte, Cognetti. The contract, which is valid for one year and renewable from year to year by tacit consent, covers general tax advice, the drafting and sending of tax returns, general advice on labour law and the processing of monthly pay slips.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, the consolidated balance sheet and the consolidated income statement, showing transactions with related parties separately, are provided below.

	31/12/2021	of which with related parties	31/12/2020	of which with related parties
NON-CURRENT ASSETS	**13,391**	**3,405**	**9,213**	**3,236**
Property, plant and equipment	7,889	426	4,520	245
Intangible assets	1,372		1,096	
Investments	3,051	2,801	3,051	2,801
Non-current financial assets	181	178	178	190
Other non-current assets	254			
Deferred tax assets	644		368	
CURRENT ASSETS	**49,882**	**402**	**34,162**	
Inventories	2,480		1,502	
Trade receivables	14,565	377	13,325	298
Other current assets	999	25	938	
Tax receivables	619		1,340	
Current financial assets	4,530		4,349	
Cash and cash equivalents	26,689		12,708	
TOTAL ASSETS	**63,273**	**3,807**	**43,375**	**3,534**
SHAREHOLDERS' EQUITY	**38,111**		**31,799**	
Share capital	1,123		1,123	
Legal reserve	225		225	
Other reserves	23,934		17,784	
IAS 19 reserve	61		3	
OCI Fair Value Reserve	28		67	
FTA reserve	(39)		(39)	
Net result	12,779		12,636	
GROUP SHAREHOLDERS' EQUITY	38,111		31,799	
Non-controlling interest				
NON-CURRENT LIABILITIES	**8,891**	**2,010**	**2,150**	**606**
Non-current financial liabilities	5,364	275	328	116
Provisions for non-current risks and charges	1,343		902	
Provisions for employee and director benefits	2,184	1,735	920	490
CURRENT LIABILITIES	**16,271**	**4,080**	**9,426**	**2,332**
Current financial liabilities	500	154	781	132
Trade payables	10,062	2,473	6,444	813
Other current liabilities	2,353	1,453	1,896	1,387
Tax payables	3,356		305	
TOTAL LIABILITIES	**63,273**	**6,090**	**43,375**	**2,938**

	31/12/2021	of which with related parties	31/12/2020	of which with related parties
REVENUES	**60,446**	**382**	**49,025**	**266**
Net revenues	59,506		48,011	
Other revenues	940	382	1,014	266
of which other non-recurring revenues				
OPERATING COSTS	**43,980**	**12,871**	**38,146**	**9,762**
Purchases Raw materials, consum. and supplies	3,311	2,854	1,984	1,518
Change in inventories	(978)		223	
Costs for services	38,118	9,436	32,156	7,866
of which Costs for non-recurring services			1,455	
Personnel costs	2,978	581	2,661	378
Other operating costs	551		1,122	
EBITDA	**16,466**	**(12,489)**	**10,879**	**(9,496)**
Amortisation, depreciation and write-offs	1,146	154	1,023	229
of which non-recurring provisions and write-offs				
OPERATING RESULT	**15,320**	**(12,643)**	**9,856**	**(9,725)**
FINANCIAL INCOME (EXPENSES) BALANCE	**1,546**	**1,408**	**1,536**	**1,399**
Financial income	1,569	1,411	1,568	1,422
Financial expenses	(23)	(3)	(32)	(23)
PRE-TAX RESULT	**16,866**	**(11,235)**	**11,392**	**(8,326)**
Taxes	(4,087)		1,244	
Net result of third parties				
Group result	**12,779**	**(11,235)**	**12,636**	**(8,326)**
Net earnings per share	**1.32**		**1.31**	

12. ALLOCATION OF THE RESULT FOR THE YEAR

It is proposed to the Shareholders' Meeting that the result for the year, equal to Euro 12,779,466, be allocated as follows:

EURO	31/12/2021
Net result	12,779,466
- 5% to the legal reserve (pursuant to art. 2430 of the Italian Civ. Code)	0
- to the Extraordinary Reserve	5,905,972
- to Dividend (Euro 0.71 per share)	6,873,494

Pisa, 18 March 2022

For the Board of Directors

The Chairman

(Andrea Lacorte)

CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5, OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned Roberto Lacorte, Managing Director, and Francesco Sarti, Manager responsible for the preparation of Pharmanutra S.p.A.'s financial reports, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, certify:

a) the adequacy in relation to the characteristics of the undertaking; and

b) the effective application of administrative and accounting procedures for the preparation of financial statements during the year 2021.

2. It is also certified that:

the financial statements for the year ended 31 December 2021:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- correspond to the results of the accounting books and records;

- are capable of providing a true and fair view of the issuer's equity, economic and financial position;

- the Management Report includes a reliable analysis of the progress and results of operations, as well as the issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

Pisa, 18 March 2022

Pharmanutra S.p.A.

Managing Director

Pharmanutra S.p.A.

Manager in charge

Pharmanutra S.p.A.

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

Financial statements at December 31, 2021

VCP/AMR/lsm - RC062822021BD1149

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www.bdo.it

Viale Abruzzi, 94
20131 Milano

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

To the shareholders of
Pharmanutra S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Pharmanutra S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES NOTE 6.1.3. "INVESTMENTS" Investments in subsidiaries are accounted for in the financial statements for a total amount of euro 3.051 thousand and are mainly referred to the wholly controlled companies Junia Pharma S.r.l. and Alesco S.r.l.. The recoverability of the amounts accounted for is tested comparing the carrying amount to the recoverable amount (value in use) estimated applying the Discounted Cash Flow ("DCF") method. Impairment of investments in subsidiaries is considered a key audit matter for the audit of the financial statements, due to the subjectivity of the selection of parameters used to estimate the recoverable amount.	Our main audit procedures performed are the following: ▪ we verified the proper classification and related accounting treatment based on reference accounting principles; ▪ we obtained and examined the financial statements as of December 31, 2021 of the subsidiaries, which are audited by us, according to specific audit engagements; ▪ we compared the value of investment in subsidiaries to the equity portion attributable to the parent company; ▪ with reference to the impairment test, also being supported by BDO experts: – we verified the reasonableness of key assumptions underlying the plans of the management; – we verified the adequacy of the impairment model prepared by the Group and its compliance to the accounting principles; – we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, future growth rates and discount rates and determination of "terminal value"; – we verified the clerical accuracy of the impairment model; ▪ we verified the disclosures provided in the accompanying notes.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05 and, within the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Pharmanutra S.p.A. on October 13, 2020 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2020 to December 31, 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Pharmanutra S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Pharmanutra S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Pharmanutra S.p.A. as at December 31, 2021, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Pharmanutra S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Pharmanutra S.p.A. as at December 31, 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 31, 2022

BDO Italia S.p.A.
Signed by Vincenzo Capaccio
Partner

As disclosed by the Directors, the accompanying separate financial statements of Pharmanutra S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

PHARMANUTRA

JUNIAPHARMA

ALESCO

PharmaNutra SpA

Fiscal Code 01679440501 - VAT No. 01679440501

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