ANNUAL FINANCIAL REPORT

31 December 2023

PharmaNutra S.p.A.

Headquarters	Via Campodavela, 1 - 56122 PISA (Italy)
REA (Economic Administrative Index)	PI-146259
Share capital	Euro 1,123,097.70 f.p.
Tax ID no. | VAT no.| Pisa Co. Reg.	01679440501

PHARMANUTRA

Andrea Lacorte, President of PharmaNutra S.p.A., comments: *"Closing another year with more than positive results is always very important, but doing so in a historical period in which the company has invested means and resources to increase its business in the long term, both in Italy and abroad, is an exceptional result to all intents and purposes. We are very happy to share these draft financial statements with the Shareholders' Meeting, that is a concrete demonstration of the validity of our way of doing business and of the underlying ideas and insights. We strongly believe in what we do, and we will continue to tread these paths, characterised by strong investments in research and development, and by strategies aimed at an increasingly consolidated expansion abroad, on the strength of our patents that - I will never get tired of repeating it - represent essential strategic assets".*

""The Board of Directors is proud and deeply satisfied to present to the Shareholders' Meeting the draft financial statements in which, together with all the investments aimed at an important long-term business development, a margin level in line with PharmaNutra's typical growth over the years is maintained. This is a particularly important result because it does mean that our company is able to look far into the future, while maintaining the outstanding performance that characterises us", ***adds Roberto Lacorte, Vice Chairman and CEO of the Group.*** *"In addition to this, great satisfaction comes from the achievement of an equally important goal which is the €100 million revenue milestone, a step that represents a crucial transition point towards new and ambitious goals for the future".*

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., Alesco S.r.l., Akern S.r.l., PharmaNutra España S.L.U. and PharmaNutra USA Corp.** are part of the Group.

Thanks to the continuous capital expenditures in R&D, which have led to the approval of several patents referred to the Sucrosomial® technology and Cetylated Esters, the Group has succeeded in a short time in establishing itself as leader in the production of minerals and iron-based nutritional supplements, further to being considered one of the top emerging players in the field of medical devices dedicated to the restoration of joint capacity.

Today the PharmaNutra Group has **over 100 employees** and a network of **more than 150 one-firm Pharmaceutical Sales Representatives**, who are the company's real driving force in the territory: a commercial structure built to respond to the peculiarities of the domestic market, but which has been able to adapt quickly and efficiently to international requirements.
The Group has been present on **foreign markets** since 2013 with a flexible and innovative business model, which is based on an established network of excellent partners. Currently, the products of PharmaNutra companies are present in **over 70 countries worldwide**, including Europe, Asia, Africa and America, through a network of **more than 45 carefully selected business partners**.

In 2022, **Akern S.r.l.** - a company specialising in the field of bioimpedance analysis boasting over 40 years of history and innovation behind it - became part of the PharmaNutra Group, with the aim of realising strategic synergies for strengthening and diversifying the business lines.

In support of new growth strategies, **PharmaNutra España** and **PharmaNutra USA** were established in 2023 with the aim of directly handling product distribution.

- **2000 — ALESCO**: Establishment of a new company specialised in nutraceutical raw materials.
- **2003 — PHARMANUTRA**: PharmaNutra is founded, for the development of medical devices and nutraceutical products.
- **2010 — JUNIA PHARMA**: Establishment of a new company focusing on the paediatric sector.
- **2022 — AKERN**: PharmaNutra started and completed the acquisition of 100% of the shares in Akern S.r.l.
- **2023 — NEW STRATEGIES FOR GROWTH**: Incorporation of PharmaNutra USA and PharmaNutra España.

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

Giuseppe Rotunno (Chairman of the Board of Statutory Auditors)

Michele Luigi Giordano (Standing Auditor)

Debora Mazzacherini (Standing Auditor)

Alessandro Lini (Alternate Auditor)

Elena Pro (Alternate 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 aim 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.

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.

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MANAGEMENT REPORT

Dear Shareholders,

the consolidated financial statements for the year ended 31/12/2023 showed a net result of Euro 12.8 million compared to the net result of Euro 15.1 million of the previous year.

Taxes for the year amounted to Euro 10.4 million (net of deferred tax assets), of which Euro 2.6 million related to the definition, through the special redemption procedure, of the 2017-2021 tax periods in view of the decision to adhere to the collaborative compliance tool provided for by Italian Legislative Decree No. 128 of 5 August 2021.

Pre-tax result amounted to Euro 23.3 million (Euro 23.4 million in 2022). Pre-tax result, in turn, was determined by allocating Euro 3.1 million (about Euro 1.3 million in 2022) to the provision for amortisation, depreciation and write-downs.

The PharmaNutra Group (hereinafter also the "Group") consists of PharmaNutra S.p.A. ("PharmaNutra", the "Company" or the "Parent Company") and its subsidiaries Junia Pharma S.r.l. ("Junia Pharma"), Alesco S.r.l. ("Alesco"), Akern S.r.l. ("Akern"), PharmaNutra Usa Corp. ("PharmaNutra USA" or "PHN USA") and PharmaNutra España S.L. ("PharmaNutra España" or "PHN ESP").

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 Pharmaceutical Sales Representatives 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 Pharmaceutical Sales Representatives' 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 constantly boosts 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.

Akern is an Italian company established in 1980 to research, develop and produce medical instrumentation and software for monitoring body composition using bioimpedance techniques.

PharmaNutra USA was established in December 2022 to distribute PharmaNutra® branded products in the US market through direct distribution on the territory and selected e-commerce channels. The company has a capital of USD 1,800,000 and operational headquarters in Florida.

PharmaNutra España was established in March 2023 with its headquarters in Barcelona and capital of Euro 50,000. It is in charge of the distribution of the Cetilar® and Cetilar® Nutrition line products in the Spanish market through selected online sales channels and a dedicated sales network.

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 31/12/2023 are as follows:

INCOME STATEMENT FIGURES (€/millions)	2023	%	2022	%	Changes
REVENUES	102.0	100.0%	83.4	100.0%	22.3%
REVENUES FROM SALES	100.2	98.3%	82.7	99.2%	21.1%
EBITDA	26.5	26.0%	24.4	29.2%	8.7%
NET RESULT	12.8	12.6%	15.1	18.0%	-14.7%
NET RESULT excl. non-recurring items *	15.5	15.2%	15.1	18.0%	2.7%
EPS - NET RESULT PER SHARE (Euro)	1.33		1.56		-14.7%
EPS - NET RESULT PER SHARE excl. non-recurring items (Euro) *	1.60		1.56		2.8%

BALANCE SHEET FIGURES (€/millions)	2023	2022	Changes
NET INVESTED CAPITAL	57.0	40.3	16.7
NET FINANCIAL POSITION	(2.6)	10.6	(13.3)
SHAREHOLDERS' EQUITY	(54.4)	(51.0)	3.5

** the Net Result and Net Earnings per share excluding non-recurring items as at 31/12/2023 do not include the amount of Euro 2.6 million, which represents the burden incurred for the definition of the tax periods between 2017 and 2021 with the aim of complying with the institution of cooperative compliance provided for by Italian Legislative Decree No. 128 of 5 August 2015.*

Revenues from sales

In 2023, consolidated revenues from sales amounted to Euro 100.2 million, with an increase of 21.1% compared to the previous year.

In terms of volumes, the sales of finished products as at 31 December 2023 reached 13.7 million units, an increase of approximately 22.4% compared to 11.2 million units in the previous year.

Italy

The revenues deriving from sales on the Italian markets recorded an increase of about 14.8%, reaching Euro 68.0 million, of which Euro 5.0 million referred to Akern, compared to Euro 59.2 million in the previous year.

The result achieved reflects the strategic choices implemented and the investments made in support of the Group's brands.

Foreign market

Overall, revenues from sales on foreign markets increased by about 37.2%, reaching Euro 32.2 million (Euro 23.5 million in the previous year), and represent approximately 32.2% of total revenues. Revenues on foreign markets are represented almost exclusively by sales of products from the SiderAL® line.

The contribution to revenues in foreign markets of newly established subsidiaries is marginal.

The foreign market with the highest incidence is Europe, which accounted for about 52.4% of the total revenues in foreign markets as at 31 December 2023.

The development of new markets continued during 2023 with the definition of new distribution agreements.

PharmaNutra Group's **EBITDA** was approximately Euro 26.5 million as at 31 December 2023 (Euro 24.4 million in 2022), equal to a 26.0% margin (29.2% in 2022) on total revenues, with a 8.7% increase compared to the previous year. Excluding the operating start-up costs of new initiatives (approximately Euro 4,6 million), the EBITDA incidence on revenues as at 31 December 2023 would be in line with that recorded in the same period of the previous year.

The **Net result** for the period amounted to Euro 12.8 million compared with Euro 15.1 million as at 31 December 2022.

The **Net result for the period excluding non-recurring items**, being the tax burden mentioned above, amounted to Euro 15.5 million.

The 2023 **Net result per share** was Euro 1.33 compared to Euro 1.56 in 2022.

The 2023 **Net Result per share excluding non-recurring items** was Euro 1.60.

The 2023 **Net Financial Position** recorded a reduction of Euro 13.3 million compared to 31 December 2022, due to the investments made and posted a negative balance of Euro 2.6 million compared to the positive one of Euro 10.6 million in the previous year.

The cash flow from operations amounted to Euro 12.1 million (Euro 17.5 million in 2022), 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 the recoverability of goodwill as well as tangible and intangible assets recognised in the financial statements as at 31 December 2023. The impairment test performed on the recoverability of goodwill, which amounted to Euro 17,561 thousand as at 31 December 2023, of which Euro 960 thousand related to the subsidiary Alesco, Euro 1,790 thousand to the subsidiary Junia Pharma, and Euro 14,811 thousand related to the Akern subsidiary, showed an excess of the recoverable amount of 23 times for the amount related to the subsidiary Alesco, 16 times for the subsidiary Junia Pharma and 16% for Akern. For further details, see the relevant section of the Explanatory Notes to the Consolidated Financial Statements.

Information on the Russia – Ukraine conflict and the Middle East conflict

The effects of the ongoing conflict between Russia and Ukraine and the Middle East conflict on the Group's financial position, performance and cash flows are very limited.

As of today, the Group has no exposure to the Russian distributor and operations continued normally during the year. Starting from the previous year, in order to preserve the investments made in the past for the creation of the Russian market and not to deprive people of products that contribute to their well-being, the Group did not stop supplying to the Russian distributor, but allocated part of the margin realised to local humanitarian organisations to support Ukrainian refugee families hosted and to contribute to the provision of health services in Ukraine.

Regarding Ukraine, a marginal market, there are no open positions as of today.

The sanctioning measures adopted by the international community against Russia, as well as the countermeasures activated by this country, have led and continue to lead to a sharp increase in prices, mainly of raw materials and energy, which at present have not impacted the Group's profitability thanks to careful and punctual management.

In light of the foregoing, the directors have assessed that the effects of the Russia-Ukraine conflict on the Group's performance are not indicators of possible impairment losses.

No significant effects are also expected due to the conflict in the Middle East, as the Group has no distribution agreements in Palestine.

Significant Events of 2023

The process of developing new markets continued with the signing, in January, of new sales agreements for the distribution of products from the SiderAL® and Cetilar® lines in the Indonesian Republic, Kuwait and Mexico.

In February, a collaboration agreement with Ferrari-AF Corse was announced, thanks to which the Cetilar® brand is present on two official Ferrari 499P prototypes participating in the World Endurance Championship.

In March, PharmaNutra España establishment was finalised and the new product line dedicated to sports nutrition, Cetilar® Nutrition, was launched. This is a truly innovative product line, representing a new, safe and effective approach to supporting the needs of the body engaged in intense sports performance, developed through the application of Sucrosomial® Technology, the PharmaNutra patent that has revolutionised the nutritional supplement market, guaranteeing better absorption and high tolerability of nutrients.

Always in March, the dispute with the Italian Inland Revenue concerning tax year 2016 was settled by opting for settlement concessions with the payment of Euro 797 thousand. This amount will be subject to reimbursement by the pre-existing shareholders at the date of listing on the AIM market (July 2017) for taxes, penalties and interest paid on the basis of the statements and guarantees made by them in the admission document, Section 1, chapter 16, paragraph 16.1.

In April, three new contracts were formalised for the distribution of products from the Sideral line: the first agreement concerns the Benelux and was signed with GLNP Pharma, a Dutch company specialising in the development and sale of nutritional supplements dedicated to body health and biomedical equipment, and already a partner of Akern; GLNP Pharma will handle the distribution of SiderAL® Forte in the territory. The second agreement was entered into with Laboratorio Ariston, a partner company of PharmaNutra for the distribution of SiderAL® Forte in Argentina, which will expand its distribution to Chile and Uruguay, thereby strengthening PharmaNutra's presence in South America. The third agreement was concluded with KOL Pharma, a company active in the distribution of medical devices in the American continent, which will distribute SiderAL® Forte and SiderAL® Folic in Guatemala, Panama, El Salvador and Costa Rica.

In May, a partnership was renewed with the Spanish driver Fernando Alonso, already with PharmaNutra on the occasion of his participation in the Dakar 2020. He is testimonial of the Cetilar® brand and the new Cetilar® Nutrition line, thus significantly contributing to the development of the effectiveness of the new products.

In the same month, a mortgage loan contract with progress draws was finalised with Banco BPM S.p.A. for the amount of Euro 12 million.

In June, the Parent Company invested a portion of its liquidity, amounting to the nominal value of Euro 5 million, by purchasing tax credits. The latter are credits deriving from the so-called "superbonus", "ecobonus" and other building tax relief measures, in the various forms of tax relief obtained in connection with the interventions referred to in articles 119-121 of Italian Decree-Law No. 34/2020, converted into Act No. 77/2020, as later amended and supplemented ("Relaunch Decree"), Italian Decree-Law No. 63/2013, converted into Act No. 90/2013, articles 14, 16, 16-*bis* and 16-*ter*, and Italian Act No. 160/2019 article 1, paragraph 219, as later amended and supplemented.

Following the expiry of the regulations issued during the Covid-19 outbreak for the use of smart working in a simplified mode, the Group entered into individual agreements with all employees defining how this tool could be used.

On 5 October, the Group's new headquarters were inaugurated. The new headquarters occupy a total area of more than 5,300 square metres, of which 2,200 square metres are dedicated to production, 1,600 square metres to executive offices, and about 1,500 square metres to additional services. Moreover, there are more than 10,000 square metres of outdoor space.

The registered office of the Parent Company, of Junia Pharma and Alesco was then relocated to Via Campodavela 1, Pisa.

The building is a concrete commitment to sustainability, with several green areas, relaxation and social areas, not to mention a gym, all designed for the workers' well-being. This reflects the company's philosophy which has always maintained its focus on people, combining flexibility, efficiency, research, innovation and quality.

This is a highly strategic capital expenditure for the Group's development, with which it has been possible to internalise the production of proprietary raw materials and research activities, which will be carried out in one of the most innovative nutritional research and development laboratories in Europe, so that new product development times will be reduced.

An agreement was signed in October with the Tuscan Regional Directorate of the Italian Revenue Agency to access the facilitated taxation regime provided by the former Patent Box for the 2019-2023 five-year period, referring to the direct exploitation of technical, know-how and patents that had not been included in the previous agreement. The resulting tax benefit amounted to Euro 383 thousand, of which about Euro 216 thousand referred to previous years.

In November, the requirements for obtaining the Industria 4.0 tax credit relating to investments in capital goods pursuant to Italian Act No. 178/2020 and subsequent amendments and additions were verified. The total amount of the benefit amounts to Euro 1.3 million.

27,986 treasury shares were purchased during the year as part of the share buyback program approved by the Ordinary Shareholders' Meeting on 26 April 2021 and 27 April 2022. 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 capital expenditures opportunity for any purpose permitted by current regulations. As at 31 December 2023, PharmaNutra holds 65,985 treasury shares equal to 0.68% of the share capital.

Operating Performance

PharmaNutra Group's Business Lines

The PharmaNutra Group's distribution and sales model consists of three main Business Lines:

Direct Business Line (LB1): it is characterised by direct presence on the reference markets; the logic that governs this model is to ensure complete control of the territory through an organisational structure of Pharmaceutical 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, used for 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 63.4% of revenues, while the approx. remaining 31.6% 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 PharmaNutra, Junia Pharma and Alesco 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 contracts, distribute and sell the products in their own markets.

Akern Business Line: the business model involves the sale of instrumentation and software for body bioimpedance analysis in Italy and foreign markets through agents, distributors and online sales. Revenues from this business line represent 5.0% of total revenues.

The consolidated revenues as at 31 December 2023, amounting to Euro 100.2 million, increased by 21.1% compared to 31 December 2022 (Euro 82.7 million). It should be noted that the 2022 figures for Akern refer to the second half of the financial year, as the company was consolidated as of 1 July 2022.

Revenues by area of activity €/1,000	2023	2022	Δ%	Incidence 2023	Incidence 2022
LB1	62,509	56,106	11.4%	62.4%	67.8%
LB2	30,451	22,355	36.2%	30.4%	27.0%
Total Finished Products	***92,960***	***78,461***	***18.5%***	***92.8%***	***94.9%***
Alesco Outgroup - Italy	1,054	1,385	*-23.9%*	*47.6%*	*1.7%*
Alesco Outgroup - Foreign markets	1,159	918	*26.3%*	*52.4%*	*1.1%*
Total Raw Material	***2,213***	***2,303***	**-3.9%**	**2.2%**	**2.8%**
Akern Italy	4,413	1,742	*n.s.*	*87.7%*	2.1%
Akern Foreign markets	617	219	*n.s.*	*12.3%*	0.3%
Total Akern	***5,030***	***1,961***	**n.s.**	**5.0%**	**2.4%**
Total	**100,202**	**82,724**	**21.1%**	**100%**	**100%**

The breakdown of revenues in the Group's business areas shows that the sales of finished products increased by 11.4% and 36.2% 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 a decrease in revenues in the Italian market and an increase in foreign markets.

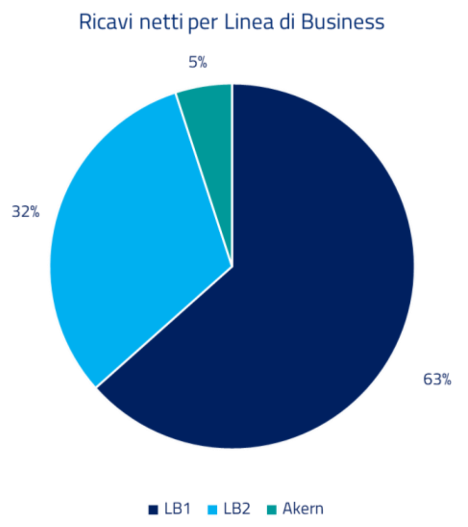
The revenues generated by Akern increased by 17.5% compared to 2022, confirming the significant development potential resulting from its integration into the Group.

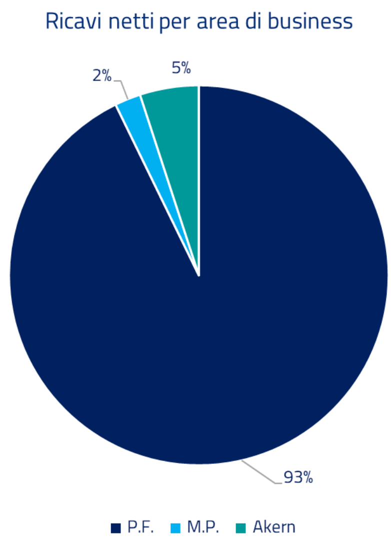
The following table shows the breakdown of the turnover into the business lines described above.

Revenues by Business Line				**Incidence**	
€/1,000	**2023**	**2022**	**Δ%**	**2023**	**2022**
Total LB1	63,563	57,491	10.6%	63.4%	69.5%
Total LB2	31,610	23,272	35.8%	31.6%	28.1%
Akern	5,030	1,961	n.s.	5.0%	2.4%
Total	**100,202**	**82,724**	**21.1%**	**100%**	**100%**

Overall, revenues from direct line sales increased by about 10.6%, reaching Euro 63.6 million (Euro 57.5 million in the previous year), and represent about 63.4% of total revenues.

Akern's revenues refer for Euro 4.4 million to the Italian market and for Euro 0.6 million to foreign markets.





Revenues on foreign markets increased by 37.2% to Euro 32.2 million (Euro 23.5 million in 2022), and accounted for 32.2% of total revenues compared to 28.4% in the previous year.

Revenues by geographic area €/1,000	2023	2022	Δ%	Incidence 2023	Incidence 2022
Italy	67,975	59,233	14.8%	67.8%	71.6%
Total Italy	***67,975***	***59,233***	**14.8%**	**67.8%**	**71.6%**
Europe	16,885	12,383	36.4%	52.4%	52.7%
Middle East	10,613	7,836	35.5%	32.9%	33.4%
South America	1,950	1,087	79.4%	6.1%	4.6%
Far East	1,550	842	84.1%	4.8%	3.6%
Other	1,229	1,343	-8.5%	3.8%	5.7%
Total Foreign Markets	***32,227***	***23,491***	**37.2%**	**32.2%**	**28.4%**
Grand Total	**100,202**	**82,724**	**21.1%**	**100%**	**100%**

The increase in revenues on foreign markets compared to 2022 arises from the progressive increase in volumes due to contracts concluded in previous years. The foreign market with the highest incidence is Europe, which accounted for 52.4% of the total as at 31 December 2023. There was significant growth in revenues on the Middle East market and in South America. Revenues on foreign markets are almost exclusively represented by sales of products from Sideral® line.

In terms of volumes, the sales of finished products as at 31 December 2023 reached 13,700 thousand units, an increase of approximately 22.4% compared to 11,194 thousand units in the previous year.

F.P. Volumes Units/1,000	2023	2022	Δ%	Incidence 2023	Incidence 2022
LB1	4,453	4,045	10.1%	32.5%	36.1%
LB2	9,246	7,149	29.3%	67.5%	63.9%
Total	**13,700**	**11,194**	**22.4%**	**100%**	**100%**

The volumes of finished products invoiced by LB1 business line increased by about 10.1% compared to the previous year, while the volumes of sales on foreign markets increased by about 29.3%, with a consequent increased incidence on the total volumes of finished products sold.

The analysis of finished products revenues by product line (Trademark) reported in the following table shows the growth of all the main product lines with the exception of a slight slowdown of Apportal®.

Revenues by Product Line				Incidence	
€/1,000	2023	2022	Δ%	2023	2022
Sideral	71,272	58,790	21.2%	71.1%	71.1%
Cetilar	10,034	8,144	23.2%	10.0%	9.8%
Apportal	8,073	8,238	-2.0%	8.1%	10.0%
Ultramag	1,022	874	16.9%	1.0%	1.1%
Other	2,559	2,415	6.0%	2.6%	2.9%
Akern	5,030	1,961	n.s.	5.0%	2.4%
Raw materials	2,213	2,303	-3.9%	2.2%	2.8%
Total	**100,202**	**82,724**	**21.1%**	**100%**	**100%**

The Sideral® line, with an increase in revenues reaching Euro 71.3 million as at 31 December 2023 (+21.2 compared to 2022) and an incidence on the total finished product turnover of 71%, stable compared to 2022, confirms itself as the main line in the Group's product portfolio with considerable growth margins.

The Cetilar® line returned to pre-Covid levels with a 23% increase over the previous year. The incidence on total revenues remained in line with the previous year. Apportal® showed a slowdown compared to the previous year, in line with the general trend in the topical products market, as the effects of Covid-19 faded.

The increase in the item Other was mainly attributable to the restart in sales of products for the paediatric market after the end of the Covid-19 epidemic.

PharmaNutra Group Results

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

The income statement is shown below:

CONSOLIDATED OPERATING INCOME STATEMENT (€/1,000)	2023	%	2022	%	Δ 23/22	Δ %
REVENUES	**101,963**	**100.0%**	**83,394**	**100.0%**	**18,569**	**22.3%**
Net revenues	100,202	98.3%	82,724	99.2%	17,478	21.1%
Other revenues	1,761	1.7%	670	0.8%	1,091	162.8%
OPERATING COSTS	**75,479**	**74.0%**	**59,035**	**70.8%**	**16,444**	**27.9%**
Purchases of raw materials, consum. and supplies	5,148	5.1%	4,793	5.8%	355	7.4%
Change in inventories	(2,699)	-2.7%	(1,968)	-2.4%	(731)	37.1%
Costs for services	65,376	64.1%	50,402	60.4%	14,974	29.7%
Personnel costs	6,807	6.7%	5,101	6.1%	1,706	33.4%
Other operating costs	847	0.8%	707	0.9%	140	19.8%
GROSS OPERATING MARGIN (EBITDA)	**26,484**	**26.0%**	**24,359**	**29.2%**	**2,125**	**8.7%**
Amortisation, depreciation and write-downs	3,124	3.1%	1,319	1.6%	1,805	136.9%
OPERATING MARGIN (EBIT)	**23,360**	**22.9%**	**23,040**	**27.6%**	**320**	**1.4%**
FINANCIAL INCOME (EXPENSE) BALANCE	**(100)**	**-0.1%**	**378**	**0.5%**	**(478)**	**-126.5%**
Financial income	905	0.9%	528	0.6%	377	71.4%
Financial charges	(1,005)	-1.0%	(150)	-0.2%	(855)	570.0%
PRE-TAX RESULT	**23,260**	**22.8%**	**23,418**	**28.1%**	**(158)**	**-0.7%**
Taxes	(10,428)	-10.2%	(8,370)	-10.0%	(2,058)	24.6%
Group net income	**12,832**	**12.6%**	**15,048**	**18.0%**	**(2,216)**	**-14.7%**

The increase in sales compared to the previous financial year was accompanied by a physiological increase in operating costs due to the higher revenue volumes realised in raw material purchasing and service costs. The start-up process of the subsidiaries PharmaNutra España, PharmaNutra USA and the new Cetilar® Nutrition line continued, resulting, as expected, in a moderate reduction in margins due to costs incurred in particular in recruiting, administrative and commercial consulting and personnel costs, as well as marketing investments made to support the Group's brands and new projects. The 21.1% increase in revenue was offset by a 27.9% increase in operating expenses compared to 2022.

Excluding the operating start-up costs of new initiatives (approximately Euro 4,6 million), the EBITDA incidence on revenues as at 31 December 2023 would be in line with that recorded in the same period of the previous year.

Personnel costs increased due to the hiring of new staff as part of the ongoing development process.

As already reported in the Annual Financial Report as at 31 December 2022, after having defined the 2016 tax period by means of a deed formalised in March, the Parent Company began discussing with the Provincial

Directorate of the Inland Revenue Agency at the Pisa office to also settle the tax periods from 2017 to 2021. This discussion covered the same type of remarks already considered for the 2016 tax period and, although it follows a general audit carried out by the tax authorities, it will not point out any additional types of tax remarks for the Company. This makes it possible to then pursue the objective, already informally anticipated to the tax supervisory authorities, of adhering to the cooperative compliance program provided for by Italian Legislative Decree no. 128 of 5 August 2015. To this end, in the financial statements as at 31 December 2022, a provision of Euro 1.4 million had been set aside to the tax provision. The checks carried out as part of the dialogue process with the Inland Revenue resulted in an additional charge of approximately Euro 2.6 million.

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-downs.

- 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.

