

INTERIM MANAGEMENT REPORT

31st March 2021

Pharmanutra S.p.A.

Registered Office
REA

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

Pisa, Via delle Lenze 216/B
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Our history

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

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

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

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



PharmaNutra

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

Junia Pharma

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

Alesco

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

Corporate Bodies

Board of Directors

Andrea Lacorte (Chairman)

Roberto Lacorte (Vice Chairman)

Carlo Volpi (Executive Director)

Germano Tarantino (Executive Director)

Alessandro Calzolari (Independent Director)

Marida Zaffaroni (Independent Director)

Giovanna Zanotti (Independent Director)

Board of Statutory Auditors

Michele Lorenzini (Chairman of the Board of Statutory Auditors)

Guido Carugi (Statutory Auditor)

Andrea Circi (Statutory Auditor)

Fabio Ulivieri (Alternate Auditor)

Giacomo Boni (Alternate Auditor)

Audit Firm

BDO Italia S.p.A.

Summary

INTERIM MANAGEMENT REPORT AS AT 31 MARCH 2021	5
1.1 MAIN CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET DATA.....	5
1.2 THE PHARMANUTRA GROUP	5
1.3 CONSOLIDATED SITUATION RELEVANT TO THE FIRST QUARTER	7
1.4 PHARMANUTRA GROUP'S BUSINESS LINES.....	14
1.5 REFERENCE MARKETS IN WHICH THE GROUP OPERATES.....	18
1.6 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD	19
1.7 BUSINESS OUTLOOK	20
CONSOLIDATED ACCOUNTING STATEMENTS AS AT 31 MARCH 2021	22
AND EXPLANATORY NOTES	22
EXPLANATORY NOTES TO CONSOLIDATED ACCOUNTING STATEMENTS.....	27
1. CRITERIA FOR DRAFTING AND CONSOLIDATION PRINCIPLES	27
2. COMMENTS ON THE MAIN ITEMS.....	28
2.1 INCOME STATEMENT: REVENUES	28
2.2 INCOME STATEMENT: OPERATING COSTS	29
2.3 INCOME STATEMENT: AMORTISATION, DEPRECIATION AND WRITE-DOWNS	31
2.4 INCOME STATEMENT: FINANCIAL REVENUES (COSTS)	32
2.5 INCOME STATEMENT: INCOME TAXES	32
DECLARATION PURSUANT TO PARAGRAPH 2 ART 154-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT (TESTO UNICO DELLA FINANZA)	34

Interim management report as at 31 March 2021

1.1 MAIN CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET DATA

Amounts in million Euro	31/03/2021	%	31/03/2020	%	CHANGE
ECONOMIC DATA					
REVENUES	14,3	100,0%	14,8	100,0%	-3%
REVENUES FROM SALES	14,2	99,3%	13,7	92,2%	+4%
EBITDA - RESTATED *	3,9	27,0%	3,0	21,8%	+28%
EBITDA	3,9	27,0%	4,1	27,4%	-5%
NET RESULT EXCL. NON-RECURRING IT.**	2,5	17,5%	2,0	13,4%	26%
NET RESULT	2,5	17,5%	2,7	17,9%	-6%
EPS - NET EARNINGS PER SHARE EXCL. NON-RECURRING ITEMS (Units of Euro)	0,26		0,20		26%
EPS - NET EARNINGS PER SHARE (Units of Euro)	0,26		0,27		-6%

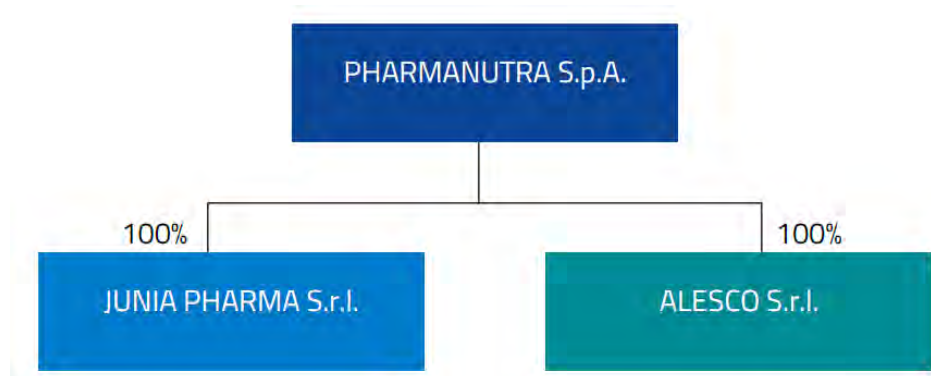
Amounts in million Euro	31/03/2021	31/12/2020	CHANGE
BALANCE SHEET DATA			
NET INVESTED CAPITAL	18,5	18,4	0,1
NFP (positive cash)	(21,8)	(19,4)	(2,5)
SHAREHOLDERS' EQUITY	40,3	37,7	2,6

* The restated EBITDA as at 31 March 2020 is net of non-recurring revenues relevant to contractual indemnity, amounting to Euro 1 million.

** The Net result for non-recurring items as at 31 March 2020 does not include non-recurring revenues amounting to Euro 1 million net of non-recurring costs for Euro 100 thousand and relevant tax effect.

1.2 THE PHARMANUTRA GROUP

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



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

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

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

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

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

Pursuant to article 2428 of the Italian Civil Code, it is communicated that the activity is carried out at the registered office in Via delle Lenze 216/B, Pisa (PI), Italy.

1.3 CONSOLIDATED SITUATION RELEVANT TO THE FIRST QUARTER

The first quarter of 2021 showed a turnover growth compared to the same period of the previous year (around +4%), despite the ongoing Covid-19 epidemic and the restrictions that still limit the activity of sales representatives/scientific agents and does not allow many events to be held.

