ANNUAL FINANCIAL REPORT

December 31st 2022

Pharmanutra S.p.A.

Headquarters	Via delle Lenze 216/B - 56122 PISA PI
REA (Economic Administrative Index)	146259
PISA Companies Register	no. 01679440501
Share capital	Euro 1,123,097.70 fully paid-in
Tax no. | VAT | Reg. Co. of Pisa	01679440501

PHARMANUTRA

Andrea Lacorte, President of PharmaNutra S.p.A., comments: *"Ending the year with very positive results has become an established and pleasant habit for the PharmaNutra Group companies, which continue to grow economically, commercially and scientifically. And even more so at a time in history that continues to be quite complicated in many aspects. It is not so obvious to be able to close another financial year in growth. This is the result of a winning strategy that is based on strong investments in research and development, and an increasingly consolidated expansion abroad. Our patents and the recognition of their value in international markets are, in fact, very important strategic assets, which enable our companies to continue to develop business while maintaining high cash generation".*

"PharmaNutra is experiencing an extraordinary moment, driven by important growth drivers: from the internationalisation, with the establishment of PharmaNutra USA and PharmaNutra España, to a research and development pipeline that will soon produce very important value for future applications, to the launch of the new Sport Nutrition line." ***Adds Roberto Lacorte, Vice President and CEO of the Group.*** *Achieving such a positive result, generated entirely by organic growth, is very important for all group companies. This reinforces the production of useful energy for an extremely interesting future, characterised by further growth that will also be supported by new business lines. In addition to this, it is worth mentioning the recent acquisition of Akern S.r.l., which will give strong complementarity to the existing business, whilst ensuring the development of a new business characteristic of bioimpedance, Akern's own sector".*

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 67 countries in Europe, Asia, Africa and America, through a network of 45 carefully selected sales partners.

Akern S.r.l., a company specialised in bioelectrical impedance analysis with more than 40 years work and innovation experience, joined the PharmaNutra Group in 2022 in order to enhance and diversify its business lines through strategic synergy.

ALESCO

PHARMANUTRA

JUNIAPHARMA

AKERN
Science in body composition

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.

Akern
Akern S.r.l. was set up in 1980 to research, develop and produce medical instruments and software with which to monitor the body's composition applying bioelectrical impedance techniques; and to support doctors and researchers in their fight against acute, chronic degenerative diseases linked to changes in the body composition.

CORPORATE BODIES

Board of Directors

Andrea Lacorte (Chairman)

Roberto Lacorte (Vice Chairman)

Carlo Volpi (Executive Director)

Germano Tarantino (Executive Director)

Alessandro Calzolari (Independent Director)

Marida Zaffaroni (Independent Director)

Giovanna Zanotti (Independent Director)

Board of Statutory Auditors

Giuseppe Rotunno (Chairman of the Board of Statutory Auditors)

Michele Luigi Giordano (Standing Auditor)

Debora Mazzacherini (Standing Auditor)

Alessandro Lini (Alternate Auditor)

Elena Pro (Alternate Auditor)

Audit Firm

BDO Italia S.p.A.

INTRODUCTION

PharmaNutra S.p.A., whose shares are traded on the STAR Segment of the Mercato Telematico Azionario ("MTA"), organised and managed by Borsa Italiana as of 15 December 2020, operates in the nutraceutical and pharmaceutical sector with the objective of improving people's well-being. Based on continuous research and development, it has introduced new nutritional concepts and new active ingredients to the market. It manufactures products using innovative technologies, paying particular attention to the protection of intellectual property.

This Report is presented in a single document for the purposes of the Consolidated Financial Statements of the PharmaNutra Group (hereinafter the "Group") and the Statutory Financial Statements of the Parent Company PharmaNutra S.p.A..

The administrative body of PharmaNutra S.p.A. resolved to prepare the Consolidated and Parent Company Statutory Financial Statements in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The amounts in the accounting statements, tables and explanatory notes are expressed in thousands of Euro, unless otherwise stated.

CONTENTS

MANAGEMENT REPORT

Dear Shareholders,

the consolidated financial statements for the year ended 31.12.2022 show a net result of Euro 15.0 million compared to the net result of Euro 13.8 million of the previous year.

Current taxes for the year amount to Euro 8.4 million (net of deferred tax assets). Pre-tax result amounts to Euro 23.4 million (Euro 18.8 million in 2021). Pre-tax result, in turn, was determined by allocating Euro 1.3 million (about Euro 1.4 million in 2021) to the provision for amortisation, depreciation and write-off.

Pharmanutra Group (hereinafter also the "Group") consists of Pharmanutra S.p.A. (“Pharmanutra”, the “Company” or the “Parent Company”) and its subsidiaries Junia Pharma S.r.l. (“Junia Pharma”), Alesco S.r.l. (“Alesco”) and Akern S.r.l. (“Akern”).

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 sales representatives/scientific 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.

Akern is an Italian company established in 1980 with the purpose of research, development and production of medical instrumentation and software for monitoring body composition using bioimpedance techniques. It joined the group in July following the parent company's purchase of shares representing 86.48% of the capital. In December, the acquisition of the remaining shares representing 13.52% of the capital was finalised.

As a result of the above, Akern was consolidated in the financial statements for the year ended 31 December 2022 as of 1 July 2022.

Operating conditions and business development

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

Operating results

The consolidated financial statements of Pharmanutra Group as at 31/12/2022 are as follows:

INCOME STATEMENT FIGURES (€/millions)	2022	%	2021	%	Changes
REVENUES	83.4	100.0%	68.8	100.0%	21.1%
REVENUES FROM SALES	82.7	99.2%	68.1	99.0%	21.4%
EBITDA	24.4	29.2%	20.1	29.2%	21.3%
NET RESULT	15.0	18.0%	13.8	20.0%	9.3%
NET RESULT excl. non-recurring items*	15.0	18.0%	13.3	19.3%	13.0%
EPS - NET EARNINGS PER SHARE (Euro)	1.56		1.42		9.4%
BALANCE SHEET FIGURES (€/millions)	**2022**		**2021**		**Changes**
NET INVESTED CAPITAL	40.3		17.0		23.3
NFP (positive cash)	10.6		28.1		(17.4)
SHAREHOLDERS' EQUITY	(51.0)		(45.1)		5.9

* The Net Result excluding the non-recurring items 2021 is net of the tax credit obtained on the consulting costs incurred for the translisting to the STAR market (Euro 457 thousand).

Revenues from sales

In 2022, consolidated revenues from sales amounted to Euro 82.7 million, with an increase of 21.4% compared to the previous year.

In terms of volumes, the sales of finished products as at 31 December 2022 reached 11,194 thousand units, an increase of approximately 15% compared to 9,712 thousand units in the previous year.

Italy

The revenues deriving from sales on the Italian markets have recorded an increase of 24%, reaching Euro 59.2 million, of which Euro 1.7 million for Akern, compared to Euro 47.8 million in the previous year.

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

Foreign market

Revenues from sales on foreign markets increased by 15.7%, reaching Euro 23.5 million (Euro 20.3 million in the previous year), and represent approximately 28% of total revenues, in line with the incidence for the previous year.

The foreign market with the highest incidence is Europe, which accounts for 55% of the total as at 31 December 2022. Revenues on foreign markets are represented almost exclusively by sales of products from the SiderAL® line.

The development of new markets continued during 2022 with the definition of new distribution agreements.

Pharmanutra Group's **EBITDA** was approximately Euro 24.4 million as at 31 December 2022 (Euro 20.1 million in 2021), equal to a 29.2% margin (29.2% in 2021) on total revenues, with a 21% increase compared to the previous year.

The **Net result** for the period amounts to Euro 15.0 million compared with Euro 13.8 million as at 31 December 2021. The net result for the period as at 31 December 2021 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 market, which took place on 15 December 2020, for the amount of Euro 457 thousand.

The 2022 **net financial position** records a reduction of Euro 17.4 million compared to 31 December 2021, due to the investments made and shows a positive balance of Euro 10.6 million compared to Euro 28.1 million in the previous year.

The cash flow from operations amounts to Euro 17 million (Euro 20.5 million in 2021), thus confirming the Group's great cash generation capacity.

The results obtained come from continuous research and development and clinical activities on the products themselves, which generate a greater awareness of the effectiveness of the products among the medical class and a growing perception of quality on the part of consumers.

In light of the results obtained, there are no issues relating to the going concern, liquidity risk and the recoverability of goodwill as well as tangible and intangible assets recognised in the financial statements at 31 December 2022. The impairment test performed on the recoverability of goodwill, which amounted to Euro 17,561 thousand at 31 December 2022, of which Euro 960 thousand related to the subsidiary Alesco, Euro 1,790 thousand to the subsidiary Junia Pharma, and Euro 14,811 thousand related to the Akern subsidiary, showed an excess of the recoverable amount of 32 times for the amount related to the subsidiary Alesco, 7 times for the subsidiary Junia Pharma and 14% for Akern. For further details, see the relevant section of the Explanatory Notes to the Consolidated Financial Statements.

Information about Covid-19

The gradual lifting of the restrictive measures issued in response to the Covid-19 pandemic has allowed for a gradual return to normality, even though scientific information activities continue to be affected by the restrictive measures on access to hospital facilities. However, a 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.

The Group has continued to use remote working ("smart working"), albeit to a lesser extent than in previous periods. 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.

Information on the Russia - Ukraine conflict

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

As of today, the Group has no exposure to the Russian distributor. During the year, in order to preserve the investments made in previous years for the creation of the Russian market, the Group did not stop supplying the Russian distributor, but allocated part of the margin realised to the Pisa's Provincial Committee of the Italian Red Cross to support the Ukrainian refugee families hosted there.

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

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

In light of the foregoing and in consideration of the results of the impairment test performed at 31 December 2022, the directors have assessed that the effects of the Russia-Ukraine conflict on the Group's performance are not indicators of possible impairment losses.

Significant Events of 2022

The most significant events of the financial year 2022 are described below.

The inflationary dynamics that characterised 2022 under review did not lead to any reduction in margins thanks to the cost efficiency measures implemented between the end of 2021 and the beginning of 2022, which were accompanied by an increase in sales prices from March 2022.

In January 2022, the share buy-back programme was started in execution of the resolutions passed at the Ordinary Shareholders' Meetings of 26 April 2021 and 27 April 2022. The purpose of the program is to enable Pharmanutra to take advantage of the opportunity to make a capital expenditures, in cases where the market price trend of PHN shares, including for factors external to the company, is not able to adequately express the value of the same, and thus to provide the company with a useful capital expenditures opportunity for any purpose permitted by current regulations. At 31 December 2022, Pharmanutra holds 37,999 treasury shares equal to 0.39% of the share capital.

In the same month, a patent on the use of cetylated fatty acids (CFAs) was granted in the United States. The patent certificate, identified with number "US 11,186,536", consolidates Pharmanutra's intellectual property on the use of cetylated fatty acids (CFA), the functional principle at the base of Cetilar® brand medical devices for the treatment and prevention of muscle and joint problems. In particular, the new concession protects certain specific steps in the manufacturing process and, most importantly, covers both topical and oral use of CFAs preparations.

On February 14, the European Union, through publication in the Official Journal, authorised the placing on the market of cetylated fatty acids as Novel Food. The new food (Lipocet®) consists mainly of a mixture of myristic acid, oleic acid and, to a lesser extent, other cetylated fatty acids, which until now could only be used in Cetilar® brand topical products.

Cetylated fatty acids patented by Pharmanutra will therefore be included in the Union list of authorised novel foods established by Implementing Regulation (EU) 2017/2470. With the inclusion of Lipocet® in this list, the registration process, which in July 2021, had already seen EFSA (the European Food Safety Authority) issue its positive opinion for the classification of Lipocet® as a novel food, is officially concluded.

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

In April, Pharmanutra and Alesco submitted to the competent Regional Directorate of the Italian Inland Revenue Agency a petition for appeal pursuant to Article 11, paragraph 1, letter a) of Law 212/2000 to obtain the Italian Inland Revenue Agency's opinion on the interpretation proposed by the two companies, concerning the regulatory uncertainty generated by Article 6 of Italian Decree-Law 146 of 21 October 2021, by which it was established that for the 2021 and subsequent tax years, the renewal options provided by the previous legislation to take advantage of the Patent Box tax benefit could no longer be exercised. Considering that the regulatory changes introduced in 2021 did not allow the continuation of the renewal applications of the existing Patent Box agreements submitted in 2020, on July 28 the Italian Inland Revenue Agency sent Pharmanutra and Alesco a formal notice of non-acceptance of the Patent Box renewal application under the previous regulations.

In June, a preliminary agreement was signed for the acquisition from Red Lions S.p.A., Jacopo Talluri and Liside S.r.l. of a 100% investment in the share capital of Akern S.r.l., a company active in the research, development, production and sale of medical instruments and software for monitoring body composition using bio-impedance techniques. The sum for the purchase of 100% of Akern's share capital amounted to Euro 12 million. An earn-out is also to be paid to the sellers up to a maximum of Euro 3 million upon achievement of targets related to Akern's EBITDA and industrial margin, calculated on the basis of the results of the 2022, 2023 and 2024 financial years. The completion of the transaction, which was conditional, inter alia, on obtaining the “Golden Power” authorisation, obtained on June 30, and the sale of the shares representing 14.33% of the capital of Red Lions S.p.A, held by the Parent Company to the majority shareholders of Red Lions, took place in July 2022 for the first part relating to the sale of the shares owned by Red Lions and Jacopo Talluri, representing 72.96% and 13.52%, respectively, of Akern's share capital for Euro 10,783,200. The second part, completed in December 2022, involved the purchase and sale of Liside S.r.l.'s ownership share, representing the remaining 13.52% of Akern's share capital for Euro 1,216,800.

In September, the Group's first sustainability report was published. Drawn up on a voluntary basis, as PharmaNutra S.p.A. is exempted from the mandatory reporting of the Non-Financial Declaration according to Legislative Decree 254/2016 currently in force, it was prepared in accordance with the Global Reporting Initiative (GRI), which is now the most internationally recognised and widespread non-financial reporting standard, and was subject to a limited audit by KPMG S.p.A.

On September 15 2022, the new Cetilar® Oro and ApportAL® Vital were launched on the market. Officially unveiled at the PharmaNutra 2022 National Convention, the new food supplements are a major extension of the Cetilar® and ApportAL® ranges.

Cetilar® Oro is a nutritional supplement based on Cetylated Esters (CFAs), as well as the leading oral formulation in the Cetilar® range, until now exclusively including topical products for the reduction of musculo-skeletal pain in cases of trauma, contractures, strains, contusions or sprains. Cetilar® Oro is an absolute first for the market of products dedicated to muscle and joint well-being. It is the only orodispersible food supplement made up of a mixture of Cetylated Fatty Acids (CFAs), an exclusive PharmaNutra patent.

The new ApportAL® Vital will be marketed by Junia Pharma, which is involved in the development and distribution of pediatric-specific medical devices and nutritional supplements. Like the already well-known and popular nutritional supplement ApportAL®, the Vital version contains 19 nutrients, including vitamins, Sucrosomial® minerals, amino acids, royal jelly, and coenzyme Q10, and is particularly recommended for when the body needs to recover rapidly from bouts of fatigue, weakness and tiredness and can assist with convalescence and lack of appetite, not to mention its positive effects on immune defences.

In the same month, the opening of the new online store dedicated to the SiderAL® range on the TMall Global China cross-border e-commerce platform kicked off the sale of the full range of adult to infant Sucrosomial® Iron-based nutritional supplements also on the Chinese market. This was a strategic step for the internationalisation goals of PharmaNutra Group and its nutraceutical technologies: the project was developed in partnership with Adiacent (Sesa Group), a leading Italian agency in China in the life science sector. Cross-border e-commerce systems are a fast-growing component of China's economy and make up an increasingly large percentage of foreign trade. These distribution systems allow international companies to sell their products on the Chinese market without necessarily having a physical presence or direct distributor in China, but relying on the logistics network of large e-commerce platforms. This system enables Chinese consumers to easily and directly purchase high-quality goods with the guarantee of brand authenticity and delivery within 2 days of ordering. In addition, cross-border e-commerce offers the ability to buy on a global scale while making transactions locally. From the companies' point of view, this system allows them to reach a new and very large audience of consumers, with a business model in line with their cultural and purchasing habits.

In November, a partnership was announced between Pharmanutra and Luna Rossa Prada Pirelli in the campaign for the 37th America's Cup, scheduled to take place in Barcelona, Spain, between September and October 2024, through the development of the innovative and ambitious Human Performance project. Athletic preparation, injury prevention, nutrition and mental preparation: these are the main areas on which the Human Performance project focuses, seeking - through the best professionals in their respective fields and a constant comparison between the various areas - the best possible performance.

Finally, in December, Pharmanutra Usa Corporation was established, with its operational headquarters in Florida and a share capital of USD 300,000. The new company will be distributing and promote the Group's products in the U.S.A., a key market for foreign development that, due to its specificity, requires a physical presence in the territory. The promotion of PharmaNutra-branded nutritional supplements and medical devices (which will be classified as *cosmetics*) is scheduled to begin, both through selected online e-commerce channels and through direct distribution in the territory, during the first half of 2023.

During the year, the Parent Company received an invitation from the Pisa's Provincial Directorate of the Inland Revenue Agency to discuss the tax settlement related to 2016. The Company has expressed its willingness to apply for the procedure called "*cooperative compliance*", which implies the definition of 2016 and subsequent years up to 2021, and with this in mind, it has provisionally estimated the amount related to the definition of the aforementioned tax periods with an accrual to the Tax Provision of Euro 1.4 million .

Operating Performance

Pharmanutra Group's Business Lines

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

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

This model, used for the Italian market, characterises Pharmanutra and Junia Pharma.

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

Sales made through the network known as "Direct Business Line" represent 70% of revenues, while the remaining 28% is guaranteed by sales made abroad through distributor customers, hereinafter referred to as "Indirect Business Line".

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

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

The consolidated revenues as at 31 December 2022, amounting to Euro 82.7 million, increased by 21.5% compared to 31 December 2021 (Euro 68.1 million).

Revenues by area of activity				**Incidence**	
€/1000	**2022**	**2021**	**Δ%**	**2022**	**2021**
LB1	56,106	46,124	21.6%	67.8%	67.7%
LB2	22,355	19,692	13.5%	27.0%	28.9%
Total Finished Products	***78,461***	***65,816***	***19.2%***	***94.9%***	***96.6%***
Alesco Outgroup LB1	1,385	1,689	*-18.0%*	*60.2%*	*73.5%*
Alesco Outgroup LB2	918	610	*50.5%*	*39.9%*	*26.5%*
Total raw material	***2,303***	***2,298***	**0.2%**	**2.8%**	**3.4%**
Akern Italy	1,742	0	*n.s.*	*88.8%*	*0.0%*
Akern Foreign markets	219	0	*n.s.*	*11.2%*	*0.0%*
Total Akern	***1,961***	***0***	**n.s.**	**2.4%**	**0.0%**
Total	**82,724**	**68,114**	**21.5%**	**100%**	**100%**

The breakdown of revenues in the Group's business areas shows that the sales of finished products increased by 21.6% and 13.5% on the Italian market (LB1) and on foreign markets (LB2), respectively, compared to the previous year.

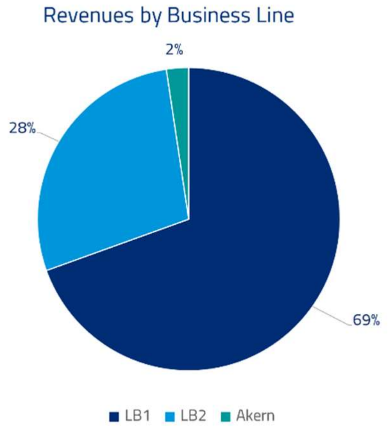
The performance of the sales area of proprietary and non-proprietary raw materials to companies in the food, pharmaceutical and nutraceutical industry, as well as to nutraceutical production plants producing on behalf of third parties (Alesco outgroup), managed by the subsidiary Alesco, recorded a decrease in revenues in the Italian market and an increase in foreign markets.

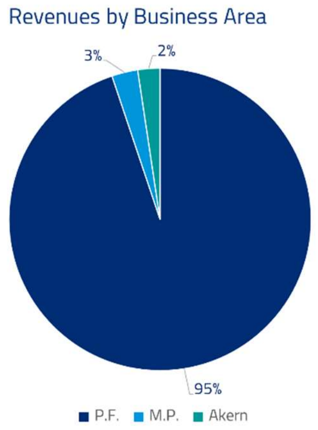
The following table shows the breakdown of the revenues into the business lines described above.

Revenues by Business Line				**Incidence**	
€/1000	**2022**	**2021**	**Δ%**	**2022**	**2021**
Total LB1	57,491	47,813	20.2%	69.5%	70.2%
Total LB2	23,272	20,301	14.6%	28.1%	29.8%
Akern	1,961	0	n.s.	2.4%	0.0%
Total	**82,724**	**68,114**	**21.5%**	**100%**	**100%**

Overall, revenues from sales on the Italian market increased by about 20.2%, reaching Euro 57.5 million (Euro 47.8 million in the previous year), and represent 70% of total revenues.

Akern's revenues refer for Euro 1.7 million to the Italian market and for Euro 0.2 million to foreign markets.





Revenues on foreign markets increased by 15.7% to Euro 23.5 million (Euro 20.3 million in 2021), and accounted for 28% of total revenues compared to 29.8% in the previous year.

Revenues by geographic area				Incidence	
€/1000	2022	2021	Δ%	2022	2021
Europe	13,011	10,864	19.8%	55.4%	53.5%
Middle East	7,836	6,981	12.2%	33.4%	34.4%
Africa	1,001	1,636	-38.8%	4.3%	8.1%
Far East	842	616	36.6%	3.6%	3.0%
Other	802	204	293.0%	3.4%	1.0%
Total	**23,491**	**20,301**	**15.7%**	**100%**	**100%**

The increase in revenues on foreign markets compared to the previous year arises from the progressive increase in volumes due to contracts stipulated in previous years. The foreign market with the highest incidence is Europe, which accounts for 55.4% of the total as at 31 December 2022. There was significant growth in revenues on the Middle East market. Revenues on foreign markets are almost exclusively represented by sales of products from Sideral® line.

In terms of volumes, the sales of finished products as at 31 December 2022 reached 11,194 thousand units, an increase of approximately 15% compared to 9,712 thousand units in the previous year.

F.P. Volumes Units/1,000	2022	2021	Δ%	Incidence 2022	Incidence 2021
LB1	4,045	3,464	16.8%	36.1%	35.7%
LB2	7,149	6,248	14.4%	63.9%	64.3%
Total	**11,194**	**9,712**	**15.3%**	**100%**	**100%**

The volumes of finished products invoiced by LB1 business line increased by about 16.8% compared to the previous year, while the volumes of sales on foreign markets increased by about 14.4%, with an incidence on the total volumes of finished products sold substantially constant.

The analysis of finished products revenues by product line (Trademark) reported in the following table shows the growth of all the main product lines.

