

PHARMANUTRA S.P.A.: BOD APPROVED THE FIRST HALF FINANCIAL REPORT AS AT 30 JUNE 2021

Steady growth beyond expectations in both revenues and margins.

Increased revenues across all major finished product lines.

The Group is determined to strengthen its leadership in the oral iron market and increase its presence on the international scene.

- **Revenues from sales Euro 32.4m (+10.9% vs 30/06/2020)**
 - **Adjusted EBITDA Euro 10.3m (+9.5% vs 30/06/2020)**
- **Net result excluding non-recurring items for the period Euro 6.6m (+12.4% vs 30/06/2020)**
- **Positive Net Financial Position Euro 19.4m (unchanged vs 31/12/2020)**

Pisa, 6 September 2021 – The Board of Directors of [PharmaNutra S.p.A.](#) (MTA; Ticker PHN), a company specialising in mineral-based nutritional supplements and medical devices for muscles and joints, today approved the First Half Financial Report as at 30 June 2021 (subject to limited audit).

Roberto Lacorte, Vice Chairman of PharmaNutra Spa, stated: *'The results are a source of great satisfaction and go beyond our already ambitious expectations. The ability to react proactively, without giving up investing during the Covid period, has enabled us not to have setbacks and, indeed, to record positive, double figure results. In Italy we have returned to pre-Covid growth levels, while on the international markets we see great opportunities opening up. The market offers great potential for the entire product range, starting with Sideral® which, as a leader in its segment, maintains a constantly rising sales trend, with still significant development margins. We are also counting on increasing the market share of the Cetilar® line and starting to develop the sales of Apportal® and Ultramag® abroad, after their marketing in Italy has been very positive. Thanks to our strong equity and financial solidity, we are in the best conditions to undertake an M&A policy, evaluating potential strategic acquisitions that can further expand our growth path. Looking at the beginning of the second half of the year, we are very optimistic that we can confirm double digit results for the PharmaNutra Group also at the end of the year'.*

OVERVIEW OF CONSOLIDATED RESULTS FOR H1 2021

Amounts in million Euro	30/06/2021	%	30/06/2020	%	CHANGE	
					Amount	%
ECONOMIC DATA						
REVENUES	32,4	100,0%	30,7	100,0%	1,7	+5,6%
REVENUES FROM SALES	32,3	99,5%	29,1	94,9%	3,2	+10,9%
EBITDA	10,3	31,7%	9,5	30,8%	0,8	+8,6%
<i>EBITDA - Adjusted *</i>	10,3	31,7%	9,4	30,6%	0,9	+9,5%
NET RESULT	7,0	21,7%	9,7	31,5%	-2,6	-27,3%
<i>NET RESULT EXCL. NON-RECURRING IT.**</i>	6,6	20,4%	5,9	31,5%	0,7	+12,4%
EPS - NET EARNINGS PER SHARE (Units of Euro)	0,73		1,00		-0,27	-27,3%
<i>EPS - NET EARNINGS PER SHARE EXCL. NON-RECURRING ITEMS (Units of Euro)</i>	0,68		0,60		0,08	+12,4%

Amounts in million Euro	30/06/2021	31/12/2020	CHANGE
BALANCE SHEET DATA			
NET INVESTED CAPITAL	19.0	18.4	0.6
NFP (positive cash)	(19.4)	(19.4)	(0.0)
CONSOLIDATED SHAREHOLDERS' EQUITY	38.4	37.7	0.6

* 2020 Adjusted EBITDA is net of non-recurring income of Euro 1 million, relating to contractual indemnification, and non-recurring costs totalling Euro 975 thousand, of which Euro 709 thousand relating to the finalisation of the agreement with the Italian Inland Revenue (Agenzia delle Entrate) for access to the tax relief represented by the Patent Box, and Euro 266 thousand of costs incurred for the start-up of the preparatory operations for the group's transition to listing on the MTA - Star segment.

** The net result excluding non-recurring items for 2021 is net of the tax credit obtained on the costs incurred for the transition to the MTA (Euro 457 thousand).

