

INTERIM MANAGEMENT REPORT

March 31st 2022

Pharmanutra S.p.A.

Registered Office

REA

Share Capital

C.F. | P.Iva | Reg. Impr. di Pisa

Pisa, Via delle Lenze 216/B

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Our history

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

Thanks to continuous investments in R&D activities that have led to the development of innovative technologies, in less than 20 years the PharmaNutra Group has become one of the market leaders in the production of iron-based nutritional supplements under the SiderAL® brand, where it boasts a number of important patents on Sucrosomial® technology and, and it is also considered to be one of the emerging top players in the sector of medical devices for the recovery of joint capacity thanks to the Cetilar® branded products.

The PharmaNutra Group has about 60 employees in Italy and a network of over 150 Sales Representatives who are the real driving force of the company in the country. The Group's business model was built to respond to the peculiarities of the national market but has been able to adapt quickly and efficiently to international requirements.

PharmaNutra is present since 2013 on foreign markets with a flexible and innovative business model, based on a consolidated network of top-class partners: growing yet well-structured companies that focus their own business on innovative, high-quality products, sound scientific research and a sales structure that is as close as possible to the values of PharmaNutra. Currently, the Group's products are distributed in more than 50 countries in Europe, Asia, Africa and America, through a network of 39 carefully selected sales partners.



PharmaNutra

Founded and managed by the Lacorte brothers, PharmaNutra S.p.A. was born in 2003 with the aim of developing nutritional supplements and innovative medical devices, overseeing the whole production process, from the development of proprietary raw materials to the distribution of the finished product.

Junia Pharma

In 2010 PharmaNutra's top management decided to invest in the creation of a new company, aiming to respond to the increasing health needs of children. This led to the establishment of Junia Pharma S.r.l., the company specialised in the development and distribution of paediatric medicines, medical devices, OTC products and nutritional supplements.

Alesco

Alesco S.r.l. was established in 2000 to stand out on the nutraceutical market for the high scientific value of the raw materials distributed. Thanks to ongoing R&D investments, Alesco active principles are now considered the most effective on the market and are used in the pharmaceutical, food and cosmetic sectors.

CORPORATE BODIES

Board of Directors

Andrea Lacorte (Chairman)

Roberto Lacorte (Vice Chairman)

Carlo Volpi (Executive Director)

Germano Tarantino (Executive Director)

Alessandro Calzolari (Independent Director)

Marida Zaffaroni (Independent Director)

Giovanna Zanotti (Independent Director)

Board of Statutory Auditors

Giuseppe Rotunno (Chairman of the Board of Statutory Auditors)

Michele Luigi Giordano (Statutory Auditor)

Debora Mazzaccherini (Statutory Auditor)

Alessandro Lini (Alternate Auditor)

Elena pro (Alternate Auditor)

Audit Firm

BDO Italia S.p.A.

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INTERIM MANAGEMENT STATEMENT AS AT 31 MARCH 2022

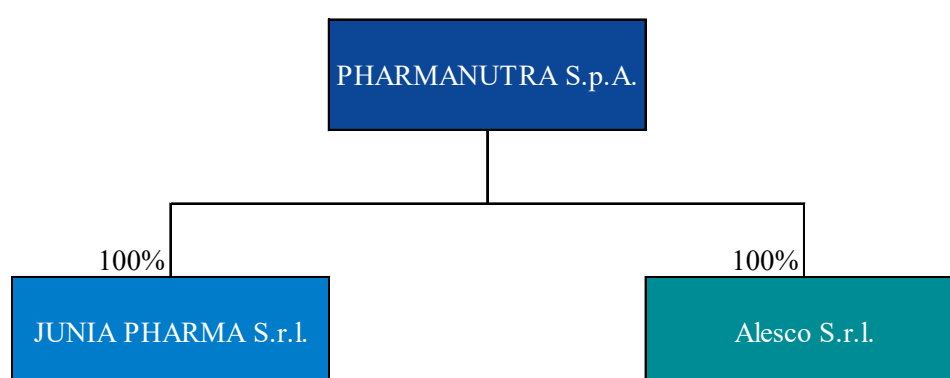
1.1 MAIN CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET FIGURES

INCOME STATEMENT FIGURES (€/millions)	2022	%	2021	%	Changes
REVENUES	19.0	100.0%	14.3	100.0%	32.3%
REVENUES FROM SALES	18.8	99.3%	14.2	99.3%	32.3%
EBITDA	5.3	27.8%	3.9	27.0%	36.1%
NET RESULT	3.5	18.4%	2.5	17.5%	38.9%
EPS - NET EARNINGS PER SHARE (Euro)	0.36		0.26		39.2%

BALANCE SHEET FIGURES (€/millions)	2022	2021	Changes
NET INVESTED CAPITAL	19.6	17.0	2.6
NFP (positive cash)	(27.1)	(28.1)	(1.0)
SHAREHOLDERS' EQUITY	46.7	45.1	1.6

1.2 THE PHARMANUTRA GROUP

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



Pharmanutra, a nutraceutical company based in Pisa, was founded in 2003 with the aim of developing products for food supplements and medical devices. Since 2005, it has been developing and marketing directly and independently a line of products under its own brand, managed through a structure of sales representatives who present the products directly to the medical class; today, it has the know-how to manage all the stages from design, to formulation and registration of a new product, marketing, up to training of the agents.

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.

Subsidiary company Junia Pharma S.r.l. (hereinafter also referred to as "Junia Pharma") is active in the production and marketing of pharmaceuticals, OTC medical devices and nutraceuticals for the paediatric sector.

Subsidiary company Alesco S.r.l. (hereinafter also referred to as "Alesco") produces and distributes raw materials and active ingredients for the food, pharmaceutical and food supplement industries.