This is a remarkable result considering that operating conditions in the first quarter of 2021 were entirely influenced by the effects of Covid-19 outbreak, whereas last year this phenomenon only occurred in March.

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

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

Income Statement

In order to understand more easily the operating performance in the first quarter of 2021 compared to the same period of the previous year, the restated income statement as at 31 March 2020 is shown below. As a matter of fact, the income statement for the first quarter of 2020 has been characterised by non-recurring items represented by the recognition of a contractual indemnity, and the related partial write-down of such receivable.

Pharmanutra Group - Consolidated income statement - Restated

INCOME STATEMENT (€/000)	31.3.2021	31.3.2020	Management Adjustments	31.3.2020 RESTATED	Δ 31.3.21/31.3.20 Restated
A) REVENUES	14.335	14.848	(1.049)	13.799	536
Net revenues	14.238	13.683		13.683	555
Other revenues	97	1.165	(1.049)	116	(19)
<i>of which other non-recurring revenues</i>	-	1.049	(1.049)	-	-
B) OPERATING COSTS	10.471	10.787	-	10.787	(316)
Purchases of raw materials, consumables and supplies	806	847		847	(41)
Change in inventories	(70)	(174)		(174)	104
Costs for services	8.653	8.614	-	8.614	39
Personnel costs	1.002	919		919	83
Other operating costs	80	581		581	(501)
					-
(A-B) EBITDA	3.864	4.061	(1.049)	3.012	852
% EBITDA ON REVENUES	27,0%	27,4%		21,8%	5,1%
C) Amortisation, depreciation and write-downs	296	340	(100)	240	56
<i>of which non-recurring write-downs</i>	-	100	(100)	-	-
(A-B-C) EBIT	3.568	3.721	(949)	2.772	796
D) FINANCIAL INCOME (COSTS)	25	16		16	9
Financial income	27	42		42	(15)
Financial costs	(2)	(26)		(26)	24
E) NON-RECURRING INCOME (CHARGES)	-	-	949	949	(949)
Non-recurring income (charges)	-	-	949	949	-
PRE-TAX RESULT (A-B-C+D)	3.593	3.737	-	3.737	(144)
Taxes	(1.084)	(1.078)		(1.078)	(6)
Taxes for previous years				-	
Net result	2.509	2.659	-	2.659	(150)

Management Adjustments are broken down as follows: the item Other non-recurring revenues refers to the indemnity accrued following the non-renewal of a distribution contract which was written down for the amount of Euro 100 thousand.

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

Net result excl. non-recurring items (k€)	31.3.2021	31.3.2020 RESTATED	Δ 31.3.21/31.3.20 Restated
Profit /(Loss) for the year	2,509	2,659	(150)
Non-recurring income		(1,049)	1,049
Non-recurring charges		100	(100)
Tax effect		274	(274)
Net result excl. Non-recurring items	2,509	1,984	525

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

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

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

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

- EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation.
- Restated EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of non-recurring items
- EBIT: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of depreciation, amortisation and write-downs.
- Net Working Capital: it is calculated as the sum of inventories and trade receivables net of trade payables and of all other items in the Balance sheet classified as other receivables or other payables.
- Operating Working Capital: it is calculated as the sum of inventories and trade receivables net of trade payables.
- Net Invested Capital: it is the sum of Net Working Capital, Total Fixed Assets net of Provisions and other medium/long-term liabilities, excluding items of a financial nature which are included in the Net Financial Position balance.

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

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

MANAGEMENT CONSOLIDATED INCOME STATEMENT

Restated

Amounts in €/000	31/03/2021	%	31/03/2020	%	Δ 21/20	Δ % 21/20
REVENUES	14,335	100%	13,799	100%	536	3.9%
Net revenues	14,238	99.3%	13,683	99.2%	555	4.1%
Other revenues	97	0.7%	116	0.8%	(19)	-16.4%
OPERATING COSTS	10,471	73.0%	10,787	78.2%	(316)	-2.9%
Purchases of raw materials, consumables and supplies	806	5.6%	847	6.1%	(41)	-4.8%
Change in inventories	(70)	-0.5%	(174)	-1.3%	104	-59.8%
Costs for services	8,653	60.4%	8,614	62.4%	39	0.5%
Personnel costs	1,002	7.0%	919	6.7%	83	9.0%
Other operating costs	80	0.6%	581	4.2%	(501)	n.s.
EBITDA	3,864	27.0%	3,012	21.8%	852	28.3%
Amortisation, depreciation and write-downs	296	2.1%	240	1.7%	56	23.3%
EBIT	3,568	24.9%	2,772	20.1%	796	28.7%
FINANCIAL INCOME (EXPENSE) BALANCE	25	0.2%	16	0.1%	9	n.s.
NON-RECURRING INCOME /(CHARGES)	-	0.0%	949	6.9%	(949)	n.s.
PRE-TAX RESULT	3,593	25.1%	3,737	27.1%	(144)	-3.9%
Taxes	(1,084)	-7.6%	(1,078)	-7.8%	(6)	0.6%
Group profit/(loss) for the year	2,509	17.5%	2,659	19.3%	(150)	-5.6%

Consolidated net revenues for the first quarter of 2021 amounted to Euro 14.2 million, an increase of Euro 555 thousand (approximately +4%) compared to the same period of the previous year.

The result achieved, which has been higher than forecast for both of the Group's business lines, was very satisfactory considering that: (i) in March 2020, sales on the Italian market were characterised by significant orders, mainly referred to the wholesaler channel - these were generated by the uncertainty due to the lock down decided by the Authorities to counter the spread of the Covid-19 epidemic; and (ii)

the first quarter of 2020 was characterised by many orders received from foreign distributors which did not occur again in the first quarter of 2021.