The net result excluding non-recurring items for 2020 does not include the tax benefit deriving from the finalisation of the agreement for the tax relief relating to the exclusion from taxable income for each year of part of the income deriving from the use of the so-called "intellectual property" (Patent Box) for the years 2016 to 2019, for a total amount of Euro 3.4 million, the Patent Box benefit for 2020 (Euro 719 thousand) and revenues net of non-recurring costs for Euro 326 thousand.

REVENUES FROM SALES H1 2021

Consolidated sales revenues in the first half of 2021, above expectations, amounted to Euro 32.3 million (Euro 29.1 million as at 30 June 2020), recording an increase of +10.9% compared to the same period of the previous year. In particular the growth of revenues in the second quarter has been particularly significant with an increase of 19.0% compared to the same period of previous year.

The value was characterised by substantially different trends compared to those that had characterised the first half of 2020 when there had been a slowdown in the growth of sales on the Italian market due to the Covid-19 pandemic (+5% compared to 30 June 2019), while sales on foreign markets had increased

by +57% due to a significant concentration of orders from foreign distributors in the first half of the year. Conversely, in the first half of 2021, thanks to the gradual reopening and reduction of restrictive measures taken to control the pandemic, sales on the Italian market increased by +20.5% compared to the first half of 2020, while sales on foreign markets recorded a reduction of approximately 10.8% compared to the first half of 2020 due to a different distribution over the year mostly concentrated in the second half of 2021 .

Because of the higher sales prices on the Italian market than those applied to sales abroad due to the different cost structure, the increase in turnover occurred against a reduction in the volume of sales of finished products, which at 30 June 2021 amounted to 3.9 million units compared to 4.1 million units in the first half of the previous year (-4.9%).

REVENUES FROM SALES - ITALY

Revenues from sales in the Italian market increased by +20.5% to Euro 24.3 million (Euro 20.2 million as at 30 June 2020), thus proving the Group's strong resilience during an exceptionally difficult period for the entire industry.

This result was possible also thanks to the investments made during the first lockdown in digital remote working and interactive tools such as augmented reality thanks to which the sales network was able to maintain a constant dialogue with doctors and pharmacists.

REVENUES FROM SALES - FOREIGN MARKETS

The revenues from foreign sales amounted to Euro 8.0 million (Euro 9 million in the first half of the previous year), and accounted for 24.7% of total revenues compared to 30.8% in the first half of the previous year. As noted above, the downturn occurring in the first half of 2021 compared to the first half of 2020 is solely attributable to the different timing in issuing purchase orders by foreign distributors. The result achieved is better than expected and the Group already has orders in hand for the whole of the third quarter and most of the fourth.

In June, an exclusive distribution agreement was entered into with Fresenius Kabi for the distribution in Germany, the first market acquired among those considered strategic for the Group's growth strategy. This agreement opens up a market of enormous potential for the Group, the second largest in Europe in terms of volumes of supplement sales.

TURNOVER BY PRODUCT LINE

The first half of 2021 showed revenue growth in all the main finished product lines. The trends that characterised the first half of 2021 (increase in sales on the Italian market and decrease in sales on foreign markets) are reflected in revenues by product line over total sales.

F.P. Turnover by Product Line				Incidence	
k€	2021	2020	Δ%	2021	2020
Sideral	24,436	22,501	8.6%	78.8%	81.2%
Cetilar	3,169	2,587	22.5%	10.2%	9.3%
Apportal	2,009	1,199	67.5%	6.5%	4.3%
Ultramag	444	285	55.8%	1.4%	1.0%
Other	947	1,146	-17.4%	3.1%	4.1%
Total	31,005	27,718	11.9%	100.0%	100.0%

The high sales on foreign markets of the Sideral® line compared to total foreign sales led to a slowdown in the growth of revenues of this line, which nevertheless increased by +8.6% at 30 June 2021 compared with the first half of 2020. The overall change in sales in the Sideral® line broken down between the Italian market and foreign markets shows an increase in sales on the Italian market of approximately 16% (Euro 16.6 million compared to Euro 14.5 million in the first half of 2020), while revenues on foreign markets fell from Euro 8.0 million in the first half of the previous year to Euro 7.7 million, with a reduction of 5%.

