

CONSOLIDATED FINANCIAL STATEMENTS

31st DECEMBER 2019



**ANDREA LACORTE | President
of PharmaNutra S.p.A**

The financial year results show an important step forward in the growth that has always featured in the progress of our company. Even while experiencing a complicated situation on a global scale, due to the spread of COVID-19, PharmaNutra continues to achieve significant results: financially, as can be seen in the balance sheet data, in terms of sales, thanks to sales data constantly on the increase, and lastly in scientific terms, with an impressive four new formulas in advanced stages of development and scientific validation, including in particular one specifically for strengthening the immune system. PharmaNutra has not stopped, and continues to grow, invest and believe in research and its own ambitious objectives.



**ROBERTO LACORTE | Vice President
of PharmaNutra S.p.A.**

Another financial year has closed with growth in line with the trends of previous years, while showing much stronger numbers. We have gone through a year of constant expansion, by reinforcing the three main growth channels: stipulating new foreign distribution contracts, strengthening the sales network in Italy and investing in communications. Thanks to a solid financial structure and the company's current position on the market, PharmaNutra is working with an eye to the future, managing critical aspects with care and reactively, on the strength of a solid heritage and robust revenue capacity. After an extraordinary start in the first two months of the year, PharmaNutra is currently not only maintaining its position on the market but working to be even stronger and more productive as soon as the effects of COVID-19 pass.

ABOUT

PharmaNutra S.p.A. is a pharmaceutical company established in 2003 in Pisa, dedicated to the development of nutraceutical supplements and medical devices. In particular, the Group carries out activities related to the research, design, development and marketing of its innovative products. Among its most important achievements are the SiderAL® branded products, based on Sucrosomial® Iron, and the Cetilar® branded products, intended to improve articulations movement and bring relief to joints affected by osteoarthritis.

PharmaNutra closely monitors the entire manufacturing process, starting from raw materials to finished products. Furthermore, the Group has the know-how to manage all the phases from design and development to registration, marketing and sales. Since 2005, PharmaNutra develops and markets directly its own product line on an independent basis, through an exclusive network of Sales Representatives.

The Group is composed by PharmaNutra S.p.A. (holding company), Alesco Ltd, manufacturer and distributor of raw materials (active ingredients) for the pharmaceutical, food and dietary supplement industry and Junia Pharma Ltd, developing and distributing drugs, medical devices, OTC and nutritional supplements with special attention to the pediatric area. The Group has settled its own strategy in the production and management of the intellectual property, based on the integrated management of company assets: proprietary raw materials, patents, brands and clinical trials. Since July 2017 PharmaNutra has been admitted to trading on the AIM Italia/ Alternative Capital Market.

PharmaNutra Group distributes and sells products in Italy and abroad. In Italy the sales activities are carried out by a network of about 180 Sales Representatives, providing scientific information to medical professionals and selling PharmaNutra products to the pharmacies all over Italy. In addition, supply of wholesalers directly to pharmacies and para-pharmacies assures that the Italian market is completely covered. The Sale Representative network approach is based on a specific and innovative marketing model adopted by PharmaNutra Group in Italy since 2009. Although the international expansion began only in 2014, nowadays PharmaNutra operates in 70 countries (in Europe, Asia, America and Africa) through 35 key partners, carefully selected among the world top pharmaceutical companies, that market and sell the Group's products with territorial exclusivity.



THE COMPOSITION OF THE CORPORATE BODIES

Board of Directors

Andrea Lacorte (President)

Roberto Lacorte (Vice President)

Carlo Volpi (Director)

Germano Tarantino (Director)

Giovanni Bucarelli (Director)

Simone Strocchi (Director)

Alessandro Calzolari (Independent Director)

Giuseppe Turchetti (Independent Director)

Board of Statutory Auditors

Michele Lorenzini (President of the Board of Statutory Auditors)

Guido Carugi (Acting auditor)

Andrea Circi (Acting auditor)

Audit firm

BDO Italia S.p.A.

Nomad

CFO SIM S.p.A.



MANAGEMENT REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2019

Dear Shareholders,

the consolidated financial statements for the year ended 31/12/2019 show a net profit of Euro 8.5 million compared to the net profit of Euro 8.6 million of the previous year.

This result was achieved by allocating an amount of Euro 3.7 million (net of deferred tax assets) to pre-tax result of Euro 12.2 million (Euro 11.9 million in 2018). Pre-tax result, in turn, was determined by allocating Euro 973 thousand (662 thousand in 2018) to the provision for amortisation, depreciation and write-downs.

Pharmanutra Group (hereinafter also the "Group") consists of Pharmanutra S.p.A. ("Pharmanutra") and its subsidiaries Junia Pharma S.r.l. ("Junia Pharma") and Alesco S.r.l. ("Alesco").

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

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

It designs and produces formulations with an important scientific background.

Since 2005, it has been developing and marketing directly and independently a line of products under its own brand, being managed through a structure of sales representatives/scientific informants who present the products directly to the medical class.

Pharmanutra now has the know-how to manage all stages from design, formulation and registration of a new product, to marketing and sales, up to informants training.

The business model developed has been pointed out by key health marketing experts as an example of innovation and efficiency in the entire pharmaceutical scenario.

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

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

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

Operating conditions and business development

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

Operating performance and result

The consolidated financial statements of Pharmanutra Group as at 31/12/2019 are as follows:

	2019		Restated 2018		CHANGE
	31/12/2019	%	31/12/2018	%	
NET REVENUES	53.6	100%	46.7	100%	15%
EBITDA	13.2	25%	11.8	25%	12%
NET RESULT	8.5	16%	8.6	18%	-1%
Restated NET RESULT (1)	8.5	16%	7.9	17%	8%
	31/12/2019		31/12/2018		
NET FINANCIAL POSITION	(13.6)		(11.4)		

The financial statements as at 31 December 2019 include the first application – mandatory from 1 January 2019 – of the international accounting standard IFRS 16, which establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rental contracts.

The main consolidated income statement and balance sheet data without the application of IFRS 16 would be as follows:

	2019		Restated 2018		CHANGE
	31/12/2019	%	31/12/2018	%	
NET REVENUES	53.6	100%	46.7	100%	15%
EBITDA	12.9	24%	11.8	25%	9%
NET RESULT	8.5	16%	8.6	18%	-1%
Restated NET RESULT (1)	8.5	16%	7.9	17%	8%
	31/12/2019		31/12/2018		
NET FINANCIAL POSITION	(14.3)		(11.4)		

1) It should be noted that in 2018, the EBITDA and Net Result included non-recurring revenues, totalling Euro 0.82 million, relating to the recognition of the research and development tax credit pursuant to article 3 of Italian Decree-Law no. 145/2013 for research and development activities carried out in 2015-2017 by Pharmanutra and Alesco and the related consultancy costs of Euro 0.08 million. As at 31/12/2019, there were no non-recurring items.

In 2019, the Group recorded revenues of Euro 53.6 million, with an increase of approximately 15% compared to the previous year. This result was achieved thanks to the positive contribution of Sideral® brand products, with a turnover that rose from Euro 36.7 million in 2018 to Euro 40.5 million (roughly

+10%). Turnover from products targeted to the market of topical products for osteo-articular diseases under the Cetilar® brand showed a significant increase, rising from Euro 4.4 million to Euro 5.4 million in 2018 (+21%). The products launched in 2018 (Apportal® and Ultramag®) contributed Euro 2.8 million to the turnover for the year 2019. Sales of raw materials and semi-finished products by the subsidiary Alesco also increased by approximately 16% compared to the previous year to around Euro 2 million. In July, the Group set an all-time record in sales volumes, thus reaching around 400,000 pieces sold.

During 2019, expansion in foreign markets continued with the opening of new markets (Jordan, Pakistan, South Korea, Finland), the extension of the product range, in countries where the Group is already present (Turkey, Romania, Austria) through the definition of distribution contracts for Cetilar® and Ultramag®, and the establishment of a license agreement in India with a major partner such as Eris Lifescience for the production and marketing on the Indian market of a product with a unique formulation based on Sucrosomial Iron®. Revenues from the sales on foreign markets increased by 19% to Euro 14.6 million, representing approximately 27% of total turnover.

In the first months of 2020, four new distribution contracts were finalised in Mexico with Marzam S.A., a leading Mexican pharmaceutical company with a network of 200 informants in Bulgaria, the Czech Republic and Slovakia. In addition to these, the distribution contract was renewed in Romania and the existing distribution contract with Medintorg was extended to the Ukrainian market, a territory not yet controlled by the Group.

Important new patents have been obtained in Italy and abroad. The Italian Patent Office has granted PharmaNutra a further patent for a new composition for use in the prevention and treatment of iron deficiency. The new patent thus becomes part of the Sucrosomial Iron®-based formulations, which over the years have enabled the Group to become a leader in the nutritional supplements sector. It is a composition being expressly developed for the treatment of chronic iron deficiency in specific areas, where it is a constant condition resulting from or concomitant to gastro-enterological or other disorders (nephrology, haematology) mainly affecting the geriatric population. The Group also obtained the grant of the Solid Iron patent in the United States (number 10,183,077, expiring in 2033) and in Israel - Patent Application number 236793 - which is valid until 30 July 2033.

At the end of July, the deed of purchase of a building complex was formalised. Such a property, located in Pisa, Italy, is intended to house the new headquarters of the Group, in addition to the production plant and the Research and Development centre. The purchase of the property, which will be subject to renovation, meets the needs arising from the larger structure of the Group, allows closer control of the technologies used for the production of sucrosomial solutions and helps to reduce the time required for research and development of new products.

Since in 2018 the parameters set forth in art. 2-bis of Consob Regulation no. 11971/1999 and subsequent amendments and integrations have been exceeded – as of 1 January 2019, the Parent Company acquired the status of issuer of financial instruments distributed among the public to a significant extent. As a result, Pharmanutra S.p.A. qualifies as an “issuer subject to intermediate regime” (ESRI) pursuant to Italian Legislative Decree no. 39/2010 and is subject to the relevant regulations.

Starting in March, the subsidiary Alesco changed the Collective Bargaining Agreement applied to employment relations, going from the trade sector contract to the pharmaceutical business contract, already applied by the other Group companies.

In April, the Board of Directors approved the Organisation, Management and Control Model and the Code of Ethics of Pharmanutra S.p.A. with the aim of pursuing the following main objectives:

- to raise, in all those who work on behalf of Pharmanutra within the context of “sensitive activities” (i.e. those in which, by their nature, the crimes referred to in the Decree may be committed), the awareness of possibly incurring, in case of violation of the provisions on the matter, disciplinary and/or contractual consequences, as well as possible criminal and administrative sanctions;
- to reiterate that these forms of unlawful conduct are strongly condemned, since they are in any case contrary not only to the provisions of the law, but also to the ethical principles with which the company intends to comply in the performance of its business activities, even if the company is apparently in a position to benefit from them;
- to allow the company, thanks to a monitoring action on the areas of activity at risk, to promptly intervene, in order to prevent or counteract the commission of the same crimes and to sanction all conducts contrary to its model.

The Group's **EBITDA** was approximately Euro 13.2 million (Euro 11.8 million as at 31/12/2018), equal to a 25% margin, with an 11% increase compared to 2018. Excluding the effect of the application of the new IFRS 16, the consolidated EBITDA would amount to Euro 12.9 million (+9% compared to the previous year).

The **Net Result for 2019**, Euro 8.5 million, remained at the same levels as the previous year (which benefited from non-recurring non-taxable income relating to the tax credit for 2015-2017 for a net amount of Euro 738 thousand). Excluding the non-recurring revenue portion of 2018, the increase in net profit for 2019 compared to the previous year would be 8%. The adoption of the new IFRS 16 does not have a significant effect on the result for the year.

The **Net Financial Position** in 2019 shows a positive trend compared to 31 December 2018, going from a positive balance of Euro 11.4 million to a positive balance of Euro 13.6 million. The IFRS standard application resulted in the recognition of Euro 0.7 million of financial liabilities relating to rights of use. Excluding this effect, the Group's financial position as at 31/12/2019 would amount to Euro 14.3 million.

The cash flow from operations amounts to Euro 12 million, 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.

Pharmanutra Group Results

The reclassified income statement and balance sheet figures are shown below as RESTATED. It should be noted that some 2018 items have been reclassified for a better comparison with the figures for 2019.

Reclassified consolidated balance sheet

Amounts in €/000	2019	2018
Inventories	1,853	2,149
Trade receivables	15,028	12,977
Trade payables	(8,165)	(6,666)
Other current assets	1,517	3,197
Other current liabilities	(3,248)	(2,792)
Net Working Capital	6,985	8,866
Fixed assets	9,585	5,695
Other non-current assets	918	743
Fixed Assets	10,503	6,438
Provisions	(2,913)	(2,232)
TOTAL USES	14,575	13,072
Shareholders' Equity:	28,134	24,442
Liquid funds	(13,751)	(14,968)
Current financial assets	(5,075)	(865)
Non-current financial assets	(1,136)	(879)
Current financial liabilities	4,860	3,511
Non-current financial liabilities	1,543	1,831
NET FINANCIAL POSITION	(13,559)	(11,370)
TOTAL SOURCES	14,575	13,072

Reclassified consolidated income statement

<i>Restated</i>		
Amounts in €/000	31/12/2019	31/12/2018
Revenues	54,214	47,301
Operating Costs	41,036	35,546
- of which, Services	34,262	29,749
- of which, Personnel	3,264	2,802
- of which, Other costs	3,510	2,995
EBITDA	13,178	11,755
EBIT	12,204	11,177
- Financial income (expense)	(7)	(63)
- Non-recurring income	-	738
Taxes	(3,743)	(3,295)
Net result	8,454	8,557

Consolidated net financial position

Amounts in €/1000	31/12/2019	31/12/2018
Cash (Cash+Cheques on hand)	(16)	(23)
Liquid funds (Banks + bank assets)	(13,736)	(14,945)
Total cash and cash equivalents	(13,752)	(14,968)
Current financial assets	(5,075)	(865)
Current financial liabilities: due to banks	3,828	2,358
Current portion of non-current debt	756	1,154
Current financial payables for rights of use	276	-
Net current financial indebtedness for financial assets	(215)	2,647
NET current financial (assets)/indebtedness	(13,967)	(12,321)
Non-current financial assets	(918)	(671)
Deposits paid	(218)	(208)
Non-current bank payables	1,063	1,818
Derivative financial instruments	8	12
Non-current financial payables for rights of use	472	-
NON-current financial indebtedness	407	951
Net financial position	(13,560)	(11,370)

Profit and Loss Account and Balance Sheet of the Parent Company

As at 31 December 2019, Pharmanutra results are as follows:

- NET RESULT FOR THE PERIOD: €/000 6,869
- NET FINANCIAL POSITION: €/000 (12,606)

Below is a summary of the Parent Company's balance sheet and income statement at 31/12/2019. It should be noted that for a better comparison with the balances in the consolidated financial statements, the balances herein shown include the effects of the application of the valuation and measurement criteria established by the *International Financial Reporting Standards* (IFRS).