OPERATING BALANCE SHEET (€/1,000)	31 December 2023	31 December 2022
TRADE RECEIVABLES	19,219	21,647
INVENTORIES	8,166	5,261
TRADE PAYABLES	(16,097)	(16,882)
OPERATING WORKING CAPITAL	**11,288**	**10,026**
OTHER RECEIVABLES	6,194	4,967
OTHER PAYABLES	(6,966)	(5,292)
NET WORKING CAPITAL	**10,516**	**9,701**
INTANGIBLE FIXED ASSETS	22,542	21,560
TANGIBLE FIXED ASSETS	26,352	17,055
FINANCIAL FIXED ASSETS	4,574	1,310
TOTAL FIXED ASSETS	**53,468**	**39,925**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(6,958)	(9,307)
TOTAL USES	**57,026**	**40,319**
SHAREHOLDERS' EQUITY	**54,407**	**50,948**
NON-CURRENT FINANCIAL LIABILITIES	23,430	14,110
CURRENT FINANCIAL LIABILITIES	4,585	3,616
NON-CURRENT FINANCIAL ASSETS	(293)	(1,503)
CURRENT FINANCIAL ASSETS	(6,178)	(4,801)
LIQUID FUNDS	(18,925)	(22,051)
NET FINANCIAL POSITION	**2,619**	**(10,629)**
TOTAL SOURCES	**57,026**	**40,319**

The increase in working capital compared to 31 December 2022 is mainly attributable to the procurement policies implemented to manage and streamline production costs, which led to an increase in inventories and to the timing dynamics of receipts and payments.

The increase in the item Other receivables is due to the recognition of the current portion of tax receivables acquired during the year as an investment of part of the liquidity and to the receivable claimed from the pre-existing shareholders at the date of listing on the AIM market (July 2017) for taxes, penalties and interest paid based on the declarations and guarantees issued by them in the admission document Section One, Chapter 16, paragraph 16.1 following the settlement concessions for to the dispute with the Inland Revenue related to the 2016 tax period.

The increase in the item Intangible fixed assets comes from the capitalised costs relating to patents and trademarks deriving from research activities, ongoing research projects and costs for the purchase and implementation of software.

The increase in the item Tangible fixed assets derives from the completion of construction work on the new headquarters and from the recognition of rights of use arising from leasing contracts entered into for the purchase of machinery, equipment and furniture for the new headquarters.

The increase in Financial Fixed Assets is generated by the recognition of Industria 4.0 tax credits and the long-term portion of tax credits from the so-called "superbonus", "ecobonus" and other building tax relief measures, in the various forms of tax relief obtained in connection with the interventions referred to in articles 119-121 of Italian Decree-Law No. 34/2020, converted by Law No. 77/2020, as later amended and supplemented ("Relaunch Decree"), Italian Decree-Law No. 63/2013, converted by Law No. 90/2013, articles 14, 16, 16-*bis* and 16-*ter*, and Italian Law No. 160/2019 article 1, paragraph 219, as later amended and supplemented, purchased in June as an investment of part of the Group's liquidity. The purchase concerned tax receivables with a nominal value of Euro 5 million for a consideration of Euro 4.3 million.

The decrease in the item Provisions and Other M/L-term Liabilities derives from the payment, following the expiry of the term of office of the Board of Directors, of the set aside termination indemnity and the portion of medium/long-term variable remuneration to the Executive Directors.

The item Current financial assets refers to a temporary use of part of the Group's liquid funds 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 most significant by the Group.

INDEXES	31/12/2023	31/12/2022
EBITDA /Revenues	26.0%	29.2%
EBIT /Revenues	22.9%	27.6%
R.O.S. (EBITDA /Net revenues)	26.4%	29.5%
R.O.I. (EBITDA /Net invested capital)	46.4%	60.4%
R.O.E. (Return On Equity)	23.6%	29.5%
NFP/Equity	-0.05	0.21
NFP/EBITDA	0.10	-0.44

The index analysis shows a slight reduction in profitability compared to the previous year due to costs related to new projects being implemented.

	31/12/2023	31/12/2022
Cash	(40)	(21)
Liquid funds	(18,885)	(22,030)
Total cash and cash equivalents	**(18,925)**	**(22,051)**
Current financial assets	(6,193)	(4,810)
Current financial liabilities: due to banks	627	0
Current portion of non-current debt	3,588	3,365
Current financial payables for rights of use	370	251
Net current financial indebtedness FA	(1,608)	(1,194)
Net current financial (assets)/indebtedness	**(20,533)**	**(23,245)**
Non-current financial assets	0	(1,259)
Deposits paid	(293)	(244)
Non-current bank payables	22,188	13,612
Non-current financial payables for rights of use	1,242	498
Non-current financial indebtedness	**23,137**	**12,607**
Net financial position	**2,604**	**(10,638)**

The **Net Financial Position** as at 31 December 2023 was negative in the amount of Euro 2.6 million compared to a positive balance of Euro 10.6 million as at 31 December 2022. The operating cash flow for the period amounted to Euro 12.1 million; capital expenditures for Euro 14.7 million were made, treasury shares were repurchased for Euro 1.7 million and tax credits for Euro 4.3 million were purchased.

The increase in the item Non-current bank payables derives from a SAL mortgage loan disbursed in two tranches by Banco BPM S.p.A.: the first in May for Euro 9 million and the second, disbursed in November, for Euro 3 million. The loan expires on 30 June 2038 and will be repaid in 60 quarterly instalments of which 4 are interest-only. It is secured by a first mortgage and is subject to an annual financial covenant, which has been met. The interest rate is variable and adjusted to the quarterly Euribor rate plus a spread of 145 b.p.

The reduction in Non-current Financial Assets resulted from the collection of the insurance policy taken out to cover the Directors' termination indemnity provision, which was liquidated following the expiry of the Executive Directors' term of office.

On 26 April 2023 the Shareholders' Meeting resolved the distribution of Euro 0.80 dividend per share, corresponding to a payout ratio of approximately 50%, given its structural financial capacity and the consolidated corporate practice on dividend distribution.

For more details on changes in the Net Financial Position, please refer to the Cash Flow Statement.

Income Statement and Balance Sheet of the Parent Company

As at 31 December 2023, PharmaNutra results are as follows:

NET RESULT FOR THE PERIOD: €/000 12,011

NET FINANCIAL POSITION: €/000 9,676

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

OPERATING INCOME STATEMENT (€/1,000)	2,023	%	2,022	%
REVENUES	**85,775**	**100.0%**	**71,211**	**100.0%**
Net revenues	83,642	97.5%	70,280	98.7%
Other revenues	2,133	2.5%	931	1.3%
OPERATING COSTS	**64,555**	**75.3%**	**52,035**	**73.1%**
Purchases of raw materials, consum. and supplies	3,575	4.2%	4,156	5.8%
Change in inventories	(2,041)	-2.4%	(1,271)	-1.8%
Costs for services	58,794	68.5%	45,434	63.8%
Personnel costs	3,558	4.2%	3,130	4.4%
Other operating costs	669	0.8%	586	0.8%
EBITDA	**21,220**	**24.7%**	**19,176**	**26.9%**
Amortisation, depreciation and write-downs	2,667	3.1%	953	1.3%
OPERATING RESULT	**18,553**	**21.6%**	**18,223**	**25.6%**
FINANCIAL INCOME (EXPENSE) BALANCE	**1,941**	**2.3%**	**1,730**	**2.4%**
Financial income	2,902	3.4%	1,844	2.6%
Financial charges	(961)	-1.1%	(114)	-0.2%
Non-recurring income (charges)		**0.0%**	**0**	**0.0%**
PRE-TAX RESULT	**20,494**	**23.9%**	**19,953**	**28.0%**
Taxes	(8,483)	-9.9%	(6,907)	-9.7%
Net result	**12,011**	**14.0%**	**13,046**	**18.3%**

The implementation of the new development projects led to an increase in operating costs, in particular in recruiting, administrative and commercial consulting and personnel costs, as well as marketing investments made to support the Group's brands and new projects.

The item Taxes includes the charge of Euro 2.6 million emerging from the definition of the tax periods from 2017 to 2021 inclusive, following an invitation to cross-examination received, with the aim of applying for access to the collaborative compliance regime provided for by Italian Legislative Decree No. 128 of 5 August 2015.

OPERATING BALANCE SHEET (€/1,000)	31/12/2023	31/12/2022
TRADE RECEIVABLES	16,340	18,741
INVENTORIES	5,815	3,772
TRADE PAYABLES	(14,192)	(16,204)
OPERATING WORKING CAPITAL	**7,963**	**6,309**
OTHER RECEIVABLES	5,745	4,184
OTHER PAYABLES	(5,732)	(4,126)
NET WORKING CAPITAL	**7,976**	**6,367**
INTANGIBLE FIXED ASSETS	2,667	2,096
TANGIBLE FIXED ASSETS	25,872	16,342
FINANCIAL FIXED ASSETS	23,978	18,500
TOTAL FIXED ASSETS	**52,517**	**36,938**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(6,255)	(8,673)
TOTAL USES	**54,238**	**34,632**
SHAREHOLDERS' EQUITY	**44,547**	**41,891**
NON-CURRENT FINANCIAL LIABILITIES	23,138	13,490
CURRENT FINANCIAL LIABILITIES	4,471	3,275
NON-CURRENT FINANCIAL ASSETS	(465)	(1,445)
CURRENT FINANCIAL ASSETS	(5,378)	(4,688)
LIQUID FUNDS	(12,075)	(17,891)
NET FINANCIAL POSITION	**9,691**	**(7,259)**
TOTAL SOURCES	**54,238**	**34,632**

The increase in working capital compared to 31 December 2022 is mainly attributable to the procurement policies implemented to manage and streamline production costs, which led to an increase in inventories and to the timing dynamics of receipts and payments.

The increase in the item Other receivables is due to the recognition of the current portion of tax receivables acquired during the year as an investment of part of the liquidity and to the receivable claimed from the pre-existing shareholders at the date of listing on the AIM market (July 2017) for taxes, penalties and interest paid based on the declarations and guarantees issued by them in the admission document Section One, Chapter 16, paragraph 16.1 following the settlement concessions for to the dispute with the Inland Revenue related to the 2016 tax period.

The increase in the item Intangible fixed assets comes from the capitalised costs relating to patents and trademarks deriving from research activities, ongoing research projects and costs for the purchase and implementation of software.

The increase in the item Tangible fixed assets derives from the completion of construction work on the new headquarters and from the recognition of rights of use arising from leasing contracts entered into for the purchase of machinery, equipment and furniture for the new headquarters.

The increase in Financial Fixed Assets is generated by the recognition of the Industria 4.0 tax credits and the long-term portion of tax credits from the so-called "superbonus", "ecobonus" and other building tax relief measures mentioned above.

The decrease in the item Provisions and Other M/L-term Liabilities derives from the payment, following the expiry of the term of office of the Board of Directors, of the set aside termination indemnity and the portion of medium/long-term variable remuneration.

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

	31/12/2023	31/12/2022
Cash	(31)	(14)
Liquid funds	(12,044)	(17,877)
Total cash and cash equivalents	**(12,075)**	**(17,891)**
Current financial assets	(5,393)	(4,697)
Current financial liabilities: due to banks	778	0
Current portion of non-current debt	3,386	3,165
Current financial payables for rights of use	307	110
Net current financial indebtedness FA	(922)	(1,422)
Net current financial (assets)/indebtedness	**(12,997)**	**(19,313)**
Non-current financial assets	(250)	(1,259)
Deposits paid	(215)	(186)
Non-current bank payables	22,017	13,239
Non-current financial payables for rights of use	1,121	251
Non-current financial indebtedness	**22,673**	**12,045**
Net financial position	**9,676**	**(7,268)**

The **Net Financial Position** as at 31 December 2023 was negative in the amount of Euro 9,676 thousand compared to a positive balance of Euro 7,268 million as at 31 December 2022. The operating cash flow for the period amounted to Euro 10.0 million; capital expenditures for Euro 16.3 million were made, treasury shares were repurchased for Euro 1.7 million and tax credits for Euro 4.3 million were purchased.

The increase in the item Non-current bank payables derives from a SAL mortgage loan disbursed in two tranches by Banco BPM S.p.A.: the first in May for Euro 9 million and the second, disbursed in November, for Euro 3 million. The loan expires on 30 June 2038 and will be repaid in 60 quarterly instalments of which 4 are interest-only. It is secured by a first mortgage and is subject to an annual financial covenant, which has been met. The interest rate is variable and adjusted to the quarterly Euribor rate plus a spread of 145 b.p.

The reduction in Non-current Financial Assets resulted from the collection of the insurance policy taken out to cover the Directors' termination indemnity provision, which was liquidated following the expiry of the Executive Directors' term of office.

For more details on changes in the Net Financial Position, please refer to the Cash Flow Statement.

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 year from the Parent Company's financial statements	**12,011**	**44,547**
Effects of the derecognition of the book value of consolidated equity investments:		
- Book value of investments	0	(20,143)
- Shareholders' equity (including the results for the year of consolidated companies)	3,195	14,779
- Goodwill		16,590
Derecognition of the effects of transactions between Group companies:		
- Write-off of intercompany dividends	(2,033)	0
- Derecognition of capital gains or losses on internal disposals	(341)	(1,366)
Shareholders' equity and result for the year of the Group	**12,832**	**54,407**
Shareholders' equity and result for the year of minority interest		
Shareholders' equity and result for the year of the Consolidated Financial Statements	**12,832**	**54,407**

Reference markets in which the Group operates

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.

Nutraceutical Market[1]

The nutraceutical market closed 2023 with a value of over Euro 4,870 million for a total of approximately 329 million packs sold in the 5 distribution channels (pharmacy, parapharmacy, e-commerce, super/hyper with and without corners).

The following changes are noted compared to 2022: +5.4% in value and +1.5% in terms of units sold.

Local pharmacies remain the preferred distribution channel with about 76.5% share in value, followed by e-commerce, large-scale retail trade sector and parapharmacy with shares of 8.8%, 8.3% and 6.5%, respectively.

In 2023, the pharmacy channel grew by 4.3% in value and 0.5% in units sold.

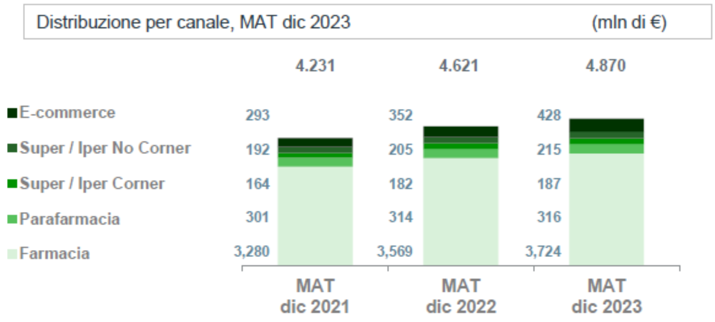
The role and trend of the channels in terms of value generated and sales volumes

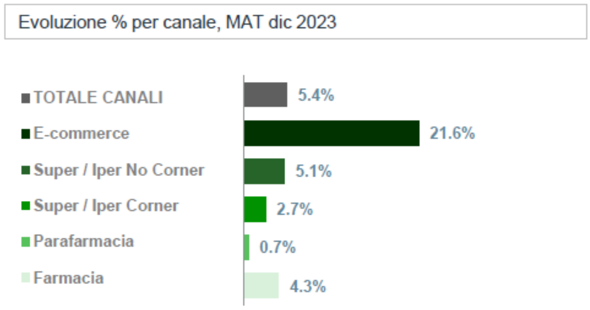
Valori, Volumi (in milioni) ed evoluzione del totale del mercato e dei canali

	Valori - MAT DIC 2023	Evoluzione % MAT DIC 2023 VS 2022	QUOTA	Volumi - MAT DIC 2023	Evoluzione % MAT DIC 2023 VS 2022	QUOTA
Mercato Totale	**4.870**	**5,4%**	**100%**	**329**	**1,5%**	**100%**
Farmacie	3.724	4,3%	76,5%	212	0,5%	64,4%
Parafarmacie	316	0,6%	6,5%	19	-5,0%	5,8%
E-Commerce	428	21,6%	8,8%	30	15,4%	9,1%
Super/Iper No Corner	215	4,9%	4,4%	47	2,2%	14,3%
Super/Iper Corner	187	2,7%	3,8%	21	0,0%	6,4%

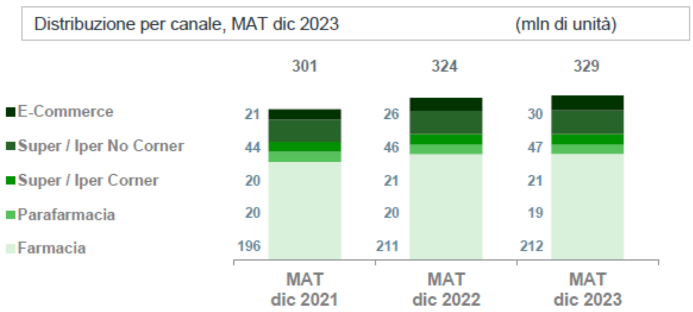
[1] Source: IQVIA Solutions Italy data processing - rolling year ending December 2023

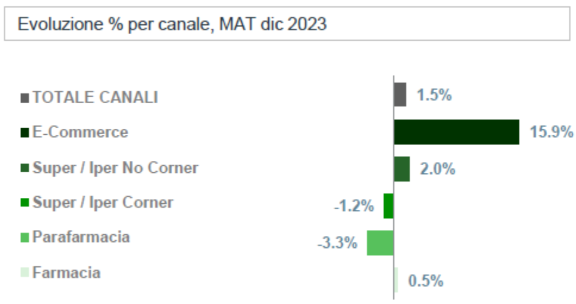
Evolution by channels – Sell-Out[2] at retail price values in the MAT[3]





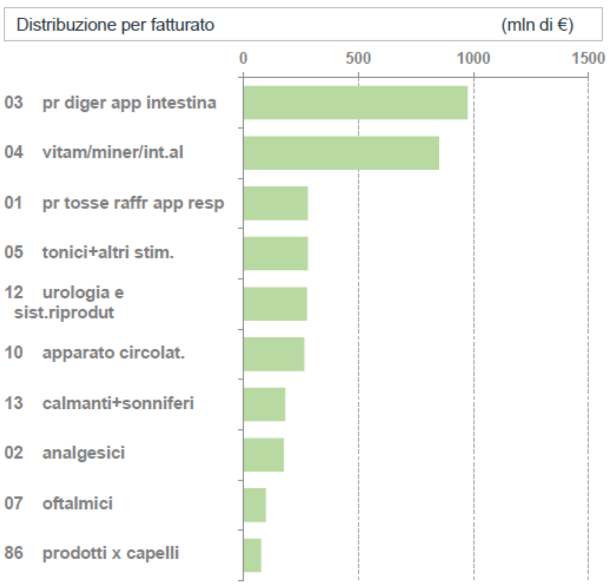
Evolution per channels – Sell-Out in volume in the MAT

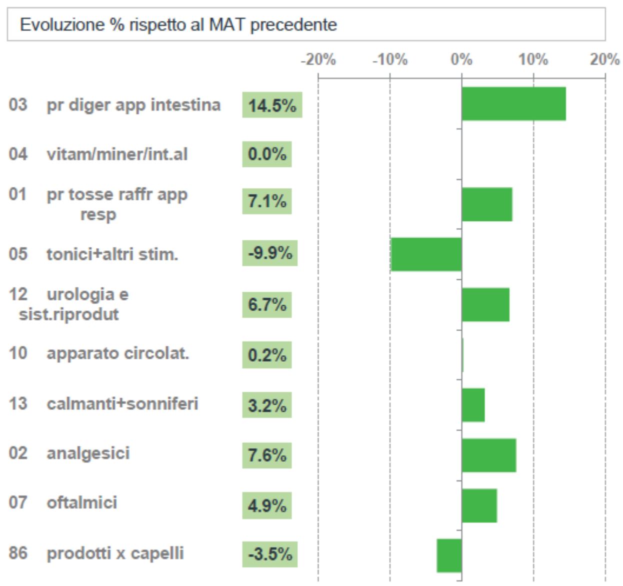




Looking at the performance of the main market classes in 2023, the results, both in value and in terms of units sold, are generally positive compared to the previous year.

Turnover of the NECs at first pharmacy level – Moving Annual Total (MAT)



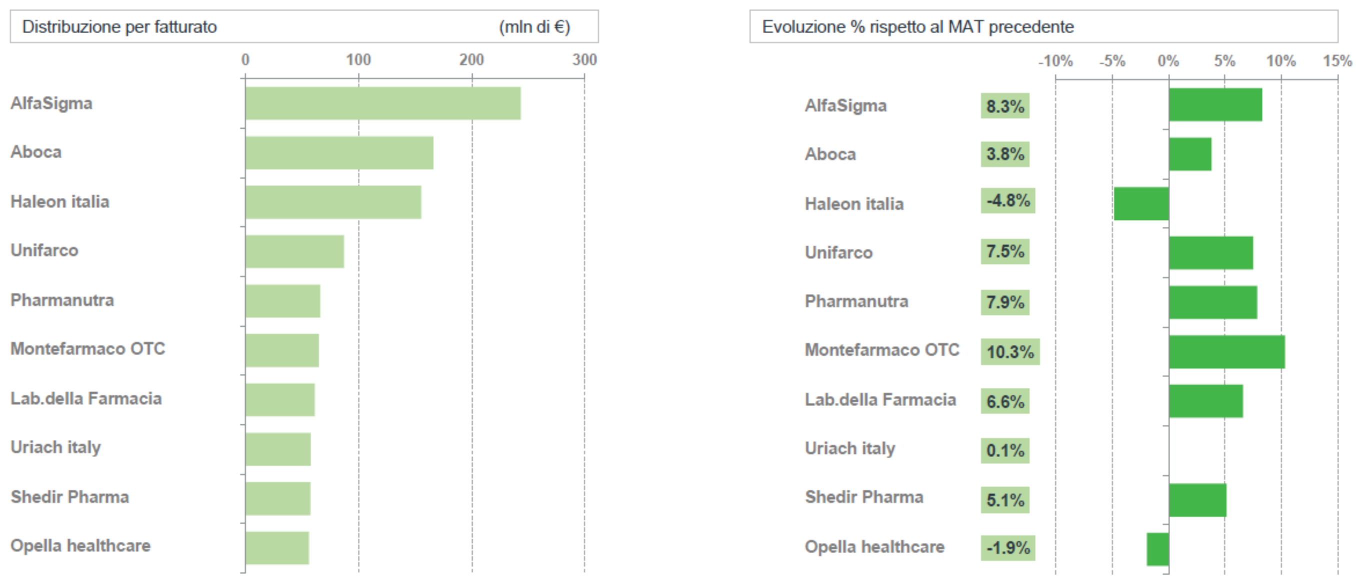


[2] Sell-Out: sales to the public expressed in units (sell-out in volume) or valued at the retail price (sell-out in value).

[3] MAT: Moving Annual Total.

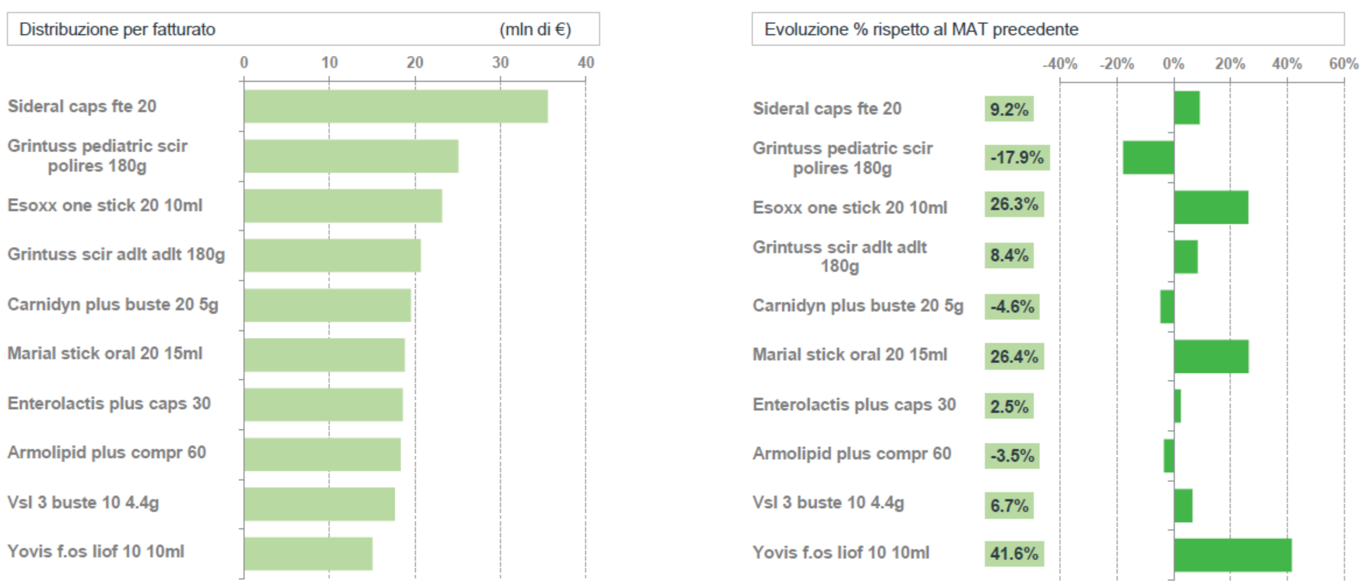
Analysing the leading Companies in the Nutraceutical Market, PharmaNutra turns out to be in the top 10 in terms of sell-out in value, holding fifth place.

Turnover of the top 10 pharmacy Companies in the MAT



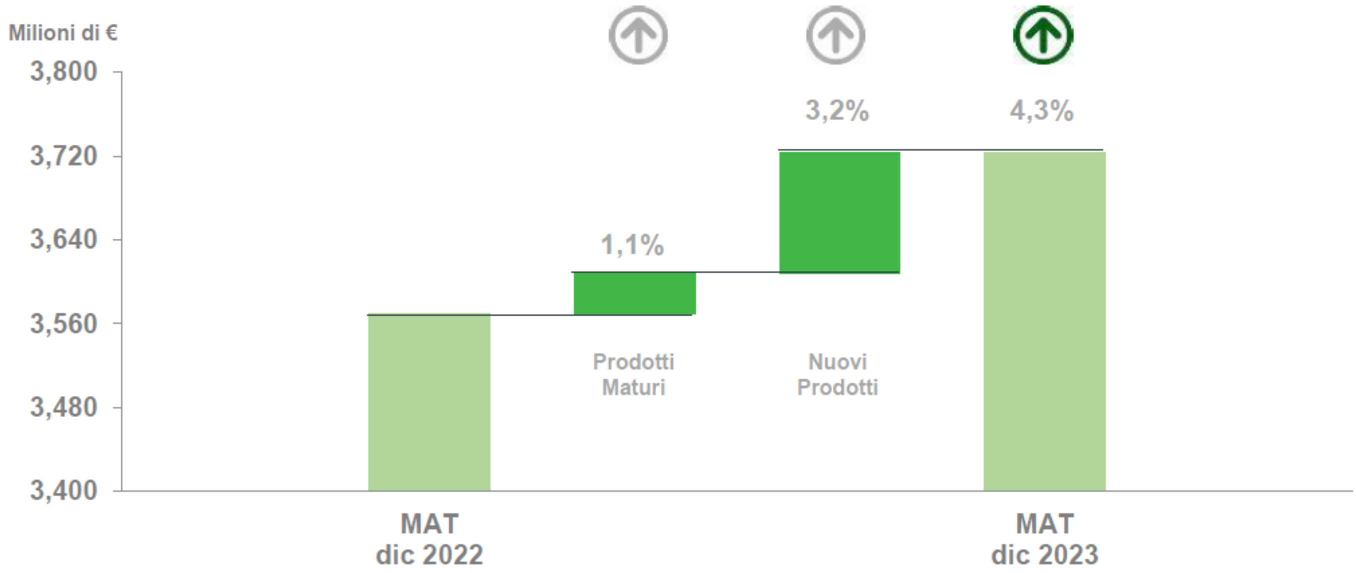
Looking in detail at the individual product references, it is clear that Sideral® Forte is in first place in the Nutraceutical Market in terms of sell-out in value, registering a growth by 9.2% compared to 2022.