Revenues generated on the Italian market amounted to Euro 10.8 million (Euro 10.0 million as at 31 March 2020), an increase of 8.6%, accounting for 76% of total turnover compared to 72.8% in the same period of the previous year. The turnover increase was due to higher sales of finished products for Euro 654 thousand and higher sales of raw materials for Euro 200 thousand.

Revenues from sales on foreign markets amounted to Euro 3.4 million compared to Euro 3.7 million as at 31 March 2020, a decrease of approximately Euro 300 thousand (-8.1%), of which Euro 100 thousand from sales of finished products and approximately Euro 200 thousand from sales of raw materials. As a result of the increase in sales on the Italian market and the reduction in sales on foreign markets, the incidence of the latter on total turnover went from 27.2% in the first quarter of 2020 to 24% as at 31 March 2021.

Sales volumes of finished products as at 31 March 2021, amounting to approximately 1.7 million units, were stable if compared to the ones of the previous year.

Operating costs in the first quarter of 2021, amounting to Euro 10.5 million, have been substantially in line with those of the first quarter of the previous year with regard to the purchase of raw materials (Euro 806 thousand compared to Euro 847 thousand as at 31 March 2020) and services (Euro 8,653 thousand compared to Euro 8,614 thousand in the same period of the previous year). Personnel costs, amounting to Euro 1,002 thousand compared to Euro 919 thousand as at 31 March 2020, increased as a result of the employees hired in 2020 and 2021 to progressively adjust and strengthen the structure to the higher volumes of activity and the requirements connected with the transition to the MTA market. The decrease in other operating costs, amounting to Euro 80 thousand as at 31 March 2021 compared to Euro 581 thousand in the first quarter of 2020, was due to contingent liabilities recognised in the first quarter of 2020 for approximately Euro 450 thousand following the failure from a foreign customer to collect an order.

As a result of the above, the **Restated EBITDA**, obtained excluding the non-recurring items of the first quarter of 2020 already described, amounted to Euro 3.9 million (Euro 3 million as at 31 March 2020) with a margin on total revenues of 27% compared to 21.8% as at 31 March 2020.

The Pharmanutra Group's **EBITDA** was approximately Euro 3.9 million (Euro 4.1 million as at 31 March 2020), equal to a 27% margin on total revenues.

Net profit for the period amounted to Euro 2.5 million (Euro 2.7 million at 31 March 2020). Excluding the net effect of non-recurring items described above on net result as at 31 March 2020, the latter would amount to Euro 2 million.

Balance sheet

RECLASSIFIED CONSOLIDATED BALANCE SHEET

Amounts in €/000	31/03/2021	31/12/2020
Trade receivables	16,123	15,053
Inventories	1,964	1,894
Trade payables	(7,603)	(7,175)
Operating Working Capital	10,484	9,772
Other receivables	3,319	2,646
Other payables	(4,125)	(2,859)
Net Working Capital	9,678	9,559
Intangible Fixed Assets	5,173	5,181
Tangible fixed assets	4,845	4,799
Financial Fixed Assets	1,121	1,105
Total Fixed Assets	11,139	11,085
Provisions and other M/L-term liabilities	(2,344)	(2,273)
TOTAL NET INVESTED CAPITAL	18,473	18,371
Shareholders' equity	40,312	37,730
Non-current financial liabilities	525	562
Current financial liabilities	1,036	1,101
Non-current financial assets	(474)	(218)
Current financial assets	(4,166)	(4,349)
Liquid funds	(18,760)	(16,455)
Net Financial Position	(21,839)	(19,359)
TOTAL SOURCES	18,473	18,371

The change in Operating Working Capital is a consequence of the higher business volumes carried out by the Group during the quarter in question and to receipt and payment situation.

The increase in the item Other receivables is due to the recording of deferrals on costs relating to marketing activities whose reference period extends beyond 31 March 2021.

The increase in the item Other payables is mainly related to the recognition of taxes on the result of the period. In this regard, it should be noted that the tax liability at 31/12/2020 is net of the tax benefit related to the Patent Box defined in June 2020 for the financial years between 2016 and 2020, while for financial year 2021, since the renewal of the agreement is being examined, no benefit related to the Patent Box has been recognised.

Fixed assets as at 31 March 2021 show no significant changes compared to 31 December 2020.

The change in the item Provisions and other M/L-term liabilities is mainly due to the effect of the allowance to the termination indemnity provision of the amount related to the remuneration paid to the executive directors in the quarter, as resolved by the Shareholders' Meeting of 27 April 2020.

The table below shows the changes in financial position:

Consolidated net financial position

Amounts in k€	31/03/2021	31/12/2020
Cash	(17)	(22)
Liquid funds	(18,743)	(16,433)
Total cash and cash equivalents	(18,760)	(16,455)
Current financial assets	(4,166)	(4,349)
Current financial liabilities: due to banks	241	124
Current portion of non-current debt	607	758
Current financial payables for rights of use	188	219
Net current financial indebtedness for financial assets	(3,130)	(3,248)
Net current financial (assets)/indebtedness	(21,890)	(19,703)
Non-current financial assets	(254)	-
Deposits paid	(220)	(218)
Non-current bank payables	305	305
Derivative financial instruments	4	4
Non-current financial payables for rights of use	216	253
Non-current financial indebtedness	51	344
Net financial position	(21,839)	(19,359)

The **Net Financial Position** as at 31 March 2021 was positive for Euro 21.8 million compared with Euro 19.4 million as at 31 December 2020, as a further proof of the Group's solidity.