The other main product lines, currently marketed almost exclusively in Italy, showed significant increases compared with the first half of the previous year. The Cetilar® line increased by 22.5% following the elimination of restrictions on sports activities; the Apportal® line increased significantly (+67.5% compared to the first half of the previous year) thanks to its tonic-energy and tonic supplement characteristics and to the publishing of an observational study on the effect of its utilization in post Covid patients treatment; the Ultramag® line benefited from the commercial repositioning campaign carried out during the period recording an increase of 55.8% compared to values at 30 June 2020.

ECONOMIC RESULTS

Adjusted EBITDA amounted to Euro 10.3 million (31.7% margin on total revenues), up by +9.5% compared to Euro 9.4 million as at 30 June 2020, calculated by excluding in 2020: (i) a contractual indemnity for Euro 1 million, (ii) non-recurring costs referred to "Patent Box" formalisation and (iii) the costs incurred for starting the group's transition to listing on the MTA - Star segment, equal to Euro 975 thousand in total.

The increase in sales in the first half of 2021 compared to the same period of the previous year is accompanied by a physiological increase in operating costs as a result of the higher sales volumes achieved on the Italian market, in particular product processing costs (+12% approx.), network costs (+13% approx.), and travel expenses. Marketing costs increased by 24% for events planned and that could be actually held and for advertising campaigns carried out.

The increase in personnel costs reflects the hiring of new staff as part of the organisational strengthening process underway in anticipation of growing business volumes.

The decrease in the item Other operating expenses referred to contingent liabilities recognised at 30 June 2020 following the failure from a foreign customer to collect an order, against which the advance payments received were retained.

PharmaNutra Group's **EBITDA** for the half year closed at 30 June 2021 was Euro 10.3 million (Euro 9.5 million in H1 2020), corresponding to a 31.7% margin on revenues, and an approximate increase of +8.6% compared to the same period of the previous year.

The **net result** for the period amounted to Euro 7 million for the first half of 2021 (Euro 9.7 million as at 30 June 2020) and benefited from the tax credit obtained pursuant to art.1 of Italian Law no.205 of 27/12/2017 against the costs for advisory services incurred by the parent company for listing on the STAR segment of the MTA market, which took place on 15 December 2020, for the amount of Euro 457 thousand. In the first half of 2020, the net result for the period, in addition to the non-recurring items already mentioned, included the tax benefit deriving from the delivery of the agreement relating to the Patent Box for the years 2016-2019, amounting to Euro 3.4 million, as well as the reduction in current taxes for the portion of the Patent Box benefit relating to 2020 (Euro 719 thousand). The agreement expired on 31 December 2020 and the Group submitted an application to renew the facility for the five-year period 2021-2026, which is currently being examined. As a result of the above, in the period ended 30 June 2021, no tax benefit has been recognised in respect of the Patent Box. **Profit for the period net of the non-recurring items** described above amounted to Euro 6.6 million compared to Euro 5.8 million in the first half of 2020, i.e., it was up by +12.4%.

The **Net Financial Position** at 30 June 2021 was unchanged from 31 December 2020 with a positive balance of Euro 19.4 million, after paying dividends of Euro 6.5 million (dividends paid in 2020 amounted to Euro 4.4 million). The cash flow from operations in the period amounts to Euro 7.6 million (Euro 4.6 million in the first half of 2020), thus confirming the Group's great cash generation capacity.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FIRST HALF OF 2021

On July 21st, EFSA (the European Food Safety Authority) officially announced its positive opinion for the classification of Lipocet as Novel Food. It is a new oral formulation based on cetylated fatty acids (CFAs), the same active ingredient used in Cetilar® products. The eligibility for registration as Novel Food is based on scientific data related to the safety of CFAs and represents the first, fundamental step for the development of new oral formulations and, consequently, the marketing throughout Europe of nutritional supplements based on Cetylated Esters dedicated to the well-being of muscles and joints. Over the next few months, the application for registration as a Novel Food will be examined by the European Commission, which will have to officially authorise the marketing of the new ingredient, for which PharmaNutra will have exclusive use for five years.