Top 10 pharmacy products – Sell-Out at retail price values in the MAT



Finally, it should be noted that an important development strategy adopted by players in the Nutraceutical Market is product innovation.

Impact of innovation: importance of launches[4] on the pharmacy market in the MAT

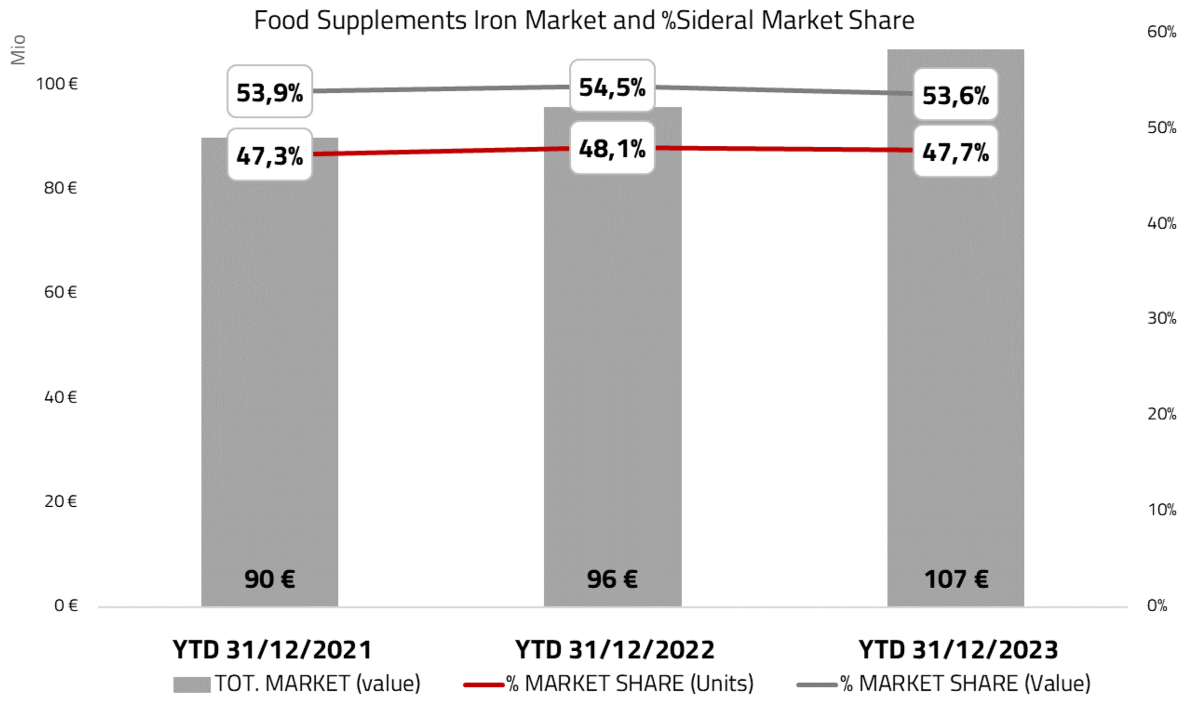


Iron market

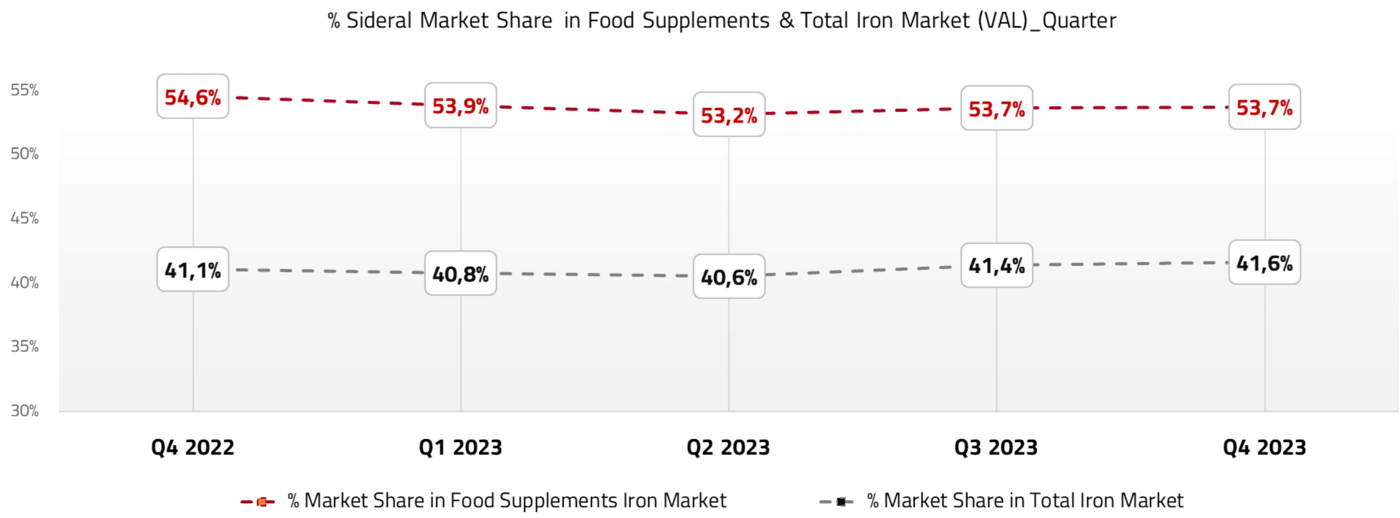
PharmaNutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with Sideral® product line, in which it confirmed its leadership also for 2023 with a market share in value of 53.6% in the Food Supplements segment and 41.6% in the overall market[5].

[4] "New products" are considered to be those launched in the last 12 months (Source: IQVIA data)

[5] Source: IQVIA data



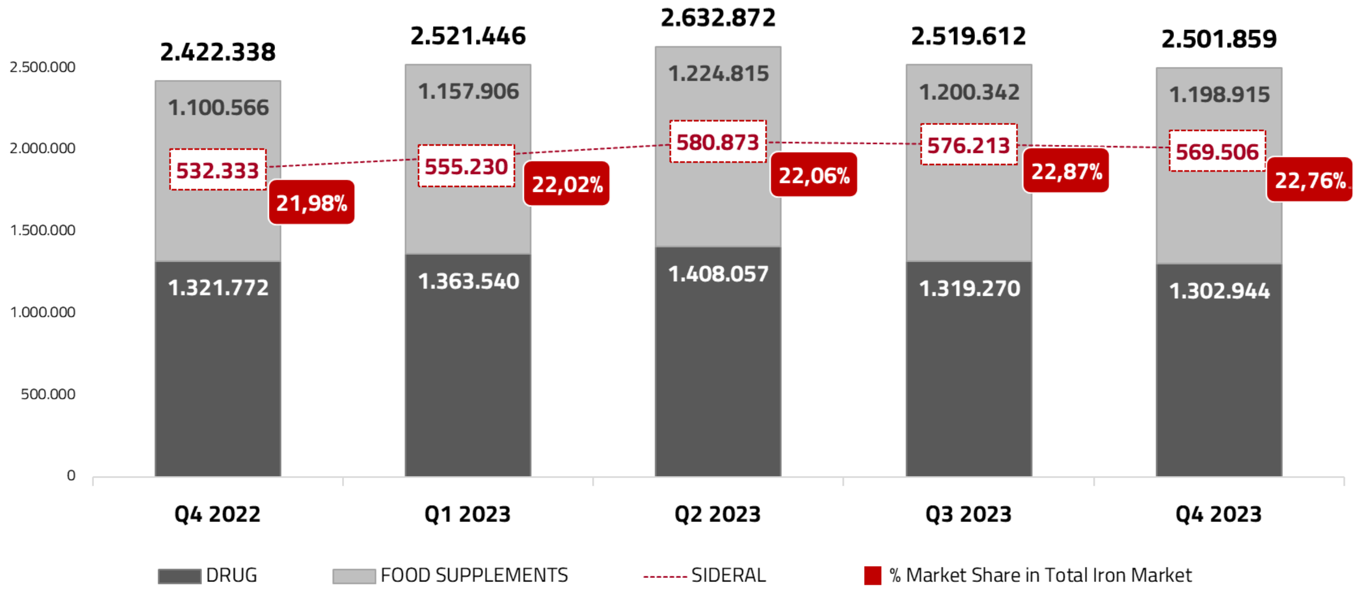
The charts below show the quarterly trends in the market share of Sideral® (expressed in value) in relation to the market for iron supplements only (Food Supplements) and the overall market consisting of both Food Supplements and Drugs[6].



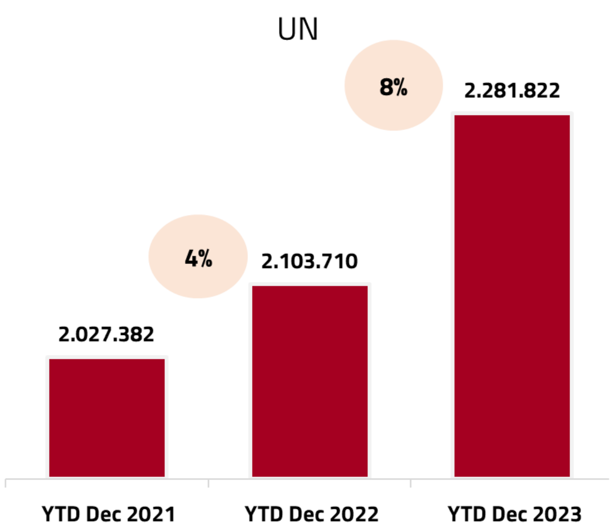
It is worth noting that the Sideral® product line also has a significant market share in the overall market.

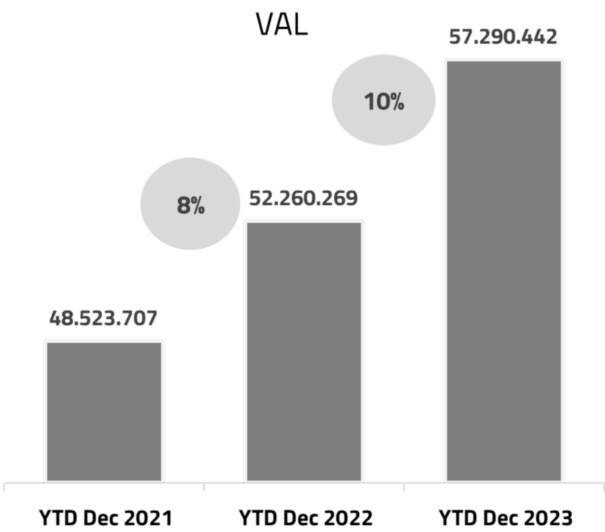
The performance of Sideral® in terms of units in the iron-based supplements market and the overall iron market is shown in the table below.

[6] Source: IQVIA data



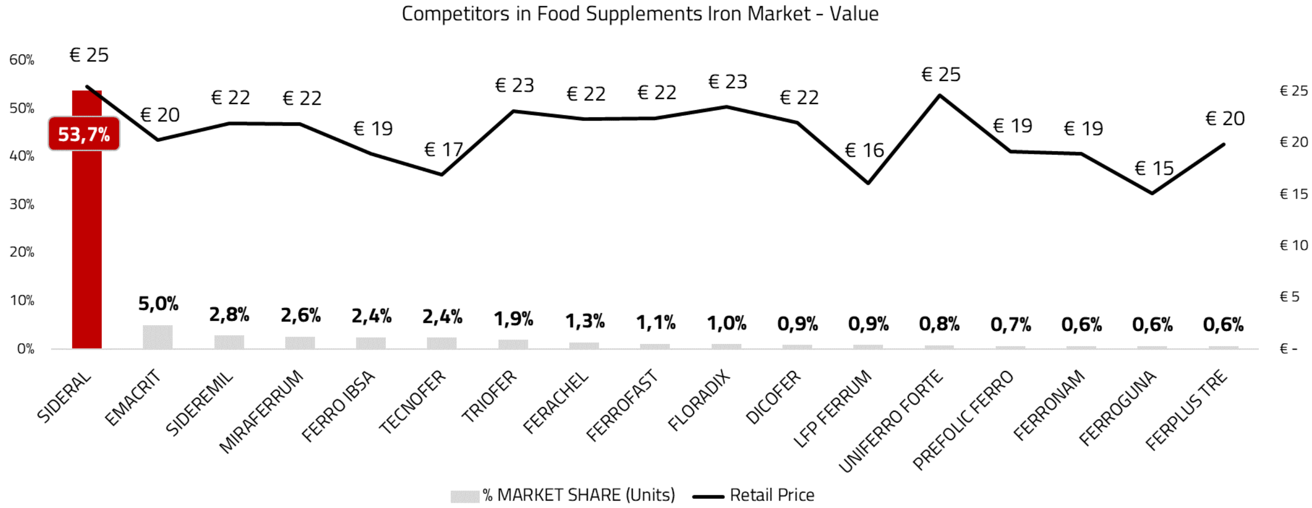
As shown in the graph below, the Sideral Line closes 2023 with 8% growth in units and 10% growth in values compared to the previous year.





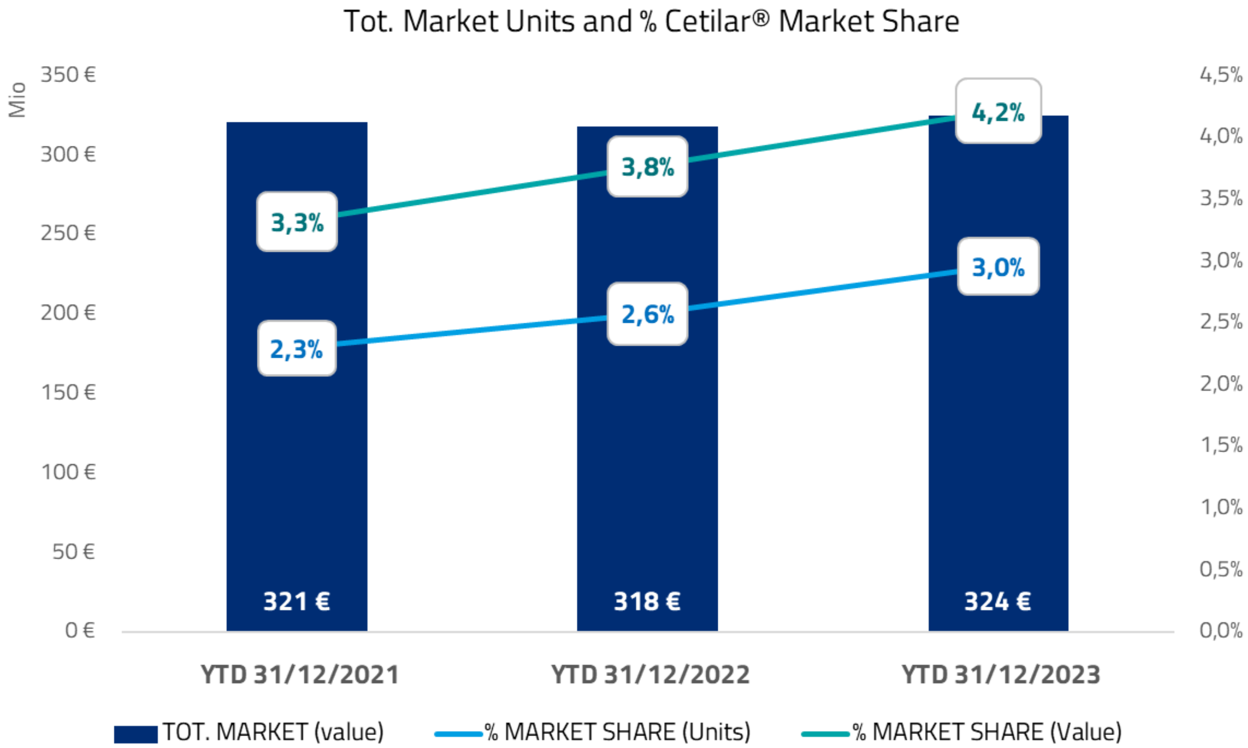
Going into detail in the iron-based supplements segment, the direct competitors of Sideral® have much smaller market shares (the second competitor has a market share almost 11 times lower than Sideral®) and, on average, lower market prices.

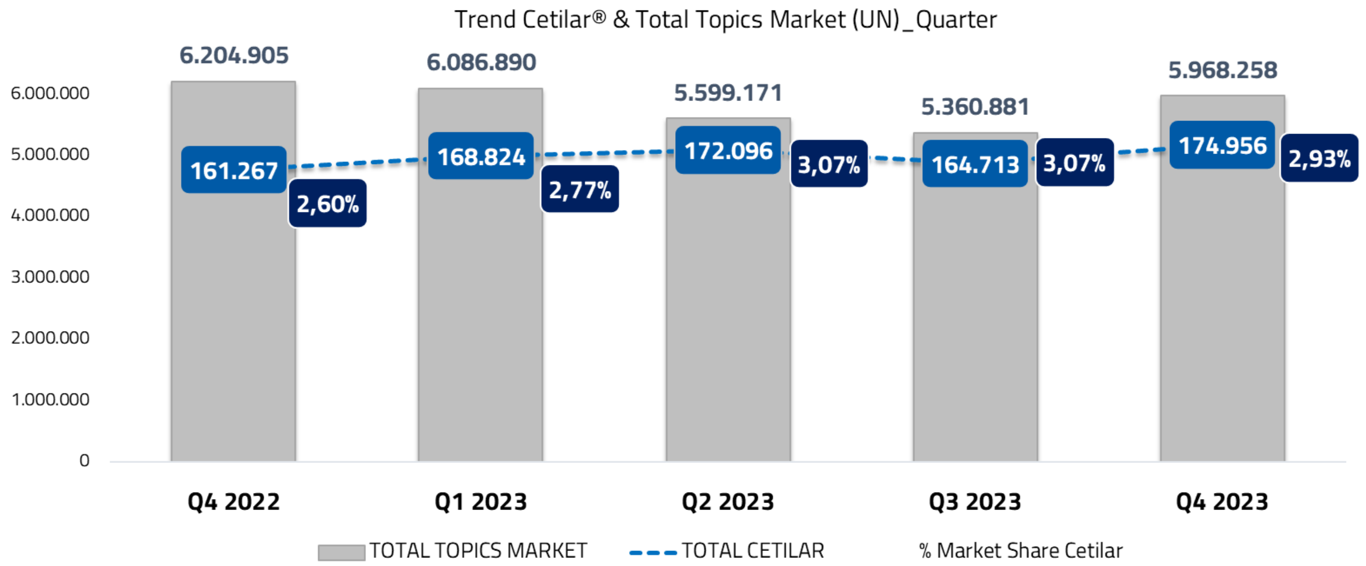
This shows how the Sideral® product line is able to gain significant recognition in the market in terms of premium retail price, achieved thanks to significant and constant investments in research and development and marketing.



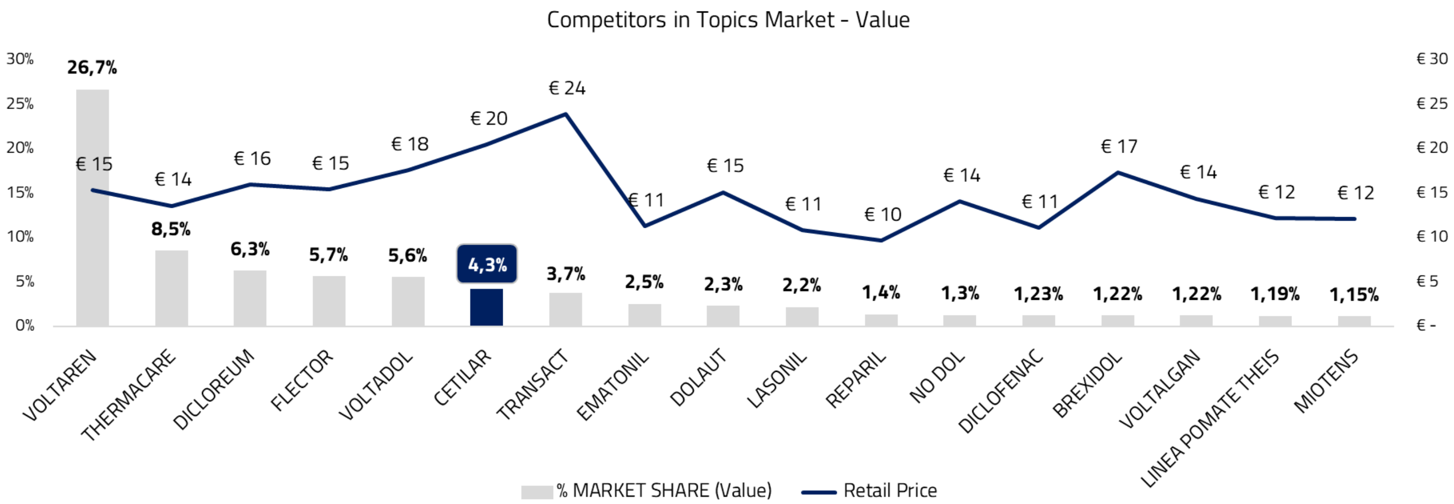
Market for topical painkillers

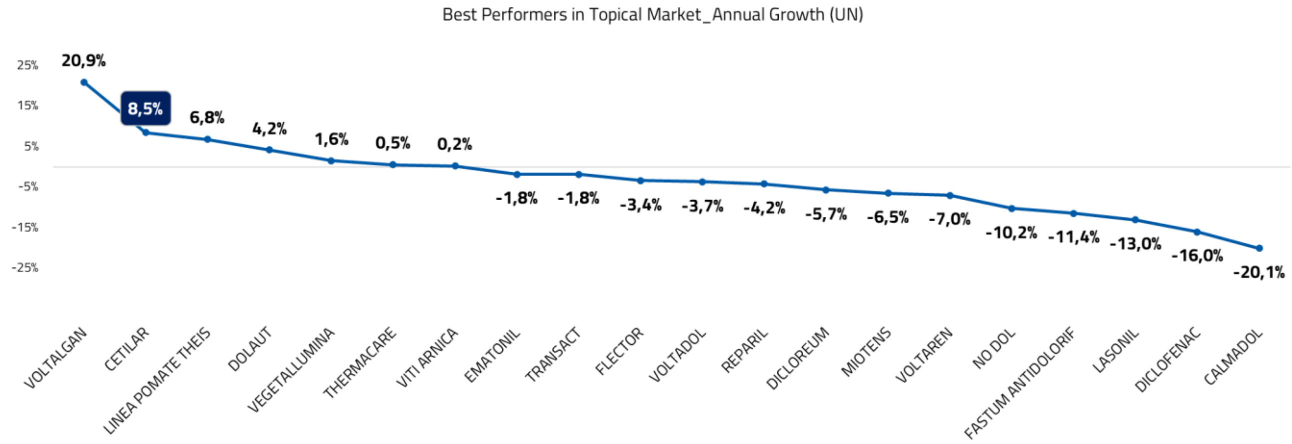
With a slightly growing market in 2023 compared to the previous year, the Cetilar® line shows an increase in market share from 3.8% to 4.2% in value, with further important development prospects for future years.





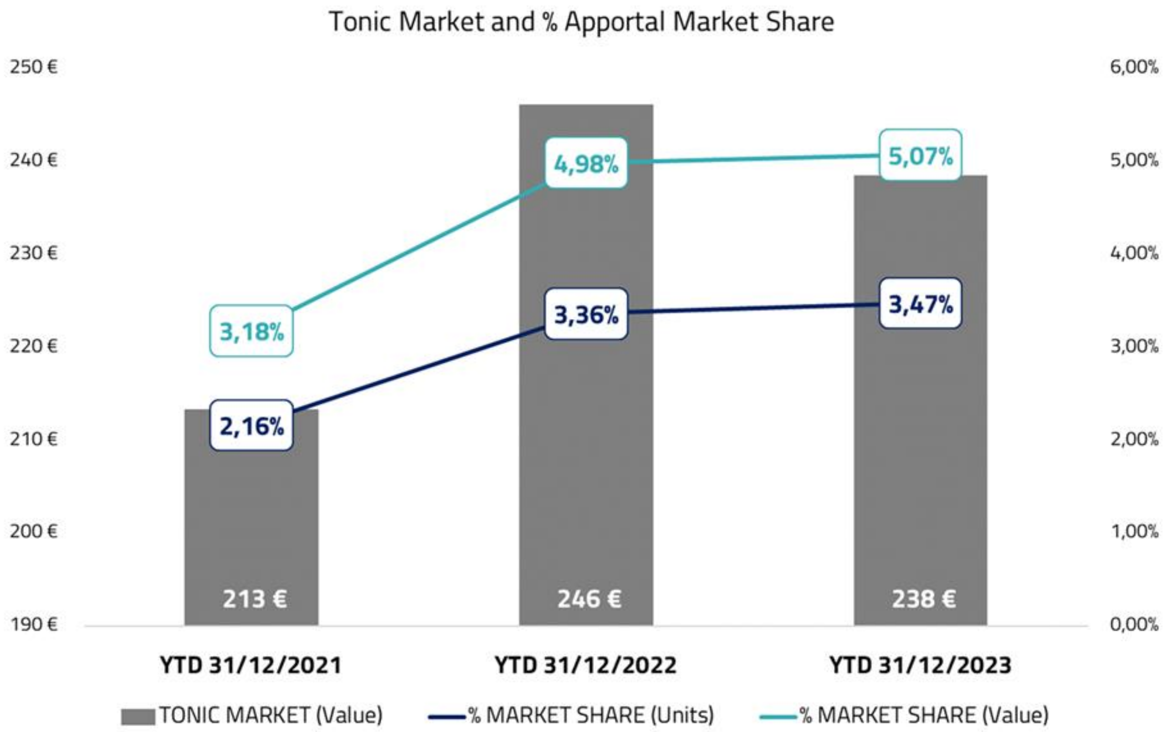
Two charts are provided below: the first shows the market shares of the top competitors in the fourth quarter of 2023 in terms of value, while the second shows the growth in units of the best performers compared with the same period of the previous year.





Topics market

After the notable increase in 2022 driven by the effects of the pandemic, the tonic market showed a reduction of approximately 3% in 2023. In this scenario Apportal® has maintained its market share both in value and quantity with prospects for further future growth.



Investments

During 2023, the Group made investments in intangible fixed assets totalling Euro 1,678 thousand, broken down as follows:

Euro 330 thousand for the registration of patents;

Euro 421 thousand for the purchase and implementation of company software;

Euro 168 thousand for the registration of trademarks;

Euro 759 thousand relating to software and research projects in progress not yet completed and other fixed assets.

The investments in tangible fixed assets amount to Euro 11.6 million, broken down as follows:

Euro 4.9 million relating to the construction of the new headquarters;

Euro 2.2 million relating to plants and machinery for the new headquarters;

Euro 3.0 million for rights of use arising from leasing contracts entered into for the purchase of plants, equipment and furnishings for the new headquarters (Euro 2 million) and Euro 1 million for rights of use relating to the purchase of shares in an aircraft;

Euro 500 thousand for the purchase of vehicles used by the management and the sales force;

Euro 1 million for the purchase of laboratory equipment and electronic devices.

Research and Development activities

The PharmaNutra Group has always based its technical and scientific activities and business strategy on Research and Development (R&D) as a fundamental pillar for growth.

The year 2023 was characterised by the construction and start-up of the new laboratories at the new company headquarters. Today, the new research premises host three laboratories with very high potential: pharmaceutical techniques, cell biology and quality control with state-of-the-art technology and machinery. This, together with the team of researchers and technicians who work on a daily basis, will make it possible to reduce the time needed to research new products, improve current ones, and study all their features and functions. During the year, the process of strengthening the structure continued with the addition of a new employee as laboratory technician and a new figure as formulator for the internal development of innovative formulations.