Cash and cash equivalents generated by the Group during the period in question amounted to Euro 2.7 million.

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

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

1.4 Pharmanutra Group's Business Lines

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

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

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

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

Sales made through the commercial network of sales representatives/scientific agents, known as "Direct Business Line", account for 71.5% of the turnover, while the remaining 23% approximately is guaranteed by sales made abroad or to distributor customers, hereinafter referred to as "Indirect Business Line".

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

The consolidated sales as at 31 March 2021 (amounting to Euro 14.2 million) increased by approximately 4% compared to 31 March 2020 (Euro 13.7 million).

Fatturato per area				Incidenza	
€/1000	2021	2020	Δ%	2021	2020
LB1	10.175	9.520	6,9%	71,5%	69,6%
LB2	3.332	3.436	-3,0%	23,4%	25,1%
Totale Prodotti Finiti	13.507	12.955	4,3%	94,9%	94,7%
Alesco Outgroup Italia	642	441	45,6%	4,5%	3,2%
Alesco Outgroup estero	90	287	-68,6%	0,6%	2,1%
Alesco Outgroup	731	728	0,4%	5,1%	5,3%
Totale	14.238	13.683	4,1%	100,0%	100,0%

A breakdown of turnover in the Group's three areas of activity showed a 6.9% increase in sales of finished products in the Italian market (LB1), thanks to the easing of restrictions imposed to combat the Covid-19 epidemic, while foreign markets (LB2) saw a 3% reduction due to the different timing of order acquisition in 2021 compared to the previous year.

The turnover from the sales of proprietary and non-proprietary raw materials to companies in the food, pharmaceutical and nutraceutical industry, as well as to nutraceutical production plants producing on behalf of third parties (Alesco outgroup), managed by the subsidiary Alesco, also reported a trend similar to the above, with an increase in sales in the Italian market and a decrease in sales in foreign markets.

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

Fatturato per linea di business €/1000				Incidenza	
	2021	2020	Δ%	2021	2020
LB1 totale	10.817	9.961	8,6%	76,0%	72,8%
LB2 totale	3.422	3.723	-8,1%	24,0%	27,2%
Totale P.F.	14.238	13.683	4,1%	100,0%	100,0%

Overall, the revenues from sales on the Italian market increased by 8.6% to Euro 10.8 million (Euro 10.0 million in the previous year), and accounted for about 76% of total turnover compared to about 72.8 in the previous year.

Sales on foreign markets as at 31 March 2021 amounted to Euro 3.4 million (Euro 3.7 million as at 31 March 2020), accounting for 24% of total turnover compared to 27.2% in the previous year.

Fatturato per area geografica €/1000				Incidenza	
	Q1 2021	Q1 2020	Δ%	Q1 2021	Q1 2020
Europa	2.437	2.180	11,8%	71,2%	58,6%
Medio Oriente	812	866	-6,2%	23,7%	23,3%
Estremo Oriente	106	340	-68,8%	3,1%	9,1%
Altre	67	337	-80,4%	1,9%	9,0%
Totale	3.422	3.723	-8,1%	100,0%	100,0%

As already mentioned, the decrease in foreign sales turnover in the first quarter compared to the same period of the previous year was attributable to the timing of the acquisition of orders from customers.

The analysis of finished products turnover by product line (Trademark) reported in the following table shows the growth of all the main product lines, which maintain a substantially constant incidence on the overall turnover compared to the first quarter of 2020.

Fatturato P.F. per Linea				Incidenza	
Prodotto					
€/1000	2021	2020	Δ%	2021	2020
Sideral	10.635	10.173	4,5%	78,7%	78,5%
Cetilar	1.547	1.434	7,9%	11,5%	11,1%
Apportal	735	660	11,3%	5,4%	5,1%
Ultramag	166	125	32,7%	1,2%	1,0%
Altri	422	564	-25,1%	3,1%	4,4%
Totale	13.507	12.955	4,3%	100,0%	100,0%

The Sideral® line, leader in the iron-based supplements market, showed the most significant growth in absolute value (+ Euro 462 thousand compared to 31 March 2020).

Sales of the Cetilar® line increased by around 8% due to the progressive easing of restrictions on sports activities.

ApportAL® and Ultramag® showed an increase of approximately 11% and 33% respectively compared to the previous year thanks to their characteristics of tonic-energy and restorative food supplements. The decrease in the item Others was mainly attributable to the decrease in sales of products for the paediatric market caused by the restrictions imposed by the Covid-19 epidemic.