Revenues P.F. by Product Line €/1000	2022	2021	Δ%	Incidence 2022	Incidence 2021
Sideral	58,790	52,584	11.8%	73.1%	79.9%
Cetilar	8,144	6,556	24.2%	10.1%	10.0%
Apportal	8,238	3,885	112.1%	10.2%	5.9%
Ultramag	874	863	1.3%	1.1%	1.3%
Other	2,415	1,928	25.2%	3.0%	2.9%
Akern	1,961	0	n.s.	2.4%	0.0%
Total	**80,421**	**65,815**	**22.2%**	**100%**	**100%**

The Sideral® line, with an increase in revenues reach Euro 58.8 million as at 31 December 2022 (+11.8% compared to 2021) and an incidence on the total finished product revenues of 73.1% (79.9% in 2021), confirms its leadership in the reference market as shown in the market analysis in the following pages.

The Cetilar® line returned to pre-Covid levels with a 24% increase over the previous year. The incidence on total revenues remained in line with the previous year. Apportal® shows a significant increase (+112% compared to the previous year) thanks to its features of tonic-energetic and restorative supplement.

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

Pharmanutra Group Results

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

The income statement is shown below*:*

CONSOLIDATED OPERATING INCOME STATEMENT (€/1000)	2022	%	2021	%	Δ 22/21	Δ %
REVENUES	**83,394**	**100.0%**	**68,836**	**100.0%**	**14,558**	**21.2%**
Net revenues	82,724	99.2%	68,114	99.0%	14,610	21.5%
Other revenues	670	0.8%	722	1.1%	(52)	-7.2%
OPERATING COSTS	**59,036**	**70.8%**	**48,756**	**70.8%**	**10,280**	**21.1%**
Purchases of raw materials, consum. and supplies	4,793	5.8%	3,264	4.7%	1,529	46.8%
Change in inventories	(1,968)	-2.4%	(971)	-1.4%	(997)	102.7%
Costs for services	50,402	60.4%	41,534	60.3%	8,868	21.4%
Personnel costs	5,101	6.1%	4,288	6.2%	813	19.0%
Other operating costs	708	0.9%	641	0.9%	67	10.5%
GROSS OPERATING MARGIN (EBITDA)	**24,358**	**29.2%**	**20,080**	**29.2%**	**4,278**	**21.3%**
Amortisation, depreciation and write-off	1,318	1.6%	1,389	2.0%	(71)	-5.1%
OPERATING MARGIN (EBIT)	**23,040**	**27.6%**	**18,691**	**27.2%**	**4,349**	**23.3%**
FINANCIAL INCOME (EXPENSES) BALANCE	**378**	**0.5%**	**118**	**0.2%**	**260**	**220.3%**
Financial income	528	0.6%	159	0.2%	369	232.1%
Financial expenses	(150)	-0.2%	(41)	-0.1%	(109)	265.9%
PRE-TAX RESULT	**23,418**	**28.1%**	**18,809**	**27.3%**	**4,609**	**24.5%**
Income Taxes	(8,370)	-10.0%	(5,038)	-7.3%	(3,332)	66.1%
Net result of third parties		**0.0%**	**0**		**0**	**0.0%**
Net result of the Group	**15,048**	**18.0%**	**13,771**	**20.0%**	**1,277**	**9.3%**

The year-on-year increase in revenues was accompanied by a physiological increase in operating costs, due to the higher revenue volumes, realised in raw material purchasing, finished goods processing and logistics costs (+ Euro 2.5 million), sales network costs (+ Euro 0.8 million) and travel costs (+ Euro 0.5 million). Marketing costs increased (+ Euro 4.2 million) as a result of the new investments implemented to support the group's brands and the removal of the Covid-19 restrictions that also in 2021 had not allowed the realisation of all planned events.

Personnel costs increased due to the hiring of new staff as part of the organisational strengthening process underway in anticipation of growing business volumes.

The item Income Taxes includes the provision of Euro 1.4 million accrued in consideration of the definition of the 2016 tax period, following an invitation to activate the assessment by agreement procedure received, and the subsequent periods up to 2021 with the aim of applying for access to the collaborative compliance regime provided for by the Italian Legislative Decree No. 128 of 5 August 2015.

Pharmanutra Group, in order to allow for a better evaluation of the management performance, uses a number of alternative performance indicators that are not identified as accounting measures under IFRS.

Therefore, the determination criterion applied by the Group may not be consistent with that adopted by other groups and the balance obtained may not be comparable with the one determined by the latter.

These alternative performance indicators, determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015, only relate to the performance of the accounting period covered by this Financial Report and the years being compared and not to the Group's expected performance.

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

- EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation.

- Adjusted EBITDA: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of non-recurring items.

- EBIT: it is represented by the Earnings before interest, taxes, depreciation and amortisation net of depreciation, amortisation and write-off.

- Net Working Capital: it is calculated as the sum of inventories and trade receivables net of trade payables and all other balance sheet items classified as Other receivables or Other payables.

- Operating Working Capital: it is calculated as the sum of inventories and trade receivables, net of trade payables.

- Net Invested Capital: it is the sum of Net Working Capital, Total Fixed Assets net of Provisions and other medium/long-term liabilities, excluding items of a financial nature which are included in the Net Financial Position balance.

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

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

OPERATING BALANCE SHEET (€/1000)	31/12/2022	31/12/2021
TRADE RECEIVABLES	21,647	16,673
INVENTORIES	5,261	2,865
TRADE PAYABLES	(16,882)	(9,751)
OPERATING WORKING CAPITAL	**10,026**	**9,787**
OTHER RECEIVABLES	4,958	2,042
OTHER PAYABLES	(5,292)	(6,177)
NET WORKING CAPITAL	**9,692**	**5,652**
INTANGIBLE ASSETS	21,560	5,500
TANGIBLE ASSETS	17,055	8,372
FINANCIAL ASSETS	1,310	1,490
TOTAL FIXED ASSETS	**39,925**	**15,362**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(9,307)	(3,996)
NET INVESTED CAPITAL	**40,310**	**17,018**
SHAREHOLDERS' EQUITY	**50,948**	**45,082**
NON-CURRENT FINANCIAL LIABILITIES	14,110	5,530
CURRENT FINANCIAL LIABILITIES	3,616	820
NON-CURRENT FINANCIAL ASSETS	(1,503)	(475)
CURRENT FINANCIAL ASSETS	(4,810)	(4,530)
CASH AND CASH EQUIVALENTS	(22,051)	(29,409)
NET FINANCIAL POSITION	**(10,638)**	**(28,064)**
TOTAL SOURCES	**40,310**	**17,018**

Operating working capital is essentially unchanged from 31 December 2021.

The increase in the item Other Receivables derives from the advances paid for the purchase of shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times), from the increase in VAT receivables generated by the advancement of the construction of the new headquarters, and from the prepayments of marketing activities pertaining to 2023.

The Other payables item is related to the recognition of taxes on the result of the financial year.

The increase in the item Intangible fixed assets comes from the goodwill recognised for the acquisition of Akern (Euro 14.9 million), the capitalised costs relating to patents and trademarks deriving from research activities (Euro 0.7 million) and research projects in progress (Euro 0.5 million).

The increase in item Tangible fixed assets resulted from the advancement of the construction of the new headquarters.

The increase in the item Provisions and other M/L liabilities derives from the recognition of the liability relative to the Earn out contractually foreseen to the sellers of Akern in the amount of Euro 3 million, accounted for at the outcome of the verifications carried out, from the allocation of the medium-long term variable compensation of the amount accrued by the Executive Directors and the related Provision for severance indemnities as resolved by the General Shareholders' Meeting of 27 April 2020, and by the allocation of Euro 1.4 million to the Tax Provision against the ongoing dispute with the Pisa’s Provincial Directorate of the Inland Revenue Agency concerning the tax period 2016-2021 in view of the Company's adhesion to the collaborative compliance procedure. The Provision for sundry risks and disputes set up in previous years was fully utilised following the out-of-court settlement of certain lawsuits in progress with former whistleblowers.

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

Below are the Alternative Performance Indicators (APIs) considered most significant by the Group.

CONTENTS	31/12/2022	31/12/2021
EBITDA /Revenues	29.2%	29.2%
EBIT /Revenues	27.6%	27.2%
R.O.S. (Ebitda /Net revenues)	29.4%	29.5%
R.O.I. (Ebitda /Net invested capital)	60.4%	118.0%
R.O.E. (Return On Equity)	29.5%	30.6%
NFP/Equity	0.21	0.62
NFP/EBITDA	0.44	1.40

The index analysis shows that profitability is unchanged from the previous year. The change in R.O.I., R.O.E. and financial coverage ratios resulted from the recognition of goodwill arising from the acquisition of Akern and the financing obtained to support the transaction.

Net Financial Position (€/1000)	31/12/2022	31/12/2021
Cash	(21)	(18)
Cash in banks	(22,030)	(29,391)
Total cash and cash equivalents	**(22,051)**	**(29,409)**
Current financial assets	(4,810)	(4,530)
Current financial liabilities: due to banks	0	254
Current portion of non-current debt	3,365	305
Current financial payables for rights of use	251	261
Net current financial indebtedness FA	**(1,194)**	**(3,710)**
Net current financial (assets)/indebtedness	**(23,245)**	**(33,119)**
Non-current financial assets	(1,259)	(254)
Deposits paid	(244)	(221)
Non-current bank payables	13,612	5,000
Derivative financial instruments	0	4
Non-current financial payables for rights of use	498	526
Non-current financial indebtedness	**12,607**	**5,055**
Net financial position	**(10,638)**	**(28,064)**

The **Net Financial Position** at 31 December 2022 was a positive Euro 10.6 million compared to Euro 28.1 million at 31 December 2021. Cash generated from operations during the period amounted to Euro 14 million; investments of Euro 23 million were made including Euro 11.3 million for the business combination of Akern, and Euro 8.8 million for the construction of the new headquarters. The acquisition of the Akern shares was financed through the disbursement of two medium/long-term unsecured loans in the amount of Euro 6 million each by Credem S.p.A. and BPM S.p.A.

During 2022, treasury shares in the amount of Euro 2.4 million were repurchased.

Refer to the consolidated Cash Flow Statement for further details.

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

On 27 April 2022 the Shareholders' Meeting resolved the distribution of Euro 0.71 dividend per share, corresponding to a payout ratio of approximately 50%, given its structural financial capacity and the consolidated corporate practice on dividend distribution.

Income Statement and Balance Sheet of the Parent Company

As at 31 December 2022, Pharmanutra results are as follows:

NET RESULT FOR THE PERIOD: €/000 13,046

NET FINANCIAL POSITION: €/000 (7,268)

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

OPERATING INCOME STATEMENT (€/1000)	2022	%	2021	%
REVENUES	**71,211**	**100.0%**	**60,446**	**100.0%**
Net revenues	70,280	98.7%	59,506	98.4%
Other revenues	931	1.3%	940	1.6%
OPERATING COSTS	**52,035**	**73.1%**	**43,980**	**72.8%**
Purchases of raw materials, consum. and supplies	4,156	5.8%	3,311	5.5%
Change in inventories	(1,271)	-1.8%	(978)	-1.6%
Costs for services	45,434	63.8%	38,118	63.1%
Personnel costs	3,130	4.4%	2,978	4.9%
Other operating costs	586	0.8%	551	0.9%
EBITDA	**19,176**	**26.9%**	**16,466**	**27.2%**
Amortisation, depreciation and write-off	953	1.3%	1,146	1.9%
OPERATING RESULT	**18,223**	**25.6%**	**15,320**	**25.3%**
FINANCIAL INCOME (EXPENSES) BALANCE	**1,730**	**2.4%**	**1,546**	**2.6%**
Financial income	1,844	2.6%	1,569	2.6%
Financial expenses	(114)	-0.2%	(23)	0.0%
Non-recurring income (expenses)		**0.0%**	**0**	**0.0%**
PRE-TAX RESULT	**19,953**	**28.0%**	**16,866**	**27.9%**
Income Taxes	(6,907)	-9.7%	(4,087)	-6.8%
Net result	**13,046**	**18.3%**	**12,779**	**21.1%**

The year-on-year increase in sales was accompanied by a physiological increase in operating costs, due to the higher revenue volumes, realised in raw material purchasing, finished goods processing and logistics costs (+ Euro 1.8 million), sales costs (+ Euro 0.4 million) and travel costs (+ Euro 0.6 million). Marketing costs increased (+ Euro 4.4 million) as a result of the investments implemented to support the group's brands and the removal of the restrictions related to the Covid pandemic.

Personnel costs increased due to the hiring of new staff as part of the organisational strengthening process underway in anticipation of growing business volumes.

The item Income Taxes includes the provision of Euro 1.4 million accrued in consideration of the definition of the 2016 tax period, following an invitation to activate the assessment by agreement procedure received, and the subsequent periods up to 2021 with the aim of applying for access to the collaborative compliance regime provided for by the Italian Legislative Decree No. 128 of 5 August 2015.

OPERATING BALANCE SHEET (€/1000)	31/12/2022	31/12/2021
TRADE RECEIVABLES	18,741	14,565
INVENTORIES	3,772	2,480
TRADE PAYABLES	(16,204)	(10,062)
OPERATING WORKING CAPITAL	**6,309**	**6,983**
OTHER RECEIVABLES	4,175	1,618
OTHER PAYABLES	(4,126)	(5,709)
NET WORKING CAPITAL	**6,358**	**2,892**
INTANGIBLE ASSETS	2,096	1,372
TANGIBLE ASSETS	16,342	7,889
FINANCIAL ASSETS	18,500	3,695
TOTAL FIXED ASSETS	**36,938**	**12,956**
PROVISIONS AND OTHER M/L-TERM LIABILITIES	(8,673)	(3,527)
NET INVESTED CAPITAL	**34,623**	**12,321**
SHAREHOLDERS' EQUITY	**41,891**	**38,111**
NON-CURRENT FINANCIAL LIABILITIES	13,490	5,364
CURRENT FINANCIAL LIABILITIES	3,275	500
NON-CURRENT FINANCIAL ASSETS	(1,445)	(435)
CURRENT FINANCIAL ASSETS	(4,697)	(4,530)
CASH AND CASH EQUIVALENTS	(17,891)	(26,689)
NET FINANCIAL POSITION	**(7,268)**	**(25,790)**
TOTAL SOURCES	**34,623**	**12,321**

Operating working capital is essentially unchanged from 31 December 2021.

The increase in the item Other Receivables derives from the advances paid for the purchase of shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times), from the increase in VAT receivables generated by the advancement of the construction of the new headquarters, and from the prepayments of marketing activities pertaining to 2023.

The Other payables item is related to the recognition of taxes on the result of the financial year.

The increase in the item Intangible fixed assets comes from the capitalised costs relating to patents and trademarks deriving from research activities (Euro 0.6 million) and research projects in progress (Euro 0.4 million).

The increase in the item Tangible fixed assets and Financial fixed assets derives, respectively, from the advancement in the construction of the new headquarters (Euro 7.5 million) and the purchase of all the shares representing Akern's capital (Euro 12 million and Euro 3 million earn-out).

The increase in the item Provisions and other M/L liabilities derives from the recognition of the liability relative to the Earn out contractually foreseen to the sellers of Akern in the amount of Euro 3 million, accounted for at the outcome of the verifications carried out, from the allocation of the medium-long term variable compensation of the amount accrued by the Executive Directors and the related Provision for severance indemnities as resolved by the General Shareholders' Meeting of 27 April 2020, and by the allocation of Euro 1.4 million to the Tax Provision against the ongoing dispute with the Pisa's Provincial Directorate of the Inland Revenue Agency concerning the tax period 2016-2021 in view of the Company's adhesion to the collaborative compliance procedure. The Provision for sundry risks and disputes set up in previous years was fully utilised following the out-of-court settlement of certain lawsuits in progress with former whistleblowers.

Net Financial Position (€/1000)	31/12/2022	31/12/2021
Cash	(14)	(16)
Cash in banks	(17,877)	(26,673)
Total cash and cash equivalents	**(17,891)**	**(26,689)**
Current financial assets	(4,697)	(4,530)
Current financial liabilities: due to banks	0	157
Current portion of non-current debt	3,165	151
Current financial payables for rights of use	110	192
Net current financial indebtedness FA	**(1,422)**	**(4,030)**
Net current financial (assets)/indebtedness	**(19,313)**	**(30,719)**
Non-current financial assets	(1,259)	(254)
Deposits paid	(186)	(181)
Non-current bank payables	13,239	5,000
Derivative financial instruments	0	4
Non-current financial payables for rights of use	251	360
Non-current financial indebtedness	**12,045**	**4,929**
Net financial position	**(7,268)**	**(25,790)**

The Net Financial Position passes from a positive balance of Euro 25.8 million at 31.12.2021 to a positive balance of Euro 7.3 million as at 31 December 2022.

Investments amount to Euro 22 million and include Euro 12 million for the purchase of 100% of Akern's share capital and Euro 8.8 million for the construction of the new headquarters. The acquisition of the Akern shares was financed through the disbursement of two medium/long-term unsecured loans in the amount of Euro 6 million each by Credem S.p.A. and BPM S.p.A. Treasury shares in the amount of Euro 2.4 million were repurchased.

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

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.

Refer to the Cash Flow Statement for further details.

On 27 April 2022 the Shareholders' Meeting resolved the distribution of Euro 0.71 dividend per share, corresponding to a payout ratio of approximately 50%, given its structural financial capacity and the consolidated corporate practice on dividend distribution.

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

	Net result	Shareholders' equity
Shareholders' equity and result for the year from the Parent company's financial	**13,046**	**41,891**
Effects of the derecognition of the book value of consolidated equity investments:		
- Book value of investments	0	(17,817)
- Shareholders' equity (including the results for the year of consolidated companies)	3,713	11,368
- Goodwill		16,533
Derecognition of the effects of transactions between Group companies:		
- Write-off of intercompany dividends	(1,316)	0
- Derecognition of capital gains or losses on internal disposals	(395)	(1,027)
Shareholders' equity and result for the year of the Group	**15,048**	**50,948**
Shareholders' equity and result for the year of minority interest		
Shareholders' equity and result for the year of the Consolidated Financial Statements	**15,048**	**50,948**

Reference markets in which the Group operates

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

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

Food supplements market[1]

The food supplements closed 2022 with a value of over Euro 4.48 billion for a total of approximately 325 million packs sold, also considering the e-commerce of pharmacies and parapharmacies.

The following changes are noted: +9.3% in value and +8.9% in terms of units sold.

Local pharmacies remain the preferred distribution channel with about 77% share in value, followed by large-scale retail trade sector, parapharmacy and e-commerce with shares of 9.0%, 7.0% and 6.7%, respectively.

In 2022, the pharmacy channel grew by 8.7% in value and 7.7% in units sold.

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

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

	Valori - MAT DIC 2022	Evoluzione % MAT DIC 2022 VS 2021	QUOTA	Volumi - MAT DIC 2022	Evoluzione % MAT DIC 2022 VS 2021	QUOTA
Mercato Totale	**4.488**	**9,3%**	**100%**	**325**	**8,9%**	**100%**
Farmacie	3.472	8,7%	77,4%	206	7,7%	63,6%
Parafarmacie	313	4,0%	7,0%	20	2,7%	6,2%
Super/Iper No Corner	220	8,5%	4,9%	53	9,7%	16,3%
E-Commerce	300	23,5%	6,7%	23	25,5%	6,9%
Super/Iper Corner	184	10,9%	4,1%	23	9,9%	7,0%

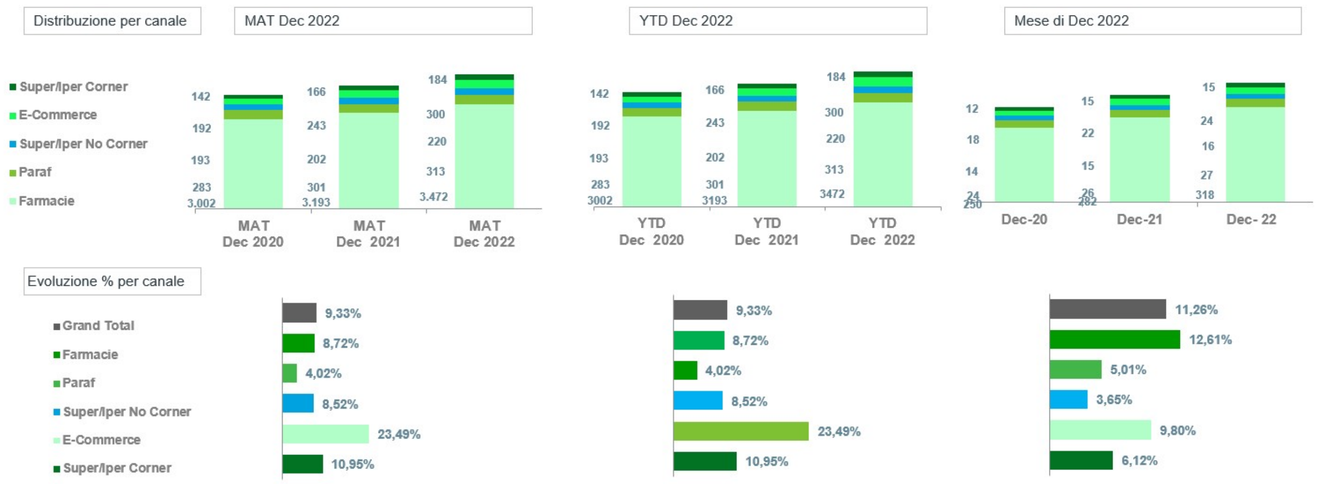
The market for Food Supplements – sell-out[2] at retail price values in MAT[3], YTD[4] and month

[1] Source: IQVIA Solutions Italy data processing - rolling year ending December 2022

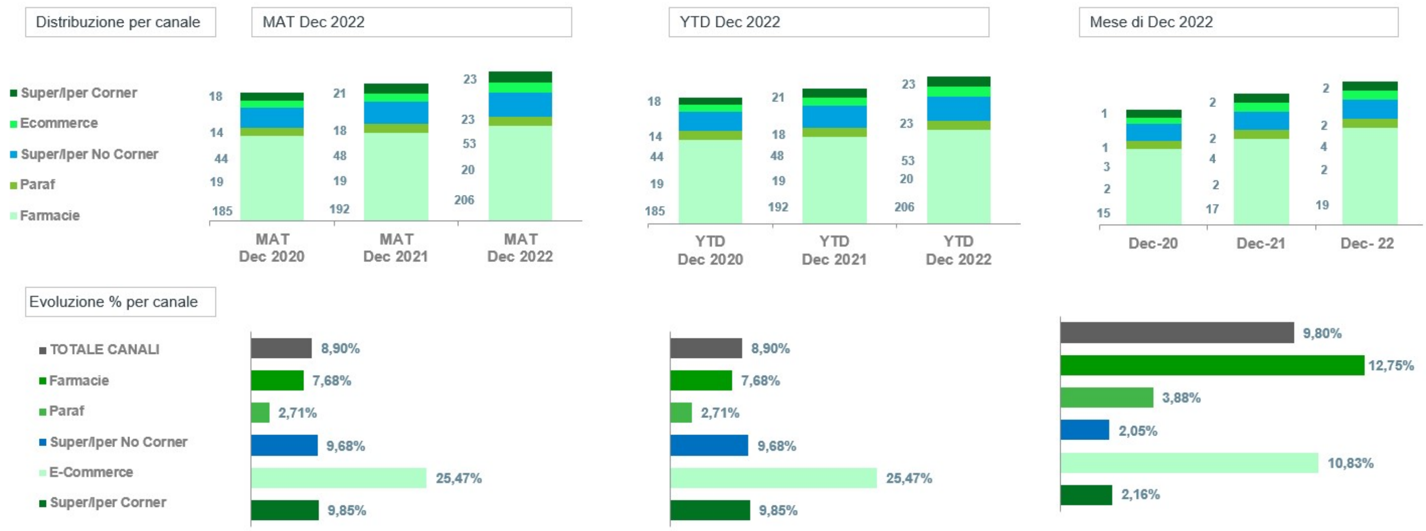
[2] Sell-out: sales to the public expressed in units (sell-out in volume) or valued at the retail price (sell-out in value).