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 key players in the health sector, 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 constantly guarantee the effectiveness and innovation of its products.

Basic research, through pre-clinical experiments (*in-vitro, ex-vivo* and *in-vivo*) has borne fruit with important international publications that are paramount tools available to the business and represent solid pillars, thus ensuring a significant competitive advantage. The construction of the new laboratories makes it possible 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.

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 centres, depending on the skills and know-how required, or through formal agreements with Contract Research Organisations (CRO).

Research is mainly carried out on the group's flagship products, Sideral®, Cetilar® and proprietary raw materials of Alesco (Ultramins®). Numerous studies (both clinical and pre-clinical), conducted in Italy or abroad, plus other clinical studies followed by foreign partners on products in distribution, are underway also on the other products. Some of these studies are very innovative and are expected to allow to open new markets that will be useful to strengthen current evidence and market positioning.

The year 2023 saw the publication in international indexed journals of 8 studies on the Group's products. Among these, particularly noteworthy is the publication of a study on the first sucrosomial vitamin (vitamin D3, UltraD3®), which confirmed how the technology developed by PharmaNutra and proven effective in the supplementation of minerals (such as iron, magnesium, etc.), is also capable of providing added value in the supplementation of vitamins. In addition to vitamin D3, R&D has developed another vitamin, vit. B12, which has shown very promising results in the first experimental models studied and whose research is currently underway. Furthermore, from a clinical research perspective, in 2023 the Group's R&D completed two studies on the oral version of Cetilar (Cetilar ORO), in particular on the benefit in reducing pain in subjects with back pain, thus providing very solid and important tools for the commercial development of the product. To date, the PharmaNutra Group boasts a total of 166 publications on all 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 groups with doctors, where they show the evidence and results obtained on their products. To this end, a new employee was hired in 2023 as a field force junior trainer.

In addition, in 2023, together with the marketing and communications department, an international scientific disclosure campaign was continued on the benefits obtained with Apportal, Sideral, Ultramag and Cetilar. Numerous training events on all products were also held for Pharmaceutical Sales Representatives in order to transfer to them the features and competitive advantages of the Group's 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 amortised;

The total costs incurred to carry out research and development activities amounts to Euro 1,715 thousand of which Euro 1,195 thousand charged to the income statement, to which should be added personnel costs for research and development.

The reasons underlying the capitalisation of development costs in 2023 equal to 521 thousand refer to the future estimated usefulness of development activities.

As at 31/12/2023, the Group owned 22 patents, 49 trademarks, had 21 proprietary raw materials and 166 scientific publications.

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, Alesco and Akern, which qualify as eligible for the calculation of the facility in question. The tax credit relating to research and development activities for the year 2023 amounts to Euro 243 thousand.

As further confirmation of the results obtained by the Group with its research activities, during the year, an agreement was signed in October with the Tuscan Regional Directorate of the Italian Revenue Agency to access the facilitated taxation regime provided by the former Patent Box for the 2019-2023 five-year period, referring to the direct exploitation of technical, know-how and patents that had not been included in the previous agreement.

Marketing activities

The year 2023 saw an important consolidation of the digital strategy already implemented in the previous years 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 development of an e-commerce platform.

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

For Cetilar® in particular, a launch campaign was prepared for the new line of Cetilar® Nutrition supplements, adopting a media mix with broad coverage of the B2C target and articulated on the following channels: web search, display and programmatic activities with the realisation of a dedicated spot and photo shoot, and print media formats. A total restyling of the Cetilar® website was also carried out, which, on the occasion of the launch of the Cetilar® Nutrition line, saw the birth of PharmaNutra's first proprietary e-commerce.

A seasonal online video campaign was also realised for the Cetilar® line for muscles and joints; for Apportal® and Apportal® Vital two seasonal online campaigns were realised.

Various activities aimed at medical and specialist targets carried out on the Apportal®, Sideral® and Cetilar® brands with a focus on medical awareness and exclusive involvement of national and international specialist publications.

Main partnerships

The existing partnerships with numerous companies and athletes in various sports are of fundamental importance for the development of the Group's products due to the insights that can be gained from scientific collaboration with these entities.

In the area of strategic partnerships, 2023 saw the consolidation of the Human Performance project with Luna Rossa Prada Pirelli in the 37th edition of the America's Cup and with Ferrari for the big comeback in the endurance world championship. These excellences were joined in July 2023 by Marcell Jacobs for the project *#roadtoparis2024.*

In motorsport, world-renowned Spanish driver Fernando Alonso has joined the Cetilar® team for the 2023 Formula 1 season.

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 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; not to forget the commitment in Paralympic disciplines with Obiettivo 3 team and in golf with the Paralympic champion Tommaso Perrino.

The Group has become the promoter of a project dedicated to supporting young promising sports talents in their athletic, professional and human growth - the Cetilar Academy - a new project through which PharmaNutra supports the athletic, professional and human growth of future sports talents involved in amateur clubs of excellence, including the motorsport promising talents of the Kart Republic team and the young footballers of the Parma club U.S. Arsenal. In 2023, medical partnerships were expanded, currently numbering over 30 top-level sports clubs including football, basketball, volleyball, hockey and 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 15 March 2024, 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. have been 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 as at 31/12/2023	56.40
Capitalisation at the date of admission	96,809,770
Capitalisation as at 31/12/2023	546,007,103

*= 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 as at 31 December 2023.

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	3,322,832		34.32%
	PharmaNutra S.p.A.	65,985		0.68%
	Total	**9,680,977**		**100.0%**

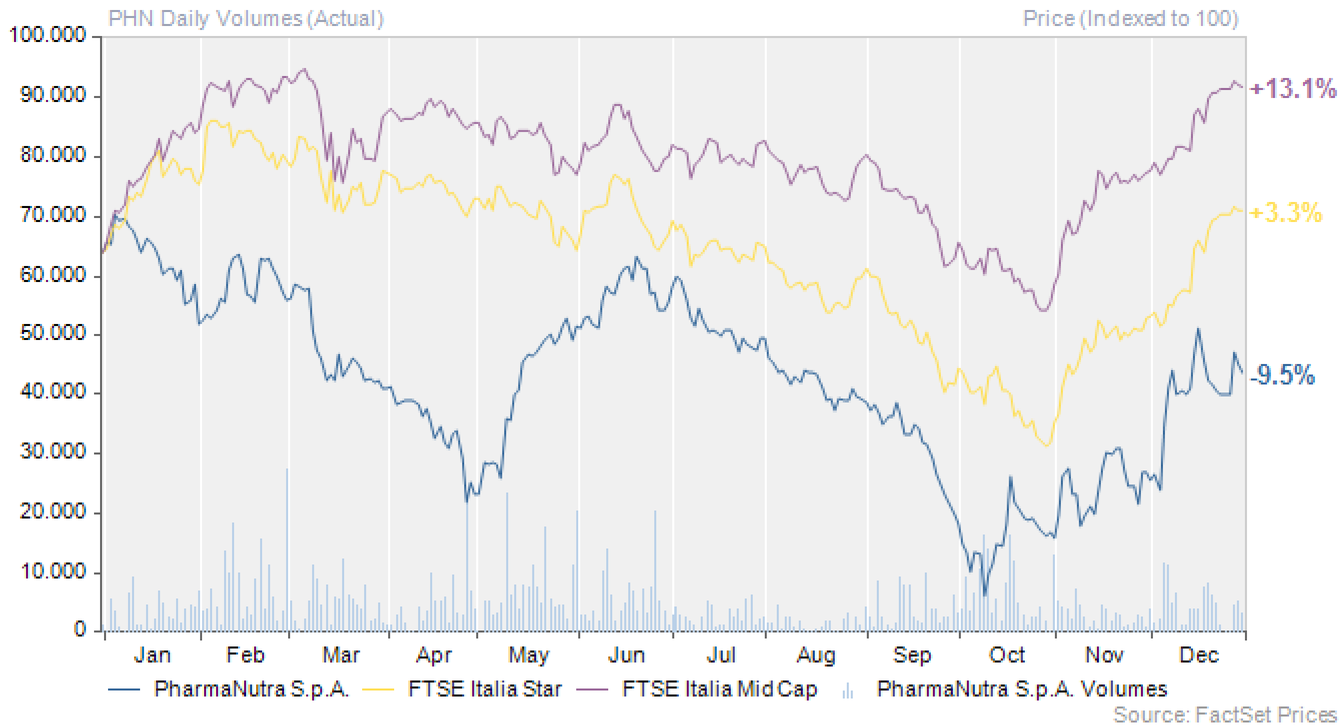
1) Including 953,334 PHN ordinary shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. under a specific fiduciary mandate.

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

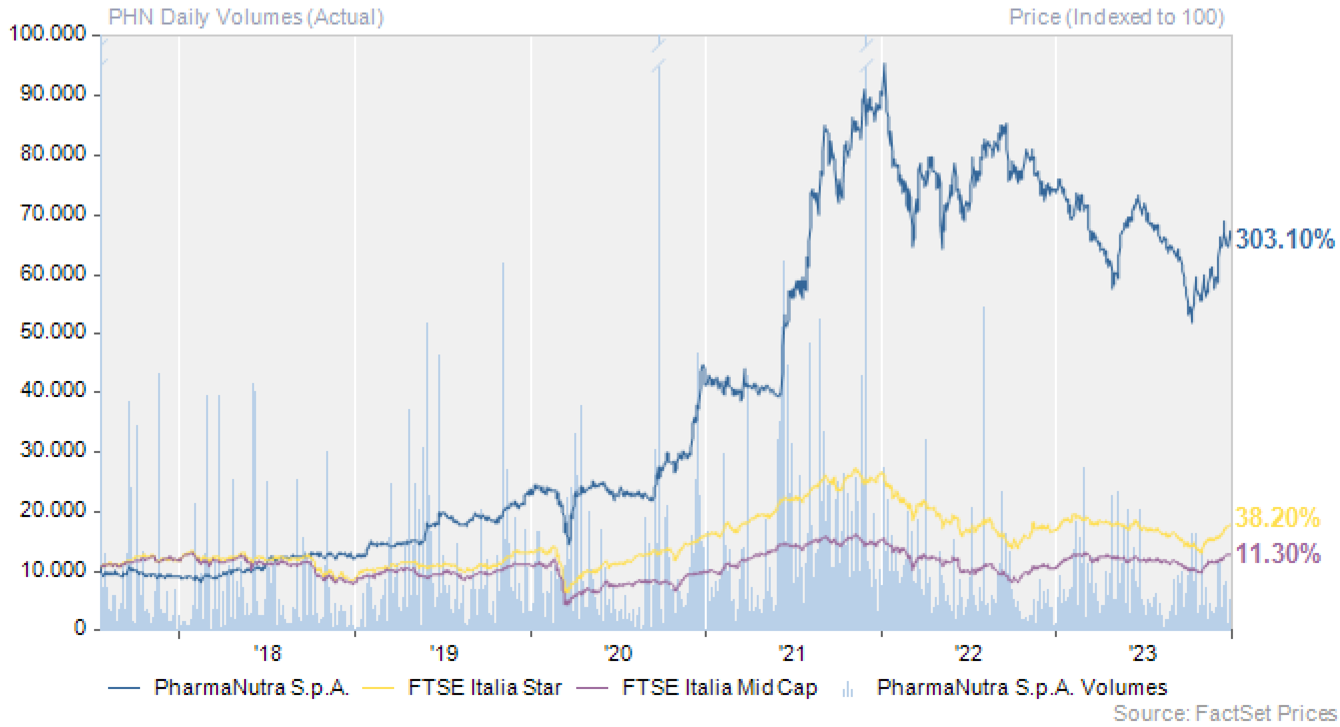
Andrea Lacorte is the sole shareholder and sole director of ALH S.r.l., Roberto Lacorte is the sole shareholder and sole director of RLH S.r.l. and Carlo Volpi is the sole shareholder and sole director of Beda S.r.l.

In 2023, the Company's shares had an average price of Euro 58.47 (Euro 64.77 in 2022), a maximum price of Euro 64.20 (at 4 January 2023) and a minimum price of Euro 45.40 (at 9 October 2023). During the same period, average daily trading volumes were approximately 6,163 shares (almost in line with the daily average of 6,107 recorded in 2022).

From the beginning of the year to 31 December 2023, the market value of the Company's shares decreased by 9.5%. The security performance was worse than the FTSE Italia STAR index, which increased by 3.3% in the same period, and the FTSE Italia Mid Cap, which increased by 13.1%. The graph below shows the relative performance and traded volumes of the Company's Shares compared to the FTSE Italia Mid Cap and FTSE Italia STAR indices in 2023.



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 2023, compared with the performance of the FTSE Italia STAR and FTSE Italia Mid Cap indexes over the same period. On this time horizon, PharmaNutra's stock has recorded an increase of 303% compared to +38% of the FTSE Italia STAR index and +11% of the FTSE Mid Cap index.



ANALYST COVERAGE	STIFEL	INTERMONTE
Start of coverage	01/06/2021	03/06/2021
Update	12/01/2024	07/11/2023
Target price	86.0	75.0

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 2023 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 sale of finished products to foreign subsidiaries by PharmaNutra, the payment by PharmaNutra and Junia Pharma to Alesco of royalties for the exploitation of the patent relating to Sucrosomial® Iron technology, the charge-back of personnel costs between companies of the Group, and the disbursement of financing to foreign subsidiaries to support the start-up process.

- 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 Explanatory Notes to the Consolidated Financial Statements.

Treasury shares and shares held by subsidiaries

The Ordinary Shareholders' Meeting of PharmaNutra held on 26 April 2023, 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 no. 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 2023, about 28 thousand treasury shares for a value of about Euro 1.7 million were purchased.

As at 31 December 2023, the Company held 65,985 of its own ordinary shares, equal to 0.68% of the capital; the subsidiaries do 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 liquid funds.

As far as financial policy decisions are concerned, 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 financing the start-up process of foreign subsidiaries.

During the financial year 2023, the average return on the Group's cash and cash equivalents was close to 1% due to the rise in market interest rates.

Cash and cash equivalents as at 31 December 2023 and 2022 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, 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 Parent 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 31/12/2023, a comparison with the market value of the bonds held shows a net capital gain of Euro 84 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A gain of Euro 52 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, 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:

	31/12/2023	31/12/2022	Change
Mutual funds	591	1,000	-409
Bonds	4,802	3,797	1,005
Miscellaneous equities		13	-13
Time deposits	800		800
Total current fin. assets	**6,193**	**4,810**	**1,383**

As at 31 December 2023, the Current financial assets consisted for approximately 78% of bonds and for about 10% of units of open-ended mutual funds with fast disinvestment and the remainder in time deposits.

Due to the nature of the investments made, the entire value of the investment should be considered of possible 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:

	31/12/2023	31/12/2022	Change
Fixed-rate bonds	3,597	3,038	559
Variable rate bonds	1,205	759	446
Total Bonds	**4,802**	**3,797**	**1,005**

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 1.0% of change in rates, is 2.92%. In 2023 the portfolio rotation activity begun in 2022 continued in favour of medium-term maturities (2-5 years) with the aim of consolidating the portfolio's yield considering the rate rise that occurred between 2022 and 2023. Quantitatively, the portfolio retains medium/low rate sensitivity in light of maturities in the 3-5 year range, while spread sensitivity remains low due to high issuer quality.

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 as at 31 December 2023 and 31 December 2022.

	Balance as at 31/12/2023	Due within 12 months	Due after 12 months
PharmaNutra S.p.A.	26,181	4,164	22,017
Junia Pharma S.r.l.	-90	-90	0
Alesco S.r.l.	-61	-61	0
Akern S.r.l.	373	202	171
Total Loans and borrowings from banks and other financial backers	*26,403*	*4,215*	*22,188*
PharmaNutra S.p.A.	1,428	307	1,121
Junia Pharma S.r.l.	20	11	9
Alesco S.r.l.	75	22	53
Akern S.r.l.	89	30	59
Total payables for rights of use	*1,612*	*370*	*1,242*
TOTAL	***28,015***	***4,585***	***23,430***

	Balance as at 31/12/2022	Due within 12 months	Due after 12 months
PharmaNutra S.p.A.	16,404	3,165	13,239
Junia Pharma S.r.l.	0	0	0
Alesco S.r.l.	0	0	0
Akern S.r.l.	573	200	373
Total Loans and borrowings from banks and other financial backers	*16,977*	*3,365*	*13,612*
PharmaNutra S.p.A.	361	110	251
Junia Pharma S.r.l.	55	36	19
Alesco S.r.l.	110	35	75
Akern S.r.l.	223	70	153
Total payables for rights of use	*749*	*251*	*498*
TOTAL	***17,726***	***3,616***	***14,110***

During the year, PharmaNutra, the Parent Company, obtained a mortgage loan in SAL to partially cover the investment for the construction of the new headquarters in the amount of Euro 12 million, fully disbursed. The loan is secured by a first mortgage registered on the property and a financial covenant that is fulfilled as at 31 December 2023 and 2022.

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 84%, and are therefore exposed to the risk of changes in interest rates, which is considered to be low. Based on the simulations carried out, the Group does not adopt policies to hedge the risk of interest rate fluctuations.

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

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

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

The PharmaNutra Group does not have any secondary offices.

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.

Human interactions and the construction of the new headquarters, focused on employee well-being, are the beating heart of PharmaNutra. In this era where it has become increasingly easy to become estranged behind a screen, PharmaNutra strongly believes that the best way to continue overcoming challenges is to focus on human relationships, pursuing business objectives in an atmosphere that makes us all feel part of one big family. Preserving this culture, this identity, will be crucial to our success.

At the same time, a forward-looking group cannot ignore the changing dynamics of the labour market and the trends that describe today's society. With this context, the Group’s companies based in Pisa, following the regulations issued during the Covid-19 outbreak for the use of smart working in a simplified mode, have entered into individual agreements with all employees (defining how to use this tool) and that will be maintained in the future.

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.

As at 31/12/2023, the Group had 105 employees (82 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.

In order to further strengthen these principles and with a view to further developing aspects related to this issue, the Group has been drawing up its first sustainability report on a voluntary basis since 2022. It is highlighted that the company is exempt from the obligation to report the Non-Financial Declaration according to Legislative Decree 254/2016 currently in force.

In 2023, the objectives set out in the sustainability plan outlined in the Sustainability Report 2022 were achieved, and the implementation of the actions planned for 2024 continues with the aim of leading the Group towards a fair and sustainable future, while continuing to generate value for investors, customers and all stakeholders.

The completion of the new headquarters provides a peaceful and inclusive work environment that must allow people to fulfil their potential so that they can be valued as well as rewarded according to their commitment and talent. We will purchase green energy quotas from the grid, use electrical power from renewable sources, and strive to use the natural resources as well as raw materials we need in a circular manner. Such a commitment to a fairer and more sustainable future also extends to the social sphere. In fact, we plan to intensify our relations with educational institutions, continuing to promote actions to support the communities in which we operate, but not only. Our strategy envisages the increasingly active and responsible involvement of all those in the supply chain, engaging them in a process of evaluation and performance improvement related to environmental, social and business ethics issues, with a focus on the respect for human rights.

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.

Quality Management System

The companies of the Group have the following quality certifications:

- PharmaNutra, Junia Pharma and Alesco: Social Accountability 8000:2014 granted by SGS Italia;

- PharmaNutra, Junia Pharma and Alesco: UNI ISO 9001:2015 granted by SGS Italia;

- PharmaNutra and Junia Pharma: Certification in accordance with the Farmindustria Code of Ethics for scientific information activities carried out by Junia Pharma.

The Group also holds the following product certifications:

-"Doping Free Play Sure" awarded by "Doping Free S.A." and the "No Doping Life" Association for controls carried out by Bureau Veritas Italia S.p.A;

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

During 2024, the PharmaNutra Group aims to achieve further product certifications, including "NSF Certified For Sport", for the certification of doping-free products available on the US market, and vegetarian and vegan certification for those products free of ingredients of animal origin.

Significant events occurring after the end of the financial year

As a result of exceeding the market capitalisation threshold of Euro 500 million for three consecutive years, as of 1 January 2024 the Parent Company no longer qualifies as a "Small and Medium Enterprise" ("SME") pursuant to article 1, paragraph 1, letter w-*quater.*1 of Italian Legislative Decree No. 58/1998 (the Consolidated Law on Finance - "TUF"). The disclosure was made within the timeframe provided for in article 2-*ter*, paragraph 2, of Consob Regulation No. 11971/1999 (the "Issuers' Regulation").

In February, as part of the process of adhering to the institution of Cooperative Compliance Program regulated by Italian Legislative Decree no. 128/2015, a project was started to equip the Company with the "*Tax Control Framework*" (hereinafter "TCF"), i.e. an internal control system dedicated to the tax risk identification and management, which fits into the corporate governance system, integrating and completing the internal control systems that PharmaNutra already has.

Therefore, the adoption of a TCF allows the Company to be "in control" of tax risk, both with regard to compliance with tax regulations (compliance risk - mapped in special TCF matrices that associate tax compliance risks and related controls with corporate processes), and with reference to the risk profiles of correct interpretation of the same regulations (interpretation risk - managed through a special process of relative evaluation and measurement). The TCF - in line with the guidelines of the Organisation for Economic Co-operation and Development (OECD) as implemented by the Internal Revenue Service - consists of:

a) a tax strategy approved by the Board of Directors and published on the Company's website;
b) a governance model that regulates (i) the roles and responsibilities in tax matters; (ii) the information flows provided for tax risk management to the administrative body (*i.e.* annual report submitted to the administrative body);
c) a system for tax risk mapping, control, measurement and management, in order to ensure the accuracy and correctness of tax compliance (calculation, settlement and declaration), the monitoring of the interpretative choices made and the fulfilment of the duties of transparency and cooperation under the collaborative compliance regime.

On 26 February 2024, the Board of Directors resolved to merge the subsidiaries Junia Pharma and Alesco into PharmaNutra pursuant to art. 2505 of the Italian Civil Code.

The Merger is part of a broader project of organisational reorganisation of the PharmaNutra Group and responds to the need to pursue greater management efficiency of the group, allowing for the development of significant IT, logistics, commercial, corporate and administrative synergies, so as to optimise business processes and enable the containment of the overall costs of the corporate structure. The organisational reorganisation will make it possible to unify and integrate operational processes and achieve greater flexibility and efficiency in the use of resources.

The transaction will also reduce the structural costs resulting from the duplication of administrative tasks that are currently incurred for the legal existence of the merging companies, and will eliminate the need for financial flows between subsidiaries and the Parent Company (dividends) since with the merger, PharmaNutra will take over all legal and financial relations of Junia Pharma and Alesco.

On 4 March 2024, the Board of Directors of the Parent Company resolved to establish a new company, named Athletica Cetilar S.r.l. (Medical Performance Centre). The company to be formed will have a capital of Euro 100,000 and will be 70% owned by PharmaNutra. The project envisages the involvement of professionals with twenty years' experience in the field of treating sports/orthopaedic pathologies, in sport-specific athletic training to enhance athlete performance, and in improving psycho-physical well-being.

The project envisages the creation of a sports medical centre geared towards optimising the performance of professional and amateur athletes, treating and resolving medical and physical problems, and developing the application of the Cetilar® lines' products. On the one hand, the centre will represent a reference for the patient/customer for all diagnostic and therapeutic activities in both the emergency and preventive phases, and on the other hand it will be a reference centre for all applications of the solutions and products marketed by PharmaNutra and the companies of the Group both in the *experience* field, such as dissemination to the medical class, and for all activities concerning observational and clinical studies useful for PharmaNutra's R&D.

Foreseeable Business Outlook

2024 will be a challenging year both for maintaining the organic growth of the recurring business and for the development of the new projects launched in 2023 (Cetilar® Nutrition, Pharmanutra Usa and Pharmanutra España). The first quarter 2024 is expected to be in line with that of the previous year due to the dynamics linked to the changed inventory management policies of the Italian distribution channel and the dynamics of acquiring orders from abroad.

The investments planned to support the projects described are expected to result in a moderate reduction in margins for the next two financial years.

The current international tensions and the unpredictable developments of the scenarios related to the actual geopolitc environment create a generalised macroeconomic uncertainty that could affect the achievement of corporate objectives.

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 2024, strengthened by a portfolio of unique products and clear and effective development strategies to continue a solid growth path.

We thank you for your trust.