1.5 Reference markets in which the Group operates

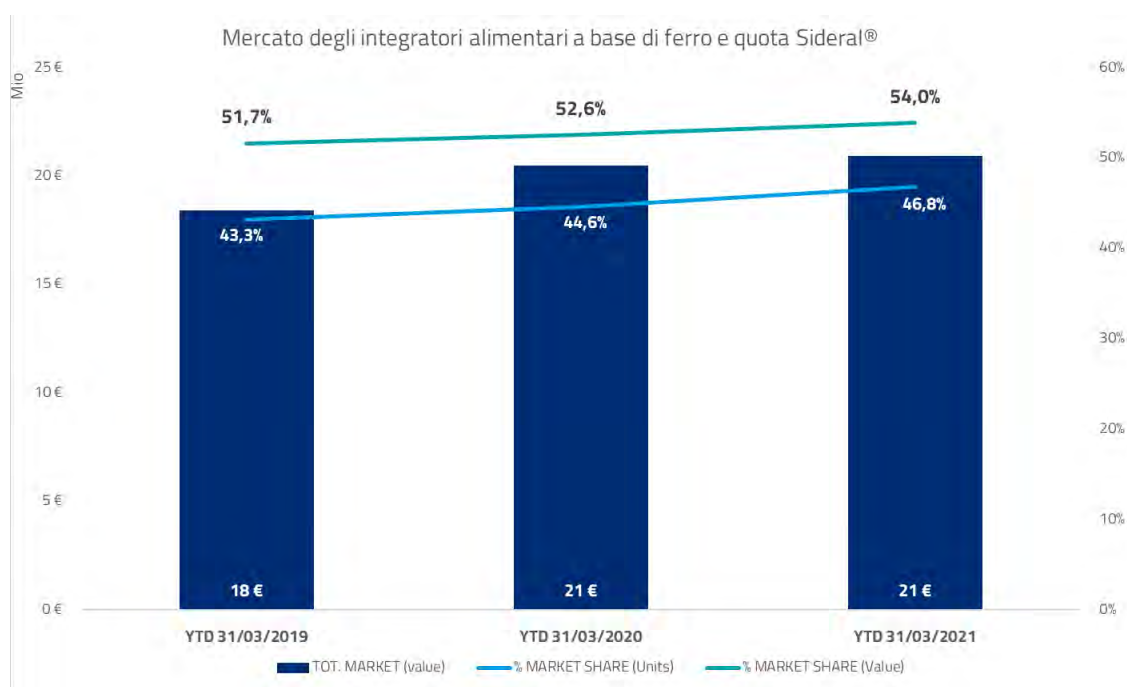
The Pharmanutra Group, specialised in the development of nutraceutical products and medical devices, is one of the main players in the Italian market with a growing presence abroad.

1.5.1 Food supplements market

1.5.2 Iron market

Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with the Sideral® product line, in which it confirmed its leadership position in the first quarter of 2021 with a market share in value of approximately 54% and 46.8% in volumes¹.

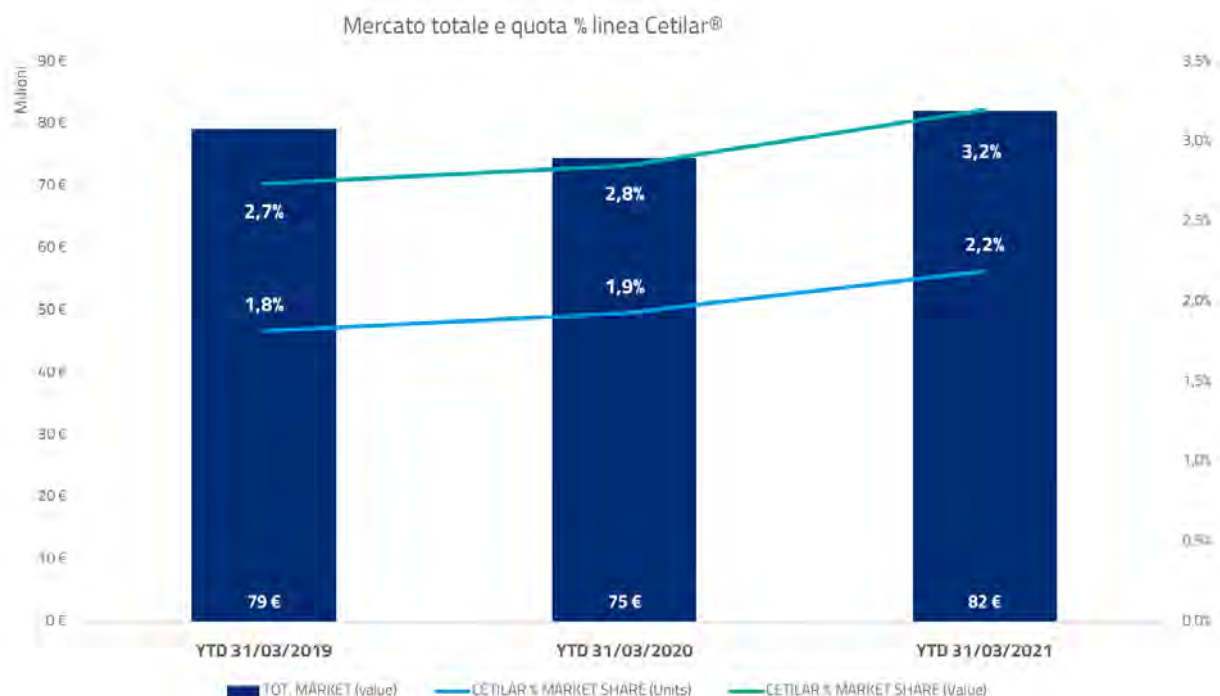
It should be noted that the market share as at 31 March 2021 increased against a substantially stable overall market compared to the same period of the previous year.



¹ Source : IQVIA data

1.5.3 Market for topical painkillers

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



In an increasing market environment (approximately +9%) between the first quarter of 2021 and the first quarter of 2020 and in a highly fragmented competitive scenario, the market share of Cetilar® line showed an increase from 2.8% to 3.2% in value and from 1.9% to 2.2% in volumes².

1.6 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

In April, the publication of a major scientific study on the treatment of post Covid-19 chronic fatigue by taking ApportAL® was announced. The study was carried out in cooperation with family doctors throughout Italy and included approximately 200 post-Covid subjects with symptoms of persistent fatigue. The involved subjects were advised to take ApportAL® for 28 consecutive days, and the degree of fatigue and quality of life has been monitored after 14 and after 28 days. Preliminary results show that intake of ApportAL® helps to reduce symptoms of persistent fatigue and improve quality of life. Specifically, among the first 100 subjects, the data obtained indicate that 95% of them reported a

² Source : IQVIA data

significant benefit over the 28 days of supplement intake. In addition, a particularly rapid recovery was observed in subjects who had indicated a more severe initial degree of fatigue, such as women and over 60 patients.