In August, a patent for formulations based on cetylated fatty acids (CFA) was obtained in China. The patent certificate, granted on 03/08/2021, number CN 108137472 B, covers the development and use of topical formulations based on cetylated fatty acid esters (CFA), the active ingredient contained in all muscle and joint products in the Cetilar® range.

UPDATE ON THE COVID SITUATION

The gradual elimination of the restrictive measures issued to control the Covid-19 pandemic, which had led to a slowdown in growth in 2020, and the ongoing vaccination campaign, have enabled the Group to return to pre-pandemic revenue growth levels in the Italian market. However, a possible worsening of the current situation cannot be ruled out, with the consequent adoption of new restrictive measures that could expose the Group to the risk of a decrease in sales.

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

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

FORESEEABLE BUSINESS OUTLOOK

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 54% thanks to Sideral® brand products -

and further increasing its market share with regard to Cetilar® brand products, and developing sales of Apportal® and Ultramag®.

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.

The strategic actions implemented during 2020 allow the Group to manage the current moment in the best possible way and put it in a position to quickly take advantage of the market recovery with a positive outlook for 2021.

The Interim management report as at 30 June 2021 underwent a limited audit and will be made available to the public in the manner and within the timeframe provided for by applicable regulations.

STATEMENT OF THE MANAGER RESPONSIBLE FOR PREPARING THE FINANCIAL REPORTS

The manager responsible for preparing the company's financial reports, Mr. Francesco Sarti, declares, pursuant to paragraph 2 of article 154-bis of the Italian Legislative Decree no. 58/1998, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

FINANCIAL STATEMENTS (subject to limited audit)

Annex 1 – Consolidated Balance Sheet

Annex 2 – Consolidated Income Statement

Annex 3 – Consolidated Statement of Comprehensive Income

Annex 4 – Consolidated Cash Flow Statement (indirect method)

Pharmanutra Group - Consolidated Balance Sheet

BALANCE SHEET (€/000)	30/06/2021	31/12/2020
NON-CURRENT ASSETS	12,240	11,303
Property, plant and equipment	5,707	4,799
Intangible assets	5,278	5,181
Investments	254	254
Non-current financial assets	221	218
Other non-current assets	254	-
Deferred tax assets	526	851
CURRENT ASSETS	43,668	40,406
Inventories	2,036	1,894
Cash and cash equivalents	16,236	16,455
Current financial assets	4,381	4,349
Trade receivables	17,704	15,053
Other current assets	1,985	1,031
Tax receivables	1,326	1,624
TOTAL ASSETS	55,908	51,709
BALANCE SHEET	30/06/2021	31/12/2020
SHAREHOLDERS' EQUITY:	38,360	37,730
Share capital	1,123	1,123
Legal reserve	225	225
Other reserves	29,949	22,363
IAS 19 reserve	3	(50)
Financial instruments reserve (FVOCI)	90	67
FTA reserve	(70)	(70)
Profit (loss) for the period	7,040	14,072
NON-CURRENT LIABILITIES	3,354	2,835
Non-current financial liabilities	721	562
Provisions for non-current risks and charges	1,165	1,018
Liabilities for employee and director benefits	1,468	1,255
CURRENT LIABILITIES	14,194	11,144
Current financial liabilities	973	1,101
Trade payables	8,386	7,175
Other current liabilities	1,493	2,348
Tax payables	3,342	520
TOTAL LIABILITIES	55,908	51,709