1.3 CONSOLIDATED POSITION AS AT 31 March 2022

The first quarter of 2022 has once again demonstrated the strong resilience of the Group, given the troublesome end of the COVID emergency, which has not yet allowed us to operate as we did in the past. This context has been worsened by the current geopolitical situation, which has created a widespread disruption. Pharmanutra has not been affected by this, both in terms of supply and outlet markets, as Russia and Ukraine represent a very small part of our foreign business and are not to be considered strategic areas for our international expansion.

On 21 January 2022, the programme for the purchase of treasury shares was launched in execution of the resolution passed at the Ordinary Shareholders' Meeting of 27 April 2021. The purpose of the program is to enable the Company to take advantage of the opportunity to make capital expenditures, 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 capital expenditures opportunity for any purpose permitted by current regulations. As at 31 March 2022, Pharmanutra holds 30,121 treasury shares equal to 0.31% of the share capital.

In the same month, a patent on the use of cetylated fatty acids (CFAs) was obtained in the United States. The patent certificate, identified with number "US 11,186,536", consolidates PharmaNutra's intellectual property on the use of cetylated fatty acids (CFA), the functional principle at the base of Cetilar® brand medical devices for the treatment and prevention of muscle and joint problems. 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 14 February, the European Union, through publication in the Official Journal, authorised the 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.

Obtaining this authorisation represents a major new strategic asset for the Group, as it will enable the development and marketing of new dietary supplements based on cetylated fatty acids (CFAs). In addition, the authorisation includes industrial property protection, which gives PharmaNutra exclusive rights to use the new food for the next five years in all European Union countries.

Work from home (aka *smart working*) has continued to be implemented for all employees in the Group based on a rotation scheme. 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.

Performance in the first quarter of 2022

Income Statement

CONSOLIDATED OPERATING INCOME STATEMENT (€/1000)						
	2022	%	2021	%	Δ Q1 22/21	Δ %
REVENUES	18,967	100.0%	14,335	100.0%	4,632	32.3%
Net revenues	18,840	99.3%	14,238	99.3%	4,602	32.3%
Other revenues	127	0.7%	97	0.7%	30	30.9%
OPERATING COSTS	13,703	72.3%	10,468	73.0%	3,235	30.9%
Purchases of raw materials, consum. and supplies	1,032	5.4%	806	5.6%	226	28.0%
Change in inventories	(434)	-2.3%	(70)	-0.5%	(364)	n.m.
Costs for services	11,863	62.6%	8,653	60.4%	3,210	37.1%
Personnel costs	1,129	6.0%	1,002	7.0%	127	12.7%
Other operating costs	113	0.6%	77	0.5%	36	46.8%
GROSS OPERATING MARGIN (EBITDA)	5,264	27.8%	3,867	27.0%	1,397	36.1%
Amortisation, depreciation and write-offs	291	1.5%	296	2.1%	(5)	-1.7%
OPERATING MARGIN (EBIT)	4,973	26.2%	3,571	24.9%	1,402	39.3%
FINANCIAL INCOME (EXPENSE) BALANCE	7	0.0%	22	0.2%	(15)	-68.2%
Financial income	22	0.1%	21	0.2%	1	4.8%
Financial expenses	(15)	-0.1%	1	0.0%	(16)	n.m.
PRE-TAX RESULT	4,980	26.3%	3,593	25.1%	1,387	38.6%
Taxes	(1,494)	-7.9%	(1,084)	-7.6%	(410)	37.8%
Net result of third parties			0		0	0
Group net income	3,486	18.4%	2,509	17.5%	977	38.9%

Consolidated net revenues at 31 March 2022 amounted to Euro 18.8 million, an increase of Euro 4.6 million (+32.3%) compared to the same period of the previous year.

Revenues generated on the Italian market amounted to Euro 13.1 million (Euro 10.8 million at 31 March 2021), an increase of 20.7%, with an incidence of 69.3% on total revenues, compared to 76% in the same period of the previous year. The increase in revenues derives from higher sales of finished products, while sales of raw materials recorded a decrease of Euro 160 thousand compared to the same period of the previous year.

Consolidated net sales revenues in foreign markets amounted to Euro 5.8 million versus Euro 3.4 million as at 31 March 2021, recording a net increase of Euro 2.4 million (+69.1%). The change from the first quarter of 2021 can be attributed to the dynamics of foreign orders, which were particularly concentrated in the period under review. As a result of the above, the incidence of revenues from foreign markets on total revenues increased from 24% at 31 March 2021 to 30.7% at 31 March 2022.

Sales volumes of finished products as at 31 March 2022, amounting to approximately 2.5 million units increased by 48.2% if compared to the volumes at 31 March 2021 (1.7 million units).

Operating expenses for the first quarter of 2022, amounting to Euro 13.7 million (+30.9% compared to 31 March 2021), increased in proportion to the increase in revenues.

As a result of the above, the Pharmanutra Group's **EBITDA** amounted to Euro 5.3 million (Euro 3.9 million as at 31 March 2021), representing a margin of 27.8% on total revenues and an increase of 36% compared to the first quarter of 2021.

The **Net result** for the period amounts to Euro 3.5 million compared with Euro 2.5 million as at 31 March 2021.

Net earnings per share as at 31 March 2022 amounted to Euro 0.36 compared to Euro 0.26 in the same period last year.

Balance sheet

OPERATING BALANCE SHEET (€ / 1000)	31 March 2022	31 December 2021
TRADE RECEIVABLES	19,078	16,673
INVENTORIES	3,299	2,865
TRADE PAYABLES	(10,113)	(9,751)
OPERATING WORKING CAPITAL	12,264	9,787
OTHER RECEIVABLES	3,142	2,042
OTHER PAYABLES	(7,944)	(6,177)
NET WORKING CAPITAL	7,462	5,652
INTANGIBLE ASSETS	5,718	5,500
PROPERTY, PLANT AND EQUIPMENT	8,852	8,372
FINANCIAL ASSETS	1,444	1,490
TOTAL FIXED ASSETS	16,014	15,362
PROVISIONS AND OTHER M/L TERM LIABILITIES	(3,859)	(3,996)
TOTAL USES	19,617	17,018
SHAREHOLDERS' EQUITY	46,719	45,082
NON-CURRENT FINANCIAL LIABILITIES	5,467	5,530
CURRENT FINANCIAL LIABILITIES	485	820
NON-CURRENT FINANCIAL ASSETS	(972)	(475)
CURRENT FINANCIAL ASSETS	(4,601)	(4,530)
CASH AND CASH EQUIVALENTS	(27,481)	(29,409)
NET FINANCIAL POSITION	(27,102)	(28,064)
TOTAL SOURCES	19,617	17,018

The change in Operating Working Capital is a consequence of the higher business volumes carried out by the Group during the period in question.