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

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

1.7 BUSINESS OUTLOOK

Directors think that the 2021 financial year will be characterised by higher sales growth than 2020, with different quarterly trends; sales performance in the first quarter was higher than targets on both the Italian and foreign markets. As far as the Italian market is concerned, the return to a situation of normality following the current vaccination campaign should allow activity of sales representatives/scientific agents to be carried out without the current limitations and the resumption of many activities that have been suspended up to now, enabling the Group to achieve the envisaged objectives. With regard to foreign

markets, the orders booked fully cover the objectives for the second quarter of 2021 and part of those for the third quarter.

The Group will continue its strategy to strengthen its leadership in the oral iron market and increase sales of other products. With regard to the expansion in foreign markets, it is planned to start activities in the countries contracted in 2020, to define the agreements relating to the negotiations in progress and to expand the range of products sold in the markets already covered. The growth strategies outlined above could also be implemented, if deemed strategically relevant, thanks to corporate partnerships.

Pisa, 10/05/2021

For the Board of Directors
The Chair

(Andrea Lacorte)

CONSOLIDATED ACCOUNTING STATEMENTS AS AT 31 MARCH 2021
AND EXPLANATORY NOTES

Pharmanutra Group - Consolidated Balance Sheet

BALANCE SHEET (€/000)		31/03/2021	31/12/2020
NON-CURRENT ASSETS		11,613	11,303
Tangible fixed assets		4,845	4,799
Intangible fixed assets		5,173	5,181
Investments		254	254
Non-current financial assets		220	218
Other non-current assets		254	-
Deferred tax assets		867	851
CURRENT ASSETS		44,341	40,406
Inventories		1,964	1,894
Liquid funds		18,760	16,455
Current financial assets		4,166	4,349
Trade receivables		16,123	15,053
Other current assets		1,872	1,031
Tax receivables		1,456	1,624
TOTAL ASSETS		55,954	51,709
BALANCE SHEET		31/03/2021	31/12/2020
SHAREHOLDERS' EQUITY:		40,312	37,730
Share capital		1,123	1,123
Legal reserve		225	225
Other reserves		36,435	22,363
IAS 19 reserve		3	(50)
Financial instruments reserve (FVOCI)		87	67
FTA reserve		(70)	(70)
Profit (loss) for the year		2,509	14,072
Minority interest in capital and reserves		-	-
Minority interest in profit (loss)		-	-
NON-CURRENT LIABILITIES		2,869	2,835
Non-current financial liabilities		525	562
Provisions for risks and charges		1,008	1,018
Provisions for benefits		1,336	1,255
CURRENT LIABILITIES		12,773	11,144
Current financial liabilities		1,036	1,101
Trade payables		7,603	7,175
Other current liabilities		2,504	2,348
Tax payables		1,630	520
TOTAL LIABILITIES		55,954	51,709

Pharmanutra Group - Consolidated income statement

INCOME STATEMENT (€/000)	Notes	31/03/2021	31/03/2020
A) REVENUES		14,335	14,848
Net revenues	2.1.1	14,238	13,683
Other revenues	2.1.2	97	1,165
<i>of which other non-recurring revenues</i>		-	1,049
B) OPERATING COSTS		10,471	10,787
Purchases of raw materials, consumables and supplies	2.2.1	806	847
Change in inventories	2.2.2	(70)	(174)
Costs for services	2.2.3	8,653	8,614
Personnel costs	2.2.4	1,002	919
Other operating costs	2.2.5	80	581
(A-B) EBITDA		3,864	4,061
C) Amortisation, depreciation and write-downs	2.3	296	340
<i>of which non-recurring write-downs</i>		-	100
(A-B-C) EBIT		3,568	3,721
D) FINANCIAL INCOME [COSTS]		25	16
Financial income	2.4.1	27	42
Financial costs	2.4.2	(2)	(26)
PRE-TAX RESULT (A-B-C+D)		3,593	3,737
Taxes for the year	2.5	(1,084)	(1,078)
Minority interest in profit/(loss) for the year		-	-
Group profit/(loss) for the year		2,509	2,659
Net earnings per share (in units of Euro)		0.26	0.27

Pharmanutra Group - Consolidated statement of comprehensive income

COMPREHENSIVE INCOME STATEMENT(€/000)		31/03/2021	31/03/2020
PROFIT (LOSS) FOR THE YEAR		2,509	2,659
Gains (losses) from IAS application that will be recognised in the income statement		-	-
Gains (losses) from IAS application that will not be recognised in the income statement		73	(195)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		2,582	2,464

Pharmanutra Group - Statement of changes in Consolidated shareholders' equity

Amounts in k€	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 31/12/2019	1,123	225	18,358	(59)	109	(70)	8,454	28,140
Allocation of result	-	-	8,454	-	-	-	(8,454)	-
Distribution of dividends	-	-	-	-	-	-	-	-
Other changes	-	-	-	(25)	(170)	-	-	(195)
Profit (loss) for the year	-	-	-	-	-	-	2,659	2,659
Group shareholders' equity as at 31/03/2020	1,123	225	26,812	(84)	(61)	(70)	2,659	30,604

Amounts in k€	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 31/12/2020	1,123	225	22,363	(50)	67	(70)	14,072	37,730
Allocation of result	-	-	14,072	-	-	-	(14,072)	-
Distribution of dividends	-	-	-	-	-	-	-	-
Other changes	-	-	-	53	20	-	-	73
Profit (loss) for the year	-	-	-	-	-	-	2,509	2,509
Group shareholders' equity as at 31/03/2021	1,123	225	36,435	3	87	(70)	2,509	40,312