[3] MAT: Moving Annual Total.

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



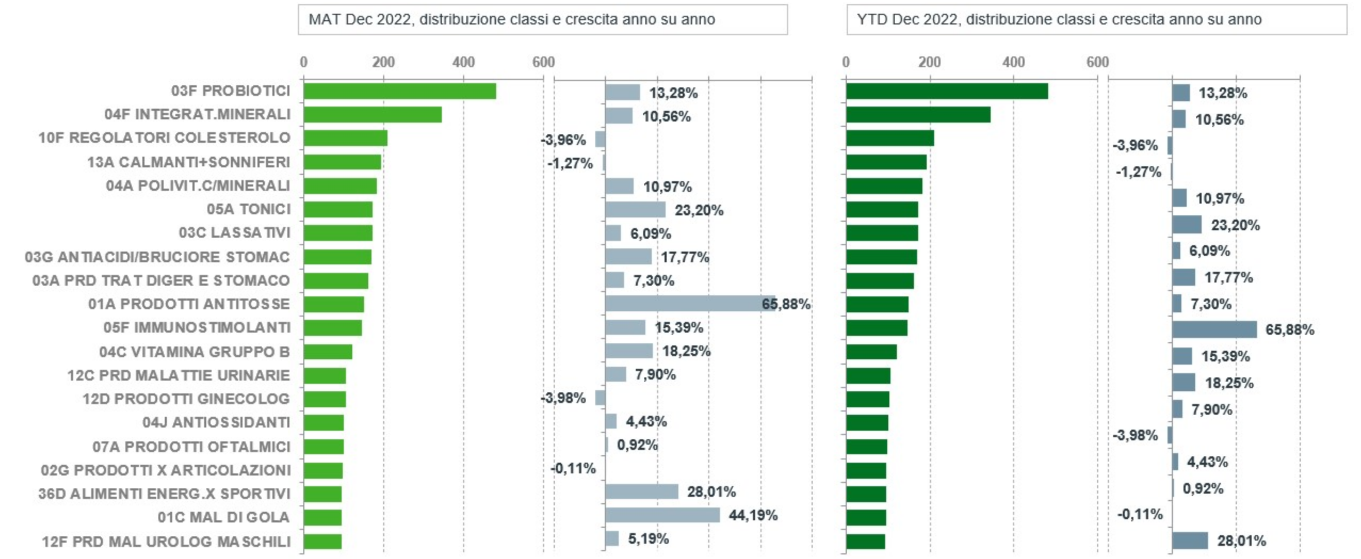
The market for Food Supplements – sellout in volume in MAT, YTD and month



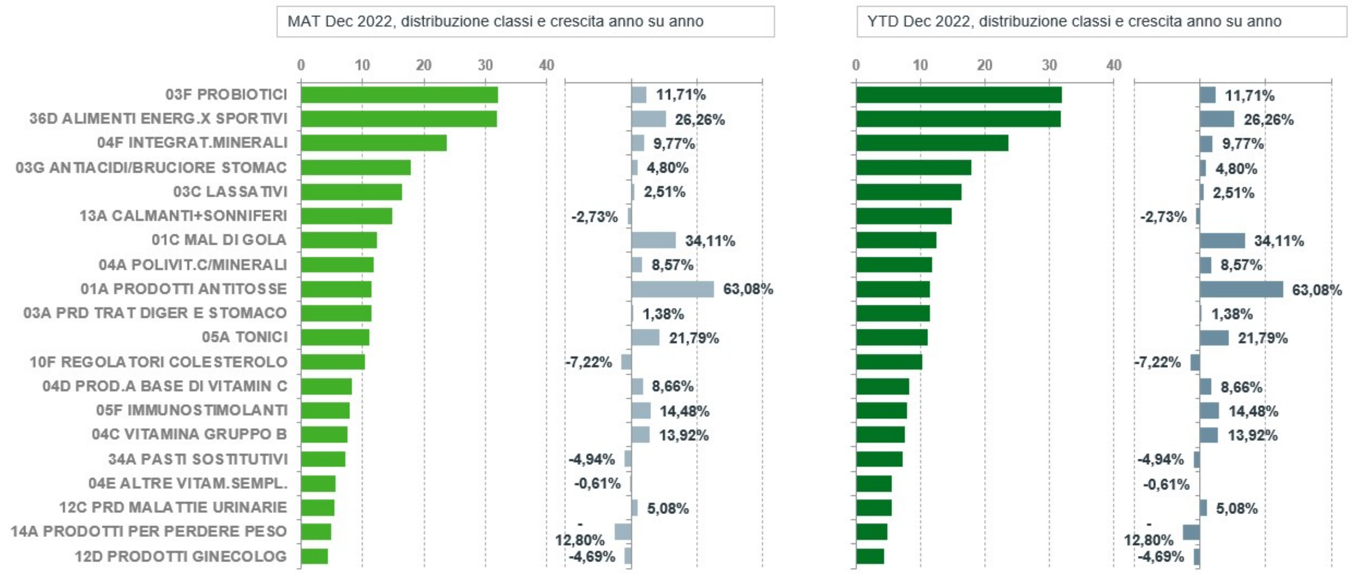
Looking at the performance of the main market classes in 2022, the results, both in value and in terms of units sold, are generally positive compared to the previous year.

The Food Supplements market – Sellout classes at retail price values in MAT and YTD[5]

[5] Values in millions of Euro



The Food Supplements market – Sellout classes at volumes in MAT and YTD[6]

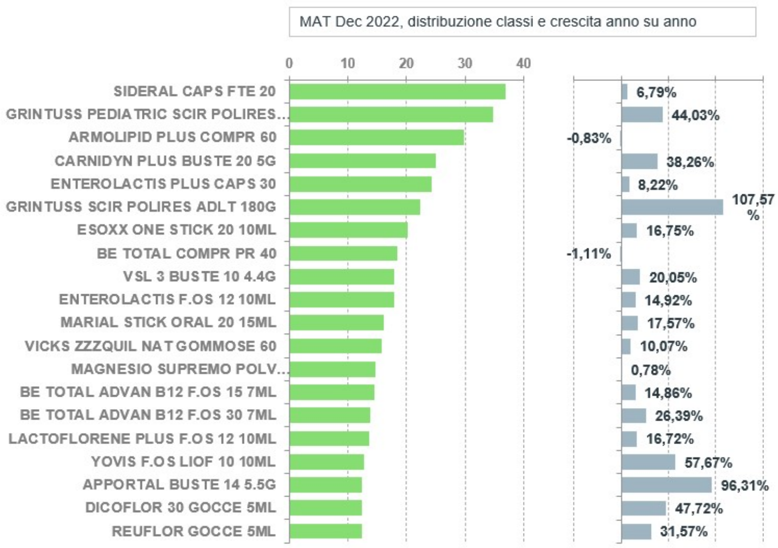


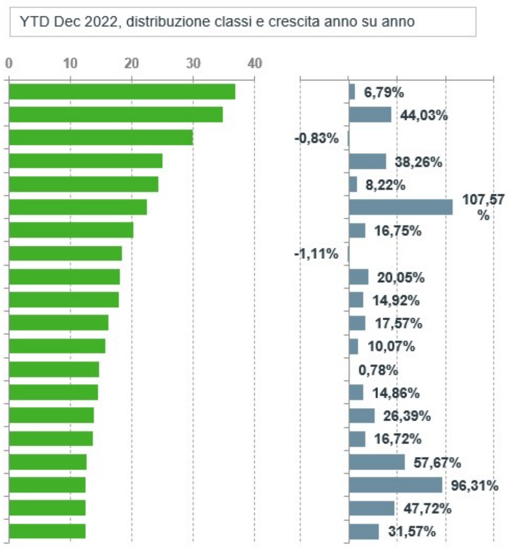
Looking in detail at the individual product references, it is clear that Sideral® Forte and Apportal® are in the top 20 positions within the dietary supplement market in terms of sell out in value, holding first and eighteenth place respectively.

In particular, Apportal® in 2022 showed a growth in values of 96.31% compared to 2021.

The market for Food Supplements – Top 20 product codes (sell-out at retail price values, MAT and YTD)

[6] Volumes in millions





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

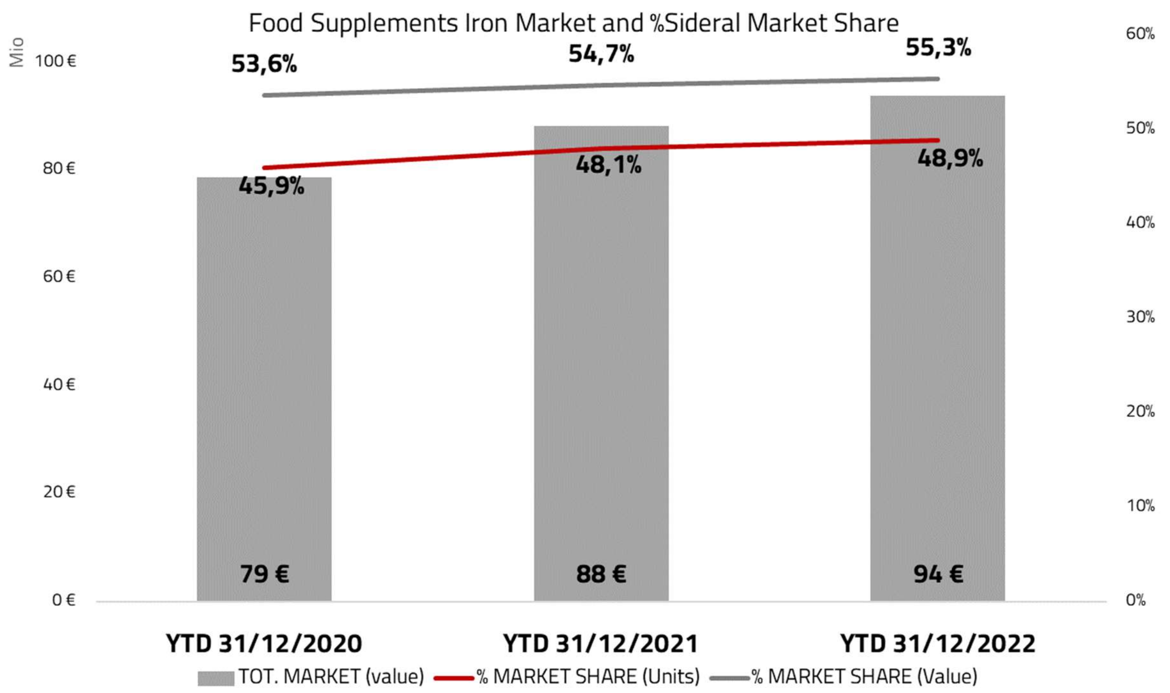
The Food Supplements market – Innovation: new products in numbers and value in the 5 channels, latest MAT [7]

(fatturato in migliaia di euro)	TOTALE MERCATO			LANCI NEGLI ULTIMI 12 MESI*				
MERCATO E CLASSI AL 2° LIVELLO	FATTURATO	PESO	N.RO REFERENZE	FATTURATO	PESO	N.RO REFERENZE	TASSO DI INNOVAZIONE SUL FATTURATO	TASSO DI INNOVAZIONE SULLE REFERENZE
MERCATO INTEGRATORI	**€ 4.487.920.435,18**	**100%**	**56948**	**€ 140.208.075,46**	**100%**	**4084**	**3%**	**7%**
10F REGOLATORI COLESTEROLO	€ 209.940.319,56	5%	1359	€ 22.238.256,80	16%	183	11%	13%
14A PRODOTTI PER PERDERE PESO	€ 75.843.245,87	2%	2555	€ 10.528.510,26	8%	117	14%	5%
03F PROBIOTICI	€ 481.926.173,75	11%	2237	€ 7.452.476,39	5%	151	2%	7%
36D ALIMENTI ENERG.X SPORTIVI	€ 95.419.060,31	2%	3690	€ 6.885.837,38	5%	279	7%	8%
04F INTEGRAT.MINERALI	€ 344.387.109,23	8%	2991	€ 5.565.820,84	4%	200	2%	7%
13A CALMANTI+SONNIFERI	€ 192.010.133,86	4%	2169	€ 5.271.282,41	4%	161	3%	7%
05A TONICI	€ 171.653.486,86	4%	1742	€ 5.097.529,24	4%	87	3%	5%
05F IMMUNOSTIMOLANTI	€ 146.036.441,84	3%	1743	€ 4.342.429,20	3%	135	3%	8%
03C LASSATIVI	€ 170.798.905,13	4%	1532	€ 3.811.048,64	3%	85	2%	6%
01C MAL DI GOLA	€ 94.703.347,73	2%	1223	€ 3.810.458,41	3%	59	4%	5%

[7] Launches include new products, rebranding, new packaging of existing products.

Iron market

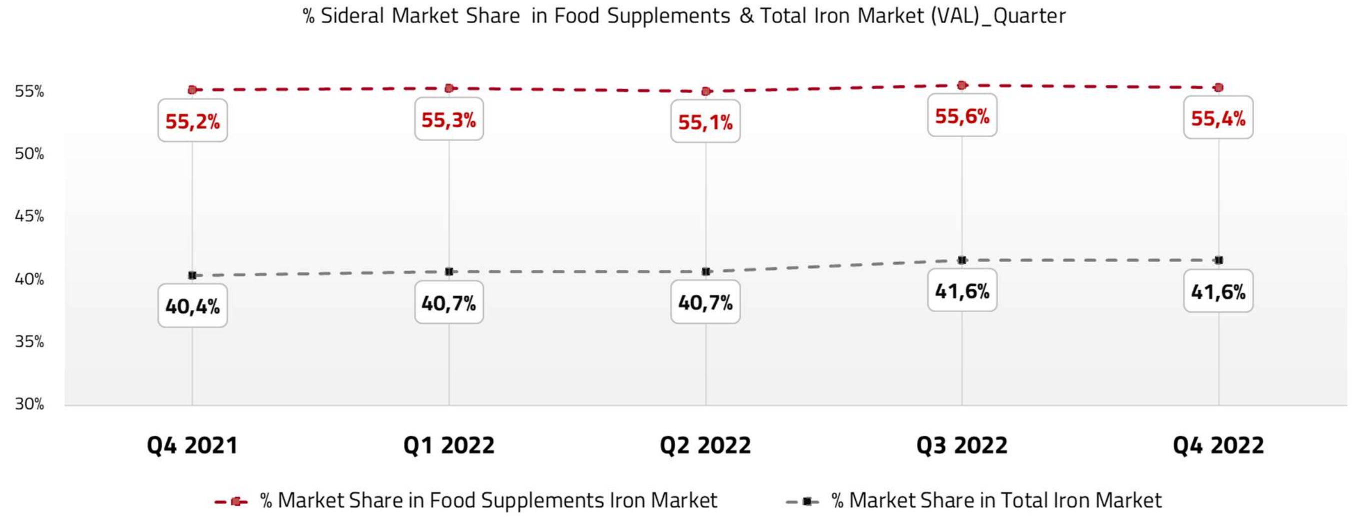
Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with Sideral® product line, in which it confirmed its leadership for 2022 with a market share in value of 55.3% in the Food Supplements segment and 41.6% in the overall market[8].



The charts below show the quarterly trends in the market share of Sideral® (expressed in value) in relation to the market for iron supplements only (Food Supplements) and the overall market consisting of both Food Supplements and Drugs[9].

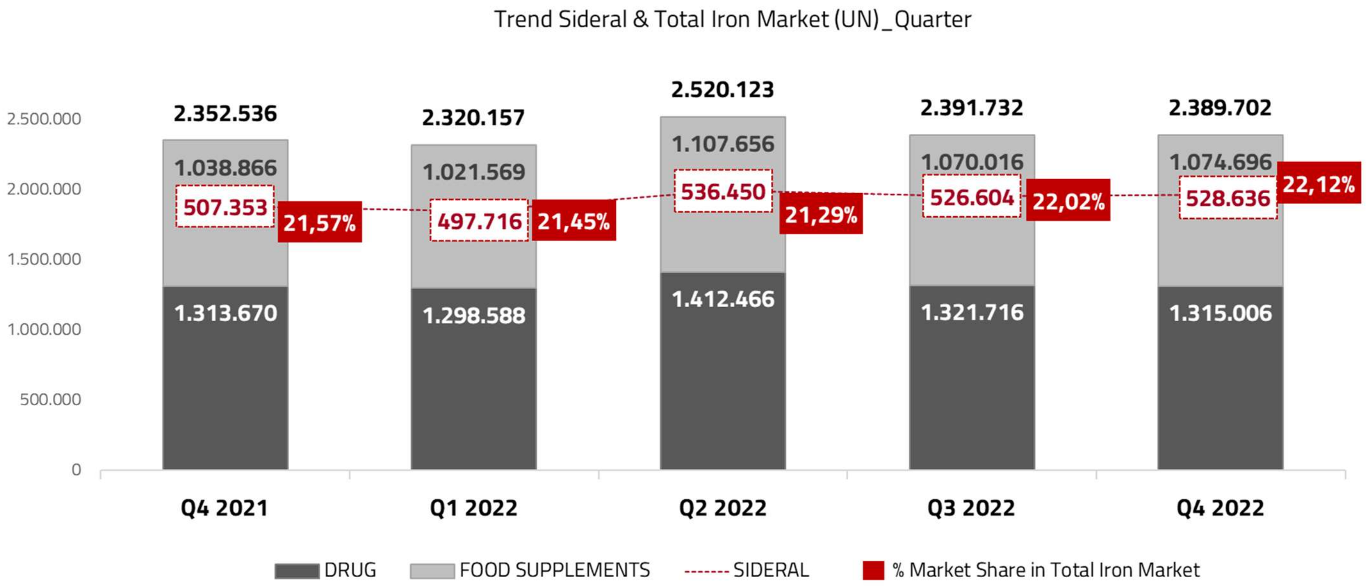
[8] Source: IQVIA data

[9] Source: IQVIA data

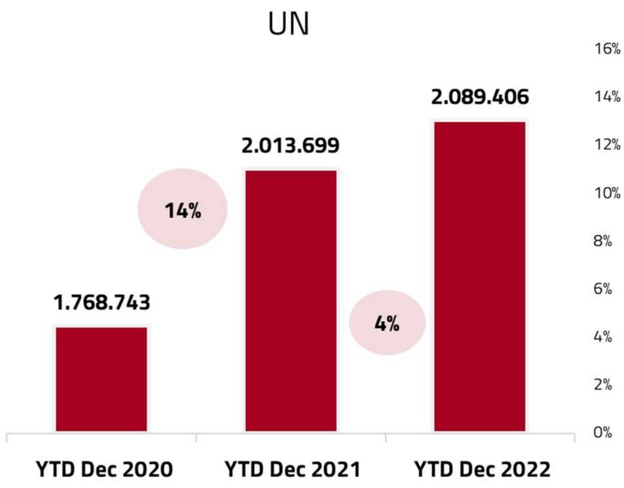


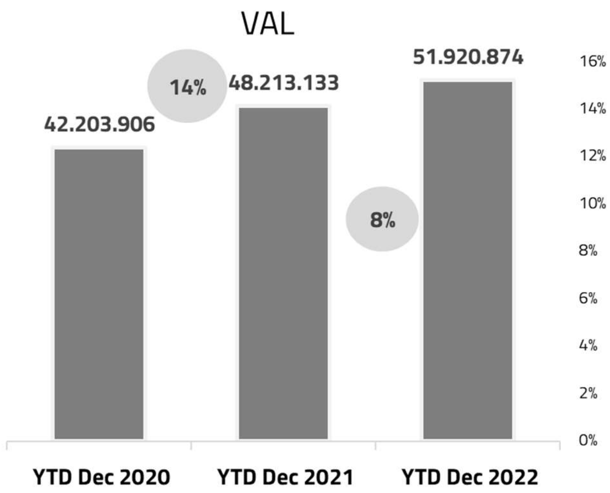
It should be noted that the Sideral® product line also has a significant market share in the entire panorama of the overall market, whose growth is driven by the food supplements segment at the expense of the drugs one.

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

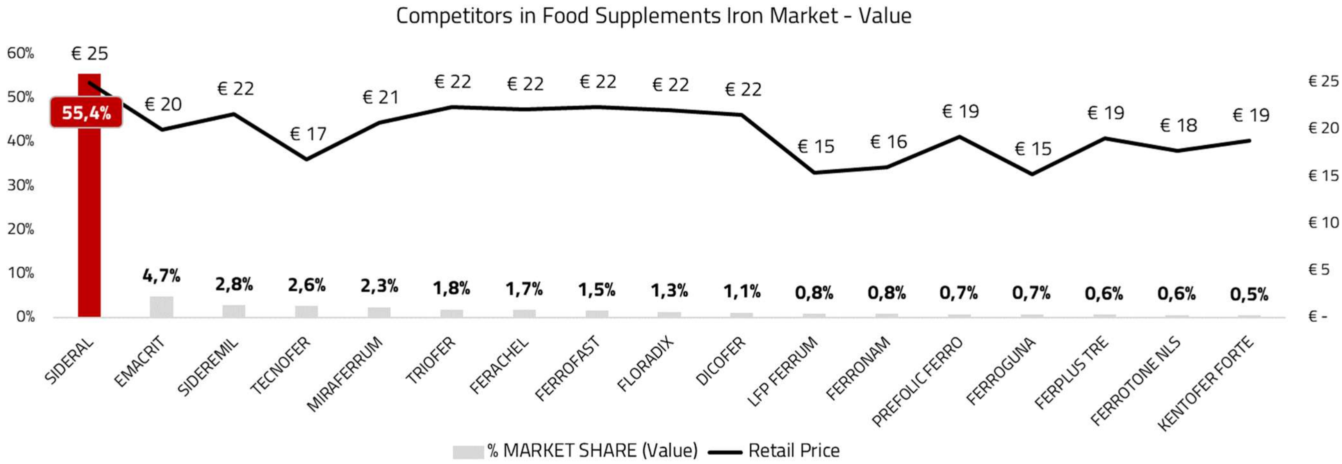


As shown in the graph below, the Sideral Line closes 2022 with 8% growth in units and 4% growth in values compared to the previous year.