Pharmanutra Group - Consolidated income statement

INCOME STATEMENT (€/000)	30/06/2021	30/06/2020
A) REVENUES	32,419	30,691
Net revenues	32,273	29,112
Other revenues	146	1,579
<i>of which Other non-recurring revenues</i>	-	1,049
B) OPERATING COSTS	22,140	21,228
Purchases of raw materials, consumables and supplies	1,551	1,716
Change in inventories	(141)	(535)
Costs for services	18,269	17,278
<i>of which Costs for non-recurring services</i>	-	975
Personnel costs	2,142	1,795
Other operating costs	319	974
(A-B) EBITDA	10,279	9,463
C) Amortisation, depreciation and write-downs	560	1,134
<i>of which non-recurring write-downs</i>	-	400
(A-B-C) EBIT	9,719	8,329
D) FINANCIAL INCOME (COSTS)	67	49
Financial income	77	100
Financial costs	(10)	(51)
PRE-TAX RESULT (A-B-C+D)	9,786	8,378
Taxes for the year	(2,746)	(2,130)
Taxes for previous years		3,431
Minority interest in profit/(loss) for the period	-	-
Group profit/(loss) for the period	7,040	9,679
Net earnings per share (in units of Euro)	0.73	1.00

Pharmanutra Group - Consolidated statement of comprehensive income

COMPREHENSIVE INCOME STATEMENT (€/000)	30/06/2021	30/06/2020
PROFIT (LOSS) FOR THE PERIOD	7,040	9,679
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	76	(121)
COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	7,116	9,558

CASH FLOW STATEMENT (€/000) - INDIRECT METHOD	30/06/2021	30/06/2020
Net result before minority interests	7,040	9,679
NON-MONETARY COSTS/REVENUES		
Amortisation, depreciation and write-downs	560	1,134
Allowances to provisions for employee and director benefits	104	78
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in provisions for non-current risks and charges	147	163
Change in provisions for employee and director benefits	109	(1,390)
Change in inventories	(142)	(533)
Change in trade receivables	(2,728)	(2,332)
Change in other current assets	(954)	(1,076)
Change in tax receivables	298	(1,289)
Change in other current liabilities	(854)	(989)
Change in trade payables	1,211	1,198
Change in tax payables	2,822	(54)
CASH FLOW FROM OPERATIONS	7,613	4,589
Net investments in intangible assets, property, plant and equipment	(1,002)	(652)
(Increase)/decrease in other non-current assets	71	1,123
CASH FLOW FROM INVESTMENTS	(931)	471
Increase/(decrease) in assets	76	(127)
Cash flow from dividend distribution	(6,486)	(4,453)
Increase/(decrease) in current financial liabilities	(208)	(2,410)
Increase/(decrease) in non-current financial liabilities	(248)	(518)
(Increase)/decrease in current financial assets	(32)	618
(Increase)/decrease in non-current financial assets	(3)	0
CASH FLOW FROM FINANCING	(6,901)	(6,890)
TOTAL CHANGE IN CASH	(219)	(1,830)
Liquid funds at the beginning of the period	16,455	13,751
Liquid funds at the end of the period	16,236	11,921
Change in liquid funds	(219)	(1,830)

PharmaNutra S.p.A.

Established and led by Chairman Andrea Lacorte and Vice Chairman Roberto Lacorte, PharmaNutra is a company established in 2003 that develops unique nutritional supplements and innovative medical devices, taking care of the entire production process, from proprietary raw materials to the finished product. The effectiveness of the products is demonstrated by a number of scientific evidences, including more than 140 publications. The Group distributes and sells in Italy and abroad. In Italy, the sales activity is carried out through a network of over 150 Scientific Sales Representatives at the service of the medical class, also dedicated to the exclusive marketing of PharmaNutra products to pharmacies throughout the country. Sales abroad are guaranteed in over 50 countries through 39 partners selected among the leading pharmaceutical companies. PharmaNutra is a leader in the production of iron-based nutritional supplements under the brand name SiderAL®, for which it boasts key patents for the Sucrosomial® Technology. Over the years, the Group has developed a precise strategy for the management and production of intellectual property, based on the integrated management of all components: proprietary raw materials, patents, trademarks and clinical evidence.

PharmaNutra.it

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