Pharmanutra S.p.A. income statement

Amounts in €/000	<i>Restated</i>	
	2019	2018
Revenues	45,213	38,578
Operating Costs	35,967	29,691
- of which, Services	31,031	25,456
- of which, Personnel	2,363	1,886
- of which, Other costs	2,573	2,349
EBITDA	9,246	8,887
EBIT	8,481	8,357
Financial income (expense)	1,042	827
Non-recurring income/(charges)	-	698
Pre-Tax Result	9,523	9,882
Taxes	(2,654)	(2,505)
Net result	6,869	7,377

Pharmanutra S.p.A. balance sheet

Amounts in €/000	2019	2018
Inventories	1,624	1,142
Trade receivables	12,583	11,187
Trade payables	(8,314)	(6,284)
Other current assets	1,263	2,878
Other current liabilities	(2,405)	(2,258)
Net Working Capital	4,751	6,665
Fixed assets	5,391	1,853
Other non-current assets	3,415	3,327
Fixed Assets	8,806	5,180
Provisions	(2,521)	(1,955)
TOTAL USES	11,036	9,890
Shareholders' Equity:	23,640	21,495
Liquid funds	(11,549)	(13,982)
Current financial assets	(5,075)	(864)
Non-current financial assets	(1,095)	(840)
Current financial liabilities	4,016	2,711
Non-current financial liabilities	1,099	1,369
NET FINANCIAL POSITION	(12,604)	(11,606)
TOTAL SOURCES	11,036	9,889

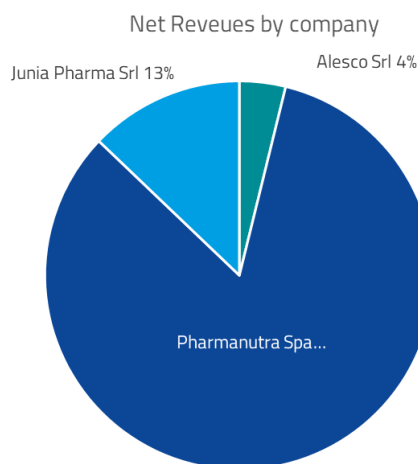
Pharmanutra S.p.A. net financial position

Net financial position (€/1,000)	31/12/2019	31/12/2018
Cash	(13)	(22)
Liquid funds	(11,536)	(13,960)
Held-for-trading securities	-	-
Total cash and cash equivalents	(11,549)	(13,982)
Current financial assets	(5,075)	(864)
Current financial liabilities: due to banks	3,208	1,738
Current portion of non-current debt	602	973
Current financial payables for rights of use	206	-
Net current financial indebtedness for financial assets	(1,059)	1,847
NET current financial (assets)/indebtedness	(12,608)	(12,135)
Non-current financial assets	(917)	(672)
Deposits paid	(178)	(168)
Non-current bank payables	755	1,357
Derivative financial instruments	8	12
Non-current financial payables for rights of use	336	-
NON-current financial indebtedness	4	529
Net financial position	(12,604)	(11,606)

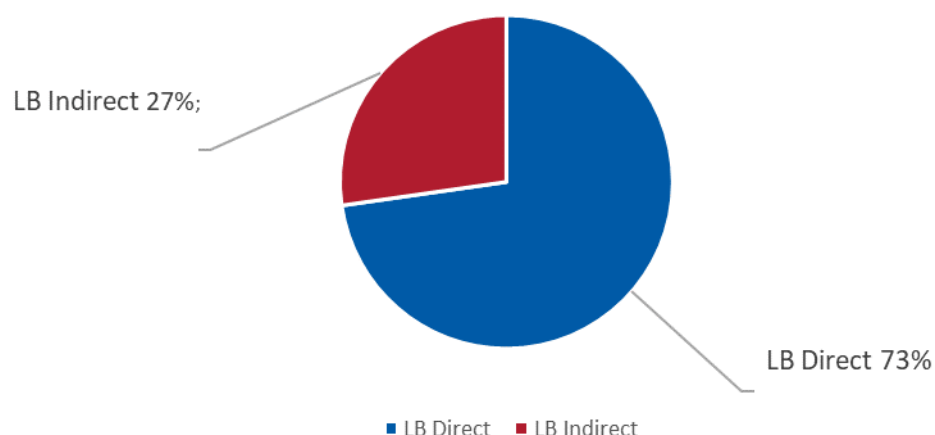
Operating Performance

During 2019, the Group continued the growth process shown in previous years, by improving the results achieved compared to the previous year.

A breakdown of net revenues by company and business line is provided below.



Net Revenues by line of business



Pharmanutra Group's Business Lines

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

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

This model, adopted in the Italian market, characterises the two companies of the Group Pharmanutra and Junia Pharma.

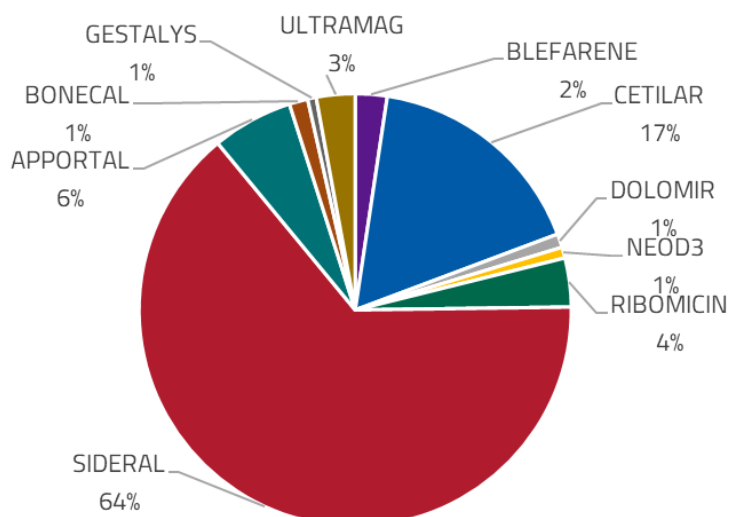
Alesco's commercial activity in Italy is directed both outside the Group, to companies in the food, pharmaceutical and nutraceutical industries as well as to nutraceutical production workshops that produce on behalf of third parties and, within the Group, supplying and selling products and raw materials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

Sales made through the sales network of sales representatives/scientific informants, known as "Direct Business Line", account for 73% of the turnover, while the remaining 27% is guaranteed by sales made abroad or to distributor customers, hereinafter referred to as "Indirect Business Line".

Analysing in terms of packages sold by Pharmanutra S.p.A. and Junia Pharma Srl, total "Direct Business Line" sales reached 2.9 million units of products on the Italian market in 2019, with an increase of 13% compared to the previous year.

All the Group's main product lines are growing: Cetilar® +34%, Sideral® +10%, Apportal® and Ultramag® with revenues representing 9% of total LB1 line volumes. The Sideral® line continues to be the most significant in terms of contribution with an incidence of 64% on total LB1 volumes.

Trademarks split on total units LB1 sold



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

General Economic Performance

The international economic outlook continues to be characterised by downside risks linked to the ongoing health emergency, which has increased the likelihood of a sharp slowdown. The Italian economy is facing a strong instability stage with levels of activity that, in the last quarter of 2019, showed widespread signs of decline. In the fourth quarter, the gross domestic product recorded a negative decrease of 0.3%. The data for January 2020 relating to the labour market confirm the signs of a decline in employment levels recorded in December, with a decrease in employment and an increase in the number of unemployed and inactive people. In the fourth quarter of 2019, preliminary estimates of vacancies remain at the same level as in the previous three months. In February, the overall inflation showed a new slowdown, linked to movements in volatile components. The confidence indexes of February, which still do not incorporate the reactions to the full manifestation of Covid-19 contagion in Italy, recorded a widespread deterioration for consumers in all components with a marked drop for future climate. The business confidence index, on the other hand, showed a slight improvement after the sharp decline in the previous month. The leading indicator continues to show negative growth rates, with the short-term scenario of our economy remaining characterised by prospects of persistently weak levels of economic activity. Even this indicator still fails to estimate the effects of the current health emergency.

The international economy grew by 2.9% last year, with a sharp deceleration compared to 3.6% in 2018. At the same time, trade in goods and services slowed down (+1.0% against +3.7%, source: IMF) which is largely linked to exogenous global factors. The economic outlook remains characterised by downside risks. The possibility of an escalation of trade tensions between the United States and China and a Brexit without agreements has been reduced, but geopolitical tensions have increased as well as the

likelihood for the Chinese economy to face a marked slowdown. In addition, the restrictions on the movement of goods and persons imposed from the second half of January to contain the Covid-19 epidemic spreading will be an additional constraint on the international economy. At the moment, there is still uncertainty about the evolution and timing of the health emergency and negative effects, even though difficult to quantify, have already emerged for transport, tourism, consumption and production sectors in many countries. In this context, recent OECD forecasts have cut world growth for 2020 by 0.5 points compared to its previous November 2019 estimates (+2.4% against +2.9%). The OECD also forecast a downward revision of growth in the Euro area by 0.3 points (+0.8% in 2020), compared to a cut of just 0.1 points for the US (+1.9%). To counter the risk for economic activity entailed by Covid-19, the monetary authorities of the main countries are preparing to implement expansionary measures. The Chinese central bank has stated that it will provide ample liquidity through targeted cuts in the minimum reserve ratio and, by a unanimous decision, the Federal Reserve has reduced official rates by 50 basis points.

Reference markets in which the Group operates

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

Food supplements market¹

The food supplement market closed 2019 with a total value of almost Euro 3.6 billion and 261 million packages placed on the market. Compared to 2018, there was an increase in value of 3.6% below the average growth reported over the last two years of 4.3%. The change in consumption in terms of volumes is +2.3% and is not much different from the +2.8% trend observed in 2018 compared to 2017.

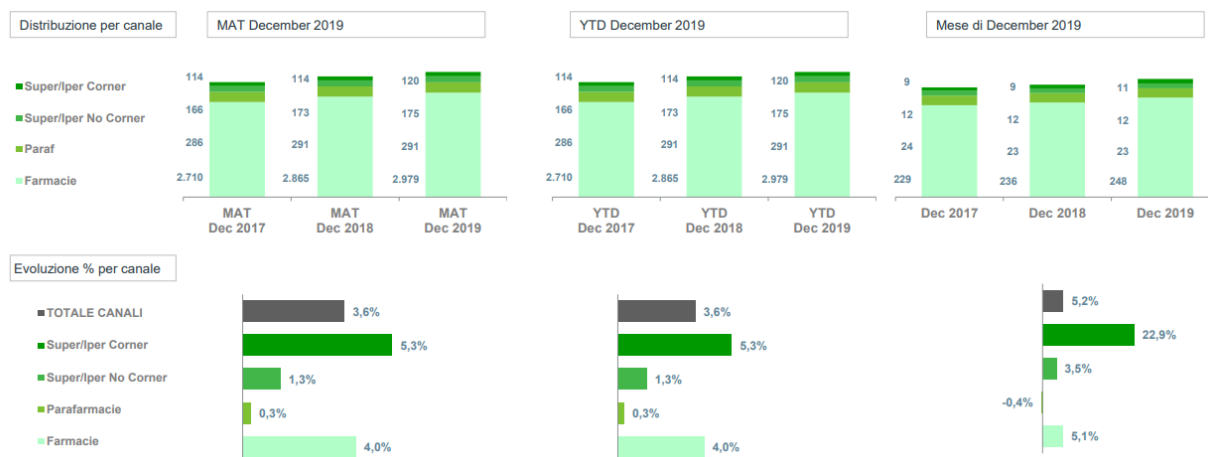
The products launched in the last rolling twelve months are worth a total of Euro 141 million and represent a 4% share of the total market value. The role of the pharmacy as the main distribution channel is confirmed with a value share of 84%, followed by the parapharmacy and the large-scale retail trade with equal shares of 8%. In pharmacies, which overall recorded a trend of -0.7% in the last rolling year, food supplements stand out with a positive trend of 4% in the field of OTC products, which continue to be stable over the last year (+0.1%).

In the same period, in pharmacies, food for special medical purposes increased market value by 3.2% and consumption fell by -1.1%.