The increase in the item Other receivables is due to the recording of deferrals on costs relating to marketing activities whose reference period extends beyond 31 March 2022.

The increase in the item Other payables refers to the recognition of taxes on the result for the period. It should be noted that pending clarification on the possibility of renewing the agreement to take advantage of the tax benefit represented by the Patent Box, which expired on 31 December 2020, no benefit related to the Patent Box was recorded.

The increase in the item Tangible fixed assets is due to the costs of building the new headquarters, whilst the increase in the item Intangible fixed assets is due to the registration of patents obtained during the period.

The change in the item Provisions and other M/L liabilities includes the allocation to the Provision for severance indemnities of the amount accrued by the Executive Directors as resolved by the General Meeting of Shareholders

on 27 April 2020 and the utilisation of the Provision for sundry risks and disputes following the out-of-court settlement of certain outstanding lawsuits with former sales representatives.

The Pharmanutra Group applies some alternative performance indicators that are not identified as accounting measures under IFRS, in order to allow for a better assessment of management performance.

Therefore, the assessment criteria used by the Group may not be consistent with those used by other groups and the balance obtained may not be comparable with that determined by the latter.

Such alternative performance indicators, determined in accordance with the requirements of the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015, refer only to the performance of the accounting period covered by this Interim Report and of the periods compared and not to the expected performance of the Group.

Below is a definition of the alternative performance indicators used in this Interim 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 of all other items in the Balance sheet 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.

The table below shows the changes in financial position:

Net Financial Position (€/1000)	31 March 2022	31 December 2021
Cash	(8)	(18)
Cash in Banks	(27,473)	(29,391)
Total cash and cash equivalents	(27,481)	(29,409)
Current financial assets	(4,601)	(4,530)
Current financial liabilities: due to banks	77	254
Current portion of non-current debt	154	305
Current financial payables for rights of use	254	261
Net current financial indebtedness FA	(4,116)	(3,710)
Net current financial (assets)/indebtedness	(31,597)	(33,119)
Non-current financial assets	(747)	(254)
Deposits paid	(225)	(221)
Non-current bank payables	5,000	5,000
Derivative financial instruments		4
Non-current financial payables for rights of use	467	526
Non-current financial indebtedness	4,495	5,055
Net financial position	(27,102)	(28,064)

The **Net Financial Position** at 31 March 2022 was a positive Euro 27.1 million compared to Euro 28.1 million at 31 December 2021. Cash generated from operations during the period amounted to Euro 1.8 million (Euro 2.7 million at 31 March 2021), investments were made for Euro 1.4 million (Euro 0.5 million at 31 March 2021) and treasury shares were purchased for Euro 1.8 million. See the Statement of Cash Flows for further details.

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

1.4 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 Group 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.

- **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 sales of finished products (Pharmanutra and Junia Pharma) and raw materials (Alesco) through local partners which, under long-term exclusive distribution contracts, distribute and sell the products in their own markets.

Consolidated net revenues at 31 March 2022 (Euro 18.8 million) increased by 32.3% compared to the same period last year (Euro 14.2 million).

Revenues by area of business				Incidence	
€/1000	2022	2021	Δ%	2022	2021
LB1	12,571	10,174	23.6%	66.7%	71.5%
LB2	5,467	3,332	64.1%	29.0%	23.4%
Total Finished Products	18,038	13,506	33.6%	95.7%	94.9%
LB1	482	642	-24.9%	60.2%	87.7%
LB2	319	90	255.5%	39.8%	12.3%
Total raw material	802	732	9.6%	4.3%	5.1%
Total	18,840	14,237	32.3%	100.0%	100.0%

The breakdown of revenues into the Group's business areas shows that sales of finished products increased by 23.6% on the Italian market (LB1), thanks to the gradual return to normal of sales and medical information activities in presence, while on foreign markets (LB2) there was an increase of 64.1% compared to the first quarter of the previous year due to the timing of the acquisition of orders by foreign distributors.

Revenues from the sale of proprietary and non-proprietary raw materials to companies in the food, pharmaceutical and nutraceutical industry, as well as to nutraceutical product production plants working on behalf of third parties (Alesco outgroup), managed by the subsidiary Alesco, showed an overall increase of 9.6% with an increase in sales on foreign markets and a reduction in the Italian market.

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

Revenues by Business Line				Incidence	
€/1000	2022	2021	Δ%	2022	2021
Total LB1	13,054	10,816	20.7%	69.3%	76.0%
Total LB2	5,786	3,421	69.1%	30.7%	24.0%
Total	18,840	14,237	32.3%	100.0%	100.0%

Overall, revenues from sales on the Italian market increased by approximately 21% to Euro 13 million (Euro 10.8 million in the previous year), and represent approximately 69% of total net revenues compared to approximately 76% as of 31 March 2021.

Sales on foreign markets as of 31 March 2022 amounted to Euro 5.8 million (Euro 3.4 million as of 31 March 2021), representing 30.7% of total revenues compared to 24% in 2021.

Revenues by geographical area				Incidence	
€/1000	2022	2021	Δ%	2022	2021
Europe	3,459	2,437	41.9%	59.8%	71.2%
Middle East	1,920	812	136.4%	33.2%	23.7%
Africa	237	0	n.a.	4.1%	0.0%
Far East	74	106	-30.8%	1.3%	3.1%
Other	97	66	47.5%	1.7%	1.9%
Total	5,786	3,421	69.1%	100.0%	100.0%

Europe remains the market with the highest impact on foreign revenues. The changes relating to the Middle East and Far East are attributable to the dynamics of issuing purchase orders by distributors.