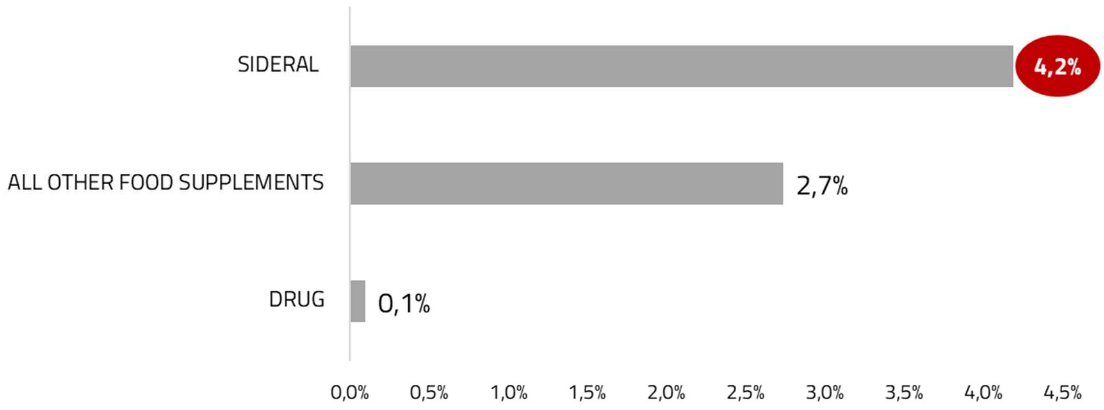




Going into detail, the different players operating in the iron-based supplements segment in terms of market shares and average price, the direct competitors of Sideral® have much smaller market shares (the second competitor has a market share almost 12 times lower than Sideral®) and, on average, lower market prices. This shows how the Sideral® product line is able to gain significant recognition in the market in terms of premium retail price, achieved thanks to significant investments in research and development and marketing.

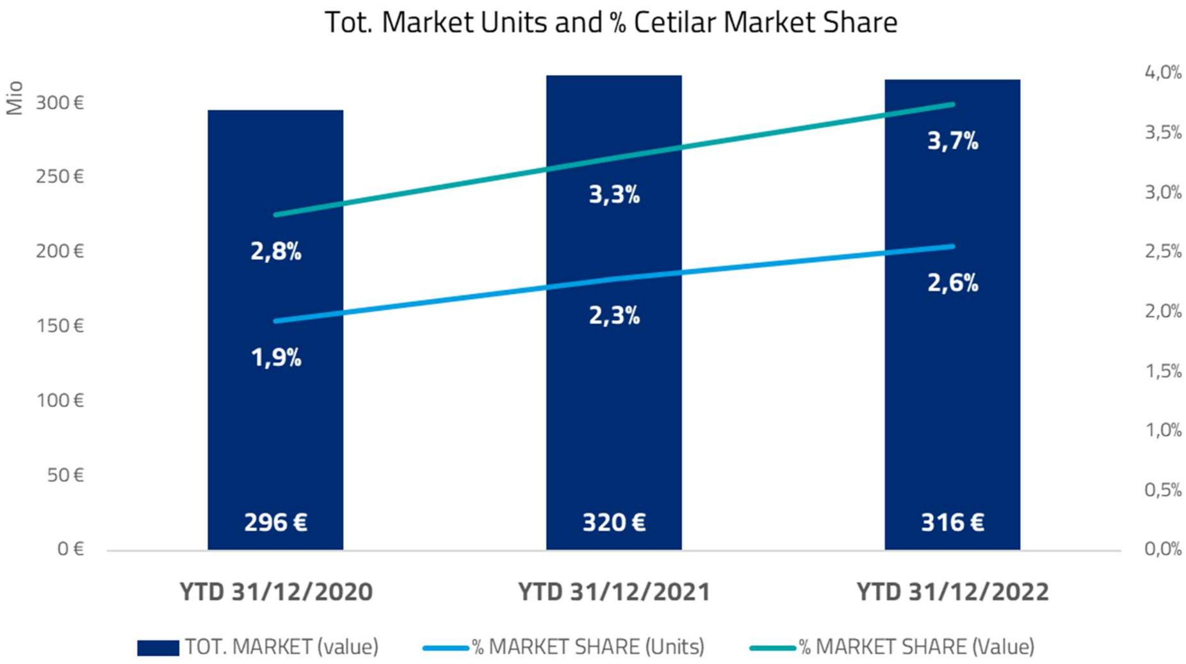


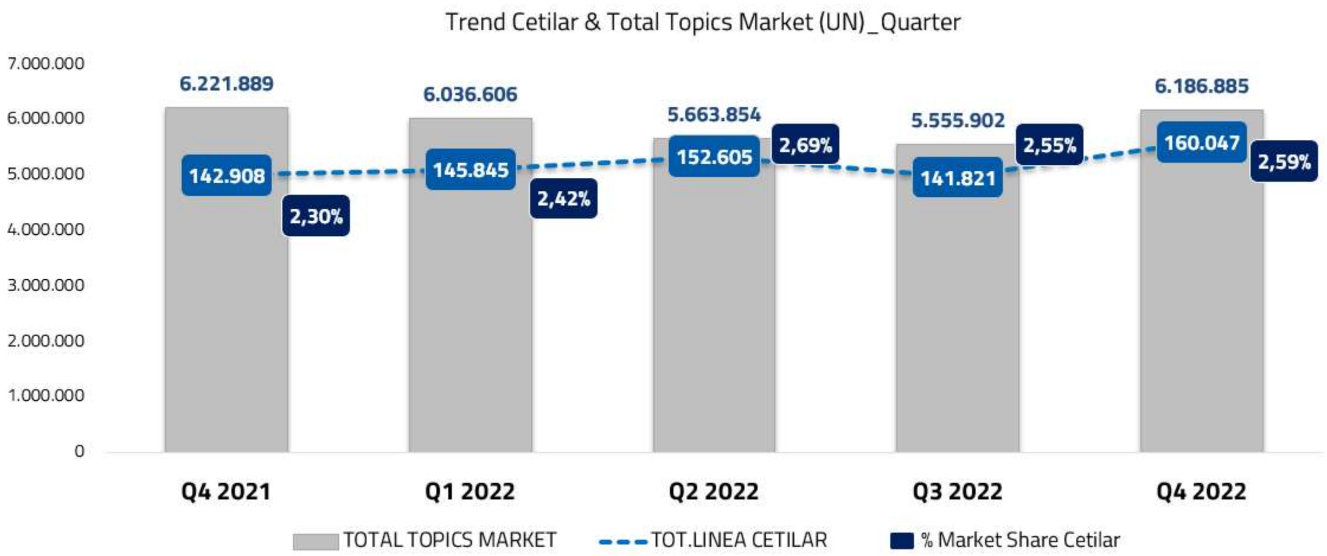
The graph below shows the fourth quarter 2022 growth compared to the same quarter of 2021 of the Sideral Line, the remaining Competitors in the Supplements Market and the Pharmaceutical Market.



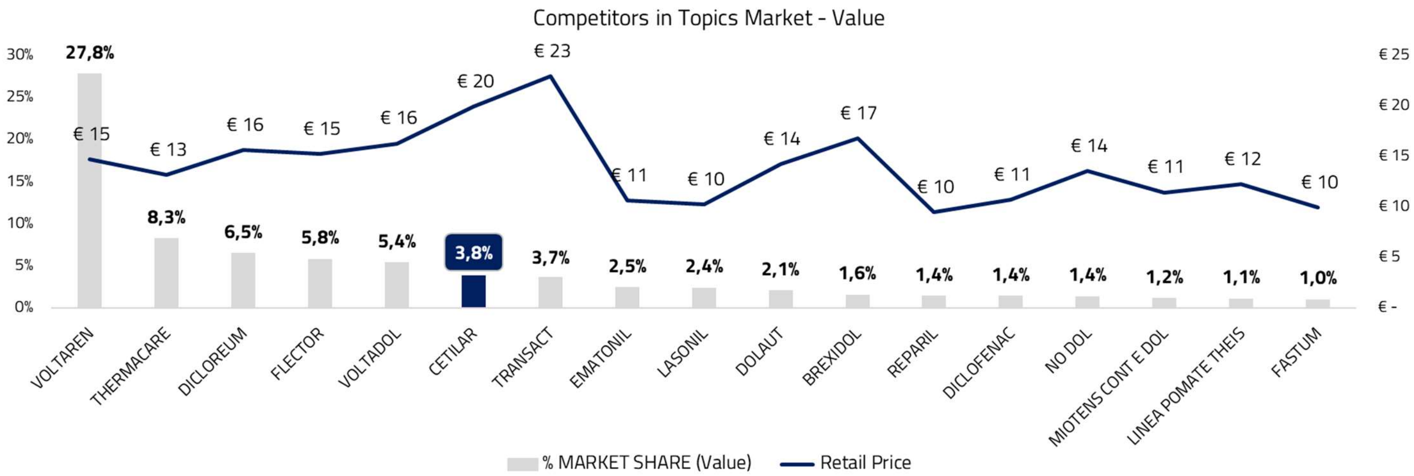
Market for topical painkillers

In a market that overall shows a slight decline in 2022 compared to the previous year, the Cetilar® line shows an increase in market share from 3.3% to 3.7% in value, with further important development prospects for future years.

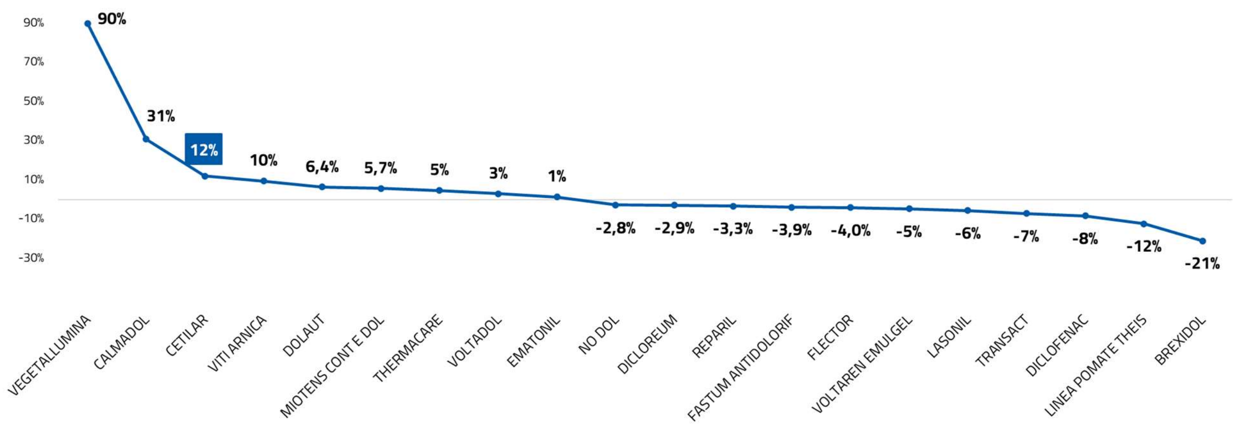




Two charts are provided below: the first shows the market shares of the top competitors in the fourth quarter of 2022 in terms of value, while the second shows the trend in units of the best performers compared with the same period of the previous year.



BEST PERFORMERS IN TOPICAL MARKET_ ANNUAL GROWTH (UN)



Investments

In 2022, the Group invested in intangible fixed assets totalling Euro 1.6 million (of which Euro 202 thousand deriving from the change in the consolidation area), broken down as follows:

- Euro 578 thousand for the registration of patents.
- Euro 306 thousand for the purchase and implementation of company software.
- Euro 216 thousand for the registration of trademarks.
- Euro 532 thousand relating to software and research projects in progress not yet completed.

Investments in tangible fixed assets amount to Euro 10 million (of which Euro 500 thousand deriving from the change in the consolidation area), broken down as follows:

- Euro 8.8 million relating to the progress of the construction of the new headquarters.
- Euro 248 thousand for rights of use connected with the renewal of lease payments with the related company Solida S.r.l..
- Euro 460 thousand for the purchase of vehicles used by the management and the sales force.
- Euro 75 thousand for the purchase of laboratory equipment and electronic devices.

Research and Development activities

The Pharmanutra Group has always based its technical and scientific activities and business strategy on Research and Development (R&D) as a fundamental pillar for growth. For this reason, in 2022 the company continued to invest first and foremost in its in-house research laboratory, through the addition of a new employee with the position of laboratory technician, on the one hand, and the purchase of further new laboratory equipment to expand the possibilities of experimentation, on the other.

The R&D work inevitably starts from a continuous study and a detailed knowledge of both the biology, human physiology and biochemistry aspects of nutrition, as well as medicine and pharmacology. It is fully driven by the objective to meet the needs of the market as well as the ones of consumers and key players in the health sector, to be able to provide them with new products with which to address unresolved issues.

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

Design and development activities and scientific research are constantly growing.

Basic research, through pre-clinical experiments (*in-vitro, ex-vivo* and *in-vivo*) has borne fruit with important international publications that are paramount tools available to the business and represent solid pillars, thus ensuring a significant competitive advantage. In addition, the research activity has been implemented in its own laboratory allowing to carry out the part of experimental research in the field of cell biology, which represents a fundamental step in the activity of screening and study of the effectiveness of all the formulation prototypes developed and to be tested before moving on to industrialisation.

The activity of Pharmanutra Group's Research and Development department also includes the execution of clinical studies on its products, both in the development and post-marketing phases. The practical implementation of these studies is carried out through formal collaborative relationships with clinics, hospitals, Italian and foreign research centres, depending on the skills and know-how required, or through formal agreements with Contract Research Organizations (CRO).

Research is mainly carried out on the group's flagship products, Sideral®, Cetilar® and its proprietary raw materials (Ultramins® of Alesco). Numerous studies (both clinical and pre-clinical), conducted in Italy or abroad, plus other clinical studies followed by foreign partners on products in distribution, are underway also on all the other products. Some of these studies are very innovative, and some are expected to allow to open new markets, others will be useful to strengthen current evidence and market positioning. The year 2022 saw the publication in international indexed journals of 10 studies on the Group's products. Among these, worth mentioning is the publication of a study in cardiac surgery on sucrosomial iron supplementation on 1000 subjects in the pre-operative period in order to allow a reduction in the number of transfusions with consequent saving of blood bags. A study was also published on the benefits of Apportal® in reducing fatigue and asthenia in subjects who had a Sars-Cov-19 (Long-Covid) infection. This evidence adds to that published the previous year confirming the product's beneficial effect in long-Covid, giving further impetus for the use of Apportal in all situations of chronic fatigue. To date, the Pharmanutra Group boasts a total of 149 publications on all its products, including full papers and preliminary or poster data at accredited scientific congresses and conferences. At the same time, numerous papers continue to be published in which Sucrosomial® Iron is cited and identified as one of the most innovative oral iron products.

The Group is constantly disseminating its results, which it considers useful to publish and make available to the scientific community on the one hand and to the commercial network on the other. Therefore, the Group's R&D staff participates in national and international congresses as speakers, or in hospital meetings and focus groups with doctors, where they show the evidence and results obtained on their products.

In addition, in 2022, together with the marketing and communications department, an international scientific disclosure campaign was continued on the benefits obtained with Apportal, Sideral, Ultramag and Cetilar; numerous training events on all products were also held for sales agents in order to transfer to them the features and competitive advantages of the Group's products.

On 14 February 2022, the European Union, through publication in the Official Journal, authorised the placing on the market of cetylated fatty acids as Novel Food. The novel food (Lipocet®) consists mainly of a mixture of myristic acid, oleic acid and, to a lesser extent, other cetylated fatty acids (CFA), which until now could only be used in Cetilar® brand topical products. Cetylated fatty acids patented by Pharmanutra are therefore included in the Union list of authorised novel foods established by Implementing Regulation (EU) 2017/2470. With the inclusion of Lipocet® in this list, the registration process, which in July 2021, had already seen EFSA (the European Food Safety Authority) issue its positive opinion for the classification of Lipocet® as a novel food, is officially concluded. The authorisation includes an industrial property protection that allows PharmaNutra to have an exclusive use of the new food for the next five years in all the countries of the European Union. Following this authorisation, Cetilar ORO, a Lipocet®-based dietary supplement for the Primary Pharmanutra line, was launched in September. At the same time, Apportal Vital was launched, a nutritional supplement from Junia Pharma that extends the Apportal line, having a formulation targeted at younger age groups (paediatrics). The launch of these products required specific training from the group's R&D to the external network, as well as the launch of possible clinical trials with these new 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:

the capitalised costs incurred for development activities in previous years are fully amortised;

the total costs incurred to carry out research and development activities amounts to Euro 697 thousand of which Euro 505 thousand charged to the income statement, to which should be added personnel costs for research and development activities;

The reasons underlying the capitalisation of development costs in 2022 equal to 192 thousand refer to the future estimated usefulness of development activities.

During 2022, 14 applications for the registration of patents and 69 applications for the registration of trademarks were filed. As at 31/12/2022, the Group owns 19 patents, 33 trademarks, and has 18 proprietary raw materials.

The benefit represented by the specific tax credit referred to in Article 3 of Italian Decree-Law no. 145/2013 is fully enjoyable within the terms and in the manner set out in Italian Ministerial Decree 27/05/2015 and subsequent amendments, with respect to the research and development activities carried out by Pharmanutra, Alesco and Akern, which qualify as eligible for the calculation of the facility in question. The tax credit relating to research and development activities for the year 2022 amounts to Euro 283 thousand.

Marketing activities

The year 2022 saw an important consolidation of the digital strategy already implemented in the previous years through synergistic and structured work in SEO and SEA and targeted actions of Brand Protection.

These activities have involved all the websites of the companies of the group, which have been optimised to ensure a better browsing experience and a more effective customer experience; the most important digital projects include the planned development of an e-commerce platform that will be active in 2023.

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

In particular, for Cetilar® a media mix has been adopted with wide coverage of the BtoC target and articulated on the following channels: National TV and radio, web search and display activities, and print media; the activities carried out on the Apportal® and Sideral® brands are of a different nature, with a focus on medical awareness and exclusive involvement of national and international specialist publications.

Main partnerships

Under the Cetilar® brand, the company is present in several sports disciplines. Starting from soccer, where it is the main sponsor of Pisa Sporting Club in Serie B; in motorsport, with the Cetilar Racing team; in sailing with the Vitamina Sailing team, alongside the FIV Olympic Team and in the famous regatta 151 Miglia-Trofeo Cetilar®; in running with the organisation of marathons and running events; not to forget the commitment in Paralympic disciplines with Alex Zanardi's Obiettivo 3 team and in golf with the Livorno Paralympic champion Tommaso Perrino. Finally, the company has promoted a project dedicated to the support of young promising athletes in their athletic, professional and human growth - the Cetilar Academy - and has expanded its medical partnerships, which currently include more than 30 top-level sports clubs including soccer, basketball, volleyball, hockey and rugby.

As part of the strategies being implemented for the development of new business areas between the end of the financial year and the beginning of the next one, partnerships were finalised with two world-renowned Italian excellences: Luna Rossa Prada Pirelli and Ferrari.

In November, a partnership was announced with the Luna Rossa Prada Pirelli team through the development of the innovative and ambitious "*Human Performance*" project in the challenge to win the 37th edition of the America's Cup. Athletic preparation, injury prevention, nutrition and mental preparation: these are the main areas on which the Human Performance project focuses, seeking - through the best professionals in their respective fields and a constant comparison between the various areas - the best possible performance.

In February 2023, a partnership with Ferrari was announced in which the Cetilar® brand will be featured on the two Ferrari Hypercars and on the overalls of the six official drivers participating in the 2023 WEC World Championship. The official medical partner of Ferrari Competizioni GT, Med-Ex, will take care of the physical preparation and all the health aspects of the Prancing Horse's official drivers engaged in the FIA WEC at the wheel of the 499P and all the team members, using products from the Cetilar® line - soon on the market with a new line for sports nutrition - and other nutritional supplements where the application of Sucrosomial® Technology guarantees better tolerability and optimum absorption levels.

Corporate Governance Information

Pursuant to article 123-*bis* of the Italian Consolidated Law on Finance, the Company is required to prepare an annual report on corporate governance and ownership structure, which contains a general description of the corporate governance system adopted by Pharmanutra Group and information on the ownership structure, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

The said Report, approved by the Board of Directors on 16 March 2023, is available on the Company's website www.pharmanutra.it in the Corporate Governance section.

Remuneration Report

The Remuneration Report, prepared in accordance with article 123-*ter* of the Consolidated Finance Act, is available on the Pharmanutra website at www.Pharmanutra.com in the Corporate Governance section.

Pharmanutra on the Stock Exchange

The shares of Pharmanutra S.p.A. have been listed on the AIM Italia (Mercato Alternativo del Capitale) from 18 July 2017 to 14 December 2020. As of 15 December 2020, the shares of Pharmanutra S.p.A. are listed on Mercato Euronext Star Milan of Borsa Italiana.

ISIN	IT0005274094
Alphanumeric Code	PHN
Bloomberg Code	PHN IM
Reuters code	PHNU.MI
Specialist	Intermonte
No. of ordinary shares	9,680,977
Price of admission *	10.00
Price at 31.12.2022	62.30
Capitalisation at the date of admission	96,809,770
Capitalisation at 31.12.2022	603,124,867

*= value on the date of admission to AIM

The share capital of the Company is represented by 9,680,977 ordinary shares, without nominal value, which confer the same number of voting rights.

According to the results of the shareholders' register as well as on the basis of other information available to Pharmanutra S.p.A., the following table shows the shareholders who hold a significant stake in the share capital at 31 December 2022.

Declarant or subject at the top of the investments chain	Direct shareholder	Number of shares		% of S.C. with voting rights
Andrea Lacorte	ALH S.r.l.	3,038,334	1)	31.38%
Roberto Lacorte	RLH S.r.l.	2,224,833	2)	22.98%
	Roberto Lacorte	14,000		0.14%
		2,238,833		23.13%
Carlo Volpi	Beda S.r.l.	1,014,993		10.48%
	Market	3,350,818		34.61%
	Pharmanutra	37,999		0.39%
	Total	**9,680,977**		**100%**

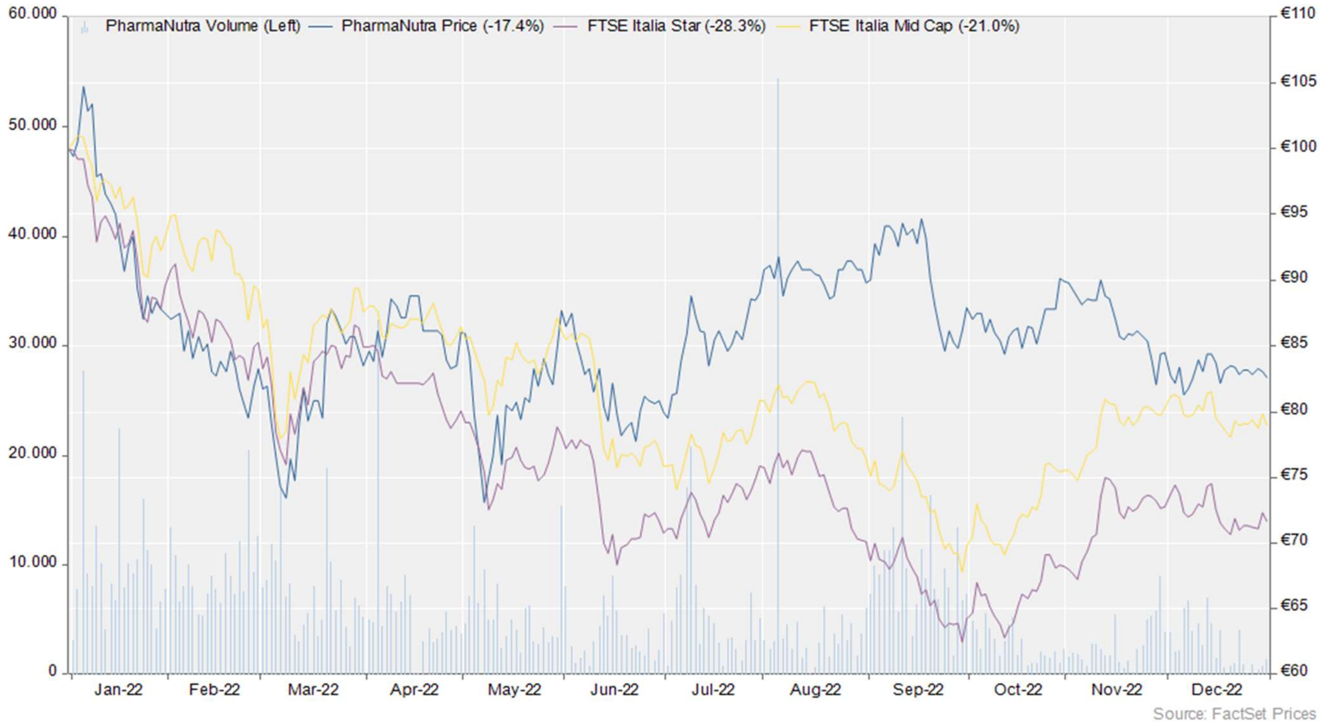
1) Including 953,334 PHN ordinary shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. under a specific fiduciary mandate.