Pharmanutra Group - Consolidated cash flow statement (indirect method)

CASH FLOW STATEMENT (€/000) - INDIRECT METHOD	31/03/2021	31/03/2020
Net result before minority interests	2,509	2,659
NON-MONETARY COSTS/REVENUES		
Amortisation, depreciation and write-downs	296	340
Allowance to provisions for employee benefits	48	35
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in provisions for risks and charges	(10)	93
Change in provisions for employee benefits	33	44
Change in inventories	(70)	(172)
Change in trade receivables	(1,134)	(2,251)
Change in other current assets	(841)	(772)
Change in tax receivables	168	(4)
Change in other current liabilities	156	185
Change in trade payables	428	(1,331)
Change in tax payables	1,110	891
CASH FLOW FROM OPERATIONS	2,693	(283)
Net investments in tangible and intangible fixed assets	(270)	(344)
(Increase)/decrease in other non-current assets	(270)	(394)
CASH FLOW FROM INVESTMENTS	(540)	(738)
Increase/(decrease) in assets	73	(195)
Cash flow from dividend distribution	0	0
Increase/(decrease) in non-current financial liabilities	(37)	(220)
(Increase)/decrease in current financial assets	183	757
(Increase)/decrease in non-current financial assets	(2)	0
CASH FLOW FROM FINANCING	217	342
TOTAL CHANGE IN CASH	2,370	(679)
Liquid funds net of current financial liabilities at the beginning of the year	15,354	8,891
Liquid funds net of current financial liabilities at the end of the year	17,724	8,212
Total liquid funds	18,760	11,238
Total current financial liabilities	(1,036)	(3,026)
Liquid funds net of current financial liabilities at the end of the year	17,724	8,212

EXPLANATORY NOTES TO CONSOLIDATED ACCOUNTING STATEMENTS

1. CRITERIA FOR DRAFTING AND CONSOLIDATION PRINCIPLES

This Interim Management Report as at 31 March 2021 (hereinafter the "Interim Report") has been drafted as required for a STAR issuer (High Standard Mid Cap Segment) in accordance with the provisions of Borsa Italiana Notice No. 7587 of 21 April 2016 "STAR issuers": information on interim management statements STAR/issuers; its content is consistent with the provisions of Art. 154-ter, paragraph 5, of Italian Legislative Decree of 24 February 1998 no.58.

The Interim Report has been drafted in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS also include the International Accounting Standards ("IAS") still in force, as well as all the interpretative documents issued by the Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC") and, before that, the Standing Interpretations Committee ("SIC"). The financial standards implemented in drafting this Interim Report are the same as those implemented in drafting Consolidated Financial Statements for the year ended 31 December 2020, except for the new standards and interpretations effective from 1 January 2020, which did not have a material impact on the quarter.

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

The Interim Report was approved by Pharmanutra Board of Directors on 10 May 2021 and on the same date the same body authorised its publication.

It should be noted that in the first quarter of 2021 no changes occurred in the consolidation area compared to 31 December 2020.

2. COMMENTS ON THE MAIN ITEMS

2.1 INCOME STATEMENT: REVENUES

2.1.1 NET REVENUES

k€	31.3.2021	31.3.2020	Change
LB1 REVENUES	10,815	9,960	855
LB2 REVENUES	3,423	3,723	-300
TOTAL SALES	14,238	13,683	555

Turnover in the first quarter of 2021 increased by Euro 555 thousand compared to the same period in the previous year. As shown in the table below, the increase in revenues was due to higher sales on the Italian market of finished products for Euro 653 thousand and of raw materials for Euro 201 thousand. On the other hand, sales on foreign markets decreased by Euro 102 thousand for finished products and Euro 197 thousand for raw materials. Such decrease was exclusively attributable to the different timing of order acquisition compared to the previous year.

The breakdown of revenues by business and geographical area is as follows:

k€	31.3.2021	31.3.2020	Change	Δ%	Incidence 2020	Incidence 2019
Italy	10,173	9,520	653			
Total LB1	10,173	9,520	653	7%	71%	70%
Europe	2,415	2,076	339	16%		
Middle East	812	866	(53)	-6%		
Far East	106	169	(63)	-37%		
Other countries	-	325	(325)	-100%		
Total LB2	3,333	3,436	(102)	-3%	23%	25%
Alesco Outgroup - Italy	642	441	201	46%	5%	3%
Alesco Outgroup - Foreign	90	287	(197)	-69%	1%	2%
Total net revenues	14,238	13,683	555	4%	100%	100%

2.1.2 Other revenues and income

k€	31.3.2021	31.3.2020	Change
Contractual indemnities	59	1,090	-1,031
Refunds and recovery of expenses	7	10	-3
Contingent assets	30	63	-33
Other revenues and income	1	2	-1
Total Other revenues and income	97	1,165	-1,068

The item Contractual Indemnities as at 31 March 2020 refers to the amount accrued in favour of the subsidiary Junia Pharma S.r.l. on the basis of the contractual provisions of a distribution agreement expired on 31 December 2019 and not renewed by the supplier.

2.2 INCOME STATEMENT: OPERATING COSTS

Purchases are broken down as follows:

2.2.1 Purchases of raw materials, consumables and supplies

k€	31.3.2021	31.3.2020	Change
Costs for raw materials and semi-fin. goods	170	354	-184
Costs for consumables	87	96	-9
Costs for the purchase of fin. goods	549	397	152
Total purchases of raw mat., consum. and supplies	806	847	-41

2.2.2 Change in inventories

k€	31.3.2021	31.3.2020	Change
Change in raw materials	-110	54	-164
Change in finished product inventories	6	-276	282
Allowance to Provision for inventory write-downs	34	48	-14
Change in inventories	-70	-174	104

The final value of the inventories has been adjusted by the inventory write-down provision, equalling to Euro 186 thousand (Euro 152 thousand as at 31 December 2020).