The analysis of revenues from finished products by product line (Trademark) shown in the table below, highlights the growth of all the main product lines, and in particular of Apportal thanks to its characteristics as an energy tonic and restorative supplement.

Revenues P.F. by Product Line				Incidence	
€/1000	2022	2021	Δ%	2022	2021
Sideral	14,072	10,634	32.3%	78.0%	78.7%
Cetilar	1,816	1,547	17.4%	10.1%	11.5%
Apportal	1,383	735	88.3%	7.7%	5.4%
Ultramag	194	166	16.8%	1.1%	1.2%
Other	573	424	35.3%	3.2%	3.1%
Total	18,038	13,506	33.6%	100.0%	100.0%

In terms of volumes, sales of finished products at 31 March 2022 amounted to 2,519 thousand units, an increase of approximately 48% compared to 1,699 thousand units in the corresponding period of the previous year

F.P. Volumes				Incidence	
Units/1,000	2022	2021	Δ%	2022	2021
LB1	922	764	20.7%	36.6%	45.0%
LB2	1,597	935	70.7%	63.4%	55.0%
Total	2,519	1,699	48.2%	100.00%	100.00%

1.5 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.

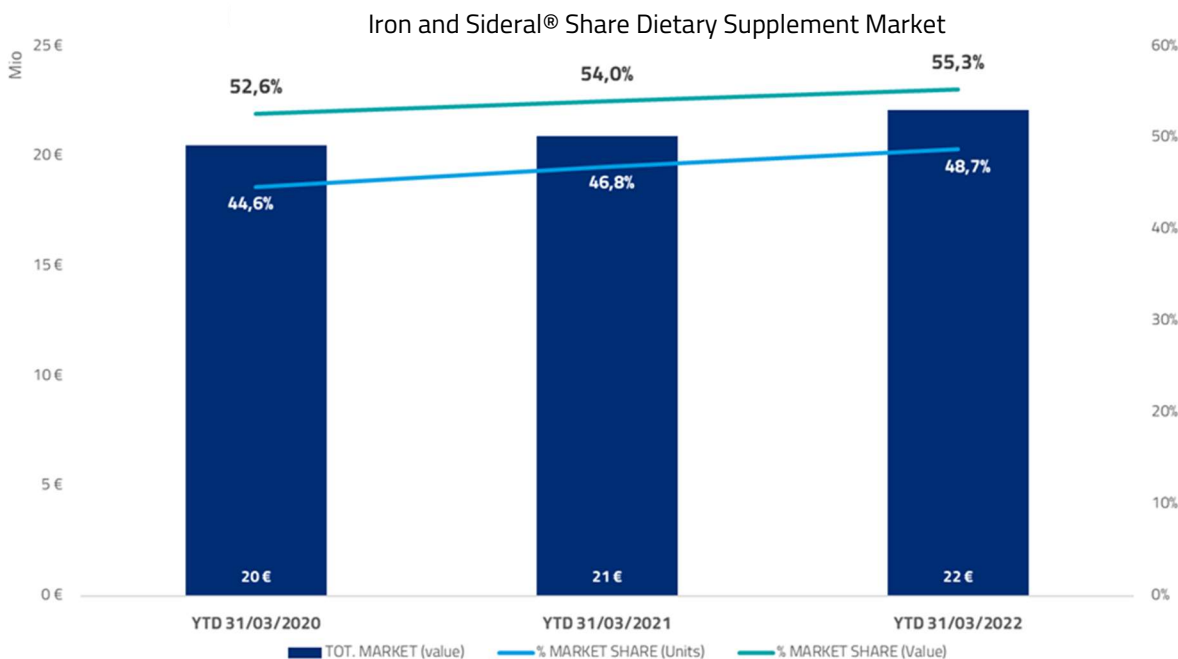
Below is an overview of the general performance of the food supplements market and an in-depth analysis of the main reference markets in Italy for the product lines being more relevant in terms of turnover.

Below is an analysis of the reference markets in Italy of the two most important product lines in terms of revenues, the Sideral® line and the Cetilar® line.

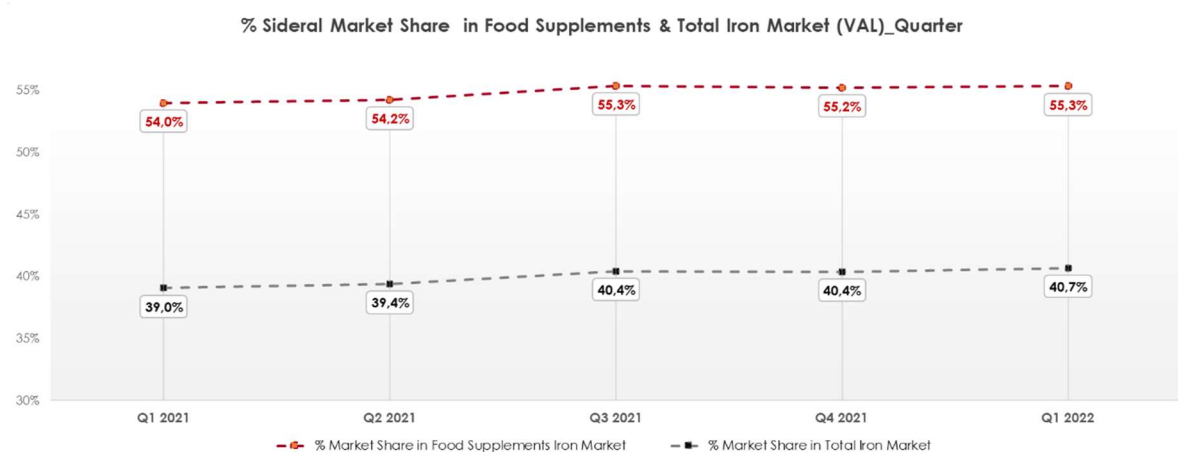
1.5.1 Iron market

Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with the Sideral® product line, in which it confirmed its leadership position in the first quarter of 2022 with a market share in value of approximately 55.3% and 48.7% in volumes¹.