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

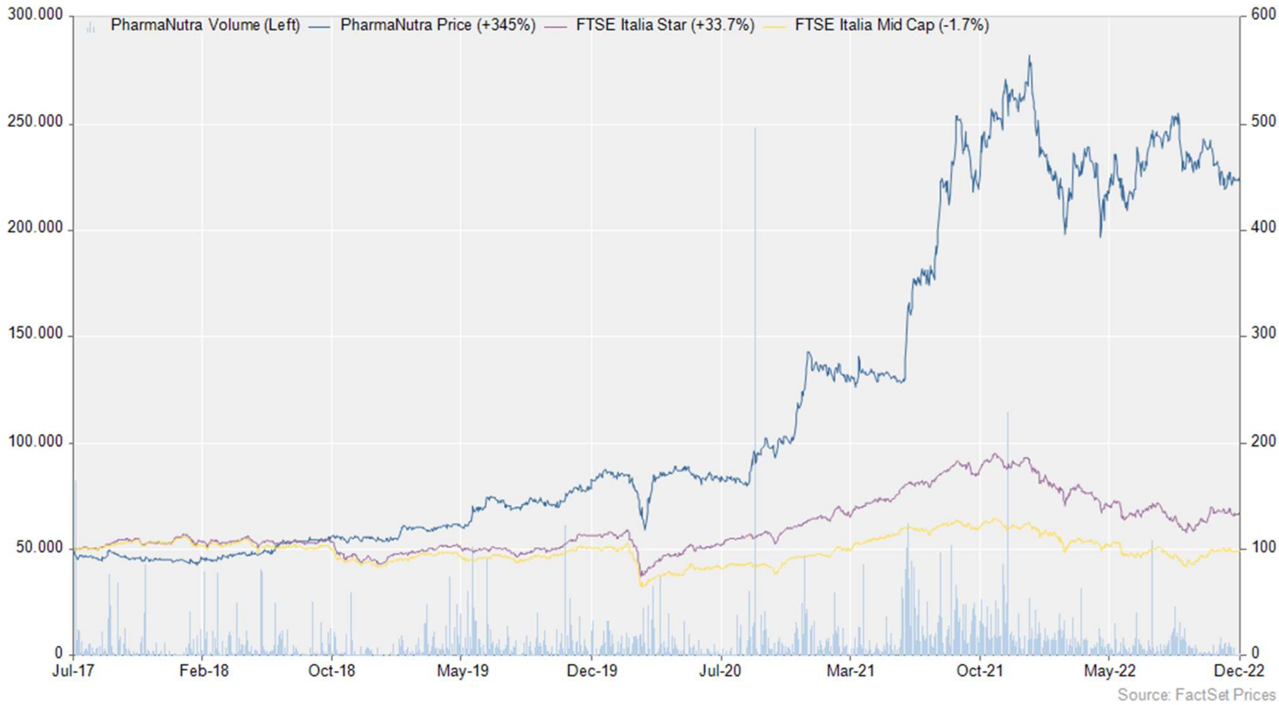
Andrea Lacorte is the sole shareholder and sole director of ALH S.r.l., Roberto Lacorte is the sole shareholder and sole director of RLH S.r.l. and Carlo Volpi is the sole shareholder and sole director of Beda S.r.l.

In 2022, the Company's shares had an average price of Euro 64.77 (Euro 51.90 in 2021), a maximum price of Euro 79.00 (at 05 January 2022) and a minimum price of Euro 55.10 (at 06 May 2022). During the same period, average daily trading volumes were approximately 6,107 shares (nearly half the 11,402 average trading volumes in 2021).

From the beginning of the year to 31 December 2022, the market value of the Company's shares decreased by 17.4%. The security performance was better than the FTSE Italia STAR index, which decreased by 28.3% in the same period, and the FTSE Italia Mid Cap, which decreased by around 21.0%. The graph below sets out respectively the prices and traded volumes of the Company's Shares and the performance of the FTSE Italia Mid Cap and FTSE Italia STAR indices in 2022.



On the other hand, the graph below shows the prices and traded volumes of the Company's Shares from the start of trading on the AIM Italia segment (18 July 2017) until 31 December 2022, compared with the performance of the FTSE Italia STAR and FTSE Italia Mid Cap indices over the same period. On this time horizon, PharmaNutra's stock has recorded an increase of 345% compared to +34% of the FTSE Italia STAR index and -1.7% of the FTSE Mid Cap index.



ANALYST COVERAGE	STIFEL	INTERMONTE
Start of coverage	01/06/2021	03/06/2021
Update	06/09/2022	08/11/2022
Target price	86.0	85.0

Transactions with related parties

All transactions with related parties are carried out at market conditions, form part of the Group's ordinary operations and are undertaken solely in the interests of the Group.

Pursuant to Consob Resolution no. 17221 of 12 March 2010, it is hereby acknowledged that during 2022 the Group did not enter into any significant transactions with related parties or transactions which had a material impact on the Group's financial position or results.

Transactions with related parties are as follows:

- Transactions entered into by Pharmanutra with its subsidiaries and transactions between subsidiaries:

regard the sale of goods and services that are part of the Group's ordinary operations. The related costs and revenues, receivables and payables have been eliminated in the preparation of the consolidated financial statements. The transactions between companies of the Group concern the supply by Alesco of the main active ingredients, the 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.

- Transactions carried out with related parties other than Group companies, mainly consisting of commercial transactions involving the rental of property, advertising consultancy services, the provision of services for sponsored events and agency agreements.

In general, the transactions with related parties are governed by the procedure for transactions with related parties that Pharmanutra has adopted from time to time, aimed at ensuring effective correctness and transparency, both substantive and procedural, in this area and to encourage - where necessary - full co-responsibility of the Board of Directors in the related decisions.

Details of the amounts relating to transactions with related parties are provided in Note 14 of the Explanatory Notes to the Consolidated Financial Statements.

Treasury shares and shares held by subsidiaries

The Ordinary Shareholders' Meeting of Pharmanutra held on 27 April 2022, after revocation of the previous resolution, authorised the purchase and disposal of treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Italian Legislative Decree 58/1998, for a period of 18 months and for a maximum amount of Euro 3 million, so as to allow the company to take advantage of the opportunity to make an advantageous investment, in cases where the market price of Pharmanutra shares, also due to factors external to the Company, is not able to adequately express its value. The share buy-back programme was activated in 2022.

As at 31 December 2022, the Company held 37,999 of its own ordinary shares, equal to 0.39% of the capital; the subsidiaries do not hold any Pharmanutra shares.

Financial risk management objectives and policies

The treasury management policy adopted by the Group provides for a periodic monitoring of the financial situation (trends in cash inflows and outflows and balances relating to the main financial items, including current accounts) so as to have a complete picture of the Group's liquidity.

In the context of financial policy decisions, the Group separately assesses the need for working capital, which responds to a short-term time horizon, compared to investment needs, which respond to medium/long-term requirements.

In the context of short-term management, also thanks to the management of working capital, the Group generates sufficient cash for its financial requirements while, in the context of medium/long-term financial management policies, investments are adequately covered by medium/long-term loans.

Cash and cash equivalents are free from constraints or restrictions on their use and can be destined to cover financial requirements linked to the dynamics of operating working capital, the distribution of dividends, as well as the realisation of the investment in the new Group's headquarters.

During the financial year 2022, as in the previous year, the return on the Group's cash and cash equivalents, given the level of market interest rates, was close to zero.

Cash and cash equivalents as at 31 December 2022 and 2021 are held in checking accounts opened at various credit institutions. The credit risk associated with cash and cash equivalents is considered to be low as these are fractionated bank deposits with high standing institutions.

As indicated in the next paragraph, in 2018 the Issuer granted Azimut Capital Management S.g.r. a mandate to manage a portion of the company's liquidity for a maximum amount of Euro 5 million.

Current financial assets

This item represents a temporary investment of part of the Parent Company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r. By virtue of this mandate, bonds and investment funds' shares of adequately rated issuers have been subscribed.

As at 31.12.2022, a comparison with the market value of the bonds held shows a net capital loss of Euro 127 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted by the Group in accordance with IFRS9. A loss of Euro 7 thousand was recorded in the income statement for the year on the funds' shares.

Considering the liquidity available and the regular continuation of activities, the Group does not foresee the need to resort to the early disposal of the financial instruments in question.

A breakdown of "Current financial assets" is provided below:

	31/12/2022	31/12/2021	Change
Mutual fund shares	1,000	1,822	-822
Bonds	3,797	2,708	1,089
Other shares	13		13
Total current fin. assets	**4,810**	**4,530**	**280**

As at 31 December 2022, the Current financial assets consisted for approximately 79% of bonds and for about 21% of shares of open-ended mutual funds with fast disinvestment.

Due to the nature of the investments made, the entire value of the investment should be considered of possible immediate disinvestment. Progressive bond maturities will result in reinvestments of the management mandate unless there are changes in the Company's needs not being foreseeable at this time.

The following table shows the breakdown of the bond portfolio between fixed-rate and variable-rate bonds:

€/1000	31/12/2022	31/12/2021	Change
Fixed-rate bonds	3,038	2,282	756
Variable rate bonds	759	426	333
Total Bonds	**3,797**	**2,708**	**1,089**

For the bond component of Financial assets, which coincide with those covered by the individual management mandate granted to Azimut Capital Management S.g.r., the Group is exposed to the risk of changes in capital in the portfolio as a result of changes in interest rates. The simulation carried out with data from Bloomberg based on the "Option Adjusted Duration" (OAD) model, which is the most widely used on the market and also adopted by ISMA (International Securities Market Association) indicates that the sensitivity to interest rates, i.e. the percentage of change in the value of the overall portfolio for every 1.0% of change in rates, is 2.42%. During 2022, part of the liquidity was used for very short-term investments on short and medium maturities (1-3 years) aimed at increasing the expected return of the portfolio. Qualitatively, this portfolio has a low sensitivity to interest rates and a medium/low sensitivity to spreads thanks to a limited average maturity.

Financial debt - Loans and financing

The following table provides a summary of loans from banks taken out by Group's companies, broken down into current and non-current portion outstanding at 31 December 2022 and 31 December 2021.

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

	Balance as at 31/12/2021	Due within 12 months	Due after 12 months
Pharmanutra S.p.A.	5,312	308	5,004
Junia Pharma S.r.l.	224	224	0
Alesco S.r.l.	27	27	0
Total Loans and borrowings	*5,563*	*559*	*5,004*
Pharmanutra S.p.A.	552	192	360
Junia Pharma S.r.l.	90	34	56
Alesco S.r.l.	145	35	110
Total payables for rights of use	*787*	*261*	*526*
TOTAL	***6,350***	***820***	***5,530***

During the year, the parent company Pharmanutra obtained two loans in the amount of Euro 6 million each from Credem S.p.A. and BPM S.p.A., respectively, to cover the financial requirements generated by the acquisition of Akern. See section 7.3.2 of the Explanatory Notes for details on the loans in question.

There are no mortgages and/or pledges on shares or quotas of subsidiaries to guarantee medium/long-term debt.

With reference to the financial covenants provided in the loan agreements, it should be noted that: (i) these covenants have never been activated; (ii) the Group has always fulfilled its commitments and obligations; (iii) the Group has regularly paid each bank intermediary the instalments due on the basis of the relevant amortisation schedules; (iv) with reference to the conditions of compulsory early repayment or other conditions of termination, withdrawal or forfeiture of the benefit of the term, there are no circumstances, including admission to listing, that could give rise to the occurrence of such conditions; (v) the existing bank loans have not been renegotiated.

The companies of the Group have floating-rate loan agreements in place, whose incidence on total payables to banks is approximately 72%, and are therefore exposed to the risk of changes in interest rates, which is considered to be low. Based on the simulations carried out, the Group does not adopt policies to hedge the risk of interest rate fluctuations.

Information pursuant to Article 2428, paragraph 2, point 6-bis, of the Italian Civil Code

Pursuant to Article 2428, paragraph 2, no. 6-bis) of the Italian Civil Code, information is provided on the use of financial instruments, as they are relevant for the purposes of assessing the financial position.

More specifically, the management objectives, policies and criteria used to measure, monitor and control financial risks are as follows:

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Risk of changes in cash flows

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

Exchange rate risk

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.

Other information

Relationships with the personnel

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

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.

At 31.12.2022, the Group had 90 employees (66 in the previous year). The increase refers for 17 units to the change in the consolidation area.

Environmental impact

Commitment to social and territorial responsibility has long been an integral part of the principles and conduct of companies of the Group oriented towards maintaining high levels of safety, environmental protection and energy efficiency, as well as training, awareness and involvement of personnel on social responsibility issues.

In order to further strengthen these principles and with a view to further developing aspects related to this issue, the Group drew up its first sustainability report on a voluntary basis in 2022. The document, which represents a first step in the reporting of non-financial information on an annual basis, deals with and delves into material issues relevant to the Group that can reflect the economic, social and environmental impacts of the Group's activities and/or can influence the decisions of its stakeholders.

It is acknowledged that in this financial year, as in the past, there was no damage caused to the environment for which the companies of the Group have been finally declared liable.

The Directors believe that in view of the business model adopted and the type of products marketed, the impact of future climate change on the Group is not significant.

Quality Management System

The companies of the Group have the following quality certifications:

- Pharmanutra and Junia Pharma: Social Accountability 8000:2014 granted by SGS Italia;

- UNI ISO 9001:2015 granted by SGS Italia.

The Group also holds the following product certifications:

-"Doping Free Play Sure" awarded by "Doping Free S.A." for controls carried out by Bureau Veritas Italia;

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

Significant events occurring after the end of the financial year

In January, three new international commercial agreements were formalised for the distribution of products of the SiderAL® and Cetilar® lines in the Indonesian Republic, Kuwait and Mexico.

For the Indonesian territory, the new partner PT Pyridam Farma Tbk. will start distributing the Sucrosomial Iron® nutritional supplements, SiderAL® F30 (PharmaNutra brand) and SiderAL® Drops P (Junia Pharma brand). The Indonesian distributor has been active in the country's pharmaceutical sector for more than 40 years and, thanks to a network of more than 320 sales representatives, its production and marketing activities cover all 34 provinces in the country, with a potential population of 275 million (the Indonesian Republic is the fourth most populous state in the world, after China, India and the USA).

As far as Kuwait is concerned, the agreement was made with the pharmaceutical company PharmaLife Co., a distributor of medical devices, food supplements, medical equipment and natural products that is already a partner of major Italian and foreign companies. The agreement is particularly relevant because it provides for the marketing in the country of no less than five PharmaNutra-branded products and one Junia Pharma-branded product, specifically: Cetilar® Cream, Cetilar® Patch, SiderAL® Folic 20 Stick, SiderAL® Folic 30 cps, SiderAL® Forte Int 20 cps and SiderAL® Drops P.

In Mexico, a new partnership was established with SMS Pharma, whose core business focuses on the development of national sales networks specialising in the distribution of pharmaceutical and healthcare products. The collaboration with SMS Pharma will lead to the commercialisation throughout Mexico of the nutritional supplements SiderAL® Forte 15mg 30 CPS and SiderAL® Folic 21mg 20 STICKS (PharmaNutra), as well as SiderAL® Drops P (Junia Pharma) during 2023.

In February, the sponsorship agreement with the Ferrari-AF Corse team was finalised, thanks to which the Cetilar® brand will be present on the two Ferrari Hypercar 499Ps. These are the prototypes with which Ferrari will once again compete in endurance racing with participation in the World Endurance Championship (WEC) and the 24 Hours of Le Mans.

In the same month, the process of setting up Pharmanutra España began. The company, wholly owned by the Parent company, will have a capital of Euro 50,000 and will be responsible for the marketing and distribution, through a network of dedicated sales representatives, of the products of the new line being launched (Cetilar® Nutrition) and of the Cetilar® line in all its formulations (Cream, Patch, Tape and Gold).

A mortgage loan to cover the investment for the construction of the new headquarters in the amount of Euro 12 million is being finalised.

Foreseeable Business Outlook

The solid foundation represented by a double-digit organic growth trend in terms of revenues and margins, coupled with strong financial consistency and the generation of significant cash flows from operations, is the foundation for the implementation of new growth strategies to exploit significant market opportunities that will pay off in the medium term.

During 2023, the Group will focus on the launch of a new line of food supplements designed specifically for those who take part in sporting activities (Cetilar® Nutrition). This will be promoted through a dedicated network of agents and the e-commerce channel. The Group will also focus on the start of operations of the newly established American subsidiary (Pharmanutra USA), through which the distribution of all the Group's main products in the US will begin, and the start of the company set up in Spain to market the Cetilar® (cream, patch, tape and gold) and Cetilar® Nutrition products in the country .

The process of integrating Akern will continue to create synergies that are expected to contribute to the development of the subsidiary's and the Group's business volume.

The new building is scheduled to be completed by summer 2023. Thanks to this investment, the Group will have its own research centre and a factory for the production of proprietary raw materials with a significant reduction in research time and the possibility of directly controlling the most important part of the production process.

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

In parallel with the new projects, Pharmanutra's strategy will continue to be geared towards strengthening its leadership in the oral iron market, to further increase market share in Cetilar® brand products, and to continue developing sales of Apportal® and Ultramag®.

The current international tensions and unpredictable developments in the scenarios linked to the conflict between Russia and Ukraine generate widespread macroeconomic uncertainty that could affect the achievement of the company objectives.

In this general framework, the PharmaNutra Group will work as always to meet commitments and objectives, maintaining a constant focus on the efficient management of its economic and financial structure to respond flexibly and immediately to the uncertainties of 2023.

We thank you for your trust.

Pisa, 16 March 2023

For the Board of Directors

The Chairman

(Andrea Lacorte)

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 December 2022

PHARMANUTRA GROUP

FINANCIAL STATEMENTS

Consolidated Balance Sheet

€/1000	NOTES	31/12/2022	31/12/2021
NON-CURRENT ASSETS		**41,428**	**15,837**
Property, plant and equipment	9.1.1	17,055	8,372
Intangible assets	9.1.2	21,560	5,500
Investments	9.1.3	4	254
Non-current financial assets	9.1.4	244	221
Other non-current assets	9.1.5	1,259	254
Deferred tax assets	9.1.6	1,306	1,236
CURRENT ASSETS		**58,727**	**55,519**
Inventories	9.2.1	5,261	2,865
Cash and cash equivalents	9.2.2	22,051	29,409
Current financial assets	9.2.3	4,810	4,530
Trade receivables	9.2.4	21,647	16,673
Other current assets	9.2.5	2,881	1,099
Tax receivables	9.2.6	2,077	943
TOTAL ASSETS		**100,155**	**71,356**
SHAREHOLDERS' EQUITY	**9.3.1**	**50,948**	**45,082**
Share capital		1,123	1,123
Legal reserve		225	225
Treasury shares		(2,362)	0
Other reserves		36,791	29,949
IAS 19 reserve		226	56
OCI Fair Value Reserve		(115)	28
FTA reserve		12	(70)
Result for the period		15,048	13,771
SHAREHOLDERS' EQUITY		50,948	45,082
Non-controlling interest			
NON-CURRENT LIABILITIES		**23,417**	**9,526**
Non-current financial liabilities	9.4.1	14,110	5,530
Provisions for risks and charges	9.4.2	5,414	1,475
Provisions for employee and director benefits	9.4.3	3,893	2,521
CURRENT LIABILITIES		**25,790**	**16,748**
Current financial liabilities	9.5.1	3,616	820
Trade payables	9.5.2	16,885	9,751
Other current liabilities	9.5.3	3,765	2,748
Tax payables	9.5.4	1,524	3,429
TOTAL LIABILITIES & EQUITY		**100,155**	**71,356**

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

Consolidated Income Statement

€/1000	NOTES	2022	2021
TOTAL REVENUE		**83,394**	**68,836**
Net revenues	9.6.1	82,724	68,114
Other revenues	9.6.2	670	722
OPERATING COSTS		**59,036**	**48,756**
Purchases of raw materials, consumables and supplies	9.7.1	4,793	3,264
Change in inventories	9.7.2	(1,968)	(971)
Costs for services	9.7.3	50,402	41,534
Personnel costs	9.7.5	5,101	4,288
Other operating costs	9.7.6	708	641
EBITDA		**24,358**	**20,080**
Amortisation, depreciation and write-off	9.8	1,318	1,389
OPERATING RESULT		**23,040**	**18,691**
FINANCIAL INCOME (EXPENSES) BALANCE		**378**	**118**
Financial income	9.9.1	528	159
Financial expenses	9.9.2	(150)	(41)
PRE-TAX RESULT		**23,418**	**18,809**
Income Taxes	9.10	(8,370)	(5,038)
Net result of third parties			
Net result of the Group		**15,048**	**13,771**
Net earnings per share (Euro)	**9.11**	**1.56**	**1.42**

Consolidated statement of Comprehensive Income

€/1000	2022	2021
Result for the period	15,048	13,771
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	31	67
Comprehensive Income of the period	**15,079**	**13,838**

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

Consolidated Statement of Changes in Shareholders' Equity

€/1000	Notes	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 01/01/2022		**1,123**		**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**
Other changes			(2,362)		4		(143)	170		(2,331)
Change in consolidation area	9.3.1	-		-	(82)	82		-		-
Dividends paid	9.3.1				(6,852)					(6,852)
Allocation of the Result					13,771				(13,771)	-
Result for the period									15,048	15,048
Balance as at 31/12/2022		**1,123**	**(2,362)**	**225**	**36,791**	**12**	**(115)**	**226**	**15,048**	**50,948**

€/1000	Notes	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 01/01/2021		**1,123**		**225**	**22,363**	**(70)**	**67**	**(50)**	**14,072**	**37,730**
Other changes							(39)	106		67
Dividends paid					(6,486)					(6,486)
Allocation of the Result					14,072				(14,072)	-
Result for the period									13,771	13,771
Balance as at 31/12/2021		**1,123**		**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**