2.2.3 Costs for services

Costs for services as at 31 March 2021 increased by Euro 39 thousand compared to 31 March 2020.

Reference should be made to the table below for variations.

k€	31.3.2021	31.3.2020	Change
Marketing and advertising costs	1,912	1,730	182
Production and logistics	2,264	2,361	-97
General service costs	547	580	-33
Research and development costs	149	245	-96
Costs for IT services	94	79	15
Commercial costs and commercial network costs	2,158	2,306	-148
Corporate bodies	1,478	1,265	213
Rental and leasing costs	1	1	0
Financial costs	50	47	3
Total costs for services	8,653	8,614	39

The increase in the item Marketing and advertising costs was due to the partial resumption of activities following the easing of restrictions implemented to combat the Covid-19 epidemic. The decrease in Production and logistics element resulted from different types of production in the quarter in question compared to the same period the previous year. The decrease in research and development costs was due to the different progress of projects compared to the previous year.

The net decrease in the item Commercial costs and commercial network costs was due to lower allocations made to the Supplementary Agents Indemnity Fund based on actuarial valuations carried out as at 31 March 2021.

2.2.4 Personnel costs

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

k€	31.3.2021	31.3.2020	Change
Wages and salaries	728	681	47
Social security charges	224	202	22
Severance Indemnity	48	35	13
Other personnel costs	2	1	1
Total personnel costs	1,002	919	83

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 period is due to the adaptation of the organisational structure to the higher volumes.

The average number of employees during the first quarter of 2021 was 56 (52 in the same period in 2020).

2.2.5 Other operating costs

k€	31.3.2021	31.3.2020	Change
Capital losses	12	5	7
Sundry tax charges	12	17	-5
Membership fees	13	10	3
Charitable donations and social security charges	4	19	-15
Other costs	39	530	-491
Total other operating costs	80	581	-501

The decrease in the item Other costs mainly referred to contingent liabilities in 2020 recognised following the failure from a foreign customer to collect an order for finished products, against which the advance payments received were retained. The Group regained possession of the goods, which were subsequently repackaged and resold to other customers.

2.3 INCOME STATEMENT: AMORTISATION, DEPRECIATION AND WRITE-DOWNS

k€	31.3.2021	31.3.2020	Change
Amortisation of intangible fixed assets	144	161	-17
Depreciation of tangible fixed assets	88	79	9
Allowances	64	100	-36
Total provisions	296	340	-44

2.4 INCOME STATEMENT: FINANCIAL REVENUES (COSTS)

2.4.1 Financial income

k€	31.3.2021	31.3.2020	Change
Interest income	21	9	12
Other financial income	6	33	-27
Total financial income	27	42	-15

2.4.2 Financial charges

k€	31.3.2021	31.3.2020	Change
Other financial charges	-1	-21	20
Interest expense	-1	-4	3
Realised exchange losses	-	-1	1
Total financial charges	-2	-26	24

2.5 INCOME STATEMENT: INCOME TAXES

k€	31.3.2021	31.3.2020	Change
Direct taxes on business income	1,098	1,082	16
Deferred tax assets	-14	-4	-10
Total taxes	1,084	1,078	6

Taxes are recognised on an accruals basis and have been determined in accordance with current rates and regulations. Taxes to be paid for the year are shown in the Balance Sheet.

In June 2020, the ruling relating to the tax benefit represented by the Patent Box for the years 2016-2020 was formalised with the Italian Inland Revenue Office (Agenzia delle Entrate). The group started the process for the renewal of the agreement for the period 2021-2026. It is still not possible to predict formalising schedule.

NET FINANCIAL POSITION

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA update with reference to the "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", we report that the Group's Net Financial Position as at 31 March 2021 towards 31 December 2020 is as follows:

	Amounts in k€	31/03/2021	31/12/2020
A	Cash	17	22
B	Liquid funds	22,909	20,782
C	Held-for-trading securities	-	-
<u>D</u>	Liquidity (A+B+C)	22,926	20,804
E	Current financial receivables	-	-
F	Current bank payables	241	124
G	Current portion of non-current debt	607	758
H	Other current financial payables	188	219
<u>I</u>	Current financial indebtedness (F+G+H)	1,036	1,101
	of which guaranteed	387	257
	of which not guaranteed	649	844
<u>J</u>	Net current financial indebtedness (I-E-D)	(21,890)	(19,703)
K	Non-current bank payables	309	309
L	Bonds issued	-	-
M	Other non-current financial payables	(258)	35
<u>N</u>	Non-current financial indebtedness (K+L+M)	51	344
	of which guaranteed	154	155
	of which not guaranteed	(103)	189
<u>O</u>	Net financial indebtedness (J+N)	(21,839)	(19,359)

Pisa, 10/05/2021

For the Board of Directors
The Chair

(Andrea Lacorte)

DECLARATION PURSUANT TO PARAGRAPH 2 ART 154-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT

(TESTO UNICO DELLA FINANZA)

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

DECLARES

pursuant to paragraph 2 of Article 154 *bis* of the Italian Consolidated Finance Act, that the accounting information contained in the Pharmanutra Group's Interim Management Report as at 31 March 2021 corresponds to the documented results, books and accounting records.

Pisa, 10/05/2021

Pharmanutra S.p.A.
Executive in charge for
drafting accounting documents

Francesco Sarti