The market share at 31 March 2022 continued its upward trend both in terms of values, rising from 54% to 55.3%, and in terms of units, rising from 46.8% to 48.7%, compared to the same period last year.



The graphs below show the quarterly trends in Sideral®'s market share (expressed in value) in relation to the market for iron-based supplements only (Food Supplements Iron Market) and the total market consisting of both food supplements and pharmaceuticals (Total Iron Market)².



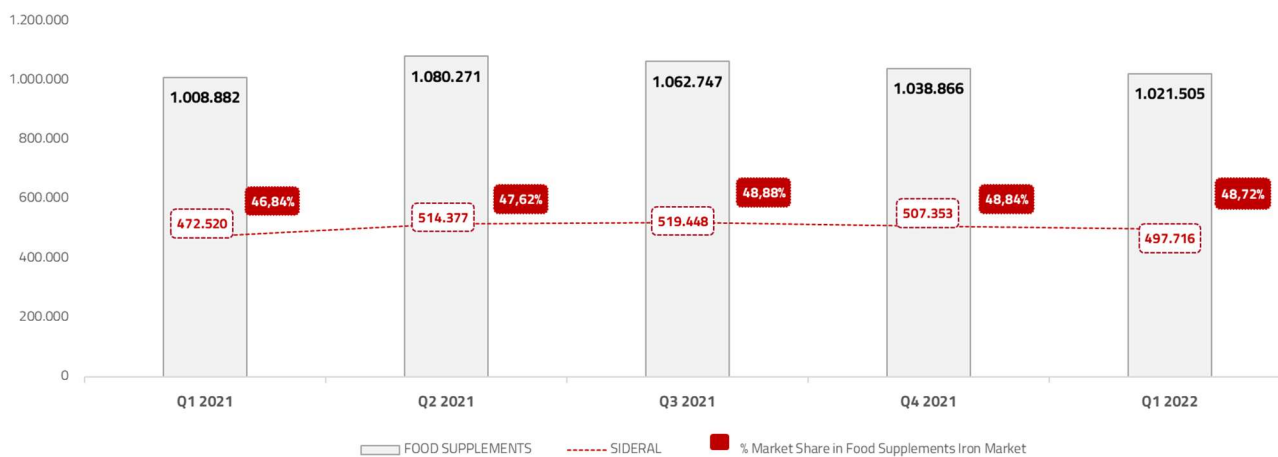
¹ Source: IQVIA Rework Data March 2022

² Source: IQVIA Rework Data March 2022

It is worth noting that the Sideral® product line also has a significant market share in the overall market, amounting to 40.7% of the overall market.

The development of Sideral® in terms of units in the iron supplement market is shown in the table below.

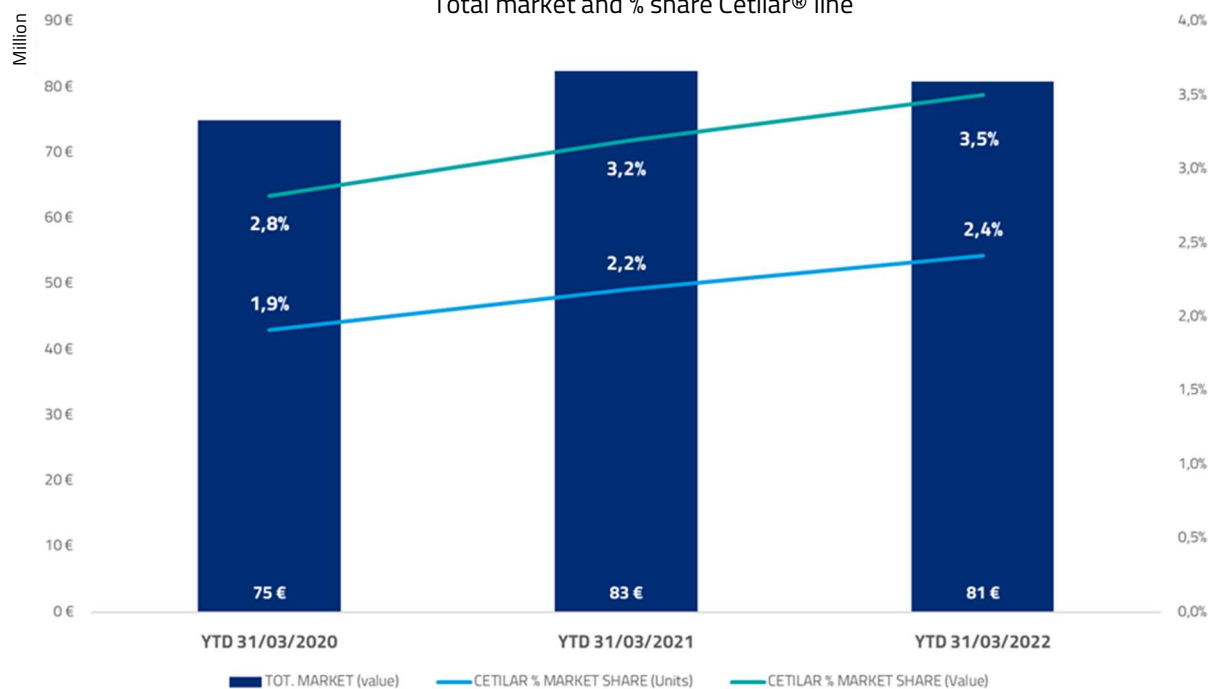
Trend Sideral in Food Supplements Iron Market (UN)_Quarter