Consolidated cash flow statement

CASH FLOW STATEMENT (€/1000) - INDIRECT METHOD	Notes	2022	2021
Net result before minority interests		**15,048**	**13,771**
NON-MONETARY COSTS/REVENUES			
Depreciation, amortization and write-off	9.8	1,318	1,389
Allowances to provisions for employee and director benefits		807	798
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	9.4.2	939	227
Change in provisions for employee and director benefits	9.4.3	565	468
Change in inventories	9.2.1	(2,396)	(971)
Change in trade receivables	9.2.4	(5,148)	(1,772)
Change in other current assets	9.2.5	(1,782)	(68)
Change in tax receivables	9.2.6	(1,134)	681
Change in other current liabilities	9.5.3	1,020	405
Change in trade payables	9.5.2	7,134	2,576
Change in tax payables	9.5.4	(1,905)	2,909
CASH FLOW FROM OPERATIONS		**14,466**	**20,413**
Investments in intangible assets, property, plant and equipment	9.1.1-9.1.2	(23,157)	(4,987)
Disposal of intangible assets, property, plant and equipment	9.1.1-9.1.2	267	83
Net investments in financial assets	9.1.3	250	0
Change in TFM receivable	9.1.5	(1,005)	(254)
Change in deferred tax assets	9.1.6	(70)	(385)
CASH FLOW FROM INVESTMENTS		**(23,715)**	**(5,543)**
Other Increase/(decrease) in equity	9.3.1	31	67
Treasury shares purchases	9.3.1	(2,362)	0
Dividends distribution	9.1.4	(6,852)	(6,486)
Increase in financial assets	9.2.3	(341)	(200)
Decrease in financial assets	9.1.4	40	15
Increase in financial liabilities	9.5.1	15,188	5,090
Decrease in financial liabilities	9.4.1	(3,775)	(717)
Increase in financial liabilities for ROU	9.5.1	225	315
Decrease in financial liabilities for ROU	9.4.1	(263)	0
CASH FLOW FROM FINANCING		**1,891**	**(1,916)**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**(7,358)**	**12,954**
Cash and cash equivalents at the beginning of the period	9.2.2	29,409	16,455
Cash and cash equivalents at the end of the period	9.2.2	22,051	29,409
CHANGE IN CASH AND CASH EQUIVALENTS		**(7,358)**	**12,954**

Consolidated cash flow statement – Business Combination detail

CONSOLIDATED CASH FLOW STATEMENT – BUSINESS COMBINATION DETAIL	Note	2022 CONS	2022 AKN	ADJ	2022 DEF
Net result before minority interests		**15.048**	**270**		**14.778**
NON-MONETARY COSTS/REVENUES					
Depreciation, amortization and write-offs	9.8	1.318	108		1.210
All. to provisions for employee and director benefits		807	36		771
CHANGES IN OPERATING ASSETS AND LIABILITIES					
Change in provisions for non-current risks and charges	9.4.2	3.939	4	(3.000)	935
Change in provisions for employee and director benefits	9.4.3	565	180		385
Change in inventories	9.2.1	(2.396)	(502)		(1.894)
Change in trade receivables	9.2.4	(5.148)	(299)		(4.849)
Change in other current assets	9.2.5	(1.782)	(23)		(1.759)
Change in tax receivables	9.2.6	(1.134)	(116)		(1.018)
Change in other current liabilities	9.5.3	1.020	304		716
Change in trade payables	9.5.2	7.134	364		6.770
Change in tax payables	9.5.4	(1.905)	69		(1.974)
CASH FLOW FROM OPERATIONS		**17.466**	**395**	**(3.000)**	**14.071**
Investments in intangible assets, property, plant and equipment	9.1.1-9.1.2	(26.157)	(1.632)	13.783	(10.742)
Net Cash Flow from business combination*				(11.335)	(11.335)
Disposal of intangible assets, property, plant and equipment	9.1.1-9.1.2	267	0		267
Net investments in financial assets	9.1.3	250			250
Change in TFM receivable	9.1.5	(1.005)			(1.005)
Change in deferred tax assets	9.1.6	(70)	96		(166)
CASH FLOW FROM INVESTMENTS		**(26.715)**	**(1.536)**	**2.448**	**(22.731)**
Other Increase/(decrease) in equity	9.3.1	31	1.248	1.233	16
Treasury shares purchases	9.3.1	(2.362)			(2.362)
Dividends distribution	9.1.4	(6.852)			(6.852)
Increase in financial assets	9.2.3	(341)	(130)		(211)
Decrease in financial assets	9.1.4	40	0		40
Increase in financial liabilities	9.5.1	15.188	773		14.415
Decrease in financial liabilities	9.4.1	(3.775)	(200)		(3.575)
Increase in financial liabilities for ROU	9.5.1	225	223		2
Decrease in financial liabilities for ROU	9.4.1	(263)			(263)
CASH FLOW FROM FINANCING		**1.891**	**1.914**	**1.233**	**1.210**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**(7.358)**	**773**	**681**	**(7.450)**
Cash and cash equivalents at the beginning of the period	9.2.2	29.409			29.409
Cash and cash equivalents at the end of the period	9.2.2	22.051	773	681	21.959
CHANGE IN CASH AND CASH EQUIVALENTS		**(7.358)**	**773**	**681**	**(7.450)**

* Effects of the acquisition of 100% of Akern S.r.l. share capital:

- Purchase price paid	12.016
- Cash and cash equivalents purchased (negative sign)	(681)
	11.335

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PHARMANUTRA GROUP

1. LAYOUT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2022 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.

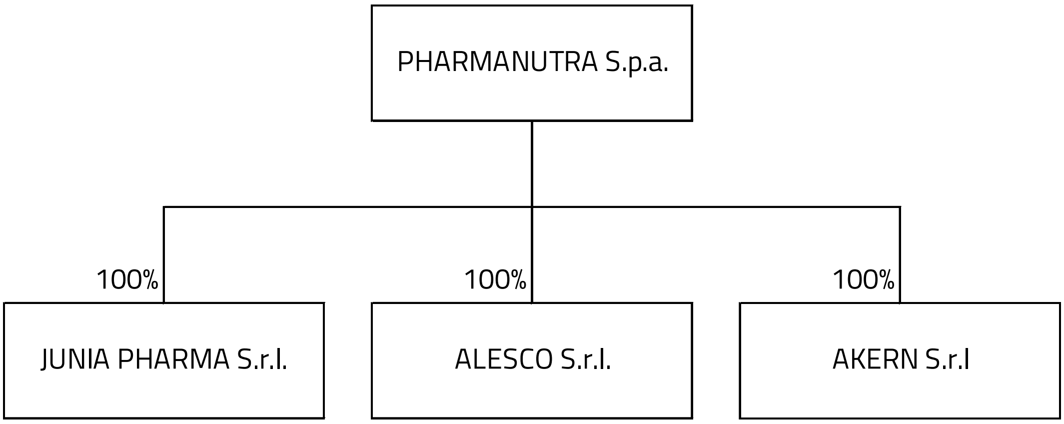
It is believed that these classifications provide information that is better suited to represent the financial position, results of operations and cash flows of the company.

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, 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:



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:

SOCIETA	SEDE LEGALE	Part. Diretta	Part. Indiretta	TOTALE
Pharmanutra S.p.A.	Pisa, Via delle Lenze 216/b	CONTROLLANTE		
Junia Pharma S.r.l.	Pisa, Via delle Lenze 216/b	100%	0%	100%
Alesco S.r.l.	Pisa, Via delle Lenze 216/b	100%	0%	100%
Akern S.r.l.	Pisa, Via Umberto Forti 6	100%	0%	100%

In July, Akern S.r.l, an Italian company established in 1980 with the purpose of research, development and production of medical instrumentation and software for monitoring body composition using bioimpedance techniques, was acquired. The subsidiary is consolidated as of July 1st 2022.

3. CONSOLIDATION CRITERIA AND TECHNIQUES

Consolidation is carried out using the line-by-line method, which consists in including all assets and liabilities in their entirety. The main consolidation criteria adopted for the application of this method are as follows:

- subsidiaries are consolidated from the date on which control is actually transferred to the Group and are no longer consolidated on the date on which control is transferred outside the Group;
- where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies used with those adopted by the Group;
- the assets and liabilities, charges and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements;
- The book value of investments is netted against the related share in the shareholders' equity of consolidated companies, attributing to balance sheet assets and liabilities the respective current value at the time control was acquired. Any residual difference is recorded under the asset item "Goodwill", if positive or in the income statement, if negative;
- the balances of receivables and payables, as well as the economic effects of intra-group economic transactions and dividends approved by the consolidated companies have been eliminated in full. The consolidated financial statements do not include any profits or losses not yet made by the Group as a whole as they result from intra-group transactions. The portions of shareholders' equity and the results for the period of minority shareholders are shown separately in the consolidated shareholders' equity and income statement.

4. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The consolidated financial statements of Pharmanutra Group as at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union. IFRS also includes all revised International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements are prepared on a going concern basis. In view of what has already been mentioned in the Management Report, to which reference should be made for more details, the Directors believe that there are no problems that could affect the Company's ability to continue as a going concern since the Covid-19 epidemic and the Russian-Ukrainian war.

The Consolidated Financial Statements of the Pharmanutra Group as at 31 December 2022 are audited by the auditing firm BDO S.p.A in accordance with the resolution of the Annual General Meeting of 13 October 2020.

The Pharmanutra Group has prepared and disclosed to the public, within the terms of the law and in the manner prescribed by Consob, the Consolidated interim report for the six months ended 30 June 2022, subject to limited audit, and the consolidated Interim Management Statements as at 31 March and 30 September 2022.

The draft consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 16 March 2023, which also authorised their publication.

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report in XHTML, based on the ESMA-approved European Single Electronic Format (ESEF). For the year 2022, it is envisaged that numerical values of a monetary nature in the statements and information in the notes to the financial statements that correspond to the mandatory elements of the taxonomy must be "marked" according to the ESEF taxonomy, using an integrated computer language (iXBRL).

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

Below is a description of the most significant accounting standards adopted for the preparation of the consolidated financial statements of Pharmanutra as at 31 December 2022, 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.

Leased assets

The assets acquired through leasing contracts, through which the risks and rewards of ownership are substantially transferred to the Group, are recognised as assets of the Group at their current value at the date of signing the contract or, if lower, at the current value of the minimum payments due for the lease, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is shown under financial payables.

Intangible fixed assets

Intangible fixed assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill when acquired for consideration.

Identifiability is defined by reference to the possibility of distinguishing the intangible fixed asset acquired from goodwill. This requirement is normally met when:

the intangible fixed asset is attributable to a legal or contractual right, or

the asset is separable, i.e. it can be sold, transferred, rented or exchanged independently or as part of other assets. Control of the company consists of the power to enjoy the future economic benefits deriving from the asset and the possibility of limiting access to others.

Intangible fixed assets are recorded at cost determined according to the criteria indicated for tangible fixed assets.

Intangible fixed assets with a finite useful life are systematically amortised over their useful life, being understood as the estimate of the period in which the assets will be used by the company. The recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".

Goodwill and other intangible fixed assets, where present, with an indefinite useful life are not subject to amortisation. The recoverability of their book value is verified at least annually and in any case when events occur that indicate a reduction in value. With regard to goodwill, such verification is carried out at the level of the smallest aggregate on the basis of which management assesses, whether directly or indirectly, the return on investment that includes the goodwill itself *(cash generating unit*). Write-offs are not subject to impairment reversal.

Other intangible fixed assets have been amortised at 20%, estimating a useful life of 5 years, with the exception of patents, trademarks and licenses, which are amortised over a useful life of 18 years.

The amortisation period and criteria for intangible fixed assets with a finite useful life are reviewed at least at the end of each financial year and adjusted prospectively if necessary.

Goodwill

Business combinations are accounted for using the acquisition method (IFRS 3). The cost of an acquisition is measured as the sum of the consideration transferred measured at fair value at the acquisition date and the amount of any minority interest in the acquiree. For each business combination, any minority interest in the acquiree shall be measured either at fair value or at the minority interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed and classified under administrative expenses. If the business combination is achieved in stages, the fair value of the investment previously held is recalculated at fair value at the acquisition date, by recording any resulting gain or loss in the income statement. Goodwill is initially measured at the cost that emerges as the excess of the sum of the consideration paid and the amount recognised for minority interests over the identifiable net assets acquired and liabilities assumed. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement. After initial recognition, goodwill is measured at cost, net of accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination must, at the acquisition date, be allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units. If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the asset disposed of shall be included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the asset disposed of must be determined on the basis of the relative values of such asset and the portion of the cash-generating unit retained.

Investments

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

Impairment of assets

At least once a year, the Company reviews the recoverability of the carrying amount of tangible and intangible assets as well as investments in subsidiaries and associates to determine whether those assets may have suffered an impairment loss. If there is such evidence, the book value of the asset is reduced to the relative recoverable value, thus recording any write-off compared to the relative book value in the income statement. The recoverable amount of an asset is the higher between its fair value, net of sale costs, and its value in use. The value in use is defined on the basis of discounting expected cash flows from the use of the asset or a combination of assets (Cash Generating Unit), as well as the value expected from its disposal at the end of its useful life.

The Cash Generating Units were identified to be tested for impairment, consistently with the Company's organisational and business structure, by identifying in the subsidiaries (Junia Pharma, Alesco and Akern) the lowest possible level of homogeneous combinations that generate independent cash inflows from the continuous use of the assets attributable to them.

When, subsequently, the loss in value of an asset no longer exists or is reduced, the carrying amount of the asset is increased up to the new estimate of the recoverable value and may not exceed the value that would have been determined if no impairment loss had been recorded. The reversal of an impairment loss is recognised in the income statement in the year in which it is recorded.

Inventories

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of change in value.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their fair value and subsequently measured at amortised cost, net of any write-offs. At the time of recognition, the receivable nominal value is representative of its fair value at that date. IFRS 9 defines a new model for impairment/devaluation of these assets, with the aim of providing useful information to users of the financial statements on the related expected losses. According to this model, the Group measures receivables using an expected loss approach, replacing the IAS 39 framework, which is typically based on the measurement of incurred losses. The Group adopts a simplified approach for the measurement of trade receivables, which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories on the basis of days past due, by defining the allocation based on the historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment.

Trade receivables are fully written off if there is no reasonable expectation of recovery or in the presence of inactive trade counterparties.

The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement.

With regard to financial assets, the Group adopts the accounting standard IFRS 9 Financial Instruments, Recognition and Measurement for the classification, measurement and accounting of financial instruments.

The accounting standard provides rules for the classification of financial assets in the following categories:

Amortised Cost;

Fair Value with change in equity (Fair Value Other Comprehensive Income or FVOCI);

Fair Value with changes in the income statement.

The determination of the category is made based on 2 factors:

The Business Model, i.e. the way in which the Group manages its financial assets or intends to achieve cash flows from financial assets.

The possible Business Models envisaged by the accounting standard are:

Hold to collect (HTC): it provides for the achievement of cash flows as contractually foreseen. This Business Model is attributable to financial assets that will presumably be held until their natural maturity;

Hold to Collect and Sell (HTC&S): this Business Model provides for the achievement of cash flows as contractually foreseen or through the sale of financial assets. This Business Model is therefore attributable to financial assets that may be held to maturity or even sold;

Sell: it provides for the achievement of cash flows through the sale of the instrument. This Business Model is attributable to activities in which cash flows will be achieved through sale (the so-called trading).

Contractual cash flow characteristics of the instrument

The standard refers to the so-called SPPI (Solely Payments of Principal and Interest) test, which aims to define whether an instrument has the contractual characteristics allowing only the principal and interest to be paid.

If the SPPI test is not passed, regardless of the reference business model, the financial instrument must be classified and measured at Fair Value with changes in the income statement.

The classification of an instrument is defined at initial recognition and is no longer subject to change, except in cases that the standard expects to be rare.

With reference to the financial instruments, consisting of bonds issued by leading issuers, the management has carried out an analysis of its intentions in managing the instruments and has carried out the SPPI test for all the instruments in the portfolio, thus concluding that the most relevant business model to its management method is the HTC&S one and that the SPPI test has been passed.

The accounting rules that IFRS 9 defines for debt financial instruments classified to FVTOCI are as follows:

Interest income is recognised in the income statement using the effective interest rate method, in the same way as for instruments at amortised cost;

Impairment losses (and any reversal) are recognised in the income statement in accordance with the rules set forth in IFRS 9;

The differences between the amortised cost and the fair value of the instrument are recognised in equity in the other items of the comprehensive income statement;

The cumulative reserve recognised in equity and relating to the debt instrument is reversed to the income statement only when the asset is derecognised.

With regard to the investments made in shares of investment funds, the accounting rules provided for by IFRS 9 are as follows:

The measurement criterion is fair value at the reporting date;

Changes in fair value are recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

the rights to receive cash flows from the asset are extinguished;

the right to receive cash flows from the asset is retained but a contractual obligation has been taken to pay them in full and without delay to a third party;

the company of the Group has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of it.

In cases where the company of the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the company's financial statements to the extent of its residual involvement in the asset.

Impairment of financial assets

The companies of the Group verify at each reporting date whether a financial asset or group of financial assets has suffered an impairment loss. A financial asset or group of financial assets is to be considered subject to impairment loss if, based on historical experience and on the forecast outcome of its recoverability, after the occurrence of one or more events since its initial recognition, this loss event can be reliably expected on the estimated future cash flows of the financial asset or group of financial assets.

Evidence of impairment loss may be represented by indicators such as financial difficulties, inability to meet obligations, insolvency in interest payments or major payments, which debtors, or a group of debtors, are going through. The probability that it will fail or is subject to another form of financial reorganisation, and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in the context or economic conditions related to the obligations.

The management also evaluates elements such as the performance of the counterparty's sector and financial activity as well as the general economic performance and also makes forward looking considerations.

If there is objective evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the estimated write-off increases or decreases as a result of an event occurring after the write-off was recognised, the previously recognised write-off shall be increased or decreased by adjusting the provision to the income statement.

Impairment of non-financial assets

At each reporting date, the companies of the Group assess the possible existence of indicators of impairment loss of non-financial assets. When events occur that suggest a reduction in the value of an asset or when an annual impairment test is required, its recoverability is verified by comparing its book value with its recoverable amount, represented by the higher of fair value, net of disposal costs, and value in use.

In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, recent transactions or the best information available to reflect the amount that the company could obtain from selling the asset. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and provable assumptions that are representative of the best estimate of future economic conditions that will occur over the remaining useful life of the asset, giving greater importance to indications from outside. Discounting is carried out at a rate that takes into account the risk inherent in the business sector.

The valuation is carried out for each individual asset or for the smallest identifiable set of assets that generates autonomous cash inflows from ongoing use (the so-called cash generating units). When the reasons for the write-offs 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-offs previously made and reduced by the depreciation that would have been allocated if no write-off 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. Allowances to provisions are recognised when:

the existence of a current, legal or implied obligation, arising from a past event is probable;

it is likely that the settlement of the obligation will be onerous;

the amount of the obligation can be reliably estimated.

Allowance to provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to settle the obligation or transfer it to third parties at the end of the period.

Trade payables

Trade payables are recorded at nominal value.

Revenue recognition

Revenues are booked on an accrual basis regardless of the date of collection, net of returns, discounts, allowances and premiums.

Revenues for the sale of the products are recognised at the time of control transfer of the goods given to the buyer, which coincides with the shipment or delivery of the same.

Revenues from the provision of services are recorded in the financial statements when the service is actually rendered.

Revenues of a financial nature are recognised on an accrual basis. For all financial instruments measured at amortised cost, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period.

Service charges are recognised on an accrual basis.

For all financial instruments measured at amortised cost, interest expense is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Financial income and expenses

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

Income taxes

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

Current taxes are calculated on the basis of the estimated taxable income for the 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 reporting date.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of these assets to be recovered.

Deferred taxes are directly charged to the income statement, except for those relating to items being directly recognised in equity, in which case the related deferred taxes are also charged to equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, when they relate to taxes due to the same tax authority and the company intends to settle current tax assets and liabilities on a net basis.

Criteria for the conversion 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 converted into the functional currency at the exchange rate at the reporting date.

Exchange differences are recorded in the income statement, including those achieved upon collection of receivables and payment of payables in foreign currency.

The gain or loss arising from the conversion 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 (exchange differences on items whose change in fair value is recognised in the statement of comprehensive income or the income statement are recognised in the statement of comprehensive income or the income statement, respectively).

Earnings per share

Basic earnings per share are calculated by dividing the Group's Net results by the weighted average number of shares outstanding during the year, excluding any treasury shares.

5. IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED OR APPLICABLE/APPLIED FROM 1.1.2022

5.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2022

- the following amendments entered into force on 1 January 2022: "Amendments to IFRS 3 Business Combinations", "Amendments to IAS 16 Property, Plant and Equipment", "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" e "Annual Improvements 2018-2020".

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

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

- on 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent" and on July 15 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – deferral of Effective Date". The amendments will be effective as of 1 January 2023 and clarify the principles that must be applied for the classification of liabilities as current or non-current.
- on 12 February 2021, the IASB published the amendments entitled "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" and "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". All amendments will take effect on 1 January 2023;
- On 07 May 2021, the IASB published and amendment referred to as "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12) . All amendments will take effect on 1 January 2023.

None of these Standards and Interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these Standards and Interpretations and based on the current state of analysis, no significant impact is expected.

6. MAIN ESTIMATES ADOPTED BY THE MANAGEMENT

The application of generally accepted accounting principles for the preparation of financial statements implies that management makes accounting estimates based on complex and/or subjective judgements, based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate.

Estimates are used to measure intangible assets subject to impairment testing (see § Impairment losses), as well as to recognise provisions for doubtful accounts, inventory obsolescence, amortisation and depreciation, asset write-offs, employee benefits, taxes, other provisions and reserves. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

The use of these accounting estimates affects the carrying amount of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reporting period. Actual results may differ from estimated results due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The following are the accounting estimates that are critical to the preparation of the financial statements because they involve a high degree of recourse to subjective judgements, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgements, assumptions and estimates adopted can have a significant impact on subsequent results.

Recoverable amount of non-current assets

Non-current assets include Property, plant and equipment, Goodwill, Other intangible assets, Equity investments and Other financial assets. The Group periodically reviews the carrying amount of non-current assets held and used and assets to be disposed of, when facts and circumstances require such a review. For Goodwill, this analysis is carried out at least once a year and whenever facts and circumstances require it. The analysis of the recoverability of Goodwill carrying amount is generally performed using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value.

When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the excess of the carrying amount of the asset over its recoverable amount through use or sale.

Recoverability of deferred tax assets

The Group has deferred tax assets on deductible temporary differences. In determining the estimate of the recoverable amount, the Group took into consideration the results of the business plan.

- Allowance for doubtful accounts

The allowance for doubtful accounts reflects the management's estimate of the expected losses associated with the portfolio of receivables. The Group applies the simplified approach envisaged by IFRS 9 and records expected losses on all trade receivables on the basis of their residual duration, by defining the provision based on historical experience of credit losses, adjusted to take account of specific forecast factors relating to creditors and the economic environment (the Expected Credit Loss - ECL concept).