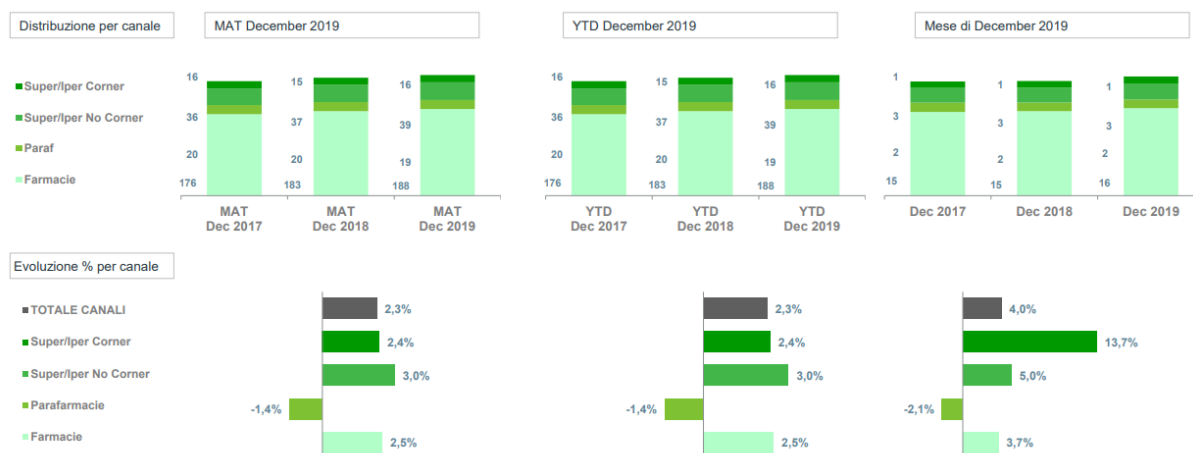
By grouping the main classes of food supplements into functional areas, we highlight, in terms of generated value, the main positioning of the products that pertain to intestinal and digestive apparatuses well-being. This is followed by vitamins and minerals, tonics, circulatory health and urinary system products. In terms of average growth over the last two years, it should be noted that the performance of the main functional areas is in line with that of the total market of +4.3%, while the area of circulatory health, which shows an average annual growth of +1.5%, differs from this value. The area of mental well-being and relaxation products stands out with an average annual growth rate of 12.3%. The area of diet and control products shows an average annual decrease of -4.7%

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

The market for Food Supplements – sellout² at retail price values in MAT³, YTD⁴ and month



The market for Food Supplements – sellout in volume in MAT, YTD and month

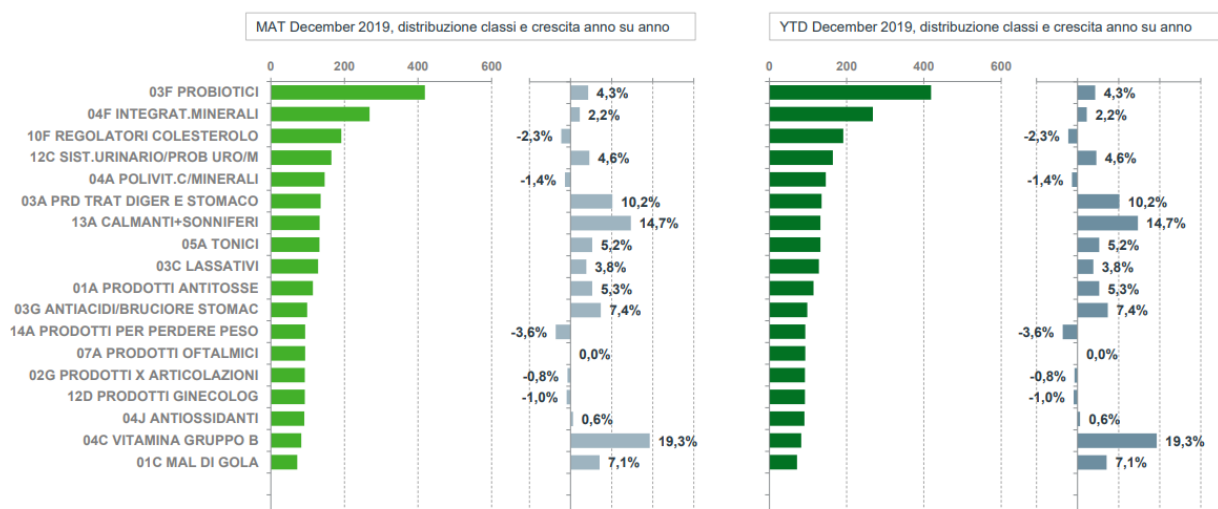


² Sellout: sales to the public expressed in pieces (sellout in volume) or valued at the retail price (sellout in value).

³ MAT: Moving Annual Total.

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

The market for Food Supplements – Top 10 product codes (sellout in value)



Iron market

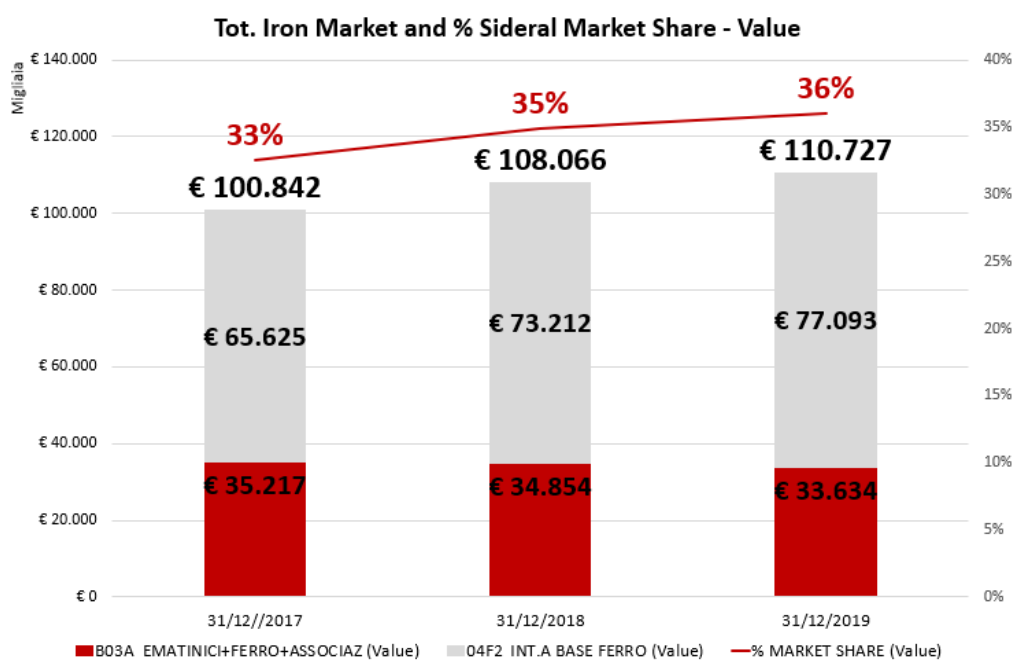
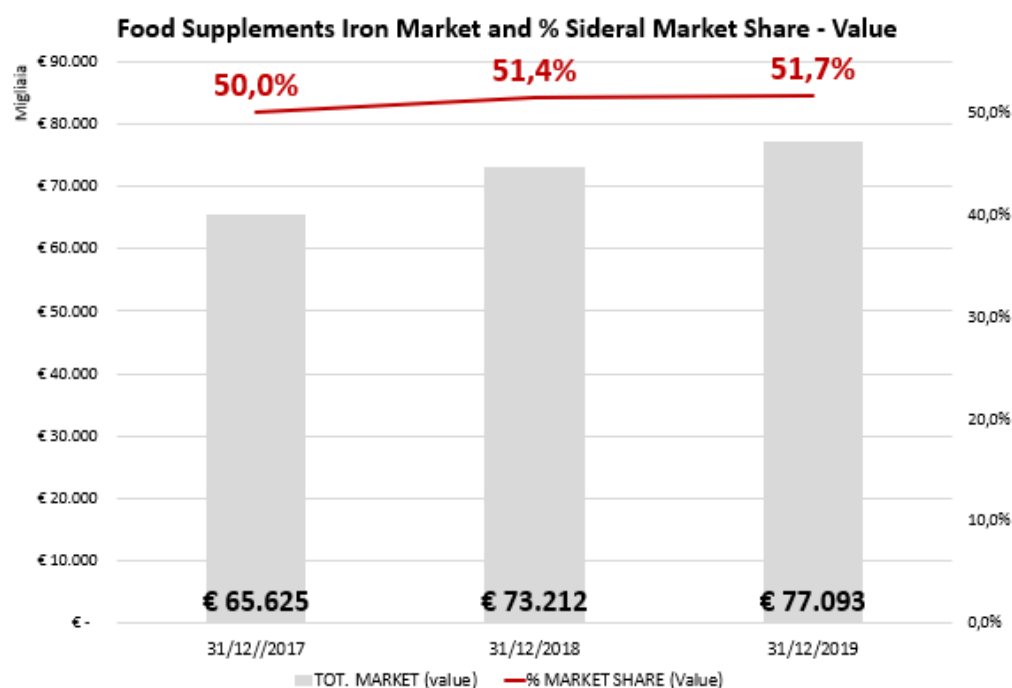
The Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with the Sideral® product line, in which it confirmed its leadership position in the first half of 2019 with a market share in value of more than 51% in the Food Supplements segment and 36% in the overall market.

In the second half of 2019, the Food Supplements market grew by 3% in value compared with the same period last year, while its growth on the overall market was 2.5%.

In the same period, the increase in the Sideral® line, equal to 5.8%, confirmed the strategic importance and the continuous consolidation of these items within the entire product portfolio of the Group.

The charts below show the 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 Drugs⁵.

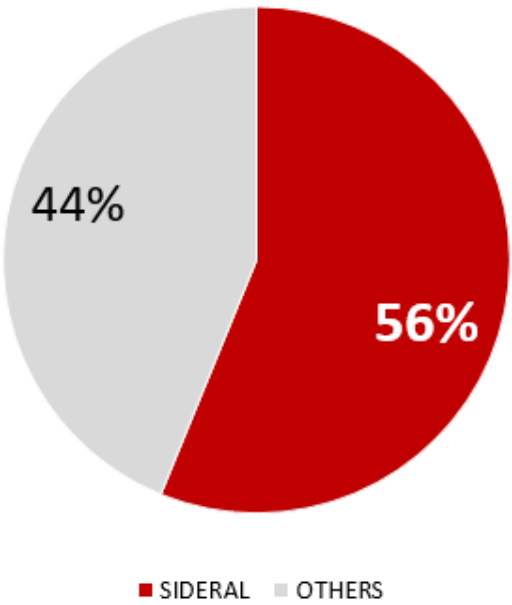
⁵ Source: IQVIA data



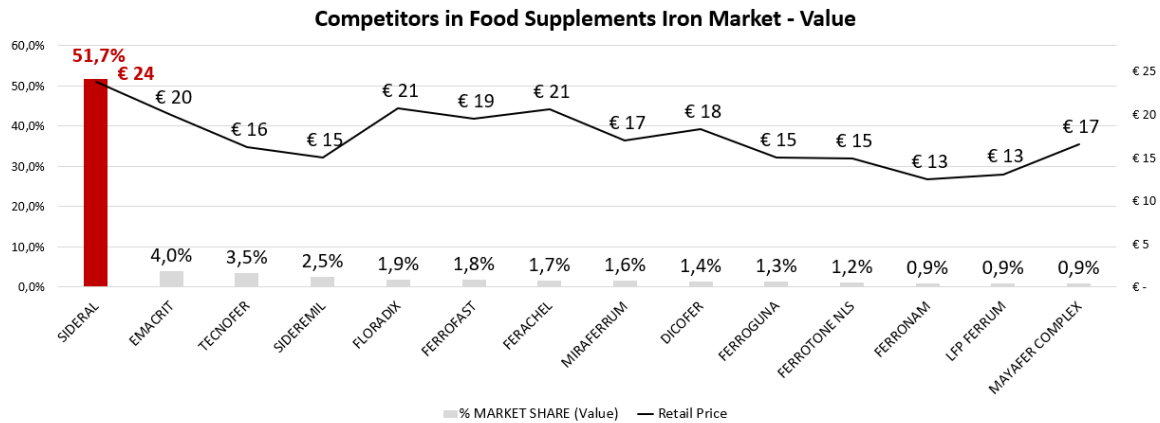
It should be noted that the Sideral® product line also has a significant market share in the entire panorama of the overall market, whose growth is driven by the food supplements segment at the expense of the drugs one.

In the second half of 2019, the Sideral® line also accounted for 56% of the total value growth of the iron-based supplements market compared to the same period of the previous year.

% Growth Food Supplements Iron Market - Value



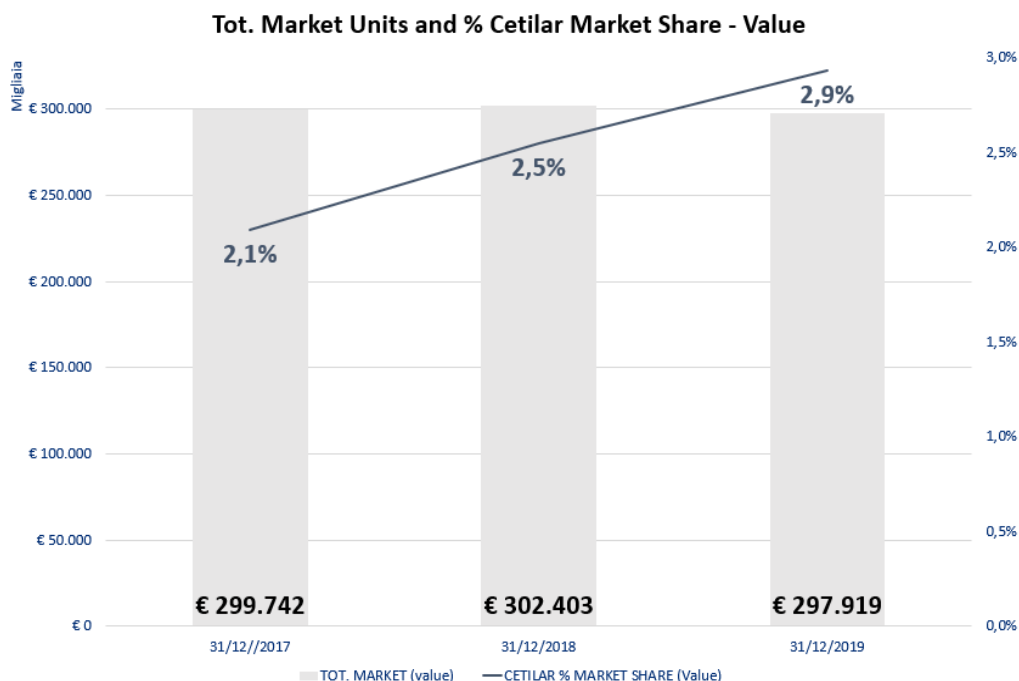
Going into detail and comparing the different players operating in the iron supplements segment in terms of market shares and average price, the direct competitors of Sideral® have much smaller market shares (the second Competitor has a market share almost 13 times lower than Sideral®) and lower market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



Market for topical painkillers

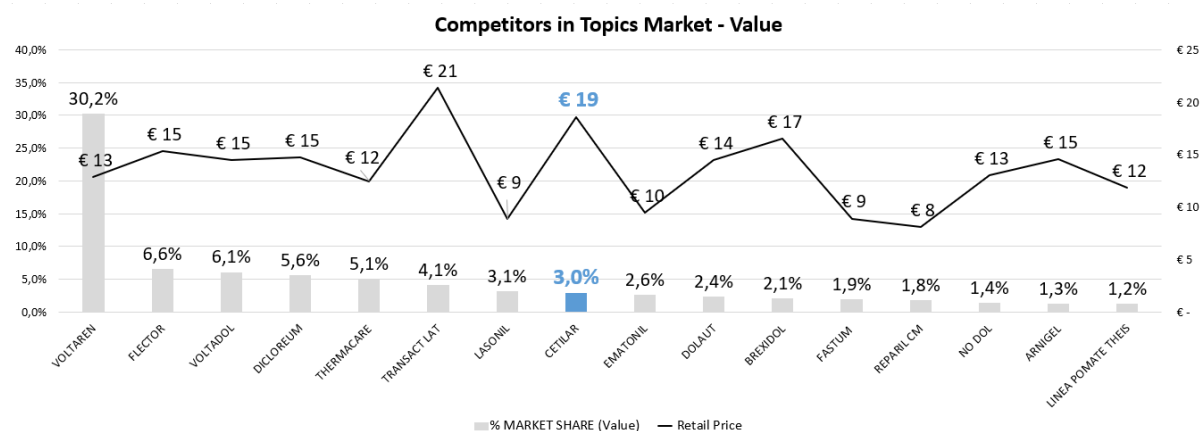
In the topical painkiller market, the Cetilar line recorded significant growth, with further important development prospects for future years.