1.5.2 Market for topical painkillers

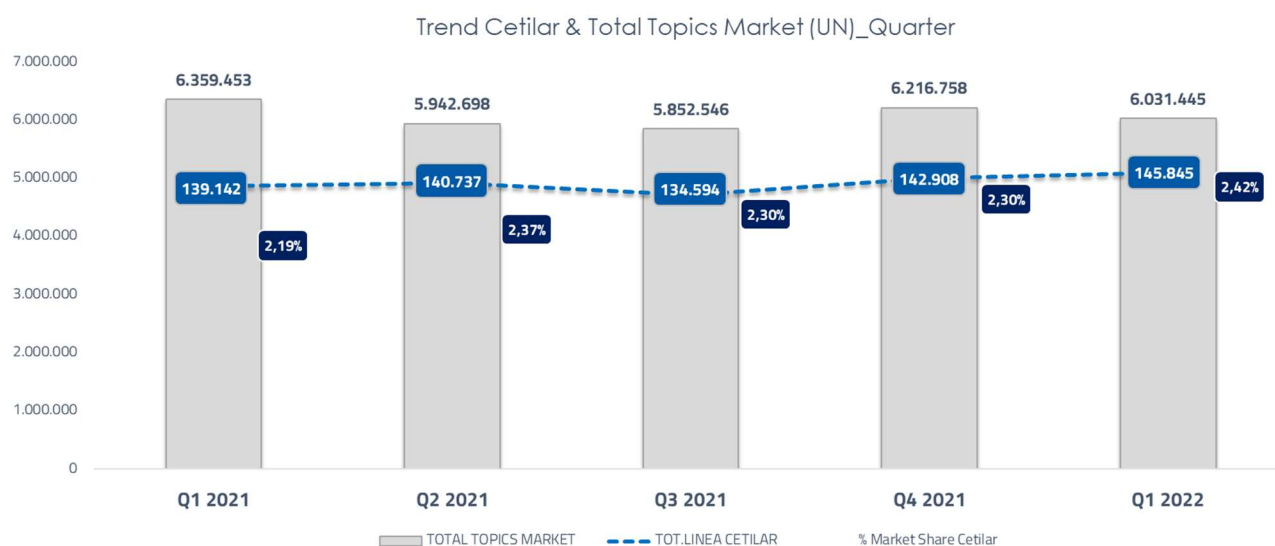
The following chart shows the trend of Cetilar's market share (expressed in value and units) in relation to the reference market.

Total market and % share Cetilar® line



Against a backdrop of a declining market (approximately -2%) in the first quarter of 2022 compared to the first quarter of 2021 and a highly fragmented competitive scenario, the market share of the Cetilar® range increased both in terms of value and units, from 3.2% to 3.5% in value and from 2.2% to 2.4% in volume terms³.

The graph below shows the trend by quarter from March 2021 to March 2022 of the overall market for topical products and Cetilar® line. With the overall market down approximately 5% compared to the first quarter of 2021, the Cetilar® line is up 4.8%.



1.6 Significant events after the end of the period

No significant events have occurred after March 31st 2022.

1.7 Business outlook

The Directors believe that the 2022 financial year will be characterised by a growth in revenues in line with that of 2021, but with different quarterly dynamics; sales performance in the first quarter was higher than the objectives both on the Italian and foreign markets. As far as the Italian market is concerned, the return to a situation of normality following the end of the state of emergency should allow the performance of scientific information activities without the current limitations and the resumption of some activities that have been suspended to date, enabling the Group to achieve its objectives. With regard to foreign markets, the orders booked fully cover the objectives for the second quarter of 2022 and part of those for the third quarter.

³ Source: IQVIA, Rework Data March 2022

During 2022, Pharmanutra's strategy will essentially be oriented towards strengthening its leadership in the iron market, where it already holds a market share of approximately 55% 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 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. The Pharmanutra Group has no exposure to either the Russian or Ukrainian distributor, and the possible adoption of even stronger 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 objectives, maintaining a constant focus on the efficient management of its economic and financial structure to respond flexibly and immediately to the uncertainties of 2022.

Pisa, May 9th 2022

For the Board of Directors

The Chairman

Andrea Lacorte

**CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH
2022 AND EXPLANATORY NOTES**

Consolidated Balance Sheet

€/1000	31 March 2022	31 December 2021
NON-CURRENT ASSETS	16,986	15,837
Property, plant and equipment	8,852	8,372
Intangible assets	5,718	5,500
Investments	254	254
Non-current financial assets	225	221
Other non-current assets	747	254
Deferred tax assets	1,190	1,236
CURRENT ASSETS	57,601	55,519
Inventories	3,299	2,865
Cash and cash equivalents	27,481	29,409
Current financial assets	4,601	4,530
Trade receivables	19,078	16,673
Other current assets	2,363	1,099
Tax receivables	779	943
TOTAL ASSETS	74,587	71,356
SHAREHOLDERS' EQUITY	46,719	45,082
Share capital	1,123	1,123
Legal reserve	225	225
Treasury shares	(1,887)	
Other reserves	43,724	29,949
IAS 19 reserve	95	56
OCI Fair Value Reserve	23	28
FTA reserve	(70)	(70)
Result for the period	3,486	13,771
SHAREHOLDERS' EQUITY	46,719	45,082
Equity attributable to minorities		
NON-CURRENT LIABILITIES	9,326	9,526
Non-current financial liabilities	5,467	5,530
Provisions for risks and charges	1,040	1,475
Provisions for employee and director benefits	2,819	2,521
CURRENT LIABILITIES	18,542	16,748
Current financial liabilities	485	820
Trade payables	10,113	9,751
Other current liabilities	3,127	2,748
Tax payables	4,817	3,429
TOTAL LIABILITIES	74,587	71,356