Contingent liabilities

The Group recognises a liability for ongoing litigation and lawsuits when it believes it is probable that a financial outlay will be made and when the amount of resulting losses can be reasonably estimated. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

Estimates adopted in the actuarial calculation for the purpose of determining defined benefit plans in the context of post-employment benefits (IAS 19)

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

<u>Demographic assumptions</u>

The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;

the probability of elimination due to absolute and permanent disability of the worker to become disabled and leave the company community is inferred from the disability tables currently used in reinsurance practice, broken down by gender and age;

the probability of leaving the company due to resignations and dismissals was estimated, on the basis of company data, over the observation period from 2015 to 2022 and amounts to 7.19% per year;

the probability of requesting an advance was set at 1% per year, with a 50% rate remaining;

for the period of retirement for the generic workforce, it was assumed that the earliest of the retirement requirements valid for the General Compulsory Insurance would be reached.

<u>Economic and financial assumptions</u>

The macroeconomic scenario used for the measurements is described in the table below:

Parameters	**Assumptions for 2022**
Rate of salary increase	3.83%
Inflation rate	2%
Discount rate of employees severance indemnity	2.73%

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 31.12.2022 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 22 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:

<u>Demographic assumptions</u>

The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;

for the probabilities of leaving the company due to voluntary resignations or dismissals, the annual frequencies over the observation period from 2013 to 2022 has been estimated, based on company data, at 4.15% and 6.45% per year;

<u>Economic and financial assumptions</u>

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on the assessment date (Source: *Il Sole 24 ore*). For the measurement as at 31.12.2022, a flat rate of 2.626% was adopted on the section of the curve corresponding to 24 years of average residual duration.

Estimates adopted in the determination of deferred taxes

A discretionary assessment is required of the Directors to determine the amount of deferred tax assets that can be recognised. They must estimate the probable occurrence in time and the amount of future taxable profits.

Amortisation/depreciation

Fixed assets cost is depreciated on a straight-line basis over their estimated useful lives, which for rights of use coincides with the assumed duration of the contract. The useful economic life of the Group's fixed assets is determined by the Directors at the time of purchase. It is based on the historical experience gained over their business years and on the knowledge of any technological innovations that could make the fixed asset obsolete or no longer economical.

The Group periodically evaluates technological and industry changes to update the remaining useful life. This periodic revision process could lead to a change in the depreciation period considered and, therefore, in the depreciation charged in future years.

7. RISK AND UNCERTAINTY MANAGEMENT

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

7.1 EXTERNAL RISKS

7.1.1 Risks associated with Covid-19 (so-called "Coronavirus")

Despite the residual effects of the COVID-19 pandemic (so-called "Coronavirus") lingering into 2022, the Group achieved excellent business results with revenues increasing by approximately 21%, in line with increases in pre-pandemic years. The evolution of the health situation, with the progressive elimination of the restrictive measures put in place and the end of the state of emergency have allowed to return to normality. In view of the above, there is no particular risk to the regularity of production and sales trends, although a further deterioration in the situation cannot be ruled out, which could expose the Group to the risk of a drop in sales.

7.1.2 Risks associated with production entrusted to third party suppliers

The Group is exposed to the risk that production activities entrusted to third party suppliers may not be carried out properly according to the quality standards required by the Group, leading to delays in the supply of products or even the need to replace the third party in charge. In addition, the production facilities of third party suppliers are subject to operational risks such as, for example, interruptions or delays in production due to faulty or failed machinery, malfunctions, breakdowns, delays in the supply of raw materials, natural disasters, or the revocation of permits and authorisations or even regulatory or environmental interventions. The possible occurrence of such circumstances could have negative effects on the Group's business.

7.1.3 Risks associated with the regulatory framework and the situation in the countries in which the Group operates

As a result of its international presence, the Group is exposed to a number of risk factors, particularly in developing countries where the regulatory framework is not permanently defined and clear. This could force the Group to change its business practices, increase costs or expose it to unforeseen civil and criminal liability.

Moreover, the Group cannot be sure that its products can be successfully marketed in these developing markets, given the less stable economic, political or social conditions than in Western European countries and which may result in the possibility of facing political, social, economic and market risks.

With reference to the geopolitical situation of the conflict between Russia and Ukraine, following the sanctions issued by the European Union against Russia, in the first months of the year the Group suspended the supply of products to the Russian distributor, which was resumed in mid-2022, in order to protect the investments made in previous years. The Group then decided to donate part of the margin achieved with the Russian distributor to support Ukrainian families. At the end of the period, the Group had no exposure to the Russian distributor. It is not considered that the possible adoption of even stronger penalties could lead to a decrease in the expected revenues for the year. Regarding Ukraine, a marginal market, there are no open positions as of today and no commercial operations.

7.1.4 Risks associated with the high degree of competitiveness of the reference market

In view of the fact that the market segments in which the Group is active are characterised by a high level of competition in terms of quality, price and brand awareness and by the presence of a large number of operators, the possible difficulty for the Group in facing competition could have a negative impact on its market position, with consequent negative effects on the Group’s business.

The production activities of the Group are characterised by technology that cannot be replicated and is protected by patents, and this is considered an important competitive advantage, which - together with proprietary raw materials, the strategy of protecting intellectual property rights (trademarks and patents) and continuous investment in research and development - makes it possible to obtain products with characteristics that cannot be replicated by competitors.

7.2 MARKET RISKS

7.2.1 Risks associated with dependence on certain key products

The Group's ability to generate operating profits and cash flows largely depends on maintaining the profitability of a number of key products; among these, the most significant are those based on Sucrosomial® Iron, consisting of the products of the Sideral® line, which represent approximately 75% of the Group's revenues at 31 December 2022. Compared to previous years, the turnover of the Sideral® line had decreased as a percentage of the total (75% in 2022 compared to 80% in 2021).

A contraction in sales of these key products could have negative effects on the Group's business and prospects.

7.2.2 Risks associated with the iron-related therapy market in which the Group operates

The risks to which the Group is exposed are related: to any changes in the regulatory framework in relation to the way iron is taken, the identification of new therapeutic protocols relating to these consumption ways (of which the Group is unable to predict the timing and methods) and/or to the need to reduce the selling prices of products. The Group's iron-based products are currently all classified as food supplements. In the case of iron, as well as many other nutrients, regulations concern the amount of daily intake beyond which the product cannot be marketed as a food supplement because it would fall into the pharmaceutical category.

A possible regulatory change could have more of an impact on the maximum (or minimum) level of intake which would then lead to a simple formula adjustment.

7.3 FINANCIAL RISKS

7.3.1 Credit risk

Credit risk represents the exposure to potential losses deriving from the non-fulfilment of the obligations undertaken by both commercial and financial counterparties.

The Group's credit risk is essentially attributable to the amount of trade receivables for the sale of finished products and, to a very limited extent, raw materials.

The Group does not have a significant concentration of credit risk and is subject to moderate credit risks.

The exposure to credit risk as at 31 December 2022 and 31 December 2021 is shown below:

€/1000	31/12/2022	31/12/2021
Non-current financial assets	244	221
Other non-current assets	1,259	254
Deferred tax assets	1,666	1,236
Current financial assets	4,810	4,530
Trade receivables	23,286	18,515
Other current assets	2,881	1,099
Total Exposure	**34,146**	**25,855**
Provision for doubtful accounts	(1,639)	(1,842)
Total exposure net of Allowance for doubtful account(*)	**32,507**	**24,013**

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

Below is a breakdown of receivables as at 31 December 2022 and 31 December 2021 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1000	Carrying amount at 31/12/2022	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	244	244				
Other non-current assets	1,259	1,259				
Deferred tax assets	1,666	1,666				
Current financial assets	4,810	4,810				
Trade receivables	23,286	20,124	1,228	185	196	1,553
Other current assets	2,881	2,881				
Total financial assets	**34,146**	**30,984**	**1,228**	**185**	**196**	**1,553**

€/1000	Carrying amount at 31/12/2021	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	221	221				
Other non-current assets	254	254				
Deferred tax assets	1,236	1,236				
Current financial assets	4,530	4,530				
Trade receivables	18,515	15,604	860	101	191	1,759
Other current assets	1,099	1,099				
Total financial assets	**25,855**	**22,944**	**860**	**101**	**191**	**1,759**

7.3.2 Liquidity risk

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

To support the acquisition of Akern, the parent company obtained two unsecured loans of Euro 6 million each. The first, stipulated with Banco BPM, provides for a variable interest rate calculated with a spread of 0.85% on the quarterly Euribor. The second, being stipulated with Credem, provides for a variable interest rate determined by applying a Spread of 0.90% to the quarterly Euribor.

Despite having available short-term bank credit lines, aimed at managing the requirements related to increases in working capital, the management did not deem it necessary to use these instruments during the year thanks to the generation of liquidity from current operations.

In any case, the liquidity risk originating from normal operations is kept at a low level by managing an adequate level of cash and cash equivalents and controlling the availability of funds obtainable through credit lines.

Financial liabilities as at 31 December 2022 and 31 December 2021, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1000	Balance at 31/12/2022	Current portion	2 to 5 years	Over 5 years
Bank loans and borrowings	16,977	3,365	11,988	1,624
Financial liabilities for rights of use	749	251	498	
Other lenders	0			
Total financial liabilities	**17,726**	**3,616**	**12,486**	**1,624**

€/1000	Balance at 31/12/2021	Current portion	2 to 5 years	Over 5 years
Bank loans and borrowings	5,559	559	3,745	1,255
Financial liabilities for rights of use	787	261	526	
Other lenders	4		4	
Total financial liabilities	**6,350**	**820**	**4,275**	**1,255**

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

7.3.3 Interest rate risk

Group companies have variable-rate loan agreements in place and are thus exposed to the risk of changes in interest rates, which is considered low. Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 71% at 31 December 2022 and 10% as at 31 December 2021.

The Group does not currently adopt policies to hedge interest rate risk. Simulations were carried out in order to assess the advisability of adopting interest rate risk hedging policies. The cost of these hedges was higher than the higher interest that could result from the expected trend in rates.

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

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following information is provided.

The fair value of trade receivables and payables and other financial receivables and payables approximates the nominal value recorded in the financial statements.

The fair value of receivables and payables due from and to banks and related companies does not differ from the values recorded in the financial statements, as the credit spread has been kept constant.

In relation to financial instruments recognised in the Balance Sheet at fair value, IFRS 7 requires these values to be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in determining the fair value. The following levels are distinguished:

Level 1 - quotations recorded on an active market, for assets or liabilities subject to valuation;

Level 2 - inputs other than quoted prices, as referred to in the previous paragraph, that are observable

directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs that are not based on observable market data.

With respect to the values at 31 December 2022 and 31 December 2021, the following table shows the fair value hierarchy for the Group's assets that are measured at fair value:

€/1000	31/12/2022				31/12/2021			
	Level				Level			
Current financial assets	1	2	3	Total	1	2	3	Total
Bonds	3,493		304	3,797	2,505		203	2,708
Investment Funds	1,000			1,000	1,822			1,822
Shares	13			13				
Total	**4,506**	**-**	**304**	**4,810**	**4,327**	**-**	**203**	**4,530**

For the only asset that falls within level 3, the valuation model applied is that of nominal value since the underlying of the issue is a securitisation of reinsured trade receivables.

7.3.4 Risk of changes in cash flows

The Group has historically highlighted a substantial and constant increase in the cash flows generated by operations compared to the previous year.

There is no particular need for access to bank credit, except for current commercial activities, given the willingness of banks to extend, when necessary, existing credit lines for the companies of the Group.

In view of the above, for the companies of the Group, the risk associated with a decrease in cash flows is considered to be low.

7.3.5 Risks related to litigation

The Parent Company and the subsidiary Junia Pharma are part of a series of exclusive agency and procurement agreements for the promotion of their products. The activity carried out by agents for the Group also plays an important role in providing scientific information to the medical class. During the year 2020, there were a number of cases in which agents and/or brokers initiated disputes aimed at ascertaining the existence of an employment relationship and claimed for compensation. For the risks highlighted, specific provisions are set aside to cover the estimated liabilities. At the end of February 2022, disputes were settled by conciliation. As a result of the agreements reached, the provision set aside at 31 December 2021 was fully utilised.

There are uncertainties of interpretation regarding the qualification for direct tax purposes of the indemnity received by the Company in 2019 from the pre-listing shareholders on the basis of the reps and warranties given by them in the admission document section one, chapter 16, paragraph 16.1. The risk cannot be excluded that, if the position taken by Pharmanutra is not considered correct by the Italian Inland Revenue, the latter may ascertain the existence of taxes to be paid in relation to the indemnity amount (up to a maximum of approximately 220,000 Euro) plus penalties and interest.

8. INFORMATION BY OPERATING SEGMENTS

The Group has identified operating segments on the basis of the three business lines that represent the organisational components according to which the business is managed and monitored, i.e., as required by IFRS 8, *'... a component whose operating results are periodically reviewed at the entity's highest operational decision-making level for the purposes of making decisions about resources to be allocated to the segment and performance assessment*". The new company Akern S.r.l, which was acquired during the year, was then specified as the operating segment.

The segments identified are Italy (LB1) and abroad (LB2) and Akern, which represent the Group's business model.

INCOME STATEMENT (€/000)	31/12/2022	LB1	LB2	AKERN	31/12/2021	LB1	LB2	AKERN
A) REVENUES	**83,397**	**57,969**	**23,395**	**2,033**	**68,837**	**48,403**	**20,435**	**-**
Net revenues	82,724	57,491	23,272	1,961	68,114	47,812	20,302	-
Other revenues	673	478	123	72	723	591	133	-
B) OPERATING COSTS	**(59,039)**	**(40,867)**	**(16,695)**	**(1,477)**	**(48,757)**	**(34,910)**	**(13,847)**	**-**
Costs for services, goods and operating costs	(47,442)	(33,072)	(13,539)	(831)	(38,134)	(27,454)	(10,680)	-
Costs for personnel and corporate	(11,597)	(7,795)	(3,156)	(646)	(10,623)	(7,457)	(3,166)	-
(A-B) EBITDA	**24,358**	**17,102**	**6,700**	**556**	**20,080**	**13,492**	**6,588**	**-**
EBITDA (% on revenues)	***29.2%***	***29.5%***	***28.6%***	***27.4%***	***29.2%***	***27.9%***	***32.2%***	
C) Amortisation, depreciation and write-offs	(1,318)				(1,389)			
(A-B-C) EBIT	**23,040**				**18,691**			
D) FINANCIAL INCOME (EXPENSES)	**378**				**118**			
Financial income	528				159			
Financial expenses	(150)				(41)			
PRE-TAX RESULT (A-B-C+D)	**23,418**				**18,809**			
Income Taxes	(8,370)				(5,038)			
Profit /(Loss) for the period	**15,048**				**13,771**			

The performance of the two Pharmanutra business lines in 2022 compared to the previous year reflects what has already been reported above in relation to the Group's performance. Sales on the Italian market rose by 20.2% and those abroad by 14.6%.

Costs for services attributable to the Italian market (LB1), amounting to Euro 33,072 thousand, rose by around 20.5% compared with the previous year due to higher revenues for the year and the increase in marketing costs. Costs for services attributable to foreign markets (LB2), which amounted to Euro 13,539 thousand in 2022, compared to Euro 10,680 thousand in 2021, show an increase of 26.8% due to higher business volumes.

As a result of the above, the EBITDA of LB1 segment in 2022 amounted to Euro 17,102 thousand (Euro 13,492 thousand in 2021), an increase of about 26.8% compared to 2021, while the EBITDA of LB2 segment increased by about 1.7% from Euro 6,700 thousand in 2022 to Euro 6,588 thousand in 2021.

9. COMMENTS ON THE MAIN ITEMS

9.1 Non-current assets

9.1.1. Tangible fixed assets

Net value	Initial balance	Increases	Decreases	Depreciation	Change in Cons. Area	Final balance
Land and buildings	34	5		-8	61	92
Plant and machinery	146	14		-47	24	137
Equipment	0			-2	23	21
Furniture and office machines	374	56		-126	38	342
Vehicles	894	460	-267	-292		795
Other tangible fixed assets					1	1
Rights of use	786	248		-290		744
Assets under construction	6,138	8,779			6	14,923
TOTAL	**8,372**	**9,562**	**-267**	**-765**	**153**	**17,055**

Historical cost	Initial balance	Increases	Decreases	Change in Cons. area	Final balance
Land and buildings	644	5		100	749
Plant and machinery	257	14		105	376
Equipment	18			107	125
Furniture and office machines	1,075	56		161	1,292
Vehicles	1,498	460	-494	0	1,464
Other intangible fixed assets				8	8
Rights of use	1,358	248		0	1,606
Assets under construction	6,138	8,779		6	14,923
TOTAL	**10,988**	**9,562**	**-494**	**487**	**20,543**

Accumulated depreciation/amortisation	Initial balance	Depreciation	Uses	Change in Cons. area	Final balance
Land and buildings	610	8		39	657
Plant and machinery	111	47		81	239
Equipment	18	2		84	104
Furniture and office machines	701	126		123	950
Vehicles	604	292	-227	0	669
Other intangible fixed assets				7	7
Rights of use	572	290		0	862
TOTAL	**2,616**	**765**	**-227**	**334**	**3,488**

The amount of the year's increases relates to Euro 8,779 thousand for the advancement of the construction of the new headquarters, Euro 153 thousand from the consolidation of Akern, Euro 460 thousand for the purchase of cars for use by management and the sales force, and the remainder for the purchase of laboratory instruments and electronic equipment.

9.1.2 Intangible fixed assets

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

	Initial balance	Increases	Decreases	Depreciation	Change in Cons. area	Final balance
Industrial patent rights	1,038	704		-246	117	**1,613**
Concessions, licenses and trademarks	1,410	193		-129	22	**1,496**
Goodwill	2,750			0	14,811	**17,561**
Other intangible assets	3			-7	40	**36**
Assets under development and payments on account	299	532			23	**854**
TOTAL	**5,500**	**1,429**	**0**	**-382**	**15,013**	**21,560**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 900 thousand. The increase in goodwill resulted from the consolidation process of Akern. The increase in fixed assets under construction refers to costs capitalised on research contracts in progress and software being implemented.

Testing for impairment of goodwill and intangible fixed assets with indefinite useful life (Impairment Test)

As indicated in the section on valuation criteria, intangible fixed assets with an indefinite useful life are not amortised but are tested for impairment annually, or more frequently if specific events or changes in the circumstances indicate that they may have suffered an impairment loss, in accordance with IAS 36 Impairment of Assets (impairment test). The recoverability of the values recorded is verified by comparing the net carrying amount of the individual cash generating unit with the recoverable value (value in use). Such recoverable value is represented by the current value of future cash flows that are estimated to derive from the continuous use of the assets related to Cash Generating Unit (CGU).

The cash flows used to determine the value in use derive from the most recent estimates made by the management, and in particular the 2023 budget approved on 19 December 2022. Three CGUs have been identified: Junia Pharma, Alesco, Akern.

The recoverable value of the three CGUs identified every goodwill refers to and amounting to a total of Euro 17,561 thousand (of which Euro 960 thousand refer to Alesco and Euro 1,790 thousand refer to Junia Pharma and Euro 14,811 refer to Akern) was verified through the value in use, determined by applying the discounted cash flow method. If the recoverable amount is higher than the net carrying amount of the CGU, no impairment loss is recognised; otherwise, the difference between the net carrying amount and the recoverable amount, as a result of the impairment test, determines the amount of the adjustment to be recognised.

The main assumptions used for the calculation of value in use concern the discount rate (WACC post-tax) of cash flows and the growth rate "g" used for the calculation of the perpetual annuity. With particular reference to the valuations relating to 31 December 2022, the Group used a discount rate of 11.89%, with a growth rate “g” of 1% for the Junia Pharma and Alesco CGUs. With reference to the valuation of Akern, the Group used a discount rate of 9.77%, with a growth rate “g” of 1%.

From the results of the impairment test, it emerged for each CGU that the recoverable value exceeds the carrying value and therefore no write-offs was made.

Sensitivity

The sensitivity analysis carried out considering a change of +/- 1% in the WACC and +/- 0,50% in the g-rate used to perform the test did not show any impairment of goodwill.

9.1.3 Investments

€/1000	31/12/2022	31/12/2021	Change
Investments in other companies	4	254	-250
Investments	**4**	**254**	**-250**

The decrease in the item “Investments in other companies” refers to the sale of the investment in the company Red Lions S.p.A., as part of the acquisition of Akern S.r.l..

9.1.4 Non-current financial assets

€/1000	31/12/2022	31/12/2021	Change
Deposits and advances	244	221	23
Non-current financial assets	**244**	**221**	**23**

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

9.1.5 Other non-current assets

€/1000	31/12/2022	31/12/2021	Change
Insurance for Directors' Severance Indemnity	1,259	254	1,005
Other non-current assets	**1,259**	**254**	**1,005**

The change is due to the subscription of the policy against the Directors' Severance Indemnity set aside.

9.1.6 Deferred tax assets

	Initial balance	Increases	Decreases	Final balance
All. Provision for legal dispute risks	111		-111	0
Allowance to provision for inventory write-offs	65	40	-6	99
All. Provision for doubtful accounts	340	23	-59	304
Directors' remunerations	545	545	-330	760
All. to the provision for employees' severance indemnity (TFR)	70	1	-18	53
All. to the provision for Indemnity for termination of agency contracts	-8		-44	-52
Consolidation entries	112	125		237
Goodwill amortisation			-95	-95
TOTAL	**1,235**	**734**	**-663**	**1,306**

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

Deferred tax assets relating to the remuneration of corporate bodies concern the non-deductibility of the variable remuneration as it was not paid by 12 January 2023.

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

9.2 Current assets

9.2.1 Inventories

	31/12/2022	31/12/2021	Change
Raw materials, consumables and supplies	1,214	455	759
Work in progress and semi-finished products	218		218
Finished products and goods	4,229	2,642	1,587
Provision for inventory write-offs	-400	-232	-168
Total inventories	**5,261**	**2,865**	**2,396**

The increase in inventories of finished goods and merchandise is attributable to the planning of production and Euro 500 thousand to the consolidation of Akern.

The value of finished product inventories is net of the sum of Euro 400 thousand (Euro 232 thousand as at 31/12/2021) set aside as a write-off of finished product inventory.

9.2.2 Cash and cash equivalents

€/1000	31/12/2022	31/12/2021	Change
Bank and postal accounts	22,030	29,391	-7,361
Cash and cheques	21	18	3
Total cash and cash equivalents	**22,051**	**29,409**	**-7,358**

The balance represents the cash and cash equivalents and the existence of cash and securities at the end of the period. For the evolution of cash and cash equivalents, reference should be made to the cash flow statement for the year and to what is indicated in the Management Report.

9.2.3 Current financial assets

	31/12/2022	31/12/2021	Change
Mutual fund shares	1,000	1,822	-822
Bonds	3,797	2,708	1,089
Other shares	13		13
Total current fin. assets	**4,810**	**4,530**	**280**

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 shares in investment funds of adequately rated issuers have been subscribed. As at 31.12.2022, a comparison with the market value of the bonds held shows a net capital loss of Euro 128 thousand which was recorded in a shareholders' 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 shares.