The following chart shows the trend of Cetilar's market share (expressed in value) in relation to the reference market⁶.



Within a slightly declining market context (-1.48%) between the second half of 2019 and 2018, and in a highly fragmented competitive scenario, Cetilar line recorded a 13% growth in value, thus increasing its market share (which rose from 2.5% to 2.9%) and confirming the effectiveness and quality of its products.

The following table shows the main market competitors with their corresponding market shares in terms of value and average price.



⁶ Source: IQVIA data

Group performance

The tables below show the reclassified income statement and balance sheet for the last three years.

Management consolidated income statement

Amounts in €/000	Restated		Restated		Restated	
	2019	%	2018	%	2017	%
REVENUES	54,214	100%	47,298	100%	37,867	100%
Net revenues	53,624	98.9%	46,673	98.7%	37,794	99.8%
Other revenues	590	1.1%	626	1.3%	73	0.2%
OPERATING COSTS	41,036	75.7%	35,459	75.0%	28,426	75.1%
Purchases of raw materials, consumables and supplies	2,560	4.7%	2,743	5.8%	2,540	7.5%
Change in inventories	296	0.5%	(271)	-0.6%	(779)	0.8%
Costs for services	34,262	63.2%	29,665	62.7%	23,763	62.6%
Personnel costs	3,264	6.0%	2,801	5.9%	2,540	6.0%
Other operating costs	654	1.2%	521	1.1%	361	1.6%
EBITDA	13,178	24.3%	11,839	25.0%	9,441	24.9%
Amortisation, depreciation and write-downs	974	1.8%	662	1.4%	583	2.9%
EBIT	12,204	22.5%	11,177	23.6%	8,859	23.4%
FINANCIAL INCOME (EXPENSE) BALANCE	(7)	0.0%	(62)	-0.1%	(89)	-0.2%
NON-RECURRING INCOME AND CHARGES	-	0.0%	738	1.6%	-	
PRE-TAX RESULT	12,197	22.5%	11,853	25.1%	8,770	23.2%
Taxes	(3,743)	-6.9%	(3,296)	-7.0%	(2,739)	-6.7%
Minority interest in profit/loss for the year	0		0			
Group interest in profit/loss for the year	8,454	15.6%	8,557	18.1%	6,030	15.9%

The year 2019 confirms the growth trend of previous years. The growth in net revenues (about +15% compared with the previous year) is matched by an increase in operating costs (about +16% compared with the previous year) in order to adapt the Group's structure to the increased business volumes and

at the same time ensure the development of new products while guaranteeing the highest quality standards.

The item "Non-recurring income and charges" for 2018 includes the amount relating to the tax credit on research and development expenses for 2015, 2016 and 2017, net of the costs incurred to prepare the documentation supporting such credit.

Reclassified consolidated balance sheet

Amounts in €/000	31/12/2019	31/12/2018	31/12/2017
Trade receivables	15,028	12,977	10,084
Inventories	1,853	2,149	1,878
Trade payables	(8,165)	(6,666)	(4,860)
Operating Working Capital	8,716	8,461	7,103
Other receivables	1,517	3,197	583
Other payables	(3,248)	(2,792)	(2,223)
Net Working Capital	6,985	8,866	5,462
Intangible Fixed Assets	4,728	4,729	4,425
Tangible Fixed Assets	4,857	966	1,133
Financial Fixed Assets	918	743	597
Total Fixed Assets	10,503	6,438	6,155
Provisions and other M/L-term liabilities	(2,914)	(2,232)	(1,611)
TOTAL USES	14,574	13,072	10,006
Shareholders' equity	28,134	24,442	19,098
Non-current financial liabilities	1,543	1,831	2,987
Current financial liabilities	4,860	3,511	2,627
Non-current financial assets	(1,136)	(879)	(651)
Current financial assets	(5,076)	(865)	-
Liquid funds	(13,751)	(14,968)	(14,056)
Net Financial Position	(13,560)	(11,370)	(9,093)
TOTAL SOURCES	14,574	13,072	10,006

The operating working capital is substantially in line with the previous year. The reduction in the item "Other receivables" is due to the collection of the receivable from pre-existing shareholders for the indemnity relating to the closure, in 2018, of the tax litigation for the years 2013, 2014 and 2015, and to the use of the tax credit for research and development activities recognised in the financial statements for 2018. The increase in "Tangible Fixed Assets" is mainly due to the purchase of an industrial complex intended to house the Group's new headquarters, as well as the production plant

and the Research and Development centre, and to the recognition of the right of use deriving from the application of IFRS 16 as from 1 January 2019.

The increase in the item "Provisions and other M/L-term liabilities" derives from the allocation to the Directors' termination indemnity provision and from the allocations to social security funds made in accordance with the law.

The Net Financial Position improved from a balance of Euro 11.4 million at 31 December 2018 to Euro 13.6 million at 31 December 2019, including the first recognition of liabilities for rights of use in accordance with IFRS 16 for Euro 0.7 million. 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.

Pursuant to Article 2428, paragraph 1-bis, of the Italian Civil Code, please find below an analysis of a number of performance indicators selected from those considered to be the most significant.

	2019	2018	2017
		<i>Restated</i>	<i>Restated</i>
EBITDA	24.3%	25.0%	24.9%
EBIT	22.5%	23.6%	23.4%
R.O.S. (Return On Sales)	22.8%	23.9%	23.4%
R.O.I. (Return On Investment)	83.7%	85.5%	88.5%
R.O.E. (Return On Equity)	30.0%	35.0%	31.6%

Capital Expenditures

During 2019, the Group made capital expenditures in intangible fixed assets totalling Euro 464 thousand, of which:

- Euro 352 thousand for the maintenance, defence and registration of trademarks;
- Euro 138 thousand for costs related to the implementation and development of software;
- Euro 84 thousand relating to projects in progress not yet completed and other intangible fixed assets.

The capital expenditures in tangible fixed assets amount to Euro 4.7 million and are detailed as follows:

- Euro 3 million for the purchase of the building complex where the new Group headquarters, production plant and research centre will be built;
- Euro 1 million to the application of the new IFRS 16;
- Euro 0.7 million for the purchase of vehicles used by the management and the sales force, office furniture and fittings and electronic equipment

Research and Development activities

Pharmanutra Group's Research and Development (R&D) has always been one of the main pillars on which the Group's growth is based.

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

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

Design and development activities and scientific research are constantly increasing.

Basic research, through pre-clinical experiments (*in-vitro*, *ex-vivo* and *in-vivo*) has borne fruit with important international publications that will be paramount tools available to the business and represent solid pillars, thus ensuring a significant competitive advantage. In addition to this, important new projects have started, being directly followed by the researchers who are part of the Group.

At the same time, clinical studies are followed, whose practical implementation is instead carried out through formal collaborative relationships with Italian and foreign clinics, hospitals, research centres, depending on the necessary skills and know-how. Among these, two impressive international clinical trials have been launched and are constantly monitored by the Group's clinical monitoring staff.

Research is mainly carried out on the group's flagship products, Sideral®, Cetilar® and its proprietary raw materials. In parallel it is also performed on all other products. Numerous studies (both clinical and pre-clinical) are underway, some of which are very innovative and will allow to open new markets, others will be useful to strengthen current evidence and market positioning. During 2019, 5 important pre-clinical and clinical studies were published, for a total of 112 international publications. There are 18 ongoing trials (clinical and pre-clinical studies) conducted in Italy or abroad, plus another 8 clinical trials followed by international partners.

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.

In particular, for the whole area of Sideral® products, an international scientific congress accredited for various medical specialist fields is organised, where the most recent evidence obtained at international

level on sucrosomial iron and iron deficiency in general is discussed every two years. In 2019, the 7th International Multidisciplinary Course on Iron Deficiency was attended by over 300 doctors from over 20 different countries.

In 2019, numerous training events on Cetilar® were also held for experts in sports medicine, physiatry, physiotherapy and rehabilitation, conducted according to a detailed program that combined a theoretical part followed by practical demonstrations in the use of Cetilar® products.

Furthermore, the R&D periodically trains sales representatives/scientific informants in order to transfer the characteristics and competitive advantages of the Group's products.

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

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

- a) the capitalised costs incurred for development activities in previous years are fully amortised;
- b) the total costs incurred to carry out research and development activities charged to the income statement amounts to Euro 459 thousand to which should be added personnel costs for research and development activities;
- c) The reasons underlying the capitalisation of development costs refer to the future estimated usefulness of development activities.

During 2019, 9 applications for the registration of new patents, 1 application for the registration of a new trademark and 20 applications for the extension of existing trademarks in new countries were filed. To date, the Group owns 10 patents, 26 trademarks, and has 16 proprietary raw materials. In view of this dynamism and in perfect harmony with the strategic intervention guidelines put in place for state incentives of a fiscal nature to support the transformation process of Italian companies, Pharmanutra and Alesco have decided to start, with the exercise of the appropriate option from the 2015 tax period, the path of accession to the preferential tax regime under Article 1, paragraph 37-45 of Italian Law no. 190/2014, as amended (the so-called "Patent box") for income deriving from the exploitation of certain intangible fixed assets falling within the scope of application of the regulation. In this regard, the preliminary agreement procedure (the so-called "ruling") with the Italian Inland Revenue (Agenzia delle Entrate) has been started, though not yet finalised, but which is expected to be successfully concluded during this year.

The benefit represented by the specific tax credit referred to in Article 3 of Italian Decree-Law no. 145/2013 is fully enjoyable within the terms and in the manner set out in Italian Ministerial Decree 27/05/2015 and subsequent amendments, with respect to the research and development activities carried out by Pharmanutra and Alesco, which qualify as eligible for the calculation of the facility in question. The tax credit relating to research and development activities for the year 2019 amounts to Euro 359 thousand.

As already mentioned, in November the Parent Company received the grant for the Solid Iron patent (number 10,183,077) also for the United States. Such a patent was requested in July 2013 and will be valid for 20 years. Therefore, it will expire in 2033, flanking the European one already in possession of Pharmanutra since January 2019. The patent granting in the US is a key asset to enter a market that is strategic in terms of size and development potential, considering that the US pharmaceutical market is estimated at \$ 484.9 billion, with expected increases of 4-7% over the five-year period 2019-2023 (source: Iqvia Report "The Global Use of Medicine in 2019 and Outlook to 2023"), which will result in a high rate of imports of active ingredients to meet the significant domestic demand.

In the same month, the Group was granted a patent on a new composition for use in the prevention and treatment of cardiovascular diseases (No. 102017000085412). Filed in 2017 and named "Cardiovascular Formula", the patent will be valid until 2037. The new formulation, developed by the Group's R&D department, is particularly effective in reducing vascular calcifications, which lays the foundations for the development of a medical-scientific sector, the cardiovascular calcifications one, being completely new to the company but which affects a very large population.

Obtaining the above patents represents the crowning achievement of years of scientific studies and research carried out by Pharmanutra Group as an excellence in the Italian nutraceutical sector. The role played by research and development activities within the Group's overall objectives and the results it aims to achieve is to maintain the highest level of quality and innovation of the products it offers to its customers. Only through constant research and development of the products to be offered will it be possible to provide customers with new solutions featuring high scientific content and at the same time maintain a high competitive advantage over the competition.

Marketing activities

During 2019, the activities started in previous years for the Cetilar® brand were confirmed and implemented with the aim of increasing brand awareness, supporting the sales network and encouraging store traffic in pharmacies.

The planning has combined a wide target coverage, through a media mix articulated in the following channels: Sports vertical TV, Web Search and tabular through banners and with the use of a DMP (Data Management Platform), an articulated and very effective media mix.

High-frequency flights continued with short formats, sections dedicated to football and Motor Sport with a focus on the ELMS and 24 H races at Le Mans. In 2019, the media plan was expanded compared to the previous year and is confirmed as a strategic asset to support the sales network, particularly in the sell-IN phase at pharmacies.

Main partnerships

The partnership as main sponsor of Parma Calcio 1913 is very satisfactory. This contract was signed in 2017 and we subsequently renewed in the following years an eight-year collaboration as Medical Partner, which today sees the Cetilar® brand as the team title sponsor in Serie A (the Italian top football league).

As for running events, the Group sponsors 7 major sporting events. For two of these, being the Cetilar Pisa Marathon and the Cetilar Run - Parma, we are the main sponsor.

In the Motor Sport sector, the strong presence and visibility in the Endurance sector is confirmed as the main brand of Cetilar Racing team with the participation in the Italian ELMS stage, in the historic 24H of Le Mans and as a great novelty for 2019-2020, in the WEC.