Consolidated Income Statement

€/1000	NOTES	2022	2021
TOTAL REVENUES		18,967	14,335
Net revenues	2.1.1	18,840	14,238
Other revenues	2.1.2	127	97
OPERATING COSTS		13,703	10,468
Purchases of raw materials, consumables and supplies	2.2.1	1,032	806
Change in inventories	2.2.2	(434)	(70)
Costs for services	2.2.3	11,863	8,653
Personnel costs	2.2.4	1,129	1,002
Other operating costs	2.2.5	113	77
EBITDA		5,264	3,867
Amortisation, depreciation and write-offs	2.3	291	296
OPERATING RESULT		4,973	3,571
FINANCIAL INCOME (EXPENSES) BALANCE		7	22
Financial income	2.4.1	22	21
Financial expenses	2.4.2	(15)	1
PRE-TAX RESULT		4,980	3,593
Taxes	2.5	(1,494)	(1,084)
Net result of third parties			
Group net income		3,486	2,509
Net earnings per share (Euro)		0.36	0.26

Consolidated comprehensive income statement

€/1000	2022	2021
Result for the period	3,486	2,509
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	38	73
Overall result for the period	3,524	2,582

Statement of changes in Consolidated shareholders' equity

€/1000	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 01/01/2022	1,123		225	29,949	(70)	28	56	13,771	45,082
Other changes		(1,887)		4		(5)	39		(1,849)
Result dest.				13,771				(13,771)	-
Result for the period								3,486	3,486
Balance at 31.3.2022	1,123	(1,887)	225	43,724	(70)	23	95	3,486	46,719

€/1000	Share capital	Treasury shares	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	22,363	(70)	67	(50)	14,072	37,730
Other						20	53		73
Result dest.				14,072				(14,072)	-
Result for the period								2,509	2,509
Balance as at 31/03/2021	1,123		225	36,435	(70)	87	3	2,509	40,312

Consolidated cash flow statement

CASH FLOW STATEMENT (€/1000) - INDIRECT METHOD	2022	2021
Net result before minority interests	3,486	2,509
NON-MONETARY COSTS/REVENUES		
Depreciation and write-offs amortisation	291	296
Provision for employee and director benefits	55	48
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in provisions for non-current risks and charges	(435)	(10)
Change in provisions for employee and administrative benefits	243	33
Change in inventories	(434)	(70)
Change in trade receivables	(2,451)	(1,134)
Change in other current assets	(1,264)	(824)
Change in tax receivables	164	151
Change in other current liabilities	385	163
Change in trade payables	362	428
Change in tax liabilities	1,388	1,110
CASH FLOW FROM OPERATIONS	1,790	2,700
Investments in intangible assets, property, plant and equipment	(1,043)	(283)
Disposal of fixed assets, property, plant and equipment	98	
Change in TFM insurance credit	(493)	(254)
Change in deferred tax assets	46	(16)
CASH FLOW INVESTMENT MANAGEMENT	(1,392)	(553)
Other changes in equity	38	73
Purchases of treasury shares	(1,887)	
Increases in financial assets	(78)	(11)
Decreases in financial assets		197
Increases in financial liabilities		120
Decreases in financial liabilities	(333)	(153)
Increased financial liabilities for rights of use	16	
Decreased financial liabilities for rights of use	(82)	(68)
CASH FLOW FROM FINANCING	(2,326)	158
TOTAL CHANGE IN CASH	(1,928)	2,305
Cash and cash equivalents at the beginning of the period	29,409	16,455
Cash and cash equivalents at the end of the period	27,481	18,760
CHANGE IN CASH AND CASH EQUIVALENTS	(1,928)	2,305

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND CONSOLIDATION PRINCIPLES

This Interim Management Report as at 31 March 2022 (hereinafter the "Interim Report") has been drafted as required for a STAR issuer (High Standard Mid Cap Segment) in accordance with the provisions of Borsa Italiana Notice No. 7587 of 21 April 2016 "STAR issuers": information on interim management statements STAR/issuers; its content is consistent with the provisions of Art. 154-ter, paragraph 5, of Italian Legislative Decree of 24 February 1998 no.58.

The Interim Report has been drafted in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS also include the International Accounting Standards ("IAS") still in force, as well as all the interpretative documents issued by the Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC") and, before that, the Standing Interpretations Committee ("SIC"). The financial standards implemented in drafting this Interim Report are the same as those implemented in drafting Consolidated Financial Statements for the year ended 31 December 2021, except for the new standards and interpretations effective from 1st January 2022 and are required to be, which did not have a material impact on the period.

This Interim Report has not been audited by the independent auditors.

The Interim Report was approved by Pharmanutra Board of Directors on 09 May 2022 and on the same date the same body authorised its publication.

It should be noted that no changes occurred in the consolidation area compared to 31 December 2021.

2. COMMENTS ON THE MAIN ITEMS

2.1 REVENUES

2.1.1 Net revenues

Revenues at 31 March 2022 increased by Euro 4.6 million compared to the same period last year. As shown in the table below, the increase in revenues is due to higher sales on both the Italian and foreign markets. For the latter, the increase is influenced by the different distribution of orders by foreign distributors compared to the previous year.

	2022	2021	Change
LB1 REVENUES	13,054	10,816	2,238
LB2 REVENUES	5,786	3,422	2,364
TOTAL SALES	18,840	14,238	4,602

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

€/1000	2022	2021	Change	Δ%	Incidence 2022	Incidence 2021
Italy	12,571	10,174	2,397			
Total LB1	12,571	10,174	2,397	23.6%	66.7%	71.5%
Europe	3,386	2,413	973	40.3%		
Middle East	1,844	812	1,032	127.1%		
Far East	-	106	(106)	-100.0%		
Africa	237	-	237	n.s.		
Total LB2	5,467	3,332	2,135	64.1%	29.0%	23.4%
Raw materials - Italy	482	642	(160)	-24.9%	2.6%	4.5%
Raw materials - Abroad	319	90	230	255.5%	1.7%	0.6%
Total net revenues	18,840	14,237	4,602	32.3%	100.0%	100.0%

2.1.2 Other revenues and income

	2022	2021	Change
Contractual indemnities	2	59	-57
Refunds and recovery of expenses	9	7	2
Contingent assets	87	30	57
Other revenues and income	29	1	28
Total Other revenues and income	127	97	30

2.2 OPERATING COSTS

2.2.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2022	2021	Change
Costs for raw materials and semi-fin. goods	479	170	309
Costs for consumables	115	87	28
Costs for the purchase of fin. goods	438	549	-111
Total purchases of raw materials, consumables and supplies	1,032	806	226

2.2.2 Change in inventories

	2022	2021	Change
Change in raw materials	-113	-110	-3
Change in finished product inventories	-360	6	-366
All. write-off provision Inventories	39	34	5
Change in inventories	-434	-70	-364

The decrease in inventories of finished goods resulted from higher revenues in the quarter under review.