Pisa, 15 March 2024

For the Board of Directors

The Chairman

(Andrea Lacorte)

PHARMANUTRA GROUP CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

FINANCIAL STATEMENTS

Consolidated Balance Sheet

€/1,000	NOTES	31/12/2023	31/12/2022
NON-CURRENT ASSETS		**53,761**	**41,428**
Property, plant and equipment	9.1.1	26,352	17,055
Intangible assets	9.1.2	22,542	21,560
Investments	9.1.3	4	4
Non-current financial assets	9.1.4	293	244
Other non-current assets	9.1.5	3,046	1,259
Deferred tax assets	9.1.6	1,524	1,306
CURRENT ASSETS		**58,682**	**58,727**
Inventories	9.2.1	8,166	5,261
Cash and cash equivalents	9.2.2	18,925	22,051
Current financial assets	9.2.3	6,193	4,810
Trade receivables	9.2.4	19,219	21,647
Other current assets	9.2.5	5,066	2,881
Tax receivables	9.2.6	1,113	2,077
TOTAL ASSETS		**112,443**	**100,155**
SHAREHOLDERS' EQUITY	**9.3.1**	**54,407**	**50,948**
Share capital		1,123	1,123
Legal reserve		225	225
Equity shares		(4,013)	(2,362)
Other reserves		44,125	36,791
IAS 19 reserve		199	226
OCI Fair Value Reserve		(89)	(115)
FTA reserve		12	12
Conversion reserve		(7)	-
Result for the period		12,832	15,048
SHAREHOLDERS' EQUITY		54,407	50,948
Non-controlling interest			
NON-CURRENT LIABILITIES		**30,388**	**23,417**
Non-current financial liabilities	9.4.1	23,430	14,110
Provisions for risks and charges	9.4.2	4,458	5,414
Provisions for employee and director benefits	9.4.3	2,500	3,893
CURRENT LIABILITIES		**27,648**	**25,790**
Current financial liabilities	9.5.1	4,585	3,616
Trade payables	9.5.2	16,107	16,885
Other current liabilities	9.5.3	3,844	3,765
Tax payables	9.5.4	3,112	1,524
TOTAL LIABILITIES		**112,443**	**100,155**

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

Consolidated Income Statement

€/1,000	NOTES	2023	2022
TOTAL REVENUES		**101,963**	**83,394**
Net revenues	9.6.1	100,202	82,724
Other revenues	9.6.2	1,761	670
OPERATING COSTS		**75,479**	**59,035**
Purchases of raw materials, consumables and supplies	9.7.1	5,148	4,793
Change in inventories	9.7.2	(2,699)	(1,968)
Costs for services	9.7.3	65,376	50,402
Personnel costs	9.7.4	6,807	5,101
Other operating costs	9.7.5	847	707
EBITDA		**26,484**	**24,359**
Amortisation, depreciation and write-downs	9.8	3,124	1,319
OPERATING RESULT		**23,360**	**23,040**
FINANCIAL INCOME (EXPENSE) BALANCE		**(100)**	**378**
Financial income	9.9.1	905	528
Financial charges	9.9.2	(1,005)	(150)
PRE-TAX RESULT		**23,260**	**23,418**
Taxes	9.10	(10,428)	(8,370)
Net result of third parties			
Group net income		**12,832**	**15,048**
Net result per share (Euro)	**9.11**	**1.33**	**1.56**

Comprehensive Income Statement

€/1,000	2023	2022
Result for the period	12,832	15,048
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	(2)	31
Overall result for the period	**12,830**	**15,079**

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

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Conversion reserve	Result for the period	Total
Balance as at 1/1	**1,123**	**(2,362)**	**225**	**36,791**	**12**	**(115)**	**226**		**15,048**	**50,948**
Other changes	-	(1,651)		(1)		26	(27)			(1,653)
Dividends distr.				(7,714)						(7,714)
Result dest.				15,048					(15,048)	-
Result for the period									12,832	12,832
Exchange rate difference	-			1				(7)		(6)
Balance as at 31/12	**1,123**	**(4,013)**	**225**	**44,125**	**12**	**(89)**	**199**	**(7)**	**12,832**	**54,407**

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 1/1/n-1	**1,123**		**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**
Other changes		(2,362)		4		(143)	170		(2,331)
Change in Cons. area	-		-	(82)	82		-		-
Dividends distr.				(6,852)					(6,852)
Result dest.				13,772				(13,772)	-
Result for the period								15,048	15,048
Balance as at 31/12/n-1	**1,123**	**(2,362)**	**225**	**36,791**	**12**	**(115)**	**226**	**15,048**	**50,948**

Consolidated cash flow statement

CASH FLOW STATEMENT (€/1,000) - INDIRECT METHOD	Notes	2023	2022
Net result before minority interests		**12,832**	**15,048**
NON-MONETARY COSTS/REVENUES			
Depreciation and write-downs amortisation	9.8	3,124	1,319
Allowances to provisions for employee and director benefits		912	807
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	9.4.2	(1,456)	3,939
Change in provisions for employee and director benefits	9.4.3	(2,305)	565
Change in inventories	9.2.1	(2,905)	(2,396)
Change in trade receivables	9.2.4	2,221	(5,148)
Change in other current assets	9.2.5	(2,185)	(1,782)
Change in tax receivables	9.2.6	964	(1,134)
Change in other current liabilities	9.5.3	80	1,017
Change in trade payables	9.5.2	(778)	7,136
Change in tax payables	9.5.4	1,588	(1,905)
CASH FLOW FROM OPERATIONS		**12,092**	**17,466**
Investments in intangible assets, property, plant and equipment	9.1.1-9.1.2	(13,249)	(26,157)
Transfer of int. assets, property, plant and equipment	9.1.1-9.1.2	552	267
Net investments in financial fixed assets	9.1.3	0	250
Change in other assets	9.1.5	(1,787)	(1,005)
Change in deferred tax assets	9.1.6	(218)	(70)
CASH FLOW FROM INVESTMENTS		**(14,702)**	**(26,715)**
Increase/(decrease) in assets	9.3.1	(8)	31
Purchase of Treasury shares	9.3.1	(1,651)	(2,362)
Cash flow from dividend distribution	9.3.1	(7,714)	(6,852)
Increase in financial assets	9.1.4-9.2.3	(1,546)	(341)
Decrease in financial assets	9.1.4-9.2.3	112	40
Increase in financial liabilities	9.4.1-9.5.1	9,779	15,188
Decrease in financial liabilities	9.4.1-9.5.1	(351)	(3,775)
Increase in ROU financial liabilities	9.4.1-9.5.1	1,208	225
Decrease in ROU financial liabilities	9.4.1-9.5.1	(345)	(263)
CASH FLOW FROM FINANCING		**(516)**	**1,891**
TOTAL CHANGE IN CASH		**(3,126)**	**(7,358)**
Liquid funds at the beginning of the year	9.2.2	22,051	29,409
Liquid funds at the end of the year	9.2.2	18,925	22,051
CHANGE IN LIQUID FUNDS		**(3,126)**	**(7,358)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PHARMANUTRA GROUP

1. LAYOUT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2023 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.

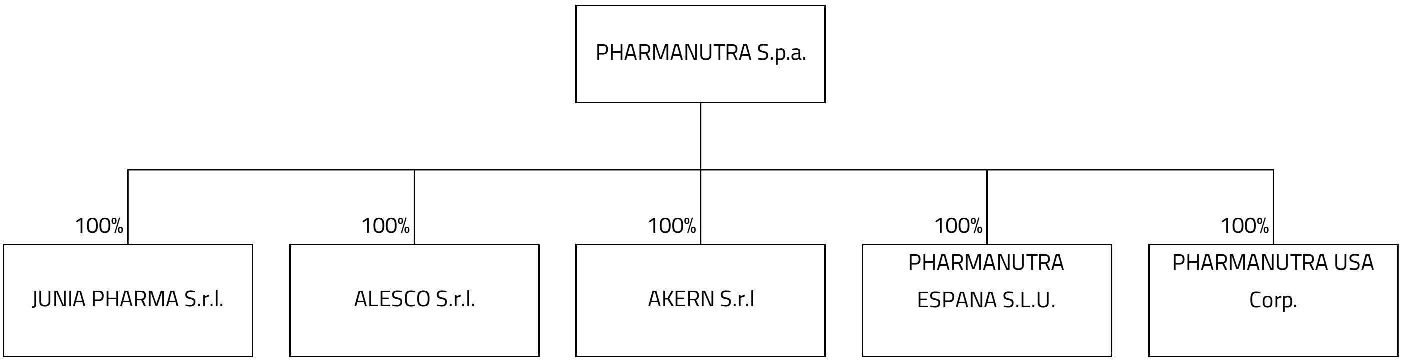
It is believed that these classifications provide information that is better suited to represent the financial position, results of operations and cash flows of the company.

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 "PharmaNutra" or the "Parent Company") is a company with registered office in Italy, in Via Campodavela 1, Pisa, which holds controlling investments in the group of companies (the "Group" or also the "PharmaNutra Group") shown in the following diagram:



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 ownership	Indirect ownership	TOTAL
Pharmanutra S.p.A.	Pisa, Via delle Lenze 216/b		HOLDING	
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%
Akern S.r.l.	Pisa, Via delle Lenze 216/b	100%	0%	100%
Pharmanutra España S.L.U.	Barcellona, Gran Via de les Corts Catalanes 630	100%	0%	100%
Pharmanutra USA Corp.	251, Little Falls Drive , Wilmington, county of New Castle, Delaware	100%	0%	100%

Compared to 31 December 2022, PharmaNutra España and PharmaNutra USA were included in the consolidation area.

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 the 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 PharmaNutra Group as at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union. IFRS also includes all revised International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements are prepared on a going concern basis. In view of what has already been mentioned in the Management Report, to which reference should be made for more details, the Directors believe that there are no problems that could affect the Company's ability to continue as a going concern due to the Russian-Ukrainian conflict and the ongoing Middle East conflict.

The Consolidated Financial Statements of the PharmaNutra Group as at 31 December 2023 are audited by the auditing firm BDO S.p.A in accordance with the resolution of the Annual General Meeting of 13 October 2020.

The PharmaNutra Group has prepared and disclosed to the public, within the terms of the law and in the manner prescribed by Consob, the Consolidated interim report for the six months ended 30 June 2023, subject to limited audit, and the consolidated Interim Management Statements as at 31 March and 30 September 2023.

The draft consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 15 March 2024, which also authorised their publication.

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report in XHTML, based on the ESMA-approved European Single Electronic Format (ESEF). For the year 2023, it is envisaged that numerical values of a monetary nature in the statements and information in the notes to the financial statements that correspond to the mandatory elements of the taxonomy must be "marked" according to the ESEF taxonomy, using an integrated computer language (iXBRL).

Registrations of the entire document at the competent offices and institutions are made in accordance with the law.

Below is a description of the most significant accounting standards adopted for the preparation of the consolidated financial statements of PharmaNutra as at 31 December 2023, which are 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.

Grants commensurate with the cost of tangible fixed assets are recognised in the Income statement, on an accrual basis, gradually over the useful life of the assets by reducing the cost of the fixed assets to which they relate.

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 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:

Industrial Buildings	5,50%
Other constructions	10%
Generic machinery	10%
Specific machinery	12%
Equipment	40%
Water treatment	15%
Furniture & Fixtures	12%
Electronic equipment	20%
Cars	25%
Trucks	20%

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 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 finite 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 recognised 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

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 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 asset 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 financial 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 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:

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 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 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 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 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 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 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 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 Group's companies 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:

- 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 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.

Financial income and charges

Financial income and charges are recognised in the income statement in the year in which they are accrued.

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 financial 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 financial 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 financial 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 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 01/01/2023

5.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2023

- 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".
- Amendment entitled "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendment to IAS 12).

The amendments above had no impact on the financial statements or the disclosure.

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

The following amendments/changes will enter into force on 1 January 2024:

- Amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and 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 clarify the principles that must be applied for the classification of liabilities as current or non-current.
- Amendment to IAS 12 "Income Taxes: International Tax Reform - Pillar Two Model Rules" (issued on 23 May 2023);
- Amendments to IFRS 16, Lease Liabilities in a Sale and Leaseback (issued on 22 September 2022);

The following amendments have not been endorsed yet:

- Amendment to IAS 21 entitled "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability" (published on 15 August 2023):

- Amendment entitled "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (published on 25 May 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.

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 investments 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 (IAS 19)

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

<u>Demographic assumptions</u>

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%;

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 2023 and amounts to 7.19% per year for the Parent Company, Junia Pharma and Alesco. For Akern the causes of resignations and dismissals were estimated, on the basis of company data, over the observation period from 2020 to 2023 and amounts to 7.41% per year;

the probability of requesting an advance was set at 1% per year, with a 50% rate remaining for the Parent Company, Junia Pharma and Alesco For Akern, they were set at 1.20% per year, with a 50.68% 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:

2023 parameters	**PHN, Junia Pharma Alesco**	**AKERN**
Rate of salary increase	4.118%	2.63%
Inflation rate	*	*
Discount rate of employees leaving entitlement	2.508%	2,539%

* With regard to the inflation hypothesis, reference was made to the “Economic and Financial Document 2023 - Update Note”, approved by the Council of Ministers on 27 September 2023, which forecasts an annual rate of 5.6%

for 2023, 2.3% for 2024, 2% for 2025 and 2.1% for 2026. Based on said update, it was assumed that a flat rate of 2.1%, also on an annual basis, would be adopted from 2027.

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 29/12/2023 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 21 years.

Estimates adopted in the actuarial calculation for the purpose of determining the provision for agents' termination indemnity (IAS 37)

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

<u>Demographic assumptions</u>

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 2023 has been estimated, based on company data, at 4.15% and 6.45% per year, respectively;

<u>Economic and financial assumptions</u>

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 31.12.2023, a flat rate of 2.446% was adopted on the section of the curve corresponding to 23 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 PharmaNutra Group are as follows:

7.1 EXTERNAL RISKS

7.1.1 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.

7.1.2 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 of the conflict between Russia and Ukraine, the relationship with the Russian distributor continued as usual during 2023. At the end of the year, the Group had no exposure to the distributor, and, in continuity with the previous year, part of the margin realised was donated to humanitarian organisations for the purchase of ambulances and the construction of hospital facilities in Ukraine.

It is considered that the possible adoption of even stronger penalties could not lead to a decrease in the expected revenues for the next year. Regarding Ukraine, a marginal market, there are no open positions as of today and no commercial operations.

With regard to the conflict in the Middle East, it is considered that no significant effects will result from it since the Group does not operate in the Palestinian territory.

7.1.3 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.

7.1.4 Cyber risks of security, data management and dissemination, with particular reference to cyber attacks

The risk is related to the possibility that any attacks and breaches of the IT system may lead to the unavailability of systems and/or the destruction, loss, modification, unauthorised disclosure of or access to personal data transmitted, stored or otherwise processed by the Group, with consequent economic and/or reputational losses, including those related to serious business interruption events. Risk factors include those related to employees' potential unawareness of Cyber Security issues that could expose the Group to vulnerabilities in the area of information management.

During 2022, a specific Cyber risk assessment was carried out with the support of experts in the field in order to assess more generally the company's level of security and, specifically, the main Cyber risk scenarios to which the company is exposed. The results of this activity revealed a number of initiatives ("positive practice") that were successfully adopted and implemented during 2023 and that actively contribute to mitigating the company's exposure to Cyber risk.

However, the level of attention with which the Group handles these issues remains high and, during the financial year 2024, further improvement projects will be implemented and additional training sessions and awareness campaigns will be delivered in line with the defined Cyber Security Awareness programmes.

7.1.5 Risks related to climate change

With particular reference to climate change and related risk factors, the Group analysed the main impacts on sustainability.

As part of the assessment of risks related to climate change, the Pharmanutra Group has not currently identified as relevant risks related to the inability to achieve strategic objectives due to changes in the external environment (also taking into account possible impacts on the supply chain) and possible inadequate management of emissions into the atmosphere. The process of identifying these risks, as well as the assessments of their importance, were conducted both on the basis of the internal context as well as on the basis of the dynamics of the reference market, and current regulations. However, in this context it should be noted that as of today the Group has not yet set specific quantitative targets in terms of reducing greenhouse gas emissions, both direct and indirect. At the strategic level, the Group intends to pursue the integration of sustainable development principles into its vision and business model in an increasingly precise and consistent manner. Potential impacts related to physical hazards associated with climate change are deemed not significant. The outcome of the above assessments regarding the significance of climate change risks was also duly taken into account in the process of defining the assumptions adopted in preparing the impairment tests.

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 71% of the Group's revenues at 31 December 2023, with an unchanged incidence compared to the previous year. 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, to 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 food 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 2023 and 31 December 2022 is shown below:

€/1,000	31/12/2023	31/12/2022
Non-current financial assets	293	244
Other non-current assets	3,046	1,259
Deferred tax assets	1,524	1,306
Current financial assets	6,193	4,810
Trade receivables	20,947	23,286
Other current assets	5,066	2,881
Total Exposure	**37,069**	**33,786**
Provision for doubtful accounts	(1,728)	(1,639)
Total exposure net of Allowance for doubtful accounts (*)	**35,341**	**32,147**
(*) = equity investments and tax receivables are not included		

Below is a breakdown of receivables as at 31 December 2023 and 31 December 2022 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1,000	Carrying amount at 31/12/2023	To expire	Expired			
			0-90	**90-180**	**180-360**	**> 360**
Non-current financial assets	293	293				
Other non-current assets	3,046	3,046				
Deferred tax assets	1,524	1,524				
Current financial assets	6,193	6,193				
Trade receivables	20,947	17,367	1,505	142	267	1,665
Other current assets	5,066	5,066				
Total financial assets	**37,069**	**33,489**	**1,505**	**142**	**267**	**1,665**

€/1,000	Carrying amount at 31/12/2022	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	244	244				
Other non-current assets	1,259	1,259				
Deferred tax assets	1,306	1,306				
Current financial assets	4,810	4,810				
Trade receivables	23,286	20,124	1,228	185	196	1,553
Other current assets	2,881	2,881				
Total financial assets	**33,786**	**30,624**	**1,228**	**185**	**196**	**1,553**

7.3.2 Liquidity risk

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

To support the investments made for the construction of the new headquarters, a mortgage loan contract with progress draws was finalised with Banco BPM S.p.A. for the amount of Euro 12 million. The mortgage loan provides for a variable interest rate calculated with a spread of 1.45% on the quarterly EURIBOR. The loan includes a financial covenant based on the NFP/EBITDA parameter. As at 31/12/2023, this parameter is respected.

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 2023 and 31 December 2022, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1,000	Balance at 31/12/2023	Current share	2 to 5 years	Over 5 years
Bank loans and borrowings	26,403	4,215	14,679	7,509
Financial liabilities for rights of use	1,612	370	1,242	
Total financial liabilities	**28,015**	**4,585**	**15,921**	**7,509**

€/1,000	Balance at 31/12/2022	Current share	2 to 5 years	Over 5 years
Bank loans and borrowings	16,977	3,365	11,988	1,624
Financial liabilities for rights of use	749	251	498	
Total financial liabilities	**17,726**	**3,616**	**12,486**	**1,624**

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

7.3.3 Interest rate risk

The Group's companies have variable-rate loan agreements in place and are thus exposed to the risk of changes in interest rates, which is considered low. Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 83% at 31 December 2023 and 71% as at 31 December 2022.

The Group does not currently adopt policies to hedge interest rate risk. Considering the current forecasts on the expected trend of interest rates in the medium to long term, hypotheses are currently being evaluated to hedge the interest rate on the mortgage loan.

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 given the characteristics of the investment portfolio.

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following disclosure 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 2023 and 31 December 2022, the following table shows the fair value hierarchy for the Group's assets that are measured at fair value:

€/1,000	31/12/2023				31/12/2022			
	Level				Level			
	1	2	3	Total	1	2	3	Total
Current financial assets:								
Bonds	4,416		386	4,802	3,493		304	3,797
Investment Funds	591			591	1,000			1,000
Shares	-			-	13			13
Time deposits			800	800				
Total	**5,007**	**-**	**1,186**	**6,193**	**4,506**	**-**	**304**	**4,810**

For bonds falling under Level 3, the nominal value valuation model was applied. The financial products included in this category are products deriving from securitisation transactions of receivables or other assets (Euro 304 thousand) and financial products with pay-offs linked to indices that do not comply with the ESMA Guidelines of 18 December 2012 on ETFs (Euro 82 thousand).

Time deposits falling under level 3 are represented by an escrow account signed by the subsidiary Akern maturing in 2024.

As at 31/12/2023 the Parent Company held a derivative instrument to hedge the Euro/US Dollar exchange rate, from which an exchange rate gain of about Euro 5 thousand emerged.

7.3.4 Risk of changes in cash flows

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 exchange rate fluctuations

The risk related to exchange rate fluctuations is limited since all transactions with foreign countries are made in Euro with the exception of transactions with the subsidiary Pharmanutra USA, which are covered by forward contracts.

7.3.6 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. Over the years, 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 set aside to cover the estimated liabilities.

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 of approximately Euro 220 thousand) plus penalties and interest.

8. DISCLOSURE BY OPERATING SEGMENTS

The Group has identified operating segments on the basis of the three business lines 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) and Akern, which represent the Group's business model.

INCOME STATEMENT (€/000)	31/12/2023	LB1	LB2	AKERN	31/12/2022	LB1	LB2	AKERN
A) REVENUES	**101,963**	**65,085**	**31,775**	**5,104**	**83,394**	**57,966**	**23,395**	**2033**
Net revenues	100,202	63,563	31,610	5,030	82,724	57,491	23,272	1,961
Other revenues	1,761	1,522	165	74	670	475	123	72
B) OPERATING COSTS	**(75,479)**	**(48,152)**	**(24,015)**	**(3,312)**	**(59,035)**	**(40,863)**	**(16,695)**	**(1,477)**
Costs for services, goods and operating costs	(61,367)	(39,893)	(19,677)	(1,798)	(47,438)	(33,068)	(13,539)	(831)
Costs for personnel and corporate bodies	(14,112)	(8,259)	(4,338)	(1,515)	(11,597)	(7,795)	(3,156)	(646)
(A-B) EBITDA	**26,484**	**16,933**	**7,760**	**1,791**	**24,359**	**17,103**	**6,700**	**556**
EBITDA (% on revenues)	***26.0%***	***25.8%***	***24.8%***	***35.1%***	***29.2%***	***29.5%***	***28.6%***	***27.4%***
C) Amortisation, depreciation and write-downs	(3,124)				(1,319)			
(A-B-C) EBIT	**23,360**				**23,040**			
D) FINANCIAL INCOME (COSTS)	**(100)**				**378**			
Financial income	905				528			
Financial charges	(1,005)				(150)			
PRE-TAX RESULT (A-B-C+D)	**23,260**				**23,418**			
Taxes	(10,427)				(8,370)			
Profit /(Loss) for the year	**12,832**				**15,048**			

The performance of the two Pharmanutra business lines 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 10.6% and those abroad by 35.8%.

Costs for services attributable to the LB1 line, amounting to Euro 39,893 thousand, rose by around 20.6% compared with the previous year due to higher revenues for the year and the increase in marketing costs and the investments incurred for the launch of the Cetilar® Nutrition line. Costs for services attributable to foreign markets

(LB2), which amounted to Euro 19,677 thousand in 2023, compared to Euro 13,539 thousand in 2022, show an increase of 45.3% as a result of costs incurred for the start-up of PHN USA and PHN España.

As a result of the above, the EBITDA of LB1 segment in 2023 amounted to Euro 16,933 thousand (Euro 17,103 thousand in 2022), a decrease of -1.0%, while the EBITDA of LB2 segment increased by about 15.8% from Euro 7,760 thousand in 2023 to Euro 6,700 thousand in 2022.

The comparisons for the Akern business line are not important since the 2022 figures only refer to the July-December 2022 period.

9. COMMENTS ON THE MAIN ITEMS

9.1 Non-current assets

9.1.1. Tangible Fixed Assets

Net value	Initial balance	Increases	Decreases	Depreciation	Other changes	Final balance
Land and buildings	92	4,890		-584	14,782	19,180
Plant and machinery	137	2,235	-11	-214		2,147
Equipment	21	2	1	-10	-1	13
Office furniture and equipment	342	1,008	17	-216		1,151
Vehicles	795	499	-46	-375		873
Other tangible fixed assets	1				1	2
Rights of use	744	2,937	-304	-525		2,852
Assets in progress	14,923		-6		-14,783	134
TOTAL	**17,055**	**11,571**	**-349**	**-1,924**	**-1**	**26,352**

Historical cost	Initial balance	Increases	Decreases	Other changes	Final balance
Land and buildings	749	4,890		14,782	20,421
Plant and machinery	376	2,235	-28	0	2,583
Equipment	125	2		-1	126
Furniture and office machines	1,292	1,008	-6	0	2,294
Vehicles	1,464	499	-106	0	1,857
Other intangible fixed assets	8			1	9
Rights of use	1,606	2,937	-304	0	4,239
Assets in progress	14,923		-6	-14,783	134
TOTAL	**20,543**	**11,571**	**-450**	**-1**	**31,663**

Accumulated depreciation/amortisation	Initial balance	Depreciation	Uses	Other changes	Final balance
Land and buildings	657	584		0	1,241
Plant and machinery	239	214	-17	0	436
Equipment	104	10	-1	0	113
Furniture and office machines	950	216	-23	0	1,143
Vehicles	669	375	-60	0	984
Other intangible fixed assets	7			0	7
Rights of use	862	525		0	1,387
TOTAL	**3,488**	**1,924**	**-101**	**0**	**5,311**

The amount of the year's increases relates for Euro 7,125 thousand to investments for the construction of the new headquarters, for Euro 1,937 thousand to rights of use connected with leasing contracts entered into for the purchase of plants, equipment and furnishings for the new headquarters, for Euro 1 million to rights of use connected with the purchase of shares of an aircraft, for Euro 499 thousand to the purchase of cars for management and sales force, and for Euro 1 million to the purchase of electronic equipment and laboratory equipment.

Following the inauguration of the new headquarters in October 2023, fixed assets under construction were transferred to the item Land and buildings and subjected to depreciation.

It should be noted that, against the investments in capital goods made as part of the construction of the new headquarters, the Parent Company accrued a tax credit pursuant to Italian Law 178/2020 as later amended and supplemented (Industria 4.0) for a total amount of Euro 1.3 million, which was recognised as a reduction in the cost of the assets to which it refers.

The land and the building are encumbered by a first mortgage in favour of BPM S.p.A. for Euro 18 million to secure the mortgage loan granted.

9.1.2 Intangible Fixed Assets

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

	Initial balance	Increases	Decreases	Depreciation	Other changes	Final balance
Research and development costs		54		-20	47	**81**
Industrial patent rights	1,613	669		-308	140	**2,114**
Concessions, licenses and trademarks	1,496	168	-4	-139	0	**1,521**
Goodwill	17,561			0	0	**17,561**
Other intangible fixed assets	36	96		-26	0	**106**
Assets under development and payments on account	854	691	-199		-187	**1,159**
TOTAL	**21,560**	**1,678**	**-203**	**-493**	**0**	**22,542**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 837 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 indicated 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 2024 budget approved on 16 December 2023. Three CGUs have been identified: Junia Pharma, Alesco, Akern.

The recoverable value of the three CGUs identified every goodwill refers to and amounting to a total of Euro 17,561 thousand (of which Euro 960 thousand refer to Alesco and Euro 1,790 thousand refer to Junia Pharma and Euro 14,811 refer to Akern) 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. Specifically, the Group, with regard to the assessments as of 31 December 2023, used a discount rate of 10.45%, with a growth rate “g” of 1% for the Junia Pharma CGU, a discount rate of 10.11%, with a growth rate “g” of 1% for Alesco and, with regard to the assessment of Akern, a discount rate of 11.12%, with a growth rate “g” of 1%.

The results of the impairment test showed that for Alesco, the recoverable value exceeded the book value by 23 times; for Junia Pharma, the recoverable value exceeded the book value by 16 times; and for Akern, the recoverable value exceeded the book value by 16%.

Sensitivity

The sensitivity analysis carried out considering a change of +/- 0.50% in the g-rate and -/+ 1% in the WAAC used to perform the test did not show any impairment of goodwill.

9.1.3 Investments

	31/12/2023	31/12/2022	Change
Investments in other companies	4	4	0
Investments	**4**	**4**	**0**

9.1.4 Non-current financial assets

	31/12/2023	31/12/2022	Change
Deposits and advances	293	244	49
Non-current financial assets	**293**	**244**	**49**

The item includes security deposits, amounting to Euro 123 thousand, which refer to Euro 105 thousand for sums paid at the signing of leasing contracts entered into with the related company Solida S.r.l.; they also include advance payments made by PharmaNutra to Solida S.r.l. amounting to Euro 85 thousand.

9.1.5 Other non-current assets

	31/12/2023	31/12/2022	Change
Insurance for Directors' termination indemnity		1,259	-1,259
Purchased tax receivables	2,091		2,091
Industria 4.0 L/T Portion Tax Credits	955		955
Other non-current assets	**3,046**	**1,259**	**1,787**

The decrease in the item Insurance for Directors' termination indemnity is due to the collection of the insurance policy taken out to cover the Directors' termination indemnity following the liquidation of the latter for the end of the term of office of the Executive Directors.

The item Purchased tax credits represents the non-current portion of tax credits from the so-called "superbonus", "ecobonus" and other building tax relief measures - in the various forms of tax relief obtained in connection with the interventions referred to in articles 119-121 of Italian Decree-Law No. 34/2020, converted by Law No. 77/2020, as later amended and supplemented ("Relaunch Decree"), Italian Decree-Law No. 63/2013, converted by Law No. 90/2013, articles 14, 16, 16-*bis* and 16-*ter*, and Italian Law No. 160/2019 article 1, paragraph 219, as later amended and supplemented - for a nominal value of Euro 5 million purchased for Euro 4.3 million to invest part of the Group's liquidity. These credits can be used over four years for a maximum annual amount of Euro 1,250 thousand. As at 31 December, the Group had fully used the amount allowed for the year 2023.

The item Industria 4.0 Tax Credits includes the long-term part of the Industria 4.0 tax credit described above.

9.1.6 Deferred tax assets

	Initial balance	Increases	Decreases	Final balance
All. to prov. for risks related to legal disputes		148	-2	146
All. to provision for inventory write-downs	102	64	-62	104
All. to provision for doubtful accounts	297	76		373
Directors' fees	759	654	-759	654
All. to provision for severance indemnity (TFR)	53	3	-5	51
All. to provision for Add. Client Indemnities	-52		-74	-126
Consolidation entries	237	214		451
Goodwill amortisation	-95		-35	-130
TOTAL	**1,301**	**1,159**	**-937**	**1,523**

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 remuneration of corporate bodies concern the non-deductibility of the variable remuneration.

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.