In sailing, the Cetilar brand is present as main sponsor for 151 Miglia Trofeo Cetilar event, and in Melges 40. Sideral® Brand is also successfully exhibited by Team Vitamina in M32 Series.

Transactions between Group's companies

The transactions between Grop's companies, all concluded at standard market conditions, concern the supply by Alesco of the main active ingredients, the payment by Pharmanutra and Junia Pharma to Alesco of royalties for the exploitation of the patent relating to sucrosomial iron technology, and the charge-back of personnel costs between companies of the Group. During 2019, Alesco invoiced the Parent Company Euro 1,837 thousand for raw materials, Euro 1,035 thousand for royalties and Euro 157 thousand for charge-back of personnel costs. Alesco invoiced Junia Pharma Euro 161 thousand for raw materials, Euro 137 thousand for royalties and Euro 68 thousand for charge-back of personnel costs. The Parent Company Pharmanutra invoiced Alesco and Junia Pharma Euro 63 thousand and Euro 92 thousand respectively to charge back personnel costs. Junia Pharma invoiced Alesco and the Parent Company Pharmanutra Euro 27 thousand and Euro 122 thousand respectively to charge back personnel costs. At 31 December 2019, Alesco's receivables from Junia Pharma amounted to Euro 254 thousand and from Pharmanutra to Euro 1,737 thousand. Pharmanutra had receivables from Junia Pharma and Alesco for Euro 94 thousand and Euro 67 thousand respectively. Junia Pharma's receivables from the Parent Company Pharmanutra and the related company Alesco amount to Euro 122 thousand and Euro 27 thousand respectively.

Treasury shares and shares/quotas of parent companies

Pharmanutra S.p.A. does not hold treasury shares as at 31/12/2019.

Financial risk management objectives and policies

The company's objectives and policies for the management of its (limited) financial risk are set out in the following table.

Please note that, for the purposes of the following notice, trade receivables and payables have not been considered, all of which have a contractual maturity not exceeding 18 months.

Financial instruments	Risk management policies
Bank and postal accounts	There are no risks
Cheques on hand	The risk is managed through a careful selection policy of creditors who are allowed to pay by bank cheques

Cash-in-hand and cash equivalents	There are no risks
Receivables from shareholders	There are no risks
Financial instruments (Securities)	The risk is managed through a careful selection policy of securities held by the professional manager on the basis of a specific mandate

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.

Market Risk

It is believed that this risk for this company should continue to be considered a low level risk.

Risk of changes in cash flows

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

Exchange rate risk

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

Risk related to litigation

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

Secondary Offices

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

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

Relationships with the personnel

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

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

As at 31/12/2019, the Group had 54 employees (48 in the previous year).

Environmental impact

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

Significant events occurring after the end of the financial year

As it is well known, since January 2020, the national and international scenario has been characterised by the Coronavirus epidemic spreading and the consequent restrictive measures for its containment, which were implemented by public authorities. These circumstances, which are extraordinary in nature and extent, have direct and indirect impacts on the economic activity and have created a context of general uncertainty, the evolution and effects of which are not foreseeable. The potential effects of this phenomenon on the 2020 annual accounts cannot be determined to date and will be constantly monitored later in the year. The Group's activities are among those defined as essential in the management of this health emergency and, to date, there are no critical issues with respect to delivery times by production plants and logistic services. As far as commercial activity is concerned, the pharmacy and parapharmacy channel, which represents 99% of the target market for direct line sales, is fully operational. A new commercial strategy has been implemented and, thanks to the extraordinary

cohesion of Sales Representatives/Scientific Informants, it is generating excellent results. Activity on foreign markets is also steadily progressing.

Foreseeable Business Outlook

In line with the evolution of healthcare situation in Italy and in the markets where the Group is present, during 2020 Pharmanutra's strategy will be essentially oriented towards strengthening its leadership in the market of iron for oral use, where it already holds a market share of about 52% thanks to Sideral® brand products, and further increasing its market share with regard to Cetilar® brand products.

Particular attention will be paid to international development, with specific reference to the European, Asian and US markets. It is planned to expand the range of products sold in the countries where the Group is already present and to open new markets, possibly resorting to corporate partnerships if deemed to be strategically important.

Quality Management System

The companies of the Group have the following quality certifications:

- Pharmanutra and Junia Pharma: Social Accountability 8000:2014 granted by SGS Italia;
- UNI ISO 9001:2015 granted by SGS Italia.

We thank you for your trust.

Pisa, the 23rd of March 2020

For the Board of Directors

The Chairman

(Andrea Lacorte)

PROSPETTI CONTABILI

Pharmanutra Group - Consolidated Balance Sheet

BALANCE SHEET (Amounts in €/000)	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS		11,639	7,312
Tangible fixed assets	7.1.1	4,857	961
Intangible fixed assets	7.1.2	4,728	4,728
Equity investments	7.1.3	254	254
Non-current financial assets	7.1.4	218	208
Other non-current assets	7.1.5	918	671
Deferred tax assets	7.1.6	664	490
CURRENT ASSETS		37,225	34,158
Inventories	7.2.1	1,853	2,150
Liquid funds	7.2.2	13,751	14,968
Current financial assets	7.2.3	5,076	864
Trade receivables	7.2.4	15,028	12,980
Other current assets	7.2.5	922	1,671
Tax receivables	7.2.6	595	1,525
Assets held for sale		-	-
TOTAL ASSETS		48,864	41,470
BALANCE SHEET	Notes	31/12/2019	31/12/2018
SHAREHOLDERS' EQUITY:	7.3.1	28,134	24,442
Share capital		1,123	1,123
Legal reserve		225	225
Other reserves		18,352	14,638
IAS 19 reserve		(59)	(8)
Financial instruments reserve (FVOCI)		109	(23)
FTA reserve		(70)	(70)
Profit (loss) for the year		8,454	8,557
Minority interest in capital and reserves		-	-
Minority interest in profit (loss)		-	-
NON-CURRENT LIABILITIES		4,457	4,063
Non-current financial liabilities	7.4.1	1,543	1,830
Provisions for risks and charges	7.4.2	686	539
Provisions for benefits	7.4.3	2,228	1,694
CURRENT LIABILITIES		16,273	12,965
Current financial liabilities	7.5.1	4,860	3,512
Trade payables	7.5.2	8,165	6,667
Other current liabilities	7.5.3	2,137	1,781
Tax payables	7.5.4	1,111	1,005
Liabilities held for sale		-	-
TOTAL LIABILITIES		48,864	41,470

Pharmanutra Group - Consolidated income statement

INCOME STATEMENT (Amounts in €/000)	Notes	31/12/2019	31/12/2018
A) REVENUES		54,214	48,122
Net revenues	7.6.1	53,624	46,613
Other revenues	7.6.2	590	1,509
<i>of which Other non-recurring revenues</i>		-	820
B) OPERATING COSTS		41,036	35,546
Purchases of raw materials, consumables and supplies	7.7.1	2,560	2,747
Change in inventories	7.7.2	296	(271)
Costs for services	7.7.3	34,262	29,749
<i>of which Costs for non-recurring services</i>		-	82
Personnel costs	7.7.4	3,264	2,802
Other operating costs	7.7.5	654	519
(A-B) EBITDA		13,178	12,576
C) Amortisation, depreciation and write-downs	7.8	974	662
(A-B-C) EBIT		12,204	11,914
D) FINANCIAL INCOME (COSTS)		(7)	(62)
Financial income	7.9.1	71	6
Financial costs	7.9.2	(78)	(68)
PROFIT (LOSS) BEFORE TAXES (A-B-C+D)		12,197	11,853
Taxes	7.10	(3,743)	(3,295)
Minority interest in profit/loss for the year		-	-
Group interest in profit/loss for the year		8,454	8,557

Pharmanutra Group - Consolidated statement of comprehensive income

COMPREHENSIVE INCOME STATEMENT (€/1,000)		31/12/2019	31/12/2018
PROFIT (LOSS) FOR THE YEAR		8,454	8,557
Gains (losses) on application of IAS		78	(19)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		8,532	8,539

Pharmanutra Group - Statement of changes in Shareholders' equity

Amounts in €/1000	Share capital	Legal reserve	Other reserves	Actuarial reserve under IAS 19	Financial instruments reserve (FVOCI)	FTA reserve	Profit (loss) for the year	Balance
Group shareholders' equity as at 31/12/2017	1,123	40	11,984	(9)	0	(70)	6,030	19,098
Allocation of result	0	185	5,846	0	0	0	(6,030)	0
Distribution of dividends	0	0	(3,195)	0	0	0	0	(3,195)
Other changes	0	0	3	1	(23)	0	0	(19)
Profit (loss) for the year	0	0	0	0	0	0	8,557	8,557
Group shareholders' equity as at 31/12/2018	1,123	225	14,638	(8)	(23)	(70)	8,557	24,442
Allocation of result	0	0	8,557	0	0	0	(8,557)	0
Distribution of dividends	0	0	(4,840)	0	0	0	0	(4,840)
Other changes	0	0	(3)	(51)	132	0	0	78
Profit (loss) for the year	0	0	0	0	0	0	8,454	8,454
Group shareholders' equity as at 31/12/2019	1,123	225	18,352	(59)	109	(70)	8,454	28,134

Pharmanutra Group - Consolidated cash flow statement (indirect method)

	Million Euro 31/12/2019	Million Euro 31/12/2018
Net result before minority interests	8,454	8,557
NON-MONETARY COSTS/REVENUES		
Amortisation, depreciation and write-downs	973	662
Provision for employee benefits	172	149
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in provisions for risks and charges	148	127
Change in provisions for employee benefits	361	345
Change in inventories	297	(270)
Change in trade receivables	(2,051)	(2,897)
Change in other current assets	746	(1,264)
Change in tax receivables	930	(1,412)
Change in other current liabilities	349	504
Change in trade payables	1,498	1,807
Change in tax payables	106	125
CASH FLOW FROM OPERATIONS	11,983	6,433
Net investments in tangible and intangible fixed assets	(4,863)	(791)
(Increase)/decrease in other non-current assets	(421)	(482)
CASH FLOW FROM INVESTMENTS	(5,284)	(1,273)
Increase/(decrease) in assets	85	(17)
Cash flow from dividend distribution	(4,840)	(3,195)
Increase/(decrease) in non-current financial liabilities	(287)	(1,157)
(Increase)/decrease in current financial assets	(4,212)	(864)
(Increase)/decrease in non-current financial assets	(10)	105
CASH FLOW FROM FINANCING	(9,264)	(5,128)
TOTAL CHANGE IN CASH	(2,565)	32
Liquid funds net of current financial liabilities at the beginning of the year	11,456	11,429
Liquid funds net of current financial liabilities at the end of the year	8,891	11,456
Total liquid funds	13,751	14,968
Total current financial liabilities	4,860	3,512
Liquid funds net of current financial liabilities at the end of the year	8,891	11,456

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PHARMANUTRA GROUP

1. LAYOUT STRUTTURA AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2019 have been prepared in accordance with the valuation and measurement criteria established by the *International Financial Reporting Standards* (IFRS) issued by the *International Accounting Standards Board* (IASB) and adopted by the European Commission.

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

The following classifications have been used:

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

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

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

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

2. CONSOLIDATION AREA

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



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

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

The companies included in the consolidation area are as follows:

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

2.1 CHANGES IN THE CONSOLIDATION AREA

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

3. CONSOLIDATION CRITERIA AND TECHNIQUES

- Consolidation is carried out using the line-by-line method, which consists in including all assets and liabilities in their entirety. The main consolidation criteria adopted for the application of this method are as follows:
- subsidiaries are consolidated from the date on which control is actually transferred to the Group and are no longer consolidated on the date on which control is transferred outside the Group;
- where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies used with those adopted by the Group;
- the assets and liabilities, expenses and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements; the carrying amount of equity investments is written off against the corresponding portion of shareholders' equity of the investee companies, measuring the individual items of the balance sheet assets and liabilities at their current value at the date control is 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 2019 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 reported in the section on significant events occurring after the end of the financial year, 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 since the Covid-19 epidemic.

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 2019, 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.

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:

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

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

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

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.

EQUITY INVESTMENTS

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 carried out in stages, the fair value of the investment previously held is recalculated at fair value at the acquisition date, recording any resulting gain or loss in the income statement. Goodwill is initially measured at cost, which emerges as the excess between the sum of the consideration paid and the amount recognised for the minority shares over the net identifiable 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.

Specifically, equity investments in subsidiaries are therefore valued at purchase, subscription or transfer cost, written down if necessary in the event of lasting losses in value. The original value is restored in subsequent years if the reasons for the write-down no longer apply.

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

INVENTORIES

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

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

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

The allowance for doubtful accounts at that date represents the difference between the book value of receivables and the reasonable expectation of recoverability of the receivables deriving from the cash flows expected from their collection, also in consideration of historical experience and management's forecasts regarding the future recoverability of the receivables (Forward Looking Approach).

With regard to financial assets, the Group adopts the new accounting standard IFRS 9 Financial Instruments, which came into force on 1 January 2018, replacing the previous IAS 39 Financial Instruments: Recognition and Measurement with regard to the classification, valuation 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 purchased from 2018 onwards, 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.

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 benefits 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 balance sheet 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 balance sheet 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 companies of the Group include trade and other payables, loans and derivative financial instruments. The companies of the Group determine the classification of their financial liabilities on initial recognition.

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

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

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

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

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

EMPLOYEE BENEFITS

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

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

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

- the cost of the service already provided by the worker (Past Service Liability);

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

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

In particular:

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

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.

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Loans are initially valued at cost, net of ancillary loan acquisition costs.

After initial recognition, loans are recognised at amortised cost. Loans are classified under non-current and current liabilities depending on whether or not the Group has the unconditional right to defer the settlement of such liability for at least 12 months after the reference date.

TRADE PAYABLES

Trade payables are recorded at nominal value.

INCOME TAXES

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet 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).

REVENUE RECOGNITIONS

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.