The final value of inventories is adjusted by the inventory write-off provision of Euro 271 thousand (Euro 232 thousand at 31 December 2021).

2.2.3 Costs for services

	2022	2021	Change
Marketing and advertising costs	2,828	1,912	916
Production and logistics	3,478	2,264	1,214
General service costs	850	547	303
Research and development costs	80	149	-69
Costs for IT services	94	94	0
Commercial costs and commercial network	2,468	2,158	310
Corporate bodies	2,016	1,478	538
Rental and leasing costs	4	1	3
Financial costs	45	50	-5
Total costs for services	11,863	8,653	3,210

The increase in the item Marketing and advertising costs is generated by the initiatives undertaken to support the group's brands. The increase in items "Production and logistics" and "Commercial costs and commercial network costs" reflects higher sales volumes over the same period in the previous year. The decrease in research and development costs was due to the different progress of projects compared to the previous year. The increase in

General Services Costs resulted primarily from travel costs that were contained in the first three months of 2022 due to restrictions adopted to contain the Covid-19 outbreak.

2.2.4 Personnel costs

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

	2022	2021	Change
Wages and salaries	814	728	86
Social security charges	255	224	31
All. to provision for severance indemnity	55	48	7
Other personnel costs	5	2	3
Total personnel costs	1,129	1,002	127

The increase compared to the figure at 31 March 2021 is due to hirings made in the period as the organisational structure was gradually adjusted to deal with increasing business volumes.

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

Units	2022	2021	Change
Executives	2	2	0
White	58	53	5
Blue collars	2	1	1
Total	62	56	6

As at 31 March 2022, the number of employees was 64 compared to 60 at 31 March 2021.

2.2.5 Other operating costs

	2022	2021	Change
Capital losses	5	9	-4
Sundry tax charges	7	12	-5
Membership fees	8	13	-5
Charitable donations and social security	7	4	3
Other costs	86	39	47
Total other operating costs	113	77	36

2.3 AMORTISATION, DEPRECIATION AND PROVISIONS

	2022	2021	Change
Amortisation of intangible fixed assets	131	144	-13
Depreciation of tangible fixed assets	114	88	26
Allowance to prov. for risks related to legal			0
Allowance to provision for doubtful accounts from customers	46	64	-18
Allowance to provision for doubtful accounts from customers not ded.			0
Total amortisation, depreciation and write-offs	291	296	-5

2.4 FINANCIAL INCOME/EXPENSES

2.4.1 Financial income

	2022	2021	Change
Interest income	22	21	1
Total financial income	22	21	1

2.4.2 Financial expenses

	2022	2021	Change
Other financial expenses	-2	2	-4
Interest expenses	-4	-1	-3
Realised exchange losses	-9		-9
Total financial charges	-15	1	-16

2.5 INCOME TAXES

	2022	2021	Change
Direct taxes on business income	1,448	1,098	350
Deferred tax assets	46	-14	60
Total taxes	1,494	1,084	410

Taxes are accrued on an accrual basis and have been determined on the basis of current rates and regulations.

NET FINANCIAL POSITION

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 March 2022 towards 31 December 2021 is as follows:

	31 March 2022	31 December 2021
A Cash and cash equivalents	(27,481)	(29,409)
B Cash equivalents		
C Other current financial assets	(4,601)	(4,530)
D Liquidity (A+B+C)	(32,082)	(33,939)
E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	331	515
F Current portion of non-current financial debt	154	305
G Current financial debt (E+F)	485	820
of which guaranteed	154	154
of which not guaranteed	331	666
H Net current financial debt (G-D)	(31,597)	(33,119)
I Non-current financial debt (excluding current portion and debt instruments)	5,467	5,526
J Debt instruments		4
K Trade payables and other non-current payables		
L Non-current financial debt (I+J+K)	5,467	5,530
of which guaranteed	0	0
of which not guaranteed	5,467	5,530
M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	(26,130)	(27,589)
N Other current and non-current financial assets	(972)	(475)
O Net financial debt (M-N)	(27,102)	(28,064)

- 1) It includes the following items of the financial statements: Current financial liabilities (Bank overdrafts Euro 77 thousand, Financial liabilities for rights of use Euro 254 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 liabilities for rights of use Euro 467 thousand);
- 3) It includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 225 thousand) and Other non-current assets (Insurance for Directors' termination indemnity Euro 747 thousand).

Pisa, May 9th 2022

For the Board of Directors

The Chairman

Andrea Lacorte

Declaration pursuant to paragraph 2 art 154-*bis* of the Italian Consolidated Finance Act (Testo Unico della Finanza)

The undersigned Francesco Sarti, Manager in charge of drafting the corporate accounting documents of Pharmanutra S.p.A.

DECLARES

pursuant to paragraph 2 of Article 154 *bis* of the Italian Consolidated Finance Act, that the accounting information contained in the Pharmanutra Group's Interim Management Report as at 31 March 2022 corresponds to the documented results, books and accounting records.

Pisa, May 9th 2022

PharmaNutra S.p.A.

Executive in charge for drafting

the financial statements

Francesco Sarti

 PHARMANUTRA

 JUNIAPHARMA

 ALESCO

PharmaNutra SpA

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