9.2 Current assets

9.2.1 Inventories

	31/12/2023	31/12/2022	Change
Raw materials, consumables and supplies	816	1,214	-398
Products in progress and semi-finished products	238	218	20
Finished products and goods	7,481	4,229	3,252
Provision for inventory write-downs	-369	-400	31
Total inventories	**8,166**	**5,261**	**2,905**

The increase in inventories of finished products and goods is attributable to production planning; the value of finished product inventories is net of the sum of Euro 369 thousand (Euro 400 thousand as at 31/12/2022) set aside as a write-down of finished product inventory.

9.2.2 Cash and cash equivalents

	31/12/2023	31/12/2022	Change
Bank and postal accounts	18,885	22,030	-3,145
Cash and cheques	40	21	19
Total cash and cash equivalents	**18,925**	**22,051**	**-3,126**

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

	31/12/2023	31/12/2022	Change
Mutual funds	591	1,000	-409
Bonds	4,802	3,797	1,005
Miscellaneous equities		13	-13
Time deposits	800		800
Total current fin. assets	**6,193**	**4,810**	**1,383**

This item is mainly represented by 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 31/12/2023, a comparison with the market value of the bonds held shows a net capital gain of Euro 84 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A gain of Euro 52 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

	31/12/2023	31/12/2022	Change
Trade receivables - Italian customers	9,778	13,970	-4,192
Trade receivables - Other countries	5,299	4,083	1,216
Other receivables (subject to collection)	5,886	5,302	584
Invoices/(Credit Notes) to be issued	-16	-69	53
Provision for doubtful accounts	-1,728	-1,639	-89
Total trade receivables	**19,219**	**21,647**	**-2428**

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:

€/1,000	31/12/2023	31/12/2022	Change
Italy	12,866	17,578	(4,712)
Asia	2,599	2,603	(4)
Europe	2,451	762	1,689
Africa	0	510	(510)
America	1,304	194	1,110
Total trade receivables	**19,219**	**21,647**	**(2,428)**

Changes in the Provision for doubtful accounts during 2023 were as follows:

	Provision for doubtful accounts
Opening Balance	(1.639)
Accruals	(207)
Disposals	118
Ending Balance	**(1.728)**

9.2.5 Other current assets

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

	31/12/2023	31/12/2022	Change
Receivables from shareholders for indemnification	793		793
Receivables from employees	63	47	16
Advances	1,630	1,902	-272
Tax Credits	1,523		1,523
Prepayments and accrued income	1,057	932	125
Total other current assets	**5,066**	**2,881**	**2,185**

The item “Receivables from shareholders for indemnification” refers to the reimbursement due to the Company by the pre-existing shareholders as at the date of listing on the AIM market (July 2017) for taxes, penalties and interest paid in March for the settlement of 2016 tax period based on the declarations and guarantees issued by them in the admission document Section 1, Chapter 16, paragraph 16.1.

The item "Advances" includes receivables from agents for advances of Euro 307 thousand (Euro 251 thousand in the previous year), relating to sums advanced by Group companies when signing agency contracts, and advances to suppliers of Euro 1,338 thousand (Euro 1,651 thousand as at 31/12/2022). The advances paid to agents shall be returned on termination of the relationship with each agent.

The item Tax receivables refers to the amount of purchased tax receivables that are expected to be used within 12 months, amounting to Euro 1,135 thousand. The item also includes the current portion of the Industria 4.0 tax credit, amounting to Euro 388 thousand, referring to the benefit recognised for investments in capital goods.

9.2.6 Tax receivables

“Tax receivables” can be broken down as follows:

	31/12/2023	31/12/2022	Change
VAT receivables	381	1,506	-1,125
R&D tax receivables	526	552	-26
Patent Box tax receivables	167		167
Other tax receivables	39	19	20
Tax receivables	**1,113**	**2,077**	**-964**

The item R&D tax receivables represents the tax credit under Art. 3 of Italian Decree-Law 145/2013 within the terms and in the manner set out in Italian Ministerial Decree 27/05/2015 as amended. The portion accrued in 2023 amounts to Euro 243 thousand.

Patent Box tax receivables represent the benefit referring to 2023 of the agreement signed in October with the Tuscan Regional Directorate of the Italian Revenue Agency for the 2019-2013 period for the direct exploitation of technical IPRs, know-how and patents not included in the previous agreement.

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:

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Conversion reserve	Result for the period	Total
Balance as at 1/1	**1,123**	**(2,362)**	**225**	**36,791**	**12**	**(115)**	**226**		**15,048**	**50,948**
Other changes	-	(1,651)		(1)		26	(27)			(1,653)
Dividends				(7,714)						(7,714)
Result dest.				15,048					(15,048)	-
Result for the period									12,832	12,832
Exchange rate diff.	-			1				(7)		(6)
Balance at 31/12	**1,123**	**(4,013)**	**225**	**44,125**	**12**	**(89)**	**199**	**(7)**	**12,832**	**54,407**

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.

27,986 treasury shares were purchased during the year in accordance with the resolutions of the Ordinary Shareholders' Meeting on 26 April 2021 and 27 April 2022. As at 31 December 2023, Pharmanutra holds 65,985 treasury shares equal to 0.68% of the share capital, for a value of Euro 4,013 thousand.

On 26 April 2023 the Shareholders' Meeting held by the Parent company's shareholders resolved the distribution of Euro 0.80 dividend per share, corresponding to a payout ratio of approximately 50% of the 2022 consolidated net result, for a total amount of Euro 7,714 thousand.

9.4 Non-current liabilities

9.4.1 Non-current financial liabilities

	31/12/2023	31/12/2022	Change
BPER loan	3,256	4,253	-997
Intesa loan	171	373	-202
Credem loan	3,137	4,218	-1,081
BPM loan	3,919	4,768	-849
BPM mortgage loan	11,705		11,705
Non-current fin. payables for rights of use	1,242	498	744
Non-current financial liabilities	**23,430**	**14,110**	**9,320**

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

The increase in non-current financial liabilities derives from the disbursement of the long-term mortgage loan by BPM S.p.A., as mentioned earlier.

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 31.12.2023 in accordance with IFRS16. The increase over the previous year is due to leasing contracts entered into for the purchase of machinery, equipment and furnishings for the new headquarters.

The following table shows the breakdown of bank indebtedness by company and due date as at 31/12/2023. 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 31/12/2023	Due within 12 months	Due after 12 months
PharmaNutra S.p.A.	26,181	4,164	22,017
Junia Pharma S.r.l.	-90	-90	0
Alesco S.r.l.	-61	-61	0
Akern S.r.l.	373	202	171
Total Loans and borrowings from banks and other financial backers	*26,403*	*4,215*	*22,188*
PharmaNutra S.p.A.	1,428	307	1,121
Junia Pharma S.r.l.	20	11	9
Alesco S.r.l.	75	22	53
Akern S.r.l.	89	30	59
Total payables for rights of use	*1,612*	*370*	*1,242*
TOTAL	***28,015***	***4,585***	***23,430***

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 2023 is as follows:

		31/12/2023	31/12/2022
	A Cash and cash equivalents	(18,925)	(22,051)
	B Cash equivalents		
	C Other current financial assets	(6,193)	(4,810)
	D Liquidity (A+B+C)	**(25,118)**	**(26,861)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	997	251
	F Current portion of non-current financial debt	3,588	3,365
	G Current financial debt (E+F)	**4,585**	**3,616**
	of which guaranteed	295	295
	of which not guaranteed	4,290	3,321
	H Net current financial debt (G-D)	**(20,533)**	**(23,245)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	23,430	14,110
	J Debt instruments		
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**23,430**	**14,110**
	of which guaranteed	11,705	11,705
	of which not guaranteed	11,725	2,405
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**2,897**	**(9,135)**
3)	N Other current and non-current financial assets	(293)	(1,503)
	O Net financial debt (M-N)	**2,604**	**(10,638)**

1) It includes the following items of the financial statements: Current financial liabilities (Financial payables for rights of use Euro 370 thousand);
2) It includes the following items of the financial statements: Non-current financial liabilities (L/T loans Euro 22,188 thousand, Financial payables for non-current rights of use Euro 1,242 thousand);
3) It includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 293 thousand).

9.4.2 Provisions for non-current risks and charges

	31/12/2023	31/12/2022	Change
Tax provision		1,400	-1,400
Provision for termination indemnity of agency contracts	950	1,000	-50
Provision for sundry risks and legal disputes	508	14	494
Provision for contractual commitments	3,000	3,000	0
Provisions for risks and charges	**4,458**	**5,414**	**-956**

Provisions for risks and charges include:

Provision for taxes: the provision as of 31/12/2023 was fully used following the settlement, through recourse to the special redemption procedure pursuant to Law 197/2022, of the cross-examination invitations notified by the Pisa Provincial Directorate of the Inland Revenue Agency for the tax periods from 2017 to 2021.

Provision for termination indemnity 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). During the year, the fund was utilised due to the termination of contracts.

Provision for risks to cover the risk of legal disputes: it was increased during the year to cover the risk of disputes with agents following the termination of the agency agreement. A specific provision has been set aside to cover that estimated liabilities.

Provision for contractual commitments: this represents the maximum amount of debt related to the earn-out contractually foreseen for Akern's sellers recognised at the outcome of the audits performed.

9.4.3 Provisions for employee and director benefits

	31/12/2023	31/12/2022	Change
Provision for empl. severance indemnity	1,205	1,074	131
Directors' termination indemnity provision	515	1,519	-1,004
Provision Comp. Variable ML	780	1,300	-520
Provisions for empl. and director benefits	**2,500**	**3,893**	**-1,393**

Provisions for benefits refer to:

- Directors' termination indemnity provision.

The balance as at 31/12/2023 in the amount of EUR 515 thousand corresponds to the company's actual commitment to the directors at the reporting date, based on the resolutions of the Ordinary Shareholders' Meeting. It should be noted that the directors were paid EUR 1,645 thousand at the end of their term of office in 2023.

- Provision for medium/long-term variable compensation

The directors' remuneration policy meets the requirements of the Corporate Governance Code issued by Borsa Italiana (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.

Based on the foregoing and on the expected achievement of the targets envisaged for disbursement, the medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 780 thousand. It should be noted that the directors were paid variable remuneration of EUR 1,300 thousand at the end of their term of office in 2023.

- The provision for severance indemnity set aside by the companies included in the consolidated financial statements.

The liability for the provision for employee severance indemnity has been calculated in compliance with the current provisions governing the employment relationship for employees and corresponds to the actual commitment of the companies towards individual employees at the reporting date. The amount set aside refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their severance indemnity accruing from 1 January 2007 to the company. The amount relating to the provision for employee severance indemnity 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).

Changes during the year are set forth below:

€/1000	Provision for empl. severance indemnity
Balance at 31/12/2022	1.074
Service cost	157
Interests	28
Utilization	(82)
Actuarial (gains)/losses	28
Balance at 31/12/2023	**1.205**

9.5 Current liabilities

9.5.1 Current financial liabilities

	31/12/2023	31/12/2022	Change
Short-term portion of loans	3,588	3,365	223
Bank loans and borrowings for current accounts	627	0	627
Current fin. payables for rights of use	370	251	119
Tot. Current fin. liabilities	**4,585**	**3,616**	**969**

The item "Short-term portion of 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:

	31/12/2023	31/12/2022	Change
Trade payables - suppliers in Italy	13,145	13,869	-724
Trade payables - suppliers in other countries	512	1,021	-509
Payments on account	2,450	1,995	455
Total trade payables	**16,107**	**16,885**	**-778**

The reduction in trade payables is linked to payment dynamics.

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

€/1000	31/12/23	31/12/22	Change
Italy	12.543	11.271	1.272
Asia	629	874	(245)
Europe	590	4.532	(3.942)
America	864	207	656
Others	1.481	0	1.481
Total trade payables	**16.107**	**16.885**	**(778)**

9.5.3 Other current liabilities

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

	31/12/2023	31/12/2022	Change
Payables for wages and salaries	887	825	62
Payables to social security institutions	356	369	-13
Payables to directors and statutory auditors	1,776	1,497	279
Sundry debtors	338	238	100
Provision for severance indemnity of agents and representatives	160	137	23
Guarantee withholding	220	584	-364
Security deposits from customers	107	115	-8
Total other current liabilities	**3,844**	**3,765**	**79**

The item Payables to directors and statutory auditors includes the amount of short-term variable remuneration accrued by executive directors on the results for 2023 equal to Euro 1,300 thousand.

9.5.4 Tax payables

	31/12/2023	31/12/2022	Change
Income taxes	2,178	977	1,201
Payables for withholdings	884	547	337
Value added tax	50	0	50
Total tax payables	**3,112**	**1,524**	**1,588**

The increase in the item "Income taxes" derives from the accrual of the amount due as a result of the special redemption procedure for the years 2017-2021 mentioned above.

9.6 Revenues

9.6.1 Net revenues

	2023	2022	Change
BL1 Revenues	63,563	57,491	6,072
BL2 Revenues	31,610	23,272	8,338
Akern BL REVENUES	5,029	1,961	3,068
Total revenues	**100,202**	**82,724**	**17,478**

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

€/1,000	2023	2022	Change	Δ%	Incidence 2023	Incidence 2022
Italy	62,509	56,106	6,403			
Total BL1	***62,509***	***56,106***	***6,403***	**11.4%**	**62.4%**	**67.8%**
Europe	16,161	12,032	4,129	34.3%		
Middle East	10,123	7,672	2,450	31.9%		
South America	1,950	1,087	863	79.4%		
Far East	1,529	563	967	171.9%		
Other	688	1,001	(313)	-31.3%		
Total BL2	***30,451***	***22,355***	***8,096***	**36.2%**	**30.4%**	**27.0%**
Raw materials - Italy	1,054	1,385	(331)	-23.9%	**1.1%**	**1.7%**
Raw materials - Abroad	1,159	918	242	26.3%	**1.2%**	**1.1%**
Akern Italy	4,413	1,742	2,671	153.3%	**4.4%**	**2.1%**
Akern Foreign markets	617	219	398	181.7%	**0.6%**	**0.3%**
Total net revenues	**100,202**	**82,724**	**17,478**	**21.1%**	**100%**	**100%**

As described above, the Group's activities are divided into three business lines, sale of finished products (PharmaNutra and Junia Pharma), sale of raw materials (Alesco), and sale of machinery and instruments for measuring body bioimpedance (Akern) through direct and indirect distribution channels.

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 PharmaNutra Group.

In 2023, the direct business line accounted for 63.4% (about 69.5% in 2022) 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.
- Tenders for supply contracts with public facilities.

The activity carried out by pharmaceutical sales representatives directly addressing the medical class in order to make known the clinical efficacy and uniqueness of the products is paramount.

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 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 2023, the Indirect business line accounted for 31.6% of the turnover (about 28.1% in the previous year).

Akern business line: the business model involves the sale of instrumentation and software for body bioimpedance analysis in Italy and foreign markets through agents, distributors and online sales.

9.6.2 Other revenues and income

	2023	2022	Change
Tax Credits	340	283	57
Contractual indemnities	535		535
Refunds and recovery of expenses	54	50	4
Contingent assets	329	154	175
Other revenues and income	503	183	320
Total Other revenues and income	**1,761**	**670**	**1,091**

The item "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” of 2023 refers to the settlement of a legal dispute with a customer.

The item “Other revenues and income” mainly includes re-invoicing for services rendered to third parties and the proceeds from the utilisation of the provision for inventory write-downs for finished products that were disposed of during the period.

9.7 Operating costs

9.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2023	2022	Change
Costs for raw materials and semi-fin. goods	2,867	2,426	441
Consumables	612	601	11
Costs for finished products	1,669	1766	-97
Total raw materials, semi-finished goods, consumables and finished products	**5,148**	**4,793**	**355**

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

	2023	2022	Change
Change in raw materials	398	-577	975
Change in semi-finished products	-20	-218	198
Change in finished products	-3,262	-1,362	-1,900
Allowance to Provision for inventory write-downs	185	189	-4
Change in inventories	**-2,699**	**-1,968**	**-731**

The increase in inventories as at 31.12.2023 is the result of production planning with a view to streamlining production costs.

9.7.3 Costs for services

	2023	2022	Change
Marketing	15,670	12,051	3,619
Production and logistics	20,081	14,507	5,574
Overheads	7,203	4,577	2,626
Research and Development	1,171	505	666
Computer services	467	352	115
Commercial costs and commercial network costs	11,359	10,089	1,270
Corporate bodies	9,100	8,071	1,029
Rentals and leases	69	33	36
Financial services	256	217	39
Total costs for services	**65,376**	**50,402**	**14,974**

The increase in the item "Costs for services" for Marketing, Production and Logistics, Commercial Costs and General Services is to be correlated with higher revenues and production volumes in the period as well as costs incurred for the start-up of the subsidiaries PHN España and PHN USA and for the launch of the Cetilar® Nutrition line. The increase in the item Corporate Bodies occurred as a result of the higher remuneration approved by the Shareholders' Meeting on 26 April 2023.

9.7.4 Personnel costs

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

	2023	2022	Change
Wages and salaries	5,015	3,702	1,313
Social security charges	1,491	1,147	344
Provision for severance indemnity	270	231	39
Other personnel costs	31	21	10
Total personnel costs	**6,807**	**5,101**	**1,706**

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 indemnity 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	2023	2022	Change
Executives	3	2	1
White collars	93	77	16
Blue collars	9	3	6
Total	**105**	**82**	**23**

9.7.5 Other operating costs

	2023	2022	Change
Capital losses	28	34	-6
Sundry tax charges	138	88	50
Loss on receivables	2	23	-21
Membership fees	56	51	5
Charitable donations and social security charges	250	189	61
Other costs	373	322	51
Total other operating costs	**847**	**707**	**140**

The item "Charitable donations and social security charges" includes the amount of Euro 150 thousand referring to the liberal disbursement made of part of the margin realised from sales to the Russian distributor in favour of the Pisa Provincial Committee of the Italian Red Cross and the Rosa Pristina Foundation.

9.8 AMORTISATION, DEPRECIATION AND WRITE OFF

	2023	2022	Change
Amortisation of intangible assets	493	380	113
Depreciation of tangible assets	1,924	765	1,159
Allowance to prov. for risks related to legal disputes	500		500
Provision for doubtful accounts	84	105	-21
Non-deductible provision for doubtful accounts	123	69	54
Total amortisation, depreciation and write off	**3,124**	**1,319**	**1,805**

The increase in depreciation of tangible assets resulted from the entry into operation of the investments made for the construction of the new headquarters and the leasing contracts entered into for the machinery, equipment and furnitures of the new headquarters. For details on the allowances to Provisions for risks and charges, see paragraph 9.4.3.

9.9 FINANCIAL MANAGEMENT

9.9.1 Financial income

	2023	2022	Change
Interest income	317	128	189
Interest income on late payments	3		3
Exchange gains	144	2	142
Other financial income	441	398	43
Total financial income	**905**	**528**	**377**

The increase in financial income is due to the recognition of interest accrued on tax credits acquired during the year, yields obtained on the portfolio under the management of Azimut, and for interest rates obtained on cash in hand.

9.9.2 Financial charges

	2023	2022	Change
Other financial charges	-135	-56	-79
Interest expense	-802	-60	-742
Exchange losses	-68	-34	-34
Total financial charges	**-1,005**	**-150**	**-855**

The increase in the item “Financial charges” resulted from the higher incidence of interest expenses on outstanding loans that were disbursed in 2022.

9.10 INCOME TAXES

	2023	2022	Change
Current taxes	7,976	7,123	853
Deferred tax assets	-170	-153	-17
Taxes previous years	2,622		2,622
Provision for taxes	0	1,400	-1,400
Total taxes	**10,428**	**8,370**	**2,058**

Taxes are recognised on an accruals basis and have been determined in accordance with current rates and regulations. The item “Current taxes” is net of the “Patent Box” tax benefit for the year 2023 (Euro 167 thousand).

The item “Taxes previous years” refers to the settlement, through recourse to the special redemption procedure pursuant to Law 197/2022, of the cross-examination invitations notified by the Pisa Provincial Directorate of the Inland Revenue Agency for the tax periods from 2017 to 2021 and includes the effect on 2022 income taxes determined applying the same criteria used for the definition of previous years.

The reconciliation between the theoretical tax burden and the actual tax burden is shown below:

€/1,000	31/12/2023	31/12/2022
Pre-Tax Result	23,260	23,418
Effective tax rate	-24.0%	-24.0%
Theoretical tax burden	**(6,446)**	**(5,965)**
IRAP effect	(1,599)	(1,388)
(Non-deductible costs) net of non-taxable income	(279)	146
Taxes previous years	(2,622)	(1,400)
Other effects	518	237
Total differences	**(3,982)**	**(2,405)**
Total taxes	**(10,428)**	**(8,370)**
Effective tax rate	**-44.8%**	**-35.7%**

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	2023	2022
Group net income	12,833,783	15,050,519
Number of outstanding shares	9,667,650	9,672,119
Earnings per share	**1.33**	**1.56**

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 8,533 thousand

Board of Statutory Auditors: Euro 68 thousand

Independent auditors: Euro 106 thousand

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

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulations, shows fees for the year 2023 for audit services. No non-audit services were provided by the Audit Firm itself 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
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	Parent Company - Pharmanutra S.p.A.	68
BDO ITALIA S.p.A.	[1]	Subsidiaries	38
Total			**106**

[1] This includes the signing of income, IRAP, 770 and tax receivables certification forms

11. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2023

As for the events after the closing date of 31 December 2023, 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 Alesco, a guarantee for credit limit subject to collection for Euro 400,000;

To Alesco, a guarantee for credit facility on current account for Euro 52,000.

The purchase agreement for the shares of Akern S.r.l. provides for the payment of an incentive and deferred earn-out to the sellers up to a maximum of Euro 3 million, subject to the achievement of Akern's incremental EBITDA and industrial margin targets in 2022, 2023 and 2024.

The land and the building are encumbered by a first mortgage of Euro 18 million in favour of Banco BPM S.p.A. to guarantee the loan granted in 2023.

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.

With regard to the pending litigation concerning an indemnity contractually due to the subsidiary Junia Pharma following the termination of the contract by the supplier, on 7 June 2022, a hearing was held at the Court of Pisa in which witnesses were heard and the admission of the CTU accounting expert was requested. The Judge set the date for the continuation of the trial on 6/10/2023. The case continued with the setting of a hearing on 7 March 2024 for the appointment of a CTU.

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 S.r.l. - 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 possible in consideration of the hypothetical situation of financial difficulty of the counterparty.

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 and economic impact for 2023 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 employees and Directors benefits	Trade Payables	ROU non-current financial liabilities	ROU current financial liabilities
Members of Pharmanutra S.p.A. BoD				1.715	1.362	37		
Members of subsidiaries BoD				36				
Board of Statutory Auditors						41		
Supervisory Board compensation				0		20		
Senior management compensation				12	116			
Solida S.r.l.	294	218					193	105
Calabughi S.r.l.						90		
Ouse S.r.l.						61		
Studio Bucarelli, Lacorte, Cognetti						17		
Other related parties								
TOTAL	**294**	**218**	**0**	**1.762**	**1.479**	**267**	**193**	**104**

Related party Income Statement (€/1000)	Costs for services	Financial expenses	Personnel costs	Amort. Rights of use
Members of Pharmanutra S.p.A. BoD	7.374		212	
Members of subsidiaries BoD	1.158			
Board of Statutory Auditors	68			
Supervisory Board compensation	65			
Senior management compensation			466	
Solida S.r.l.	0	0		225
Calabughi S.r.l.	1.049			
Ouse S.r.l.	231			
Studio Bucarelli, Lacorte, Cognetti	71			
Other related parties	0			
TOTAL	**10.017**	**0**	**678**	**225**

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 a smaller company 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 the Corporate Governance Committee.

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 a lease agreement in place in properties owned by Solida S.r.l., which is owned by some of the shareholders of the Parent Company, which will be terminated in early 2024 following the inauguration of the new headquarters; the companies pay an annual 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 President 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.

As for the agency agreement in place with Ouse S.r.l., a company in which the ex-wife of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, it should be noted that the correlation ceased as from the beginning of July. The agency agreement was unilaterally terminated by Ouse in December 2023.

The Group's 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.

	31/12/2023	of which with related parties	31/12/2022	of which with related parties
NON-CURRENT ASSETS	**53,761**	**512**	**41,428**	**638**
Property, plant and equipment	26,352	294	17,055	420
Intangible assets	22,542		21,560	
Investments	4	0	4	0
Non-current financial assets	293	218	244	218
Other non-current assets	3,046		1,259	
Deferred tax assets	1,524		1,306	
CURRENT ASSETS	**58,682**	**0**	**58,727**	**0**
Inventories	8,166		5,261	
Trade receivables	19,219	0	21,647	0
Other current assets	5,066		2,881	
Tax receivables	1,113		2,077	
Current financial assets	6,193	0	4,810	
Liquid funds	18,925		22,051	
TOTAL ASSETS	**112,443**	**512**	**100,155**	**638**
SHAREHOLDERS' EQUITY	**54,407**		**50,948**	
Share capital	1,123		1,123	
Equity shares	(4,013)		(2,362)	
Legal reserve	225		225	
Other reserves	44,125		36,791	
IAS 19 reserve	199		226	
OCI Fair Value Reserve	(89)		(115)	
FTA reserve	12		12	
Net result	12,832		15,048	
GROUP SHAREHOLDERS' EQUITY	54,407		50,948	
Non-controlling interest				
NON-CURRENT LIABILITIES	**30,388**	**1,672**	**23,417**	**3,269**
Non-current financial liabilities	23,430	193	14,110	281
Provisions for non-current risks and charges	4,458		5,414	
Provisions for employee and director benefits	2,500	1,479	3,893	2,988
CURRENT LIABILITIES	**27,648**	**2,133**	**25,790**	**1,895**
Current financial liabilities	4,585	104	3,616	143
Trade payables	16,107	267	16,885	261
Other current liabilities	3,844	1,762	3,765	1,491
Tax payables	3,112		1,524	
TOTAL LIABILITIES	**112,443**	**3,805**	**100,155**	**5,164**

	31/12/2023	of which with related parties	31/12/2022	of which with related parties
REVENUES	**101,963**	**0**	**83,394**	**0**
Net revenues	100,202	0	82,724	
Other revenues	1,761	0	670	0
OPERATING COSTS	**75,479**	**10,695**	**59,035**	**9,711**
Purchases Raw materials, consum. and supplies	5,148	0	4,793	0
Change in inventories	(2,699)		(1,968)	
Costs for services	65,376	10,017	50,402	9,271
Personnel costs	6,807	678	5,101	440
Other operating costs	847		707	
EBITDA	**26,484**	**(10,695)**	**24,359**	**(9,711)**
Amortisation, depreciation and write-downs	3,124	225	1,319	224
OPERATING RESULT	**23,360**	**(10,920)**	**23,040**	**(9,935)**
FINANCIAL INCOME (EXPENSE) BALANCE	**(100)**	**0**	**378**	**(5)**
Financial income	905	0	528	0
Financial charges	(1,005)		(150)	(5)
PRE-TAX RESULT	**23,260**	**(10,920)**	**23,418**	**(9,940)**
Taxes	(10,428)		(8,370)	
Net result of third parties				
Group result	**12,832**	**(10,920)**	**15,048**	**(9,940)**

Net earnings per share	**1.33**		**1.55**	

Pisa, 15 March 2024

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 2023.

2. It is also certified that:

the consolidated financial statements for the year ended 31 December 2023:

- 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, March 15th, 2024

PharmaNutra S.p.A.	PharmaNutra S.p.A.
Managing Director	Manager in charge for the preparation of the financial accounts

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, 2023

VCP/CFR/lsm - RC062822023BD0945

BDO

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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, 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, 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.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

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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 22.542 thousand, include goodwill for an amount of euro 17.561 thousand, referred to three cash generating unit ("CGU") identified in the wholly controlled companies Junia Pharma S.r.l., for euro 1.790 thousand, Alesco S.r.l., for euro 960 thousand and Akern S.r.l. for euro 14.811 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, actions taken to eliminate relevant risks or the safeguards measures applied.