4.1 ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS ENDORSED OR APPLICABLE/APPLIED FROM 1 JANUARY 2019

4.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2019

- IFRS 16 "Leasing"

In January 2016, the IASB published IFRS 16 "Leasing", adopted by the EU with Regulation No. 2017/1986 of 31 October 2017. This new standard replaced IAS 17. The new standard, which must be applied for annual periods beginning on or after 1 January 2019, establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rent agreements and requires lessees to recognise all lease/rent agreements using a single accounting model. Within this context, at the date of commencement of a lease/rent, the lessee will recognise an asset (under fixed assets) representing the right to use the related asset throughout the contractual term, i.e. the so-called right of use, as well as a financial liability relating to the discounted amount of the lease/rental fee payments. The lessee is required to recognise imputed interest expense on the lease liability and imputed amortisation on the right of use in the income statement. On the other hand, compared to the previous accounting system, lease/rental fees are not recognised in the income statement. As shown in the following table, the first application of IFRS 16 as at 31 December 2019 generated "Assets for rights of use" equal to Euro 745 thousand, "Financial liabilities for rights of use" equal to Euro 749 thousand, a positive effect on the EBITDA of Euro 271 thousand, with no significant effects on the result before taxes for the period.

EFFECT OF IFRS 16 APPLICATION	
Amounts in €	31/12/2019
RIGHTS OF USE	745,538
FINANCIAL LIABILITIES FOR RIGHTS OF USE	748,921
RENT FEES	(270,600)
EFFECT ON EBITDA	270,600
AMORTISATION OF RIGHTS OF USE	265,912
EFFECT ON EBIT	4,688
INTEREST	8,071
EFFECT ON PRE-TAX RESULT	(3,383)

- IFRS 9 "Financial instruments"

In October 2017, the IASB published an amendment to IFRS 9 concerning "Prepayment Features with Negative Compensation". The amendment confirms that when a financial liability recognised at

amortised cost is modified without this entailing a de-recognition, the related gain or loss must be immediately recognised in the income statement. The gain or loss is measured as the difference between the previous cash flow and the flow restated as a function of the change. This amendment, applicable from 1 January 2019, did not have a significant impact on the financial statements or the disclosures.

- IAS 28

The amendments issued in October 2017 clarify that the company shall apply the provisions of IFRS 9 “Financial Instruments” to non-current investments in associates and joint ventures for which the equity method is not applied. The amendments are applicable from 1 January 2019 and have no impact on the financial statements or the disclosures.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 set out the accounting policies in the event that, during the reporting period, the plan is amended, curtailed or settled. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to remeasure the net defined benefit liability (asset). These changes did not have any impact on the consolidated financial statements as the Group did not record any plan amendment, curtailment or settlement during the period under review.

- IFRIC 23

In June 2017, the IASB published IFRIC 23 Interpretation “Uncertainty over Income Tax Treatments”, which provides guidance on how to reflect uncertainties about the tax treatment of a given phenomenon in the accounting for income taxes. IFRIC 23 came into force on 1 January 2019 and has no impact on the financial statements or the disclosures.

- Annual amendments to IFRS 2015-2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23)

In December 2017, the IASB published a number of annual amendments to IFRS 2015-2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23).

1. IFRS 3 - Business combinations: obtaining control of a business that is classified as a joint operation must be accounted for as a business combination achieved in stages and the equity investment previously held must be remeasured at fair value at the date of acquisition.
2. IFRS 11 - Joint arrangements: if joint control is obtained over a business that is classified as a joint operation, the equity investment previously held must not be remeasured at fair value.
3. IAS 12 - Taxes: the accounting treatment of the tax effects of dividends on financial instruments classified as equity must follow that of the transactions or events that generated the distributable dividend.
4. IAS 23 - Borrowing costs: if a specific loan relating to a qualifying asset is still outstanding at the time the asset is ready for use or sale, it becomes part of the general loans.

The amendments are applicable from 1 January 2019 and have no impact on the financial statements or the disclosures.

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

As required by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the following are the new Standards or Interpretations already issued, but not yet effective or not yet endorsed by the European Union as at 31 December 2019 and therefore not applicable.

- Amendment to the “References to the Conceptual Framework in IFRS Standards” (issued on 29 March 2018)

The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with its first

being planned application for 1 January 2020. The aim of the amendment is to update existing references in various standards and interpretations that are now outdated.

The main changes concern:

- a new chapter about valuation;
- better definitions and guidance, in particular with regard to the definition of liabilities;
- clarification of important concepts, such as stewardship, prudence and uncertainty in valuations;
- clarification of definitions and criteria for the recognition of assets and liabilities.

- Amendment “Definition of material to IAS 1 and IAS 8” (issued on 31 October 2018)

The IASB has published the amendment Definition of material to IAS 1 and IAS 8 which aims to clarify the definition of “material” to help companies assess whether or not information is to be included in their financial statements. A piece of information is considered to be material if its omission, misstatement or obscuration could influence the decisions of the readers of the financial statements. The amendments will apply from 1 January 2020. However, early application is permitted.

- Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to “Interest Rate Benchmark Reform”: (issued on 26 September 2019)

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7. These changes provide temporary relief to allow for the continued use of hedge accounting during the period of uncertainty preceding the reform to replace the current interest rate benchmark with a risk-free alternative interest rate. These amendments shall enter into force on 1 January 2020 and early application is permitted. None of these Standards and Interpretations have been early adopted by the Group.

4.1.3 Accounting standards, amendments and interpretations not yet endorsed

- Amendment Definition of a business to IFRS 3 (issued on 22 October 2018)

The IASB has published the amendment Definition of a Business to IFRS 3 to help determine whether a transaction is an acquisition of a business or group of assets that does not meet the definition of a business under IFRS 3- “Business combinations”. The amendments will apply to acquisitions after 1 January 2020. Early application is permitted. The Group did not opt for the early adoption of these amendments.

IFRS 17 - “Insurance Contract” (issued on 18 May 2017) with first application expected on 1 January 2023.

This standard is not applicable to the Group.

5. 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.

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 judgments, assumptions and estimates adopted can have a significant impact on subsequent results.

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

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

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, 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 2019 and amounts to 5.30% 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 2019
Rate of salary increase	5.33%
Inflation rate	2.00%
Discount rate of employees leaving entitlement	0.679%

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on 31/12/2019 (Source: *// Sole 24 ore*) and fixed with respect to payment commitments with an average residual duration of 24 years.

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

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

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- for the probabilities of leaving the company due to voluntary resignations or dismissals, the annual frequencies over the observation period from 2015 to 2019 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: *// Sole 24 ore*). For the valuation at 31/12/2019 and fixed with respect to payment commitments with an average residual duration of 25 years.

- *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.

6. FINANCIAL RISK MANAGEMENT

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

6.1 EXTERNAL RISKS

6.1.1 Risks related to the macroeconomic and geopolitical context

The Pharmanutra Group has continued to pursue its strategic vision by diversifying its operations at an international level, particularly in the Asian markets where the growth rates of the economies remain high.

With regard to the decision of the United Kingdom to leave the European Community (Brexit), the Group expects that it will have irrelevant effects both on its overall sales and on its profitability as the Group is not operating in that market.

6.1.2 Risks related to consumer purchasing behaviour

The Group's success depends on its ability to offer products that are able to improve the quality of life and meet the needs of consumers. Maintaining high quality contents together with an accurate scientific dissemination action with reference to the product range, is an essential element for maintaining the Group's competitive advantage.

Through focus groups, concepts and product tests, and investments in research and development, the Group seeks to constantly renew and improve its product range.

6.1.3 Market risks

It is believed that this risk for the Group should continue to be considered a low level risk.

6.2 FINANCIAL RISKS

6.2.1 Credit risk

As usual, the Group constantly monitors the collectability of receivables through a reliable and concrete acknowledgement of unpaid receivables, and with the enforcement of the company procedure aimed at recovering overdue receivables.

Receivables on the Italian market mainly refer to customer positions of loyal wholesalers and, therefore, no particular guarantees are required on the corresponding receivables.

In the foreign markets in which the Group operates, receivables are protected by specific commercial policies.

Total provisions set aside to guarantee credit risk (allowance for doubtful accounts) amounted to Euro 729 thousand at 31/12/2019.

In cases where customers require special payment deferments, it is in any case customary to check the relevant creditworthiness class.

The value of receivables is constantly monitored during the year so that the amount always expresses the estimated realisable value.

6.2.2 Liquidity risk

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

The Group was able to generate a level of liquidity adequate to the business objectives, allowing to maintain a balance in terms of duration and composition of the debt.

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.

The companies of the Group have loans in place whose balance at 31/12/2019, equal to Euro 1,818 thousand, refers to the following medium/long-term loans:

- an unsecured loan taken out with Cassa di Risparmio di Firenze for an original amount of Euro 3,000 thousand maturing on 17/02/2022, whose residual amount at 31/12/2019 equals to Euro 1,357 thousand, of which Euro 602 thousand being due within one year and Euro 755 thousand after the year;
- an unsecured loan with Banca Popolare dell'Emilia Romagna for an original amount of Euro 1,000 thousand maturing on 31/12/2022 whose residual amount at 31/12/2019 equals to Euro 461 thousand, of which Euro 154 thousand being due within one year and Euro 307 thousand after the year;

6.2.3 Interest rate risk

The Group is moderately exposed to the potential risks deriving from changes in interest rates on existing variable rate loans.

To protect the risk deriving from the increase in bank interest rates on loans, an interest rate swap contract is in place to hedge the change in interest rates with Banca CR Fi, which has a negative Mark to Market value as at 31/12/2019 of Euro 8 thousand. The Group is also exposed to the risk of changes in interest rates on financial assets held in portfolio. This risk is considered to be low since these are fixed-rate financial instruments.

6.2.4 Risk of changes in cash flows

For Group companies, the risk associated with a decrease in cash flows is considered to be low.

In fact, year after year, there has been a substantial and constant increase in the cash flows generated by operations compared to the previous year.

It should also be noted that 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 Group companies. The significant increase in company performance allows the company to enjoy an excellent bank rating.

6.2.6 Risk related to litigation

As at 31.12.2019 there were no litigations.

7. COMMENTS ON THE MAIN ITEMS

7.1 NON-CURRENT ASSETS

The tables below show the changes in tangible fixed assets for each item

7.1.1. Tangible Fixed Assets

Net tangible fixed assets (€/000)	Balance as at 31/12/2018	Increases	Decreases	Other	Balance as at 31/12/2019
Land and buildings	274	(73)	0	0	200
Plant and machinery	44	24	0	0	68
Equipment	1	0	0	0	1
Furniture and office machines	247	72	0	0	319
Vehicles	395	339	(182)	0	552
Other tangible fixed assets	0	0	0	0	0
Rights of use	0	746	0	0	746
Fixed assets under construction	0	2,971	0	0	2,971
TOTAL	961	4,079	(182)	0	4,857

Tangible Fixed Assets - Historical Cost (€/000)	Balance as at 31/12/2018	Increases	Decreases	Other	Balance as at 31/12/2019
Land and buildings - Historical cost	612	30			642
Plant and machinery - Historical cost	78	37			115
Equipment - Historical cost	18				18
Furniture and office machines - Historical cost	658	156			814
Vehicles - Historical cost	806	487	-402		891
Rights of use - Historical cost		1,011			1,011
Fixed assets under construction - Historical cost		2,971			2,971
TOTAL	2,172	4,692	-402	0	6,462

Tangible fixed assets - Depreciation provision (€/000)	Balance as at 31/12/2018	Deprec./am ort.	Uses	Other	Balance as at 31/12/2019
Land and buildings - Acc. deprec./amort.	(338)	(103)			(442)
Plant and machinery - Acc. deprec./amort.	(34)	(13)			(47)
Equipment - Acc. deprec./amort.	(17)	0			(17)
Furniture and office machines - Acc. deprec./amort.	(411)	(84)			(495)
Vehicles - Acc. deprec./amort.	(411)	(148)	220		(339)
Amortisation of rights of use		(265)			(265)
TOTAL	(1,211)	(613)	220	0	(1,605)

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 242 thousand. The increase in fixed assets under construction refers to costs capitalised on research contracts in progress for Euro 67 thousand. The decreases refer to the reversal of research costs for which, based on the results of the research carried out, the requirements for capitalisation are no longer met.

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 of the cash generating unit.

The cash flows used to determine the value in use derive from the most recent estimates made by the management. Two CGUs have been identified: Junia Pharma and Alesco.

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. In particular, the WACC used is 6.77% and the growth rate "g" is 1%.

In addition to IAS 36, the Group referred to the following documents when carrying out the impairment test:

- OIC Document, Application no. 2 - Impairment and Goodwill, issued in December 2009 by Organismo Italiano di Contabilità (the Italian Accounting Body) in order to provide operational guidance to all companies that use international accounting standards in the preparation of their financial statements.
- Banca d'Italia/Consob/Isvap document no. 4 of 3 March 2010, containing recommendations issued by Banca d'Italia/Consob/Isvap regarding both the impairment procedure and the information to be provided in the explanatory notes to the financial statements.

7.1.3 Equity investments

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Equity investments in other companies	254	254	0
Total equity investments	254	254	0

The item includes the amount of Euro 250 thousand representing the subscription value of the equity interest in Red Lions S.p.A., of which Pharmanutra S.p.A. holds 217,391 shares, which equal to 15.15% of the capital. The equity value of the investee company, based on an appraisal drawn up on 27 February 2020 as part of a contribution transaction (which involved third parties and not the Group), shows no need for adjustments. The shares of the company Red Lions S.p.A. are held by companies of significant importance in the industrial context of Pisa area, all sensitive to innovation and development activities. The Group, which shares this sensitivity, could obtain interesting contacts and exchanges of experience from its equity investment in Red Lions S.p.A., both with the other shareholder companies (and their subsidiaries) and with the "target companies" of Red Lions S.p.A.'s business.

7.1.4 Non-current financial assets

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Advances	95	85	10
Guarantee deposits	123	123	0
Total non-current financial assets	218	208	10

The item "Guarantee deposits", amounting to Euro 123 thousand, mainly refers to the amounts paid on execution of the lease contracts stipulated with the related party Solida S.r.l. (equal to Euro 105 thousand by way of security deposits).

7.1.5 Other non-current assets

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Other receivables from others	918	671	247
Total other non-current assets	918	671	247

The balance represents the amount of the premiums paid against the policy underwritten for the Directors' Severance Indemnity to cover the Parent Company's debt to the directors.