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 at December 31, 2023 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Due to certain technical limitations, some information included in the [explanatory][illustrative] notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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, 2023, 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, 2023 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, 2023 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.

Exemption from drawing up the non-financial declaration

As described in the management report, the directors of Pharmanutra S.p.A. have availed themselves of the exemption from the preparation of the non-financial declaration pursuant to art. 6, paragraph 1-2 of D.Lgs. 30 December 2016, n. 254.

Milan, March 25, 2024

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 AS AT 31 December 2023

PHARMANUTRA S.p.A.

FINANCIAL STATEMENTS

Pharmanutra S.p.A. balance sheet

	Notes	31/12/2023	31/12/2022
NON-CURRENT ASSETS		**52,730,737**	**38,381,348**
Tangible fixed assets	6.1.1	25,869,301	16,339,665
Intangible fixed assets	6.1.2	2,667,610	2,097,480
Investments	6.1.3	20,085,499	17,817,424
Non-current financial assets	6.1.4	215,035	185,822
Other non-current assets	6.1.5	3,046,324	1,258,553
Deferred tax assets	6.1.6	846,968	682,404
CURRENT ASSETS		**45,603,868**	**49,272,994**
Inventories	6.2.1	5,815,455	3,771,795
Liquid funds	6.2.2	12,075,353	17,890,520
Current financial assets	6.2.3	5,642,325	4,696,073
Trade receivables	6.2.4	16,341,123	18,740,206
Other current assets	6.2.5	4,867,266	2,779,575
Tax receivables	6.2.6	862,346	1,394,825
TOTAL ASSETS		**98,334,605**	**87,654,342**
SHAREHOLDERS' EQUITY	**6.3.1**	**44,544,757**	**41,889,033**
Share capital		1,123,098	1,123,098
Legal reserve		224,620	224,620
Equity shares		(4,012,997)	(2,362,258)
Other reserves		35,196,550	29,865,031
IAS 19 reserve		130,628	146,496
OCI Fair Value Reserve		(89,104)	(114,990)
FTA reserve		(38,865)	(38,865)
Result for the period		12,010,827	13,045,901
Shareholders' Equity		44,544,757	41,889,033
Non-controlling interest			
NON-CURRENT LIABILITIES		**29,395,255**	**22,163,355**
Non-current financial liabilities	6.4.1	23,139,480	13,491,031
Provisions for non-current risks and charges	6.4.2	4,313,252	5,271,092
Provisions for employee and director benefits	6.4.3	1,942,523	3,401,232
CURRENT LIABILITIES		**24,394,593**	**23,601,954**
Current financial liabilities	6.5.1	4,471,879	3,274,352
Trade payables	6.5.2	14,190,980	16,202,893
Other current liabilities	6.5.3	3,082,283	3,045,491
Tax payables	6.5.4	2,649,451	1,079,218
TOTAL LIABILITIES		**98,334,605**	**87,654,342**

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	2023	2022
REVENUES		**85,775,165**	**71,209,626**
Net revenues	6.6.1	83,641,365	70,279,891
Other revenues	6.6.2	2,133,800	929,735
OPERATING COSTS		**64,549,901**	**52,034,060**
Purchases of raw materials, consumables and supplies	6.7.1	3,575,304	4,155,311
Change in inventories	6.7.2	(2,041,321)	(1,271,693)
Costs for services	6.7.3	58,790,183	45,430,802
Personnel costs	6.7.4	3,556,769	3,130,612
Other operating costs	6.7.5	668,966	589,028
EBITDA		**21,225,264**	**19,175,566**
Amortisation, depreciation and write-downs	6.8.1	2,669,287	953,654
OPERATING RESULT		**18,555,977**	**18,221,912**
FINANCIAL INCOME (EXPENSE) BALANCE		**1,938,884**	**1,729,362**
Financial income	6.9.1	2,900,235	1,844,184
Financial charges	6.9.2	(961,351)	(114,822)
PRE-TAX RESULT		**20,494,861**	**19,951,274**
Taxes	6.10	(8,484,034)	(6,905,373)
Net result of third parties			
Net result for the period		**12,010,827**	**13,045,901**

Pharmanutra S.p.A. Comprehensive Income Statement

€/1,000	2023	2022
Result for the period	12,010,827	13,045,901
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	10,018	(52,132)
Overall result for the period	**12,020,845**	**12,993,769**

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

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Conversion reserve	Result for the period	Total
Balance as at 1/1	**1,123,098**	**(2,362,258)**	**224,620**	**29,865,031**	**(38,865)**	**(114,990)**	**146,496**		**13,045,901**	**41,889,033**
Other changes		(1,650,739)				25,886	(15,868)			(1,640,721)
Distr. Dividends				(7,714,382)						(7,714,382)
Result dest.				13,045,901					(13,045,901)	-
Result for the period									12,010,827	12,010,827
Balance at 31/12	**1,123,098**	**(4,012,997)**	**224,620**	**35,196,550**	**(38,865)**	**(89,104)**	**130,628**		**12,010,827**	**44,544,757**

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 1/1/n-1	**1,123,098**		**224,620**	**23,934,019**	**(38,865)**	**27,554**	**59,737**	**12,779,467**	**38,109,630**
Other changes		(2,362,258)		3,653		(142,544)	86,759		(2,414,390)
Dividends distr.				(6,852,108)					(6,852,108)
Result dest.				12,779,467				(12,779,467)	-
Result for the period								13,045,901	13,045,901
Balance as at 31/12/n-1	**1,123,098**	**(2,362,258)**	**224,620**	**29,865,031**	**(38,865)**	**(114,990)**	**146,496**	**13,045,901**	**41,889,033**

Pharmanutra S.p.A. Statement Of Cash Flows- indirect Method

CASH FLOW STATEMENT (€/1,000) - INDIRECT METHOD	Notes	2023	2022
Net result before minority interests		**12,010,827**	**13,045,901**
NON-MONETARY COSTS/REVENUES			
Depreciation and write-downs amortisation	6.8.1	2,669,287	953,654
Allowances to provisions for employee and director benefits		801,953	712,502
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	6.4.2	(1,457,840)	3,926,963
Change in provisions for employee and director benefits	6.4.3	(2,260,662)	505,891
Change in inventories	6.2.1	(2,043,660)	(1,292,323)
Change in trade receivables	6.2.4	2,199,913	(4,338,771)
Change in other current assets	6.2.5	(2,087,691)	(1,780,414)
Change in tax receivables	6.2.6	532,479	(775,265)
Change in other current liabilities	6.5.3	36,895	693,823
Change in trade payables	6.5.2	(2,011,913)	6,141,660
Change in tax payables	6.5.4	1,570,233	(2,276,385)
CASH FLOW FROM OPERATIONS		**9,959,821**	**15,517,236**
Investments in intangible assets, property, plant and equipment	6.1.1-6.1.2	(12,387,564)	(10,236,540)
Transfer of int. assets, property, plant and equipment	6.1.1-6.1.2	317,577	267,759
Net investments in financial fixed assets	6.1.3	(2,268,075)	(14,766,379)
Change in other assets	6.1.5	(1,787,771)	(1,004,233)
Change in deferred tax assets	6.1.6	(164,564)	(38,809)
CASH FLOW FROM INVESTMENTS		**(16,290,397)**	**(25,778,202)**
Increase/(decrease) in assets	6.3.1	10,018	(52,132)
Purchase of Treasury shares	6.3.1	(1,650,739)	(2,362,258)
Cash flow from dividend distribution	6.3.1	(7,714,382)	(6,852,108)
Increase in financial assets	6.1.4-6.2.3	(975,465)	(211,282)
Decrease in financial assets	6.1.4-6.2.3		40,098
Increase in financial liabilities	6.4.1-6.5.1	9,778,912	14,414,077
Decrease in financial liabilities	6.4.1-6.5.1		(3,322,535)
Increase in ROU financial liabilities	6.4.1-6.5.1	1,208,361	
Decrease in ROU financial liabilities	6.4.1-6.5.1	(141,296)	(191,119)
CASH FLOW FROM FINANCING		**515,409**	**1,462,741**
TOTAL CHANGE IN CASH		**(5,815,167)**	**(8,798,225)**
Liquid funds at the beginning of the year	6.2.2	17,890,520	26,688,745
Liquid funds at the end of the year	6.2.2	12,075,353	17,890,520
CHANGE IN LIQUID FUNDS		**(5,815,167)**	**(8,798,225)**

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 2023 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.

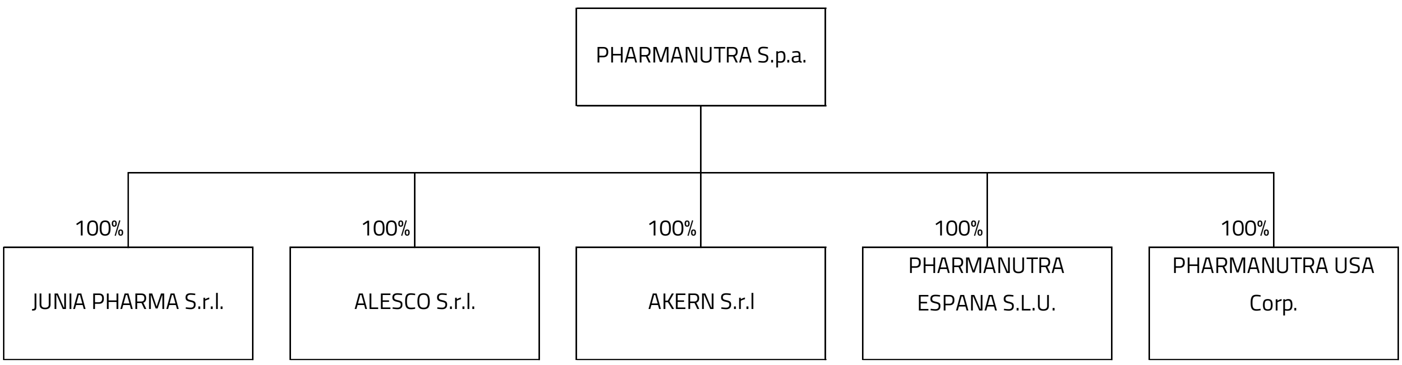
The following classifications have been used:

- 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 "Pharmanutra" or the "Company") is a company with registered office in Italy, in Via Campodavela 1, Pisa, which holds controlling investments in the group of companies (the "Group" or also the "Pharmanutra Group") shown in the following diagram:



2. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The statutory financial statements (or “separate” as defined by the reference accounting standards) of Pharmanutra Group as at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union. The IFRS also include all revised International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements are prepared on a going concern basis. In view of what has already been mentioned in the Management Report, to which reference should be made for more details, the Directors believe that there are no problems that could affect the Company's ability to continue as a going concern due to the Russian-Ukrainian conflict and the ongoing Middle East conflict.

The Financial Statements of Pharmanutra S.p.A. as at 31 December 2023 are audited by the auditing firm BDO S.p.A in accordance with the resolution of the General Annual Meeting of 13 October 2020.

Pharmanutra S.p.A., in its capacity as Parent Company, has prepared the consolidated financial statements of Pharmanutra Group as at 31 December 2023. Pharmanutra's draft financial statements for the year ended 31 December 2023, were approved by the Board of Directors on 15 March 2024, which also authorised their publication.

Below is a description of the most significant accounting standards adopted for the preparation of the financial statements of Pharmanutra as at 31 December 2023, which are 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.

Grants commensurate with the cost of tangible fixed assets are gradually recognised in the Income statement, on an accrual basis, over the useful life of the assets by reducing the cost of the fixed assets to which they relate.

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 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:

Industrial Buildings	5,50%
Other constructions	10%
Generic machinery	10%
Specific machinery	12%
Equipment	40%
Water treatment	15%
Furniture & Fixtures	12%
Electronic equipment	20%
Cars	25%
Trucks	20%

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 finite 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 in 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 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 asset 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 financial 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 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 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 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 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 the 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 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:

- 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 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.

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 financial 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 financial 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 financial 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 ENDORSED OR APPLICABLE/APPLIED FROM 01/01/2023

3.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2023

- 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".

- Amendment entitled "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendment to IAS 12).

The amendments above had no impact on the financial statements or the disclosure.

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

The following amendments/changes will enter into force on 1 January 2024:

- Amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and 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 clarify the principles that must be applied for the classification of liabilities as current or non-current.
- Amendment to IAS 12 "Income Taxes: International Tax Reform - Pillar Two Model Rules" (issued on 23 May 2023);
- Amendments to IFRS 16, Lease Liabilities in a Sale and Leaseback (issued on 22 September 2022);

The following amendments have not been endorsed yet:

- Amendment to IAS 21 entitled "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability" (published on 15 August 2023):
- Amendment entitled "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (published on 25 May 2023);

None of these Standards and Interpretations have been early adopted by the Company. The Company 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.

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 and 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:

<u>Demographic assumptions</u>

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%;

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 2023 and amounts to 7.19% 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 2023
Rate of salary increase	4.118%
Inflation rate	*
Discount rate of employees leaving entitlement	2.508%

* With regard to the inflation hypothesis, reference was made to the "Economic and Financial Document 2023 - Update Note", approved by the Council of Ministers on 27 September 2023, which forecasts an annual rate of 5.6% for 2023, 2.3% for 2024, 2% for 2025 and 2.1% for 2026. Based on said update, it was assumed that a flat rate of 2.1%, also on an annual basis, would be adopted from 2027.

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 29.12.2023 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 21 years.

Estimates adopted in the actuarial calculation for the purpose of determining the provision for agents' termination indemnity (IAS 37)

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 2023 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 31.12.2023, a flat rate of 2.446% was adopted on the section of the curve corresponding to 23 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 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 revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged 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 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 Company itself, 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.

5.1.2 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 of the conflict between Russia and Ukraine, the relationship with the Russian distributor continued as usual during 2023. At the end of the year, the Company had no exposure to the distributor, and, in continuity with the previous year, part of the margin realised was donated to humanitarian organisations for the purchase of ambulances and the construction of hospital facilities in Ukraine.

It is considered that the possible adoption of even stronger penalties could not lead to a decrease in the expected revenues for the next year. Regarding Ukraine, a marginal market, there are no open positions as of today and no commercial operations.

With regard to the conflict in the Middle East, it is considered that no significant effects will result from it since the Company does not operate in the Palestinian territory.

5.1.3 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.

5.1.4 Cyber risks of security, data management and dissemination, with particular reference to cyber attacks

The risk is related to the possibility that any attacks and breaches of the IT system may lead to the unavailability of systems and/or the destruction, loss, modification, unauthorised disclosure of or access to personal data transmitted, stored or otherwise processed by the Company, with consequent economic and/or reputational losses, including those related to serious business interruption events. Risk factors include those related to employees' potential unawareness of Cyber Security issues that could expose the Company to vulnerabilities in the area of information management.

During 2023, a specific Cyber risk assessment was carried out with the support of experts in the field in order to assess more generally the company's level of security and, specifically, the main Cyber risk scenarios to which the company is exposed. The results of this activity revealed a number of initiatives ("positive practice") that were successfully adopted and implemented and that actively contribute to mitigating the company's exposure to Cyber risk.

However, the level of attention with which the Company handles these issues remains high and, during the financial year 2024, additional training sessions and awareness campaigns will be delivered in line with the Cyber Security Awareness programmes.

5.1.5 Risks related to climate change

With particular reference to climate change and related risk factors, the Company analysed the main impacts on sustainability.

As part of the assessment of risks related to climate change, Pharmanutra has not currently identified as relevant risks related to the inability to achieve strategic objectives due to changes in the external environment (also taking into account possible impacts on the supply chain) and possible inadequate management of emissions into the atmosphere. The process of identifying these risks, as well as the assessments of their importance, were conducted both on the basis of the internal context as well as on the basis of the dynamics of the reference market, and current regulations. However, in this context it should be noted that as of today the Company has not yet set specific quantitative targets in terms of reducing greenhouse gas emissions, both direct and indirect. At the strategic level, the Company intends to pursue the integration of sustainable development principles into its vision and business model in an increasingly precise and consistent manner. Potential impacts related to physical hazards associated with climate change are deemed not significant. The outcome of the above assessments regarding the significance of climate change risks was also duly taken into account in the process of defining the assumptions adopted in preparing the impairment tests.

5.2 MARKET RISKS

5.2.1 Risks associated with dependence on certain key products

The Company'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 76% of the Company's revenues at 31 December 2023 (compared to 74% in 2022).

A contraction in sales of these key products could have negative effects on the Company'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 Company 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 food 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.

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 2023 and 31 December 2022 is shown below:

€/1,000	31/12/2023	31/12/2022
Non-current financial assets	215	186
Other non-current assets	3,046	1,259
Deferred tax assets	847	683
Current financial assets	5,643	4,697
Trade receivables	16,904	19,150
Other current assets	5,368	2,780
Total Exposure	**32,023**	**28,755**
Provision for doubtful accounts	(564)	(409)
Total exposure net of Allowance for doubtful accounts (*)	**31,459**	**28,346**

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

Below is a breakdown of receivables as at 31 December 2023 and 31 December 2022 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1,000	Carrying amount at 31/12/2023	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	215	215				
Other non-current assets	3,046	3,046				
Deferred tax assets	847	847				
Current financial assets	5,643	5,643				
Trade receivables	16,904	13,616	1,421	135	202	1,531
Other current assets	5,368	5,368				
Total financial assets	**32,023**	**28,735**	**1,421**	**135**	**202**	**1,531**

€/1,000	Carrying amount at 31/12/2022	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	186	186				
Other non-current assets	1,259	1,259				
Deferred tax assets	683	683				
Current financial assets	4,697	4,697				
Trade receivables	19,150	16,628	1,098	179	252	994
Other current assets	2,780	2,780				
Total financial assets	**28,755**	**26,233**	**1,098**	**179**	**252**	**994**

5.3.2 Liquidity risk

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

To support the investments made for the construction of the new headquarters, a mortgage loan contract with progress draws was finalised with Banco BPM S.p.A. for the amount of Euro 12 million. The mortgage loan provides for a variable interest rate calculated with a spread of 1.45% on the quarterly EURIBOR. The loan includes a covenant based on the NFP/EBITDA parameter. As at 31/12/2023, this parameter is respected.

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 2023 and 2022, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1,000	Balance at 31/12/2023	Current share	2 to 5 years	Over 5 years
Bank loans and borrowings	26,181	4,164	14,508	7,509
Financial liabilities for rights of use	1,428	307	1,121	
Total financial liabilities	**27,609**	**4,471**	**15,629**	**7,509**

€/1,000	Balance at 31/12/2022	Current share	2 to 5 years	Over 5 years
Bank loans and borrowings	16,404	3,165	11,615	1,624
Financial liabilities for rights of use	361	110	252	
Total financial liabilities	**16,765**	**3,274**	**11,867**	**1,624**

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

5.3.3 Interest rate risk

The Company has variable-rate loan agreements in place and is thus exposed to the risk of changes in interest rates, which is considered low. Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 83% at 31 December 2023 and 71% as at 31 December 2022.

The Group does not currently adopt policies to hedge interest rate risk. Considering the current forecasts on the expected trend of interest rates in the medium to long term, hypotheses are currently being evaluated to hedge the interest rate on the mortgage loan.

The Company is also exposed to the risk of changes in interest rates on financial assets held in portfolio. This risk is considered to be low considering the characteristics of the investment portfolio.

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following disclosure 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 2023 and 31 December 2022, the following table shows the fair value hierarchy for the Company's assets that are measured at fair value:

€/1,000	31/12/2023				31/12/2022			
	Level				Level			
Current financial assets	1	2	3	Total	1	2	3	Total
Bonds	4,416		386	4,802	3,492		304	3,796
Investment Funds	591			591	900			900
Loans			250	250				
Total	**5,007**	**-**	**636**	**5,643**	**4,392**	**-**	**304**	**4,696**

For bonds falling under Level 3, the nominal value valuation model was applied. The financial products included in this category are products deriving from securitisation transactions of receivables or other assets (Euro 304 thousand) and financial products with pay-offs linked to indices that do not comply with the ESMA Guidelines of 18 December 2012 on ETFs (Euro 82 thousand).

The item "Loans" refers to the loan granted to the subsidiary Pharmanutra España with maturity on 31 December 2024 and repayment in a single instalment. The interest rate is the quarterly EURIBOR rate plus 100 basis points. This financial asset was valued at nominal value (Euro 250 thousand).

As at 31/12/2023 the Company held a derivative instrument to hedge the Euro/US Dollar exchange rate, from which an exchange rate gain of about Euro 5 thousand emerged.

5.3.4 Risk of changes in cash flows

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 exchange rate fluctuations

The risk related to exchange rate fluctuations is limited since all transactions with foreign countries are made in Euro with the exception of transactions with the subsidiary Pharmanutra USA, which are covered by forward contracts.

5.3.6 Risks related to litigation

Pharmanutra 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 Company also plays an important role in providing scientific information to the medical class. Over the years, 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. Given the risks highlighted, specific provisions have been set aside to cover the estimated liabilities.

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 of 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

Net value	Initial balance	Increases	Decreases	Depreciation	Other changes	Final balance
Land and buildings	32	4,890		-581	14,782	19,123
Plant and machinery	44	2,184		-184		2,044
Equipment	0	2				2
Office furniture and equipment	269	985	4	-186		1,072
Vehicles	721	499	-46	-347		827
Rights of use	359	2,937	-224	-402		2,670
Assets in progress	14,917				-14,783	134
TOTAL	**16,342**	**11,497**	**-266**	**-1,700**	**-1**	**25,872**

Historical cost	Initial balance	Increases	Decreases	Other changes	Final balance
Land and buildings	646	4,890		14,782	20,318
Plant and machinery	133	2,184		0	2,317
Equipment	18	2		0	20
Furniture and office machines	995	985		0	1,980
Vehicles	1,330	499	-106	0	1,723
Rights of use	1,004	2,937	-224	0	3,717
Assets in progress	14,917			-14,783	134
TOTAL	**19,043**	**11,497**	**-330**	**-1**	**30,209**

Accumulated depreciation/amortisation	Initial balance	Depreciation	Uses	Other changes	Final balance
Land and buildings	614	581		0	1,195
Plant and machinery	89	184		0	273
Equipment	18			0	18
Furniture and office machines	726	186	-4	0	908
Vehicles	609	347	-60	0	896
Rights of use	645	402		0	1,047
TOTAL	**2,701**	**1,700**	**-64**	**0**	**4,337**

The amount of the year's increases relates for Euro 7,074 thousand to investments for the construction of the new headquarters, for Euro 1,937 thousand to rights of use connected with leasing contracts entered into for the purchase of plants, equipment and furnishings for the new headquarters, for Euro 1 million to rights of use connected with the purchase of shares of an aircraft, for Euro 499 thousand to the purchase of cars for management and sales force, and for Euro 985 thousand to the purchase of electronic equipment and laboratory equipment.

Following the inauguration of the new headquarters in October 2023, fixed assets under construction were transferred to the item Land and buildings and subjected to depreciation.

It should be noted that, against the investments in capital goods made as part of the construction of the new headquarters, the Company accrued a tax credit pursuant to Italian Law 178/2020 as later amended and supplemented (Industria 4.0) for a total amount of Euro 1.3 million, which was recognised as a reduction in the cost of the assets to which it refers.

The land and the building are encumbered by a first mortgage in favour of BPM S.p.A. for Euro 18 million to secure the mortgage loan granted.

6.1.2 Intangible Assets

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

	Initial balance	Increases	Decreases	Depreciation	Other changes	Final balance
Research and development costs		49		-12	11	**48**
Industrial patent rights	902	350		-197	140	**1,195**
Concessions, licenses and trademarks	715	119		-60	0	**774**
Other intangible fixed assets	1			-2	0	**-1**
Assets under development and payments on account	478	375	-51		-151	**651**
TOTAL	**2,096**	**893**	**-51**	**-271**	**0**	**2,667**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 470 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

	31/12/2023	31/12/2022	Change
Investments in subsidiaries	20,085	17,817	2,268
Investments	**20,085**	**17,817**	**2,268**

The changes in the year resulted from the incorporation of the companies Pharmanutra USA and Pharmanutra España with a share capital of Euro 285 thousand ($ 300,000) and Euro 50 thousand respectively. During the year, the share capital of the two subsidiaries was increased through additional contributions to support the start-up process. An additional amount of EUR 550 thousand was contributed to Pharmanutra España and EUR 1,383 thousand ($ 1,500 thousand) to Pharmanutra USA.

Testing for impairment of investments in subsidiaries (Impairment test)

As indicated 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 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 2024 Budget approved on 18 December 2023. Three CGUs have been identified: Junia Pharma, Alesco and Akern.

The net carrying value of the three CGUs identified amounting to Euro 17,817, of which Euro 1 million refers to Alesco, Euro 1,801 thousand to Junia Pharma and Euro 15,016 thousand to Akern, 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. Specifically, the Company, with regard to the assessments as of 31 December 2023, used a discount rate of 10.45%, with a growth rate “g” of 1% for the Junia Pharma CGU, a discount rate of 10.11%, with a growth rate “g” of 1% for the Alesco CGU and, with regard to the Akern CGU, the Company used a discount rate of 11.12%, with a growth rate “g” of 1%.

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.

With regard to the subsidiaries established during the year, there is no indication that the recoverability of costs has failed in whole or in part.

Sensitivity

The sensitivity analysis carried out considering a change of +/- 1% in the WACC and -/+ 0.50% in the g-rate used to perform the test did not show any impairment of goodwill.

6.1.4 Non-current financial assets

	31/12/2023	31/12/2022	Change
Deposits and advances	215	186	29
Non-current financial assets	**215**	**186**	**29**

The item amounts to Euro 215 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

	31/12/2023	31/12/2022	Change
Insurance for Directors' termination indemnity		1,259	-1,259
Purchased tax receivables	2,091		2,091
Industria 4.0 L/T Portion Tax Credits	955		955
Other non-current assets	**3,046**	**1,259**	**1,787**

The decrease in the item Insurance for Directors' termination indemnity is due to the collection of the insurance policy taken out to cover the Directors' termination indemnity following the liquidation of the latter for the end of the term of office of the Executive Directors.

The item Purchased tax credits represents the non-current portion of tax credits from the so-called "superbonus", "ecobonus" and other building tax relief measures - in the various forms of tax relief obtained in connection with the interventions referred to in articles 119-121 of Italian Decree-Law No. 34/2020, converted by Law No. 77/2020, as later amended and supplemented ("Relaunch Decree"), Italian Decree-Law No. 63/2013, converted by Law No. 90/2013, articles 14, 16, 16-*bis* and 16-*ter*, and Italian Law No. 160/2019 article 1, paragraph 219, as later amended and supplemented - for a nominal value of Euro 5 million purchased for Euro 4.3 million to invest part of the Group's liquidity. These credits can be used over four years for a maximum annual amount of Euro 1,250 thousand. As at 31 December 2023, the Company had fully used the amount allowed for the year 2023.

The item "Industria 4.0 Tax Credits" includes the long-term portion of the benefit recognised for the development of the new plant, which was built using state-of-the-art automated technology.

6.1.6 Deferred tax assets

	Initial balance	Increases	Decreases	Final balance
All. to prov. for risks related to legal disputes		148	-2	146
All. to provision for inventory write-downs	18	10		28
All. to provision for doubtful accounts	16	76		92
Directors' fees	759	654	-759	654
All. to provision for severance indemnity (TFR)	40	2		42
All. to provision for Suppl. Client Indemnities	-50		-67	-117
Consolidation entries	-105	107		2
TOTAL	**678**	**997**	**-828**	**847**

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.