7.1.6 Deferred tax assets

	Thousand Euro	Thousand Euro	Thousand Euro	Thousand Euro	Thousand Euro
	Balance at 31/12/18	Incr.	Decr.	Other	Balance at 31/12/19
Allowance to provision for doubtful accounts - not for tax purposes	110	15	(4)	0	121
Allowance to provision for risks related to legal disputes	1	0	0	0	1
On Consolidation effects	70	77	0	0	147
Provision for employees leaving entitlement	50	8	0	0	58
Indemnity for termination of the agency contracts	(11)	0	(8)	0	(19)
Accumulated depreciation/amortisation	(43)	0	(21)	0	(64)
Provision for inventory write-downs	85	12	0	0	97
Directors' fees	228	322	(228)	0	322
Total deferred tax assets	490	434	(261)	0	664

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

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

Deferred tax assets relating to the remuneration of corporate bodies concern the non-deductibility of the variable remuneration as it was not paid by 12 January 2020.

7.2 CURRENT ASSETS

7.2.1 Inventories

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Finished products and goods	1,576	1,882	(306)
Raw materials, consumables and supplies	277	268	9
Total inventories	1,853	2,150	(297)

The value of finished product inventories is net of the sum of Euro 362 thousand (Euro 319 thousand as at 31/12/2018) set aside as a write-down of finished product inventory

7.2.2 Liquid funds

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Bank and postal accounts	13,736	14,946	(1,210)
Cheques on hand	10	17	(7)
Cash-in-hand and cash equivalents	5	5	0
Total liquid funds	13,751	14,968	(1,217)

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 2018 and to what is indicated in the Management Report.

7.2.3 Current financial assets

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Financial instruments (Bonds)	3,241	854	2,387
Financial instruments (Investment funds)	1,835	10	1,825
Total current financial assets	5,076	864	4,212

This item represents a temporary investment of part of the company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r. In accordance with this mandate, bonds and units in investment funds of adequately rated issuers have been subscribed. As at 31/12/2019, a comparison with the market value of the bonds held shows a capital gain of Euro 132 thousand which was recorded in an equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A loss of Euro 8 thousand was recorded in the income statement for the year on the fund units. The volatility characterising the markets after the Covid-19 epidemic spreading, with significant impairment losses on all sectors, has resulted in a latent loss in the value of current assets of about Euro 200 thousand as at 20 March 2020. Considering the liquid funds available and the regular continuation of activities given what is described above, the Group does not foresee the need to resort to the early disposal of the financial instruments in question, believing that the latent loss will be absorbed by the end of the epidemic.

7.2.4 Trade receivables

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Trade receivables - Italian customers	7,349	7,734	(385)
Trade receivables - Other countries	3,505	2,390	1,115
Other receivables (subject to collection)	4,903	3,455	1,448
Allowance for doubtful accounts	(729)	(599)	(130)
Total trade receivables	15,028	12,980	2,048

The increase compared to the previous year is the result of the greater volume of activity carried out by the companies of the Group during 2019.

The amounts shown in the financial statements are net of provisions made in the allowance 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 balance sheet date.

Changes in the Allowance for doubtful accounts during 2018 were as follows:

	Thousand Euro
Initial balance	599
Uses	(11)
Provision	141
Final balance	729

7.2.5 Other current assets

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

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Receivables from shareholders for indemnification	0	769	(769)
Receivables from employees	40	39	1
Advances	418	432	(14)
Deposits	330	330	0
Prepayments and accrued income	134	101	33
Total other current assets	922	1,671	(749)

The item "Receivables from shareholders for indemnification" is zero following the collection of the receivable claimed by the Parent Company from shareholders existing at the date of listing for taxes, penalties and interest paid for the settlement of tax disputes relating to the financial years 2013, 2014 and 2015 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 301 thousand (Euro 278 thousand in the previous year), relating to sums advanced by Group companies when signing agency contracts, and advances to suppliers of Euro 114 thousand (Euro 154 thousand as at 31/12/2018). The advances paid to agents shall be returned on termination of the relationship with each agent.

The item "Deposits" refers to the deposit paid at the signing of a preliminary contract for the purchase of land in Montacchiello (Pisa) at the end of 2018. In February 2020, the parties consensually terminated the preliminary contract and the amount of the deposit was collected in full. The counterparty was paid an amount of Euro 100 thousand for the costs incurred for the preliminary design phase, which can be reused in the design of the new headquarters.

7.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Value added tax	236	238	(2)
Receivables for R&D expense tax bonus	359	1,287	(928)
Total tax receivables	595	1,525	(930)

With reference to the item "Receivables for tax bonuses for R&D expenses", please refer to the paragraph Research and Development activities in the Management Report.

7.3 SHAREHOLDERS' EQUITY

7.3.1 Shareholders' equity

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

Amounts in €/1000	Share capital	Legal reserve	Other reserves	Actuarial reserve under IAS 19	Financial instruments reserve (FVOCI)	FTA reserve	Profit (loss) for the year	Balance
Group shareholders' equity as at 31/12/2018	1,123	225	14,638	(8)	(23)	(70)	8,557	24,442
Allocation of result	0	0	8,557	0	0	0	(8,557)	0
Distribution of dividends	0	0	(4,840)	0	0	0	0	(4,840)
Other changes	0	0	(3)	(51)	132	0	0	78
Profit (loss) for the year	0	0	0	0	0	0	8,454	8,454
Group shareholders' equity as at 31/12/2019	1,123	225	18,352	(59)	109	(70)	8,454	28,134

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.

In 2018 a dividend of Euro 0.50 was distributed, of which Euro 0.08 was an extraordinary component, for each ordinary share, with a payout ratio of approximately 56.6% of consolidated net income in 2018, in line with the consolidated dividend distribution policy and taking into account the Group's confirmed earnings capacity, for a total dividend of Euro 4,840 thousand.

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

	Thousand Euro	
	Result for the year	Shareholders' equity
Shareholders' equity and result for the year from the Parent company's financial statement	6,868	23,645
<i>Effects of the derecognition of the book value of consolidated equity investments:</i>		
- Book value of equity investments	0	(2,801)
- Shareholders' equity (including the results for the year of consolidated companies)	2,840	5,062
- Goodwill	0	2,750
<i>Derecognition of the effects of transactions between Group companies:</i>		
- Write-off of intercompany dividends	(1,011)	(1,011)
- Derecognition of capital gains or losses on internal disposals	(243)	489
Shareholders' equity and result for the year of the Group	8,454	28,134
Shareholders' equity and result for the year of minority interest		
Shareholders' equity and result for the year of the Consolidated Financial Statements	8,454	28,134

7.4 NON-CURRENT LIABILITIES

7.4.1 Non-current financial liabilities

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Bank loans and borrowings	1,063	1,817	(754)
Non-current payables for rights of use	472	0	472
Loans and borrowings from other financial backers	8	13	(5)
Total non-current financial liabilities	1,543	1,830	(287)

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

Non-current payables for rights of use represent the discounted amount due beyond one year of the lease contracts in force as at 31/12/2019 in accordance with IFRS16.

The following table shows the breakdown of bank indebtedness by company and due date as at 31/12/2019. It is important to stress that payables due within one year are classified as "Current financial liabilities" (see paragraph 7.5.1).

	Thousand Euro	Thousand Euro	Thousand Euro
	Balance at 31/12/19	Due within 12 months	Due after 12 months
<i>- Loans and borrowings from banks and other financial backers</i>			
Pharmanutra S.p.A.	4,573	3,810	763
Junia Pharma S.p.A.	561	253	308
Alesco S.p.A.	521	521	0
Total	5,655	4,584	1,071
<i>- Rights of use:</i>			
Pharmanutra S.p.A.	542	206	336
Junia Pharma S.p.A.	103	35	68
Alesco S.p.A.	103	35	68
Total	748	276	472
Total	6,403	4,860	1,543

7.4.2 Provisions for risks and charges

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Legal disputes	2	2	0
Indemnity for termination of agency contracts	684	537	147
Total provisions for risks and charges	686	539	147

Provisions for risks and charges include:

- Provision for risks to cover the risk of ongoing legal disputes is measured at Euro 2 thousand.
- Provision for indemnity for termination of agency contracts, set up under article 1751 of the Italian Civil Code and the current collective economic agreement of 20 March 2002, which provide that, upon termination of the agency relationship, the agent is entitled to an indemnity for employment termination.

The indemnity for termination of agency contracts is calculated by applying to the fees and other considerations accrued by the agent during the course of the employment relationship, a rate that can vary from 3 to 4%, depending on the duration of the agency contract. The resulting amount was measured in accordance with IAS/IFRS International Accounting Standards (IAS 37). The Group has therefore set aside an amount of Euro 186 thousand in the Provision for indemnity for termination of

agency contracts, based on legal provisions and in relation to the positions at the end of the year, bringing the same to a total of Euro 684 thousand.

7.4.3 Provisions for benefits

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Directors' termination indemnity provision	1,412	1,053	359
Provision for employees leaving entitlement	816	641	175
Total provisions for benefits	2,228	1,694	534

- Provisions for benefits refer to:
- Directors' termination indemnity provision. The amount set aside, of Euro 1.4 million, was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting and corresponds to the company's actual commitment to the Directors at the financial year end.
- Employees leaving entitlement amounts set aside by companies included in the consolidated financial statements. The liability for employees leaving entitlement 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 leaving entitlement accruing from 1 January 2007 to the company. The amount relating to the provision for employees leaving entitlement is therefore net of the amounts paid out during the year and allocated to pension funds. The resulting amount was measured in accordance with IAS/IFRS (IAS 19).

7.5 CURRENT LIABILITIES

7.5.1 Current financial liabilities

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Bank loans and borrowings for current accounts	3,827	2,359	1,468
Bank loans and borrowings for loans	756	1,153	(397)
Current payables for rights of use	277	0	277
Total current financial liabilities	4,860	3,512	1,348

The item "Bank loans and borrowings for current accounts", amounting to Euro 3,828 thousand, includes Euro 3,702 thousand from bills subject to collection (Euro 2,048 thousand as at 31/12/2018). This increase is due to the higher turnover achieved by Group companies.

The item "Bank loans and borrowings for loans" represents the portion of debt relating to loans and instalments of loans to be repaid within the next financial year (see the table in paragraph 7.4.1 for details).

7.5.2 Trade payables

Trade payables are broken down in the table below:

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Trade payables - suppliers in Italy	7,372	6,235	1,137
Trade payables - suppliers in Other countries	364	213	151
Payments on account	429	219	210
Total trade payables	8,165	6,667	1,498

The increase in trade payables is a consequence of the increased volume of business of Group companies.

7.5.3 Other current liabilities

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

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Payables for wages and salaries	377	312	65
Payables to social security institutions	310	295	15
Payables to directors and statutory auditors	1,320	1,066	254
Accrued expenses and deferred income	14	5	9
Leaving entitlement provision for agents and representatives	116	103	13
Total other current liabilities	2,137	1,781	356

7.5.4 Current tax payables

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Income taxes (IRES and IRAP)	511	621	(110)
Other tax payables	600	384	216
Total payables for current taxes	1,111	1,005	106

7.6 REVENUES

7.6.1 Ricavi netti

	Thousand Euro	Thousand Euro	
	2019	2018	Change
Net revenues	53,624	46,613	7,011
Total net revenues	53,624	46,613	7,011

As described above, the Group's activities are divided into two business lines:

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

In 2019 the direct business line accounted for 73% (74% in 2018) of total turnover.

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 scientific informants who are entrusted with marketing products throughout the national territory. 95% of direct orders are orders directly from pharmacies and parapharmacies.
- Wholesalers who directly supply the pharmacies and parapharmacies with the products.

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

- Tenders for supply contracts with public facilities.

Indirect business line: products marketing is entrusted to distributors who, through distribution contracts, purchase Pharmanutra Group products and then resell them in their respective foreign markets.

In 2019 the indirect business line accounted for 27% of turnover (26% in the previous year).

7.6.2 Other revenues and income

	Thousand Euro	Thousand Euro	
	2019	2018	Change
R&D tax credit	359	1,298	(939)
Insurance reimbursements and expenses rec.	44	21	23
Other revenues	187	190	(3)
<i>of which non-recurring</i>			
R&D tax credit		831	(831)
Total other revenues	590	1,509	(919)

The item "Tax credit on R&D expenses" includes the amount of the benefit calculated on the basis of Italian Decree-Law 145/2013 and subsequent amendments for research and development expenses incurred by the Group in 2019. In 2018, in addition to the receivable accrued in 2018, equal to Euro 467 thousand, the Group also recognised the amount relating to the years prior to 2018, equal to Euro 831 thousand. The reduction in tax income for Research and Development in 2019 compared to the previous year derives from the different methods for determining the benefit established by the 2019 Budget Law.

Other revenues and income mainly include contingent assets and non-existent liabilities.

7.7 OPERATING COSTS

7.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	Thousand Euro	Thousand Euro	
	2019	2018	Change
Costs for raw material purchase	473	688	(215)
Costs for finished product purchase	1,565	1,603	(38)
Other costs	522	456	66
Total purchases of raw materials, consumables and supplies	2,560	2,747	(187)

7.7.2 Change in inventories

	Thousand Euro	Thousand Euro	
	2019	2018	Change
Change in raw materials	(10)	(58)	48
Change in finished product inventories	262	(406)	668
Provision for inventory write-downs	44	193	(149)
Total inventories	296	(271)	567

7.7.3 Costs for services

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Marketing and advertising costs	6,207	4,558	1,649
Production and logistics	8,633	7,605	1,028
Administrative and structural costs	2,498	1,994	504
Non-recurring costs	0	82	(82)
Research and development costs	1,147	775	372
Costs for IT services	384	313	71
Commercial costs and commercial network costs	8,945	8,190	755
Corporate bodies	6,255	5,810	445
Rental and leasing costs	14	255	(241)
Financial costs	179	167	12
Total costs for services	34,262	29,749	4,513

The increase in service costs, and in particular those relating to marketing, production and logistics and commercial costs, is attributable to the higher volumes of activity compared to the previous year. The change in the item "Lease and rental costs" derives from the adoption of the new IFRS 16 to which reference has already been made.

7.7.4 Personnel costs

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

	Thousand Euro	Thousand Euro	
	2019	2018	Change
Wages and salaries	2,358	2,017	341
Social security charges	714	626	88
Severance Indemnity	173	149	24
Other personnel costs	22	10	12
Other personnel costs	3,267	2,802	465

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

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

	2019	2018	Change
Executives	2	2	0
White collars	51	45	6
Blue collars	1	1	0
Total	54	48	6

7.7.5 Other operating costs

	Thousand Euro	Thousand Euro	Change
Membership fees	53	36	17
Gifts and donations	32	52	(20)
Indirect taxes and duties	53	50	3
Other costs	516	381	135
Total other operating costs	654	519	135

The item "Other costs" includes non-deductible costs and taxes, out-of-period expenses and costs for damage to company vehicles.

7.8 DEPRECIATION

	Thousand Euro	Thousand Euro	Change
	Balance at 31/12/19	Balance at 31/12/18	
Amort. of intangible fixed assets	577	318	259
Amort. of tangible fixed assets	255	256	-1
Provisions	141	88	53
Total provisions	973	662	311

The increase in the item "Depreciation of intangible fixed assets" derives from the adoption, as from 1 January 2019, of the above mentioned IFRS 16.

7.9 FINANCIAL MANAGEMENT

7.9.1 Financial revenues

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Interest income	71	3	68
Realised exchange gains	0	3	(3)
Total financial income	71	6	65

7.9.2 Financial costs

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Interest expense on loans	39	53	(14)
Other interest expense	30	10	20
Write-down of securities	8	0	8
Realised exchange losses	1	4	(3)
Total financial charges	78	67	11

7.10 INCOME TAXES

	Thousand Euro	Thousand Euro	
	Balance at 31/12/19	Balance at 31/12/18	Change
Current taxes	3,917	3,442	475
Deferred tax assets	(174)	(147)	(27)
Total taxes	3,743	3,295	448

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

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 5,693 thousand
- Board of Statutory Auditors: Euro 66 thousand
- Independent auditors: Euro 63 thousand.

8. COMMITMENTS

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

- To Junia Pharma Srl, by resolution of 02/03/2015 a guarantee for Euro 960 thousand;
- To Alesco Srl, a guarantee for credit limit subject to collection for Euro 210 thousand;
- To Alesco Srl, a guarantee for credit facility on current account for Euro 52 thousand.

TRANSACTIONS WITH RELATED PARTIES

I rapporti con parti correlate sono identificati secondo la definizione estesa prevista dallo IAS 24, ovvero includendo i rapporti con gli organi amministrativi e di controllo nonché con i dirigenti aventi responsabilità strategiche.

The financial impact at 31 December 2019 and the economic impact for 2019 is shown in the table below:

Subject Related Party	Consolidated income statement item at 31/12/2019			Consolidated balance sheet item at 31/12/2019					
	Costs for services	Personnel costs	Amort. rights of use	Non-current financial assets:	Other current liabilities:	Provisions for employee benefits:	Trade payables	ROU non-current financial liabilities:	ROU current financial liabilities:
Members of Pharmanutra S.p.A. I	5,147				1,162	1,412			
Members of subsidiaries BoD	1,043				156				
Board of Statutory Auditors	66				0				
Senior management compensation		255			17	64			
Solida S.r.l.			229	105				383	224
Calabughi S.r.l.	777						43		
Ouse S.r.l.	478						45		
Studio Bucarelli, Lacorte, Cognetti	91						15		
Other related parties	30								
TOTAL	7,632	255	229	105	1,335	1,476	103	383	224

The members of the Board of Directors of the Parent Company receive a compensation consisting of a fixed part, a variable part and a part by way of severance indemnity.

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

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

Pisa, the 23rd of March 2020

For the Board of Directors

The Chairman

(Andrea Lacorte)



PHARMANUTRA S.p.A.

Relazione della società di revisione
indipendente ai sensi degli artt. 14 e 19-bis
del D.Lgs. 27 gennaio 2010, n. 39

Bilancio consolidato al 31 dicembre 2019

Relazione della società di revisione indipendente ai sensi degli artt. 14 e 19-bis del D.Lgs. 27 gennaio 2010, n. 39

Agli azionisti della
PHARMANUTRA S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Pharmanutra (il Gruppo), costituito dallo stato patrimoniale al 31 dicembre 2019, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note illustrative al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2019, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla società Pharmanutra S.p.A. (la Società) in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Pharmanutra S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art.14, comma 2, lettera e), del D.Lgs. 39/10

Gli amministratori della Pharmanutra S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del gruppo Pharmanutra al 31 dicembre 2019, inclusa la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del gruppo Pharmanutra al 31 dicembre 2019 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione sopra richiamata è coerente con il bilancio consolidato del gruppo Pharmanutra al 31 dicembre 2019 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Milano, 10 aprile 2020

BDO Italia S.p.A.



Vincenzo Capaccio
Socio

Pharmanutra S.p.a.

Sede legale Via delle Lenze 216/B

56122 Pisa

Capitale sociale 1.123.098 i.v.

Numero di iscrizione al registro imprese PI 146259

Codice fiscale e P.IVA 01679440501

Relazione del Collegio Sindacale all'Assemblea degli Azionisti

Bilancio d'esercizio al 31 dicembre 2019

(ai sensi dell'art. 2429 codice civile)

All'Assemblea degli Azionisti della Pharmanutra S.p.A. (d'ora innanzi, anche "la Società").

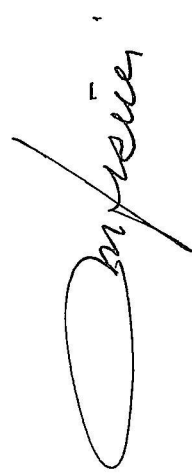
Signori Azionisti,

nel corso dell'esercizio chiuso al 31 dicembre 2019 abbiamo svolto i nostri compiti di vigilanza ai sensi delle vigenti disposizioni di Legge, secondo i principi di comportamento raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

Per quanto attiene ai compiti di revisione legale dei conti, si segnala che in data 15 aprile 2019 l'Assemblea ordinaria di Pharmanutra S.p.A., su proposta del Collegio Sindacale, ha conferito alla Società di Revisione BDO Italia S.p.A., con sede legale in Milano, Viale Abruzzi n. 94, iscritta all'albo speciale delle società di revisione di cui al D. Lgs. n. 39/2010, l'incarico di revisione legale dei conti per il periodo 2019 – 2027 ai sensi delle disposizioni normative e regolamentari vigenti.

Nel corso dell'esercizio 2019 ci siamo riuniti 8 (*otto*) volte al fine di effettuare, *inter alia*, le verifiche di legge.

L'attuale Consiglio di Amministrazione consta di 8 (*otto*) consiglieri. Nel corso dell'esercizio si sono tenute 9 (*nove*) riunioni dell'organo amministrativo alle quali ha partecipato il Collegio Sindacale; le riunioni si sono svolte nel rispetto delle norme statutarie e legislative che ne

A handwritten signature in black ink, appearing to read 'M. P. S.', is written vertically on the right side of the page.

disciplinano il funzionamento. Nel corso delle riunioni gli Amministratori hanno anche fornito informazioni sul generale andamento della gestione e sulla prevedibile evoluzione.

Si è partecipato altresì alle assemblee dei soci tenutesi nel corso dell'esercizio, anch'esse svoltesi nel rispetto delle norme statutarie e legislative che ne disciplinano il funzionamento e per le quali si può ragionevolmente assicurare che le azioni deliberate sono conformi alla legge ed allo statuto sociale e non sono tali da compromettere l'integrità del patrimonio sociale.

Nel rinviarVi alla Nota Integrativa circa l'illustrazione delle principali iniziative intraprese nel corso dell'esercizio, nonché dei fatti di rilievo intervenuti successivamente alla chiusura dello stesso, attestiamo che, per quanto a nostra conoscenza, le stesse sono state improntate a principi di corretta amministrazione e che le problematiche inerenti a potenziali o possibili conflitti di interessi sono state oggetto di attenta valutazione di convenienza per la Società nonché agli adempimenti di legge.

Tra i fatti di maggior rilievo avvenuti nel corso dell'esercizio chiuso al 31 dicembre 2019 si segnalano la registrazione di nuovi importanti brevetti in Italia ed all'estero; l'acquisto di un complesso immobiliare, situato a Pisa, destinato ad ospitare la nuova sede del Gruppo, lo stabilimento di produzione e il centro Ricerca e Sviluppo; l'approvazione del Modello di Organizzazione, Gestione e Controllo ed il Codice Etico ai sensi del DL 231/2001.

Infine, a seguito del superamento nel corso dell'esercizio 2018 dei parametri di cui all'art. 2-bis del Regolamento Consob n. 11971/1999 e s.m.i. – Pharmanutra ha acquisito, a decorrere dal 1° gennaio 2019, la qualifica di emittente strumenti finanziari diffusi tra il pubblico in misura rilevante. In conseguenza di ciò, la Società si qualifica quale "emittente sottoposto a regime intermedio" (ESRI) ai sensi del D. Lgs. n. 39/2010 ed è soggetta alla relativa disciplina.

Nel corso dell'esercizio chiuso al 31 dicembre 2019 abbiamo svolto l'attività di vigilanza prevista dalla legge. Mediante l'ottenimento di informazioni, e dall'esame della documentazione trasmessaci, abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adequazione della struttura organizzativa della Società, del sistema amministrativo contabile e sull'affidabilità a rappresentare correttamente i fatti di gestione.

Non abbiamo riscontrato operazioni atipiche e/o inusuali, comprese quelle effettuate con parti correlate o infragruppo.

Abbiamo ricevuto informazioni dal soggetto incaricato della revisione legale dei conti e non sono emersi dati ed informazioni rilevanti che debbano essere evidenziati nella presente relazione.

La Società di Revisione ha rilasciato in data 10 aprile 2020 la relazione ai sensi dell'art. 14 del D. Lgs. n. 39/2010 in cui attesta che il bilancio separato al 31 dicembre 2019 rappresenta in

Confessione

modo veritiero e corretto la situazione patrimoniale e finanziaria ed il risultato economico della Vostra Società; la stessa, al cui testo integrale Vi rimandiamo, non contiene rilievi né richiami di informativa.

Non sono pervenute al Collegio Sindacale denunce ai sensi dell'articolo 2408 Codice Civile; analogamente all'organo di controllo non sono pervenuti esposti.

Il Collegio Sindacale ha espresso nel corso dell'esercizio i pareri richiesti per legge.

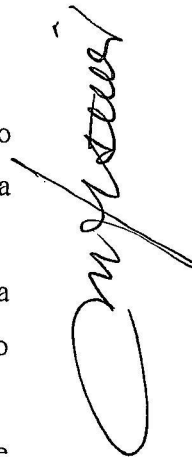
Non essendo a noi demandato il controllo analitico di merito sul contenuto del bilancio abbiamo accertato, tramite verifiche dirette ed indirette nonché informazioni assunte presso la Società di Revisione, quanto segue:

- le variazioni apportate alla forma del bilancio ed alla nota integrativa, rispetto a quella adottata per i precedenti esercizi, non hanno modificato in alcun modo la sostanza del suo contenuto né i raffronti con i valori relativi alla chiusura dell'esercizio precedente;
- i criteri di valutazione delle poste dell'attivo e del passivo non sono risultati sostanzialmente diversi da quelli adottati negli esercizi precedenti, conformi al disposto dell'art. 2426 c.c. come modificato dal D.Lgs 139/2015 recante l'attuazione della direttiva 2013/34/UE che ha introdotto nuovi criteri di valutazione a partire dal bilancio relativo all'esercizio avente inizio a partire da 1° gennaio 2016;
- è stata posta attenzione all'impostazione data al progetto di bilancio, sulla sua generale conformità alla legge per quello che riguarda la sua formazione e struttura e a tale riguardo non si hanno osservazioni che debbano essere evidenziate nella presente relazione;
- l'organo di amministrazione, nella redazione del bilancio, non ha derogato alle norme di legge ai sensi dell'art. 2423, co. 5, e art. 2423-bis c.c.;
- è stata verificata la rispondenza del bilancio ai fatti ed alle informazioni di cui si è avuta conoscenza a seguito dell'assolvimento dei doveri tipici del Collegio Sindacale ed a tale riguardo non vengono evidenziate ulteriori osservazioni.

Si rileva, infine, che la Società redige il bilancio consolidato. Al riguardo la BDO S.p.A. Vi ha relazionato anche sulla corretta redazione del bilancio consolidato predisposto secondo i principi contabili internazionali IFRS, nonché sulla coerenza della relazione sulla gestione con il bilancio stesso, esprimendo un giudizio positivo.

Il bilancio di esercizio al 31 dicembre 2019, sottoposto alla Vostra approvazione, chiude con un utile pari a euro 6,8 milioni, mentre il bilancio consolidato evidenzia un utile di competenza del Gruppo pari a euro 8,5 milioni.

Tutto ciò premesso, considerando tutto quanto sopra esposto ed indicato, non rileviamo motivi ostativi all'approvazione del bilancio di esercizio al 31 dicembre 2019, né abbiamo obiezioni



da formulare in merito alla proposta, presentata dal Consiglio di Amministrazione, di destinazione dell'utile dell'esercizio come segue:

- (i) euro 2.366.216 a riserva straordinaria;
- (ii) agli azionisti un dividendo unitario di euro 0,46 per n.9.680.977 azioni aventi diritto per complessivi euro 4.453.249.

Pisa, 10 aprile 2020

Il Presidente del Collegio Sindacale

dott. Michele Lorenzini

A large, stylized handwritten signature in black ink, consisting of a large loop on the left and a vertical line on the right, with some additional scribbles at the top right.

••• | PharmaNutra

⊕ JUNIAPHARMA

⊕ ALESCO



PHARMANUTRA S.P.A.

Tax no. 01679440501 – VAT no. 01679440501

Registered office:

VIA DELLE LENZE 216/B - 56122 PISA PI - ITALY

REA no. 146259

Business Register of PISA no. 01679440501

Share Capital € 1,123,097.70 fully paid-up

www.pharmanutra.it