6.2 Current assets

6.2.1 Inventories

	31/12/2023	31/12/2022	Change
Raw materials, consumables and supplies	940	1,607	-667
Finished products and goods	4,968	2,226	2,742
Provision for inventory write-downs	-93	-61	-32
Total inventories	**5,815**	**3,772**	**2,043**

The increase in inventories of finished products and goods is attributable to production planning; the value of inventories is net of the sum of Euro 93 thousand (Euro 61 thousand as at 31/12/2023) set aside as a write-down of finished product inventory.

6.2.2 Cash and cash equivalents

	31/12/2023	31/12/2022	Change
Bank and postal accounts	12,044	17,877	-5,833
Cash and cheques	31	14	17
Total cash and cash equivalents	**12,075**	**17,891**	**-5,816**

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

	31/12/2023	31/12/2022	Change
Mutual funds	591	900	-309
Bonds	4,802	3,797	1,005
Loan to Pharmanutra España	250		250
Total current fin. assets	**5,643**	**4,697**	**946**

This item mainly 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 31/12/2023, a comparison with the market value of the bonds held shows a net capital gain of Euro 84 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted in accordance with IFRS9. A gain of Euro 52 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.

Compared to the previous year, a loan was granted by the Company to the subsidiary Pharmanutra España with maturity on 31 December 2024 and repayment in a single instalment. The interest rate is the quarterly EURIBOR rate plus 100 basis points.

6.2.4 Trade receivables

	31/12/2023	31/12/2022	Change
Trade receivables - Italian customers	8,500	11,895	-3,395
Trade receivables - Other countries	3,674	2,716	958
Other receivables (subject to collection)	4,659	4,174	485
Invoices/(Credit Notes) to be issued	71	365	-294
Provision for doubtful accounts	-564	-409	-155
Total trade receivables	**16,340**	**18,741**	**-2,401**

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:

€/1,000	31/12/2023	31/12/2022	Change
Italy	11,502	16,040	(4,538)
Asia	1,366	1,577	(211)
Europe	2,250	521	1,729
Africa	-	510	(510)
America	1,222	93	1,129
Total trade receivables	**16,340**	**18,741**	**(2,401)**

Changes in the Provision for doubtful accounts during 2023 were as follows:

	Provision for doubtful accounts
Opening Balance	(409)
Accruals	(199)
Disposals	44
Ending Balance	**(564)**

6.2.5 Other current assets

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

	31/12/2023	31/12/2022	Change
Receivables from shareholders for indemnification	793		793
Receivables from employees	47	43	4
Advances	1,544	1,837	-293
Tax Credits	1,523		1,523
Prepayments and accrued income	962	900	62
Total other current assets	**4,869**	**2,780**	**2,089**

The item "Advances" includes receivables from agents for advances of Euro 236 thousand (Euro 208 thousand in the previous year), relating to sums advanced by the Companies when signing agency contracts, and advances to suppliers of Euro 1,308 thousand (Euro 1,629 thousand as at 31/12/2022). The advances paid to agents shall be returned on termination of the relationship with each agent.

The item Tax receivables refers to the amount of purchased tax receivables that are expected to be used within 12 months, amounting to Euro 1,135 thousand. The item also includes the current portion of the Industria 4.0 tax credit, amounting to Euro 388 thousand, referring to the benefit recognised for investments in capital goods.

The item Receivables from shareholders for indemnification refers to the reimbursement due to the Company by the pre-existing shareholders as at the date of listing on the AIM market (July 2017) for taxes, penalties and interest paid in March for the settlement of 2016 tax period based on the declarations and guarantees issued by them in the admission document Section 1, Chapter 16, paragraph 16.1.

6.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

	31/12/2023	31/12/2022	Change
VAT receivables	342	1,081	-739
R&D tax receivables	321	309	12
Patent Box tax receivables	167		167
Other tax receivables	31	5	26
Tax receivables	**861**	**1,395**	**-534**

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:

€/1,000	Share capital	Equity shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance as at 1/1	**1,123**	**(2,362)**	**225**	**29,865**	**(39)**	**(115)**	**148**	**13,046**	**41,891**
Other changes		(1,651)				26	(16)		(1,641)
Distr. Dividends				(7,714)					(7,714)
Result dest.				13,046				(13,046)	-
Result for the period								12,011	12,011
Balance at 31/12	**1,123**	**(4,013)**	**225**	**35,197**	**(39)**	**(89)**	**132**	**12,011**	**44,547**

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.

27,986 treasury shares were purchased during the year in accordance with the resolutions of the Ordinary Shareholders' Meeting on 26 April 2021 and 27 April 2022. As at 31 December 2023, Pharmanutra holds 65,985 treasury shares equal to 0.68% of the share capital, for a value of Euro 4,013 thousand.

On 26 April 2023 the Shareholders' Meeting held by the Parent company's shareholders resolved the distribution of Euro 0.80 dividend per share, corresponding to a payout ratio of approximately 50% of the 2022 consolidated net result, for a total amount of Euro 7,714 thousand.

The table below shows the classification of reserves according to their availability:

€/1,000	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	27,489	A,B,C	27,489		
Other reserves:					
Provision for purchases of own shares	-4,013				
Expected cash flow hedging reserve	0				
Result of the previous years	503				
OCI Fair Value Reserve	-89				
FTA reserve	-39				
IAS 19 reserve	132				
Total	**32,536**		**34,919**	**0**	**0**
Non-distributable share			**4,238**		
Distributable share			**30,681**		

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

	31/12/2023	31/12/2022	Change
BPER loan	3,256	4,253	-997
Credem loan	3,137	4,218	-1,081
BPM loan	3,919	4,768	-849
BPM mortgage loan	11,705		11,705
Non-current fin. payables for rights of use	1,121	251	870
Non-current financial liabilities	**23,138**	**13,490**	**9,648**

Bank loans and borrowings consist of the portion of outstanding loans due beyond 12 months.

The increase in non-current financial liabilities derives from the disbursement of a part of the long-term mortgage loan for Euro 12 million by BPM S.p.A., as mentioned earlier.

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 31.12.2023 in accordance with IFRS16. The increase over the previous year is due to leasing contracts entered into for the purchase of machinery, equipment and furnishings for the new headquarters.

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 2023 is as follows:

		31/12/2023	31/12/2022
	A Cash and cash equivalents	(12,075)	(17,891)
	B Cash equivalents		
	C Other current financial assets	(5,643)	(4,697)
	D Liquidity (A+B+C)	**(17,718)**	**(22,588)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,085	110
	F Current portion of non-current financial debt	3,386	3,165
	G Current financial debt (E+F)	**4,471**	**3,275**
	of which guaranteed	295	295
	of which not guaranteed	4,176	2,980
	H Net current financial debt (G-D)	**(13,247)**	**(19,313)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	23,138	13,490
	J Debt instruments		
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**23,138**	**13,490**
	of which guaranteed	11,705	11,705
	of which not guaranteed	11,433	1,785
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**9,891**	**(5,823)**
3)	N Other current and non-current financial assets	(215)	(1,445)
	O Net financial debt (M-N)	**9,676**	**(7,268)**

1) It includes the following items of the financial statements: Current financial liabilities (Financial payables for rights of use Euro 307 thousand);
2) It includes the following items of the financial statements: Non-current financial liabilities (L/T loans Euro 22,017 thousand, Financial payables for non-current rights of use Euro 1,121 thousand):
3) it includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 215 thousand).

6.4.2 Provisions for risks and charges

	31/12/2023	31/12/2022	Change
Tax provision		1,400	-1,400
Prov. for termination indemnity of agency contracts	804	857	-53
Prov. for sundry risks and legal disputes	508	14	494
Provision for contractual commitments	3,000	3,000	0
Provisions for risks and charges	**4,312**	**5,271**	**-959**

Provisions for risks and charges include:

Tax provision: the provision set aside as of 31/12/ 2022 was fully used following the settlement, through recourse to the special redemption procedure pursuant to Law 197/2022, of the cross-examination invitations notified by the Pisa Provincial Directorate of the Inland Revenue Agency for the tax periods from 2017 to 2021.

Provision for termination indemnity 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).

Provision for risks to cover the risk of legal disputes: it was increased during the year to cover the risk of disputes with agents following the termination of the agency agreement. A specific provision has been set aside to cover that estimated liabilities.

Provision for contractual commitments: this represents the maximum amount of debt related to the earn-out contractually foreseen for Akern's sellers recognised at the outcome of the audits performed.

6.4.3 Provisions for employee and director benefits

	31/12/2023	31/12/2022	Change
Provision for employee severance indemnity	648	583	65
Directors' termination indemnity provision	515	1,519	-1,004
Provision Comp. Variable ML	780	1,300	-520
Provisions for employee and director benefits	**1,943**	**3,402**	**-1,459**

Provisions for benefits refer to:

- Directors' termination indemnity provision.

The amount set aside of Euro 641 thousand was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting; the balance as of 31/12/2023 of Euro 515 thousand corresponds to the Company's actual commitment to the Directors at the reporting date. It should be noted that the directors were paid EUR 1,645 thousand at the end of their term of office in 2023.

- Provision for medium/long-term variable compensation

The directors' remuneration policy meets the requirements of the Corporate Governance Code issued by Borsa Italiana (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.

Based on the foregoing and on the expected achievement of the targets envisaged for disbursement, the medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 780 thousand.

It should be noted that in 2023, variable medium-long term remuneration of EUR 1,300 thousand was paid to the directors following the expiry of their term of office.

- Employee severance indemnity.

The liability for employee severance indemnity has been calculated in 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 set aside refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their severance indemnity accruing from 1 January 2007 to the company. The amount relating to the provision for employee severance indemnity 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

	31/12/2023	31/12/2022	Change
Short-term portion of loans	3,386	3,165	221
Bank loans and borrowings for current accounts	778	0	778
Current fin. payables for rights of use	307	110	197
Tot. Current fin. liabilities	**4,471**	**3,275**	**1,196**

The item “Short-term portion of 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:

	31/12/2023	31/12/2022	Change
Trade payables - suppliers in Italy	11,578	13,855	-2,277
Trade payables - suppliers in other countries	350	743	-393
Payments on account	2,264	1,606	658
Total trade payables	**14,192**	**16,204**	**-2,012**

The reduction in trade payables compared to the previous period is mainly attributable to the change in the method of re-invoicing and payment for Intercompany services.

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

€/1,000	31/12/2023	31/12/2022	Change
Italy	11,710	13,939	(2,229)
Asia	504	684	(180)
Europe	403	1,467	(1,064)
America	158	114	44
Other	1,416	-	1,416
Total trade payables	**14,192**	**16,204**	**(2,012)**

6.5.3 Other current liabilities

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

	31/12/2023	31/12/2022	Change
Payables for wages and salaries	572	525	47
Payables to social security institutions	218	226	-8
Payables to directors and statutory auditors	1,741	1,465	276
Sundry debtors	88	29	59
Provision for severance indemnity of agents and representatives	137	111	26
Guarantee withholding	220	584	-364
Security deposits from customers	107	107	0
Total other current liabilities	**3,083**	**3,047**	**36**

The item Payables to directors and statutory auditors includes the amount of short-term variable remuneration accrued by executive directors on the results for 2023 on the basis of the resolution of the Ordinary Shareholders' Meeting of 26 April 2023.

6.5.4 Current tax payables

	31/12/2023	31/12/2022	Change
Income taxes	1,934	687	1,247
Payables for withholdings	714	392	322
Value added tax	1		1
Total tax payables	**2,649**	**1,079**	**1,570**

The increase in the item "Income taxes" derives from the accrual of the amount due as a result of the special redemption procedure for the years 2017-2021 mentioned above.

6.6 Revenues

6.6.1 Net revenues

	2023	2022	Change
BL1 Revenues	57,338	51,718	5,620
BL2 Revenues	25,806	18,562	7,244
Intra-group revenues	498		498
Total revenues	**83,642**	**70,280**	**13,362**

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

€/1,000	2023	2022	Change	Δ%	Incidence 2023	Incidence 2022
Italy	57,338	51,718	5,620			
Total BL1	***57,338***	***51,718***	***5,620***	**10.9%**	**68.6%**	**73.6%**
Europe	15,050	11,158	3,891	34.9%		
Middle East	6,969	5,059	1,909	37.7%		
South America	1,759	909	850	93.4%		
Far East	1,529	465	1,064	228.8%		
Other	997	970	27	2.8%		
Total BL2	***26,303***	***18,562***	***7,742***	**41.7%**	**31.5%**	**26.4%**
Total net revenues	**83,642**	**70,280**	**13,361**	**19.0%**	**100%**	**100%**

Revenues realised in Italy through the direct business line represent 68.6% of the total turnover and amount to Euro 57,338 thousand (Euro 51,718 thousand as at 31/12/2022).

Revenues earned on foreign markets show an increase of 41.7% from Euro 18,562 thousand in 2022 to Euro 26,303 thousand in 2023, 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 2023, the direct business line accounted for 68.6% (about 73.6% in 2022) 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, directly addressing the medical class in order 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 2023 the Indirect business line accounted for about 31.5% of the turnover (about 26.4% in the previous year).

6.6.2 Other revenues and income

	2023	2022	Change
Tax receivable	261	158	103
Contractual indemnities	535		535
Refunds and recovery of expenses	40	41	-1
Contingent assets	276	127	149
Other revenues and income	1,021	605	416
Total Other revenues and income	**2,133**	**931**	**1,202**

The item "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.

The item "Contractual indemnities" of 2023 refers to the settlement of a legal dispute with a customer.

The item Other revenues and income mainly includes re-invoicing for services rendered to third parties and subsidiaries 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:

	2023	2022	Change
Costs for raw materials and semi-fin. goods	2,727	3,544	-817
Consumables	514	500	14
Costs for finished products	334	112	222
Total raw materials, semi-finished goods, consumables and finished products	**3,575**	**4,156**	**-581**

Raw materials and semi-finished goods costs include Euro 2,547 thousand (Euro 3,422 thousand in 2022) of purchases from subsidiaries.

6.7.2 Change in inventories

	2023	2022	Change
Change in raw materials	667	-897	1,564
Change in semi-finished products			0
Change in finished products	-2,742	-427	-2,315
Allowance to Provision for inventory write-downs	34	53	-19
Change in inventories	**-2,041**	**-1,271**	**-770**

The increase in inventories as at 31.12.2023 is the result of production planning with a view to streamlining production costs.

6.7.3 Costs for services

	2023	2022	Change
Marketing	15,205	11,793	3,412
Production and logistics	17,006	11,636	5,370
Overheads	8,107	5,845	2,262
Research and Development	604	318	286
Computer services	398	322	76
Commercial costs and commercial network costs	9,488	8,406	1,082
Corporate bodies	7,768	6,918	850
Rentals and leases	21	31	-10
Financial services	197	165	32
Total costs for services	**58,794**	**45,434**	**13,360**

The increase in the item "Costs for services" for Marketing, Production and Logistics, Commercial Costs and General Services is to be correlated with higher revenues and production volumes in the period as well as costs incurred for the start-up of the subsidiaries PHN España and PHN USA and for the launch of the Cetilar® Nutrition line. The increase in the item Corporate Bodies occurred as a result of the higher remuneration approved by the Shareholders' Meeting on 26 April 2023.

6.7.4 Personnel costs

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

	2023	2022	Change
Wages and salaries	2,559	2,267	292
Social security charges	824	716	108
Provision for severance indemnity	161	136	25
Other personnel costs	14	11	3
Total personnel costs	**3,558**	**3,130**	**428**

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 indemnity 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	2023	2022	Change
Executives	3	2	1
White collars	43	40	3
Blue collars	3	2	1
Total	**48**	**44**	**4**

6.7.5 Other operating costs

	2023	2022	Change
Capital losses	13	34	-21
Sundry tax charges	112	73	39
Loss on receivables		23	-23
Membership fees	49	45	4
Charitable donations and social security charges	213	148	65
Other costs	282	263	19
Total other operating costs	**669**	**586**	**83**

The item "Charitable donations and social security charges" includes the amount of Euro 150 thousand referring to the liberal disbursement made of part of the margin realised from sales to the Russian distributor in favour of the Pisa Provincial Committee of the Italian Red Cross and the Rosa Pristina Foundation.

6.8 AMORTISATION, DEPRECIATION AND WRITE OFF

	2023	2022	Change
Amortisation of intangible assets	271	210	61
Depreciation of tangible assets	1,697	580	1,117
Allowance to prov. for risks related to legal disputes	500		500
Provision for doubtful accounts	84	94	-10
Non-deductible provision for doubtful accounts	115	69	46
Total amortisation, depreciation and write-off	**2,667**	**953**	**1,714**

The increase in depreciation of tangible assets resulted from the entry into operation of the investments made for the construction of the new headquarters and the leasing contracts entered into for the machinery, equipment and furnitures of the new headquarters.

For details on the allowances to Provisions for risks and charges, see paragraph 6.4.2.

6.9 FINANCIAL MANAGEMENT

6.9.1 Financial revenues

	2023	2022	Change
Interest income	298	128	170
Interest income on late payments	5		5
Dividends	2,034	1,316	718
Exchange gains	129	2	127
Other financial income	436	398	38
Total financial income	**2,902**	**1,844**	**1,058**

The increase in financial income is due to the recognition of interest accrued on tax credits acquired during the year, yields obtained on the portfolio under the management of Azimut, and for interest rates obtained on cash in hand.

6.9.2 Financial costs

	2023	2022	Change
Other financial charges	-120	-42	-78
Interest expense	-778	-42	-736
Exchange losses	-63	-30	-33
Total financial charges	**-961**	**-114**	**-847**

The increase in the item “Financial charges” resulted from the higher incidence of interest expenses on outstanding loans that were disbursed in 2022.

6.10 Income taxes

	2023	2022	Change
Current taxes	5,977	5,545	432
Deferred tax assets	-116	-38	-78
Taxes previous years	2,622		2,622
Provision for taxes	0	1,400	-1400
Total taxes	**8,483**	**6,907**	**1,576**

Taxes are recognised on an accruals basis and have been determined in accordance with current rates and regulations. The item "Current taxes" also include the settlement of the benefit from the "Patent Box" tax benefit for 2023 (Euro 167 thousand).

The item "Taxes previous years" refers to the settlement, through recourse to the special redemption procedure pursuant to Law 197/2022, of the cross-examination invitations notified by the Pisa Provincial Directorate of the Inland Revenue Agency for the tax periods from 2017 to 2021. The item is net of the benefit from the "Patent Box" tax benefit for the year 2022 (Euro 215 thousand).

The reconciliation between the theoretical tax burden and the actual tax burden is shown below:

€/1,000	31/12/2023	31/12/2022
Pre-Tax Result	**20,051**	**19,643**
Effective tax rate	-24.0%	-24.0%
Theoretical tax burden	**(4,812)**	**(4,714)**
IRAP effect	(1,225)	(1,097)
(Non-deductible costs) net of non-taxable income	(287)	184
Taxes previous years	(2,622)	(1,400)
Other effects	464	121
Total differences	**(3,670)**	**(2,192)**
Total taxes	**(8,483)**	**(6,907)**
Effective tax rate	**-42.3%**	**-35.2%**

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: 6,553 thousand

Board of Statutory Auditors: Euro 68 thousand

Independent auditors: Euro 68 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 2023 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 2023
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	PharmaNutra S.p.A.	68
Total			**68**

[1] This includes the signing of income, IRAP, 770 and tax receivables certification forms

8. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2023

As for the events after the closing date of 31 December 2023, 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 Alesco, a guarantee for credit limit subject to collection for Euro 400,000;

To Alesco, a guarantee for credit facility on current account for Euro 52,000.

The purchase agreement for the shares of Akern S.r.l. provides for the payment of an incentive and deferred earn-out to the sellers up to a maximum of Euro 3 million, subject to the achievement of Akern's incremental EBITDA and industrial margin targets in 2022, 2023 and 2024.

The land and the building are encumbered by a first mortgage of Euro 18 million in favour of Banco BPM S.p.A. to guarantee the loan granted in 2023.

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.

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 2023 between the Parent Company and its subsidiaries and other related parties.

Transactions with Related Parties

The financial and economic impact for 2023 is shown in the table below:

Related party Balance sheet (€/1000)	ROU Assets	Investments	Non-current financial assets	Other current assets	Trade Receivables	Other current liabilities	Provisions for employees and Directors benefits	Trade Payables	ROU non-current financial liabilities	ROU current financial liabilities
Juniapharma S.r.L		1.801			114			66		
Alesco S.r.L		1.000			103			1.114		
Akern S.r.L		15.016			11					
Pharmanutra Espana		600		250	17			16		
Pharmanutra USA		1.668			646					
Transactions with subsidiaries		**20.085**		**250**	**890**			**1.196**		
Transactions with other related parties:										
Members of Pharmanutra S.p.A. BoD						1.715	1.363	23		
Board of Statutory Auditors								41		
Supervisory Board compensation								20		
Senior management compensation						12	116			
Solida S.r.l.	217		178						147	72
Calabughi S.r.l.								87		
Ouse S.r.l.								7		
Studio Bucarelli, Lacorte, Cognetti								13		
Total transaction with other related parties	**217**	**0**	**178**	**0**	**0**	**1.727**	**1.479**	**191**	**147**	**72**
TOTAL	**217**	**20.085**	**178**	**250**	**889**	**1.727**	**1.479**	**1.387**	**147**	**72**

Related party Income Statement (€/1000)	Net revenues	Other revenues	Purchase of raw materials	Cost for services	Personnel expenses	Right of use depreciation	Dividends
Juniapharma S.r.L		294	6	0	183		551
Alesco S.r.L		224	2.548	2.097	209		1.153
Akern S.r.L		9					330
Pharmanutra Espana	48	25		73			
Pharmanutra USA	450	197					
Transactions with subsidiaries	**498**	**750**	**2.554**	**2.171**	**392**	**0**	**2.034**
Transactions with other related parties:							
Members of Pharmanutra S.p.A. BoD				7.374	212		
Board of Statutory Auditors				68			
Supervisory Board compensation				65			
Senior management compensation					466		
Solida S.r.l.						155	
Calabughi S.r.l.				999			
Ouse S.r.l.				169			
Studio Bucarelli, Lacorte, Cognetti				38			
Total transaction with other related parties	**0**	**0**	**0**	**8.713**	**678**	**155**	**0**
TOTAL	**498**	**750**	**2.554**	**10.885**	**1.070**	**155**	**2.034**

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.

The transactions carried out between the Group's companies, concluded at market or standard conditions, are excluded from the scope of application of the New RPT Procedure and relate to 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.

As far as transactions with other related parties are concerned, the following should be noted.

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.

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 a lease agreement in place in properties owned by Solida S.r.l., which is owned by some of the shareholders of the Parent Company, which will be terminated in early 2024 following the inauguration of the new headquarters; the Company pays a rent and has 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.

As for the agency agreement in place with Ouse S.r.l., a company in which the ex-wife of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, it should be noted that the correlation ceased as from the beginning of July. The agency agreement was unilaterally terminated by Ouse in December 2023.

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.

	31/12/2023	of which with related parties	31/12/2022	of which with related parties
NON-CURRENT ASSETS	**52,732**	**20,480**	**38,383**	**18,267**
Property, plant and equipment	25,872	217	16,342	272
Intangible assets	2,667		2,096	
Investments	20,085	20,085	17,817	17,817
Non-current financial assets	215	178	186	178
Other non-current assets	3,046		1,259	
Deferred tax assets	847		683	
CURRENT ASSETS	**45,603**	**1,140**	**49,276**	**441**
Inventories	5,815		3,772	
Trade receivables	16,340	890	18,741	441
Other current assets	4,869		2,780	
Tax receivables	861		1,395	
Current financial assets	5,643	250	4,697	
Liquid funds	12,075		17,891	
TOTAL ASSETS	**98,335**	**21,620**	**87,659**	**18,708**
SHAREHOLDERS' EQUITY	**44,547**		**41,891**	
Share capital	1,123		1,123	
Equity shares	(4,013)		(2,362)	
Legal reserve	225		225	
Other reserves	35,197		29,865	
IAS 19 reserve	132		148	
OCI Fair Value Reserve	(89)		(115)	
FTA reserve	(39)		(39)	
Net result	12,011		13,046	
GROUP SHAREHOLDERS' EQUITY	44,547		41,891	
Non-controlling interest				
NON-CURRENT LIABILITIES	**29,393**	**1,626**	**22,163**	**3,191**
Non-current financial liabilities	23,138	147	13,490	203
Provisions for non-current risks and charges	4,312		5,271	
Provisions for employee and director benefits	1,943	1,479	3,402	2,988
CURRENT LIABILITIES	**24,395**	**3,186**	**23,605**	**4,887**
Current financial liabilities	4,471	72	3,275	72
Trade payables	14,192	1,387	16,204	3,356
Other current liabilities	3,083	1,727	3,047	1,459
Tax payables	2,649		1,079	
TOTAL LIABILITIES	**98,335**	**4,812**	**87,659**	**8,078**

	31/12/2023	of which with related parties	31/12/2022	of which with related parties
REVENUES	**85,775**	**1,248**	**71,211**	**441**
Net revenues	83,642	498	70,280	
Other revenues	2,133	750	931	441
OPERATING COSTS	**64,555**	**14,509**	**52,035**	**13,956**
Purchases Raw materials, consum. and supplies	3,575	2,554	4,156	3,496
Change in inventories	(2,041)		(1,271)	
Costs for services	58,794	10,885	45,434	9,634
Personnel costs	3,558	1,070	3,130	826
Other operating costs	669		586	
EBITDA	**21,220**	**(13,261)**	**19,176**	**(13,515)**
Amortisation, depreciation and write-downs	2,667	155	953	154
OPERATING RESULT	**18,553**	**(13,416)**	**18,223**	**(13,669)**
FINANCIAL INCOME (EXPENSE) BALANCE	**1,941**	**2,034**	**1,730**	**1,313**
Financial income	2,902	2,034	1,844	1,316
Financial charges	(961)		(114)	(3)
PRE-TAX RESULT	**20,494**	**(11,382)**	**19,953**	**(12,356)**
Taxes	(8,483)		(6,907)	
Net result of third parties				
Group result	**12,011**	**(11,382)**	**13,046**	**(12,356)**

12. ALLOCATION OF THE RESULT FOR THE YEAR

It is proposed to the Shareholders' Meeting that the result for the year, equal to Euro 12,010,828, be allocated as follows:

EURO	31/12/2023
Net result	12,010,828
- 5% to the legal reserve (pursuant to art. 2430 of the Italian Civ. Code)	0
- to the Extraordinary Reserve	3,838,084
- to Dividend (Euro 0.85 per share)	8,172,743

Pisa, March 15th, 2024

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 2023.

2. It is also certified that:

the financial statements for the year ended 31 December 2023:

- 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, March 15th, 2024

PharmaNutra S.p.A.	PharmaNutra S.p.A.
Managing Director	Manager in charge for the preparation of the financial accounts

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

Financial statements at December 31, 2023

VCP/CFR/lsm - RC062822023BD0942

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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, 2023, 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 material accounting policy information.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 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 20.085 thousand and are referred to the wholly controlled companies Junia Pharma S.r.l., Alesco S.r.l., Akern S.r.l. and the new foreign companies Pharmanutra Espana S.l.u. and Pharmanutra USA Corp. 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, 2023 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; ▪ we verified with reference to the new company established during the financial year 2023 of the costs incurred in setting them up; ▪ with reference to the impairment test, performed on Junia Pharma S.r.l., Alesco S.r.l. and Akern S.r.l, 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, actions taken to eliminate relevant risks or the safeguards measures applied.

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.

BDO

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 at December 31, 2023 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, 2023, 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, 2023 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, 2023 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 25, 2024

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.

STATUTORY AUDITOR'S REPORT

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Share Capital € 1.123.097,70 i.v.

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