Considering the liquidity available and the regular continuation of activities as stated above, the Group does not foresee the need to resort to the early disposal of the financial instruments in question.

9.2.4 Trade receivables

	31/12/2022	31/12/2021	Change
Trade receivables - Italian customers	13,970	11,635	2,335
Trade receivables - Other countries	4,083	2,652	1,431
Other receivables (subject to collection)	5,302	4,223	1,079
Invoices/(Credit Notes) to be issued	-69	5	-74
Provision for doubtful accounts	-1,639	-1,842	203
Total trade receivables	**21,647**	**16,673**	**4,974**

The amounts shown in the financial statements are net of provisions made in the Provision for doubtful accounts, estimated by the Group's management on the basis of the seniority of the receivables, the assessment of their collectability and also taking into account historical experience and forecasts of future bad debts also for the part of receivables that is collectable at the reporting date. For an update on the ongoing litigation involving contractual indemnities, refer to note 13.

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

€/1000	31/12/2022	31/12/2021	Change
Italy	17,578	14,051	3,527
Asia	2,603	1,966	637
Europe	762	568	194
Africa	510	83	428
America	194	5	189
Total trade receivables	**21,647**	**16,673**	**4,974**

Changes in the Provision for doubtful accounts during 2022 were as follows:

	PROVISION FOR DOUBTFUL
Initial balance	(1,842)
Allowances	(174)
Decreases	376
Final balance	**(1,639)**

9.2.5 Other current assets

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

€/1000	31/12/2022	31/12/2021	Change
Receivables from employees	47	48	-1
Advances	1,902	903	999
Prepayments and accrued income	932	148	784
Total other current assets	**2,881**	**1,099**	**1,782**

The item "Advances" includes receivables from agents for advances, amounting to Euro 250 thousand (Euro 333 thousand in the previous year), relating to amounts advanced by the Group's companies upon signing agency agreements, advances to suppliers for Euro 858 thousand (as at 31.12.2021 Euro 144 thousand), and Euro 1,038 thousand relating to the advance paid for shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times).

The advances paid to agents shall be returned on termination of the relationship with each agent.

9.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

	31/12/2022	31/12/2021	Change
VAT receivables	1,506	499	1,007
R&D tax receivables	552	387	165
Other tax receivables	19	57	-38
Tax receivables	**2,077**	**943**	**1,134**

The increase in VAT receivables is due to the advancement of the construction of the new headquarters.

With reference to the item R&D tax receivables and for the Patent Box tax bonus, reference should be made to the Management Report.

9.3 Shareholders' Equity

9.3.1 Shareholders' equity

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

€/1000	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 1/1	**1,123**		**225**	**29,949**	**(70)**	**28**	**56**	**13,771**	**45,082**
Other changes		(2,362)		4		(143)	170		(2,331)
Change in cons. area	-		-	(82)	82		-		-
Dividends paid				(6,852)					(6,852)
Allocation of Result				13,771				(13,771)	-
Result for the period								15,048	15,048
Balance at 31/12	**1,123**	**(2,362)**	**225**	**36,791**	**12**	**(115)**	**226**	**15,048**	**50,948**

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.

On 21 January 2022, the treasury share purchase programme was launched to enable the Parent Company to take advantage of the opportunity to make a capital expenditures, in cases where the market price trend of Pharmanutra shares, including for factors external to the company, is not able to adequately express the value of the same, and thus to provide the company with a useful capital expenditures opportunity for any purpose permitted by current regulations. As at 31 December 2022, Pharmanutra holds 37,999 treasury shares equal to 0.39% of the share capital, for a value of Euro 2,362 thousand.

On 27 April 2022 the Shareholders' Meeting resolved the distribution of Euro 0.71 dividend per share, corresponding to a payout ratio of approximately 50% of the 2021 consolidated net result, for a total amount of Euro 6,873 thousand.

9.4 Non-current liabilities

9.4.1 Non-current financial liabilities

€/1000	31/12/2022	31/12/2021	Change
Liabilities for derivative fin. instruments		4	-4
BPER loan	4,253	5,000	-747
Intesa loan to AKern	373		373
Credem loan	4,218		4,218
BPM loan	4,768		4,768
Non-current fin. liabilities for rights of use	498	526	-28
Non-current financial liabilities	**14,110**	**5,530**	**8,580**

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

During the year, the Company obtained two medium- and long-term loans from BPM and Credem in the amount of Euro 6 million each to cover the acquisition of all of Akern's shares. The loans are not backed by collateral or covenants of any kind.

Non-current financial liabilities for non-current rights of use represent the discounted amount due beyond one year of the lease contracts in force as at 31.12.2022 in accordance with IFRS16. The increase over the previous year stems from the renewal of certain lease contracts.

The following table shows the breakdown of bank indebtedness by company and due date at 31/12/2022. It is important to stress that liabilities due within one year are classified as "Current financial liabilities" (see paragraph 9.5.1).

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

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 at 31 December 2022 is as follows:

		31/12/2022	31/12/2021
	A Cash and cash equivalents	(22,051)	(29,409)
	B Cash equivalents		
	C Other current financial assets	(4,810)	(4,530)
	D Liquidity (A+B+C)	**(26,861)**	**(33,939)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	251	515
	F Current portion of non-current financial debt	3,365	305
	G Current financial debt (E+F)	**3,616**	**820**
	of which guaranteed	0	0
	of which not guaranteed	3,616	820
	H Net current financial debt (G-D)	**(23,245)**	**(33,119)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	14,110	5,526
	J Debt instruments		4
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**14,110**	**5,530**
	of which guaranteed	0	0
	of which not guaranteed	14,110	5,530
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**(9,135)**	**(27,589)**
3)	N Other current and non-current financial assets	(1,503)	(475)
	O Net financial debt (M-N)	**(10,638)**	**(28,064)**

1) It includes the following items of the financial statements: Current financial liabilities (Financial liabilities for rights of use Euro 251 thousand);
2) It includes the following items of the financial statements: Non-current financial liabilities (M/L financial debt Euro 13.6 million, Non-current financial liabilities for rights of use Euro 499 thousand);
3) It includes the following items of the financial statements: Non-current financial assets (Deposits paid Euro 243 thousand) and Other non-current assets (Insurance for Directors' severance indemnity Euro 1.2 million).

9.4.2 Provisions for non-current risks and charges

	31/12/2022	31/12/2021	Change
Tax provision	1,400		1,400
Provision for Indemnity for termination of agency contracts	1,000	970	30
Provision for sundry risks and legal disputes	14	505	-491
Provision for contractual obligations	3,000		3,000
Provisions for risks and charges	**5,414**	**1,475**	**3,939**

Provisions for risks and charges include:

Provision for taxes: as already mentioned in the Management Report, during the year, the Parent Company received an invitation from the Pisa Provincial Directorate of the Agenzia delle Entrate (Inland Revenue) to discuss the start the tax settlement proposal for the 2016 tax year. The Company has expressed its willingness to collaborate, which implies the definition of 2016 and subsequent years up to 2021, and with this in mind, it has provisionally estimated the amount related to the definition of the aforementioned tax periods.

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 213 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 1 million.

Provision for risks to cover the risk of current legal disputes, which was used during the period as a result of the settlement of outstanding disputes with agents following the termination of the agency contract; the balance refers to the only dispute still outstanding.

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

9.4.3 Provisions for employee benefits and director benefits

	31/12/2022	31/12/2021	Change
Provision for employees' severance indemnity	1,074	929	145
Provision for Directors' severance indemnity	1,519	942	577
Provision for M/L/T Directors' Variable Compensation	1,300	650	650
Provisions for employee and director benefits	**3,893**	**2,521**	**1,372**

Provisions for benefits refer to:

- Provision for Directors' severance indemnity.

The amount set aside of Euro 577 thousand was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting held on 26 April 2021 and corresponds to the Company's actual commitment to the Directors at the reporting date.

- Provision for M/L Term Directors' variable compensation

In view of the changeover to the STAR market, a remuneration policy for directors has been adopted that meets the requirements of the Governance Code issued by Borsa Italiana (the "Code"). Therefore, for the financial years 2021 and 2022, a new criterion for determining the variable remuneration to be allocated to Executive Directors has been adopted, which meets the criteria set out in the Code, which are summarised below:

- fixed and variable component adequately balanced according to the strategic objectives;
- provision of maximum limits for variable components;
- adequacy of the fixed component to compensate directors' performance if the variable component is not achieved due to failure to meet targets;
- objectives whose achievement is linked to the payment of variable components that are predetermined, measurable and linked to the creation of value for shareholders;

- deferred payment of a significant portion of the variable component in an appropriate timeframe with respect to the vesting period.

On the basis of the above, the portion of medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 0.6 thousand.

- Provision for employees' severance indemnity set aside by companies included in the consolidated financial statements.

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

9.5 Current liabilities

9.5.1 Current financial liabilities

€/1000	31/12/2022	31/12/2021	Change
Bank loans and borrowings for loans	3,365	305	3,060
Bank loans and borrowings for current accounts	0	254	-254
Current fin. liabilities for rights of use	251	261	-10
Tot. Current fin. liabilities	**3,616**	**820**	**2,796**

The item "Bank loans and borrowings for current accounts" in the previous year referred to transitory accounts.

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 9.4.1 for details).

9.5.2 Trade payables

Trade payables are broken down in the table below:

€/1000	31/12/2022	31/12/2021	Change
Trade payables - suppliers in Italy	13,869	7,570	6,299
Trade payables - suppliers in Other countries	1,021	921	100
Payments on account	1,995	1,260	735
Total trade payables	**16,885**	**9,751**	**7,134**

The increase in the item Trade payables - suppliers in Italy is due to the higher operating costs incurred during the year.

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

€/1000	31/12/2022	31/12/2021	Change
Italy	11,271	7,493	3,778
Asia	874	1,064	(190)
Europe	4,532	1,167	3,365
America	207	3	204
Other	0	23	(23)
Total trade payables	**16,885**	**9,751**	**7,134**

9.5.3 Other current liabilities

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

	31/12/2022	31/12/2021	Change
Payables for wages and salaries	825	563	262
Payables to social security institutions	369	409	-40
Payables to directors and statutory auditors	1,497	1,469	28
Sundry debtors	238	50	188
Provision for agents' severance indemnity	137	154	-17
Guarantee withholding	584	103	481
Security deposits from Customers	115		115
Total other current liabilities	**3,765**	**2,748**	**1,017**

The item Payables to directors and statutory auditors includes the amount of short-term variable remuneration accrued by executive directors on the results for 2022 equal to Euro 1,300 thousand.

9.5.4 Tax payables

	31/12/2022	31/12/2021	Change
Income taxes	977	2,918	-1,941
Payables for withholdings	547	511	36
Total tax payables	**1,524**	**3,429**	**-1,905**

The change in Income Taxes is attributable to lower advance payments in the previous year due to the utilisation of the 2020 Patent Box credit.

9.6 Revenues

9.6.1 Net revenues

	2022	2021	Change
LB1 REVENUES	57,491	47,812	9,679
LB2 REVENUES	23,272	20,302	2,970
LB AKN REVENUES	1,961		1,961
TOTAL SALES	**82,724**	**68,114**	**14,610**

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

€/1000	2022	2021	Change	Δ%	Incidence 2022	Incidence 2021
Italy	56,106	46,124	9,982			
Total LB1	***56,106***	***46,124***	***9,982***	**21.6%**	**67.8%**	**67.7%**
Europe	12,660	10,679	1,981	18.6%		
Middle East	7,672	6,859	814	11.9%		
Far East	563	518	44	8.6%		
Africa	1,001	1,636	(636)	-38.8%		
Other	459	-	459	n.s.		
Total LB2	***22,355***	***19,692***	***2,663***	**13.5%**	**27.0%**	**28.9%**
Raw materials - Italy	1,385	1,689	(304)	-18.0%	**1.7%**	**2.5%**
Raw materials - Abroad	918	610	308	50.5%	**1.1%**	**0.9%**
Akern Italy	1,742	-	1,742	n.s.	**2.1%**	**0.0%**
Akern Foreign markets	219	-	219	n.s.	**0.3%**	**0.0%**
Total net revenues	**82,724**	**68,114**	**14,610**	**21.5%**	**100%**	**100%**

As described above, the Group's activities are divided into three business lines, sale of finished products (Pharmanutra and Junia Pharma), sale of raw materials (Alesco), and sale of machinery and instruments for measuring body bioimpedance (Akern):

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 2022, the direct business line accounted for 69.5% (about 70.2% in 2021) of net revenues.

The distribution channels for the companies Pharmanutra and Junia Pharma can be broken down into:

- Direct: deriving from the activity carried out by the network of sales agents who are entrusted with the marketing of products throughout the national territory.
- Wholesalers who directly supply the pharmacies and parapharmacies with the products.

The activity carried out by sales representatives/scientific agents 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.

Alesco's commercial activity in Italy outside the group is aimed at companies in the food, pharmaceutical and nutraceutical industries as well as at nutraceutical production plants that produce on behalf of third parties.

Indirect Business Line: the business model is common to all 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 who, under long-term distribution contracts, distribute and sell the products in their own markets.

In 2022, the Indirect business line accounted for 28.1% of the revenues (about 29.8% in the previous year).

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

9.6.2 Other revenues and income

	2022	2021	Change
Tax receivables	283	258	25
Contractual indemnities		142	-142
Refunds and recovery of expenses	50	20	30
Contingent assets	154	272	-118
Other revenues and income	183	30	153
Total Other revenues and income	**670**	**722**	**-52**

The item "Tax receivables" includes the amount of the Research and Development tax receivable benefit calculated on the basis of Italian Decree-Law no. 145/2013 and subsequent amendments for research and development expenses incurred by the Group.

The item Contractual indemnities for 2021 refers to indemnities invoiced to agents for non-notice of termination.

The item Other revenues and income mainly includes re-invoicing for services rendered to third parties and subsidiaries within the scope of existing intercompany agreements.

9.7 Operating costs

9.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2022	2021	Change
Costs for raw materials and semi-fin. goods	2,426	1,060	1,366
Costs for consumables	601	467	134
Costs for the purchase of fin. goods	1,766	1,737	29
Total purchases of raw materials, consumables and supplies	**4,793**	**3,264**	**1,529**

The increase in the cost of purchases of raw materials, consumables and supplies is related to the higher volume of business compared to the previous year and for 396 thousand to the consolidation of Akern.

9.7.2 Change in inventories

	2022	2021	Change
Change in raw materials	-577	-229	-348
Change in finished product inventories	-1,362	-822	-540
Change in semi-finished products	-218		-218
All. write-off provision Inventories	189	80	109
Change in inventories	**-1,968**	**-971**	**-997**

The increase in inventories as at 31.12.2022 is the result of production planning with a view to streamlining production costs.

9.7.3 Costs for services

	2022	2021	Change
Marketing and advertising costs	12,051	7,819	4,232
Production and logistics	14,507	12,513	1,994
General service costs	4,577	2,821	1,756
Research and development costs	505	379	126
Costs for IT services	352	287	65
Commercial costs and commercial network costs	10,089	9,557	532
Corporate bodies	8,071	7,940	131
Rental and leasing costs	33	17	16
Financial costs	217	201	16
Total costs for services	**50,402**	**41,534**	**8,868**

The year-on-year increase in sales was accompanied by a physiological increase in costs for services due to the higher revenue volumes realised in finished goods processing and logistics costs (+ Euro 2 million), sales network costs (+ Euro 0.5 million); among the costs for general services, the most significant increases concern travel costs (+ Euro 0.6 million), consultancy costs for the defence and protection of the Group's intellectual property and for the implementation of the structure for new business lines (+ Euro 0.6 million). Marketing costs increased (+ Euro 4.2 million) as a result of the investments implemented to support the group's brands and the development of future strategies. In addition, the removal of restrictions related to the Covid-19 outbreak allowed for more events to be realised than in the previous year.

9.7.4 Personnel costs

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

	2022	2021	Change
Wages and salaries	3,702	3,079	623
Social security charges	1,147	946	201
Allowance for Leaving Indemnity	231	222	9
Other personnel costs	21	41	-20
Total personnel costs	**5,101**	**4,288**	**813**

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.

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

Units	2022	2021	Change
Executives	2	2	0
White collars	80	57	23
Blue collars	5	2	3
Total	**87**	**61**	**26**

The increase in the average number of employees compared to the previous year is attributable for 18 units to the change in the consolidation area.

9.7.5 Other operating costs

	2022	2021	Change
Capital losses	34	19	15
Sundry tax charges	88	86	2
Loss on receivables	23		23
Membership fees	51	37	14
Charitable donations and social security charges	189	174	15
Other costs	323	325	-2
Total other operating costs	**708**	**641**	**67**

The item "Charitable donations and social security charges" includes the amount of Euro 114 thousand referring to the liberal disbursement made in favour of the Pisa's Provincial Committee of the Italian Red Cross in support of the Ukrainian families hosted.

9.8 AMORTISATION, DEPRECIATION AND PROVISIONS

	2022	2021	Change
Amortisation of intangible fixed assets	380	331	49
Depreciation of tangible fixed assets	764	676	88
Allowance to prov. for risks related to legal disputes		230	-230
Allowance to provision for doubtful accounts from customers	105	74	31
Allowance to provision for doubtful accounts from customers not ded.	69	78	-9
Total amortisation, depreciation and write-off	**1,318**	**1,389**	**-71**

9.9 FINANCIAL MANAGEMENT

9.9.1 Financial income

	2022	2021	Change
Interest income	128	118	10
Dividends	0	29	-29
Exchange gains	2	3	-1
Other financial income	398	9	389
Total financial income	**528**	**159**	**369**

The change in the item "Other financial income" derives from the capital gain realised on the sale of the Red Lions S.r.l. shares mentioned above.

9.9.2 Financial expenses

	2022	2021	Change
Other financial expenses	-56	-19	-37
Interest expense	-60	-19	-41
Realised exchange losses	-34	-3	-31
Total financial expenses	**-150**	**-41**	**-109**

9.10 INCOME TAXES

	2022	2021	Change
Direct taxes on business income	7,123	5,923	1,200
Deferred tax assets	-153	-383	230
Previous year taxes and tax receivables		-502	502
Allowance to Provision for Taxes	1,400		1,400
Total taxes	**8,370**	**5,038**	**3,332**

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

The item Previous year taxes and tax receivables includes the tax receivables obtained against the costs incurred in 2020 for translisting to the Star market for Euro 457 thousand and the tax receivables obtained against the sponsorship costs incurred in 2020 for Euro 45 thousand.

As regards the evolution of the request for renewal of the "Patent Box" tax benefit, please refer to the section Significant Events of the Management Report.

For the item "Allowance to provision for taxes", please refer to what has already been described.

9.11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's Net results by the weighted average number of shares outstanding during the year.

The calculation of basic earnings per share is shown in the following table:

EURO	2022	2021
Group net result	15,050,519	13,771,802
Number of outstanding shares	9,672,119	9,680,977
Earnings per share	**1.56**	**1.42**

10. OTHER INFORMATION

In accordance with the law, the total compensation due to the Directors, the members of the Board of Statutory Auditors and the independent audit firm, if any, is shown below:

Directors: Euro 7,594 thousand

Board of Statutory Auditors: Euro 67 thousand

Independent audit firm: Euro 71 thousand

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

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulations, shows fees for the year 2022 for audit services. No non-audit services were provided by the Audit Firm itself and by entities belonging and not belonging to its network.

Values expressed in thousands of Euro

Service provider	Notes	Recipient	Fees accrued in the FY
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	Parent Company - Pharmanutra S.p.A.	49
BDO ITALIA S.p.A.	[1]	Subsidiaries	22
Total			**71**

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

11. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2022

As for the events after the closing date of 31 December 2022, reference should be made to the Directors' Report on Operations.

12. COMMITMENTS

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

To Junia Pharma, a guarantee for Euro 1,000,000;

To Alesco, a guarantee for credit limit subject to collection for Euro 400,000;

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

In June 2021, the Parent Company entered into a contract for the construction of the new headquarters. The amount of the contract, equal to Euro 14.5 million plus VAT, will be paid on the basis of progress reports issued by the constructor. Due to the increase in raw material prices in the first half of 2022, the contract amount was increased by Euro 1.6 million, already paid, and the delivery date was postponed to the first half of 2023. The outstanding amount of commitments under the contract at 31 December 2022 is Euro 8.6 million.

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

Following the incorporation of Pharmanutra Usa Corp. in December, the Parent Company, as soon as the necessary information is available to open a current account in the United States, will have to pay in the subscribed capital in the amount of USD 300 thousand.

13. CONTINGENT LIABILITIES AND MAIN OUTSTANDING DISPUTES

The Group does not have any significant contingent liabilities of which information has not already been provided in this report and which are not covered by adequate provisions.

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

The lawsuit, as filed by the opposing party, is based on two requests, the second of which is put forward as a subordinate claim or in the event that the main one is not accepted. The counterparty's main request is to ascertain the invalidity or nullity of the clause of the contract stipulated between the supplier and Junia Pharma Srl - according to the counterparty's assumption, the aforementioned clause would have been vexatious and therefore not stipulated according to legal criteria. The subordinate request relates to the allegedly excessive amount of the "penalty" referred to in the above clause.

The fact that Junia Pharma S.r.l. lost the case is to be considered possible in consideration of the hypothetical situation of financial difficulty of the counterparty.

14. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are identified according to the extended definition provided by IAS 24, i.e. including relations with administrative and control bodies as well as with senior managers.

The financial impact at 31 December 2022 and the economic impact for 2022 is shown in the table below:

Related party Balance sheet (€/1000)	ROU Assets	Non-current financial assets	Other current assets	Other current liabilities	Provisions for employees and Directors benefits	Trade Payables	ROU non-current financial liabilities	ROU current financial liabilities
Members of Pharmanutra S.p.A. BoD				1.444	2.881	38		
Members of subsidiaries BoD				33				
Board of Statutory Auditors						25		
Supervisory Board compensation				1		14		
Senior management compensation				14	106			
Solida S.r.l.	420	218					281	143
Calabughi S.r.l.						183		
Ouse S.r.l.						(4)		
Studio Bucarelli, Lacorte, Cognetti						4		
Other related parties								
TOTAL	**420**	**218**	**0**	**1.491**	**2.988**	**261**	**281**	**143**

Related party Income Statement (€/1000)	Costs for services	Financial expenses	Personnel costs	Amort. Rights of use
Members of Pharmanutra S.p.A. BoD	6.602		168	
Members of subsidiaries BoD	991			
Board of Statutory Auditors	67			
Supervisory Board compensation	25			
Senior management compensation			428	
Solida S.r.l.		5		224
Calabughi S.r.l.	950			
Ouse S.r.l.	557			
Studio Bucarelli, Lacorte, Cognetti	78			
Other related parties				
TOTAL	**9.271**	**5**	**596**	**224**

On 29 June 2021, Pharmanutra's Board of Directors approved the new procedure for related party transactions, in compliance with the provisions of Consob Resolution no. 21624 of 10 December 2020, the "New RPT Procedure". This procedure, which is effective as of 01 July 2021, is available on the website www.pharmanutra.it, "Governance" section. It should also be noted that the company, as (i) a smaller company, as well as (ii) a newly listed company pursuant to art. 3 of the RPT Regulations, will apply to the related party transactions governed by the New RPT Procedure, including those of greater importance (as identified pursuant to Annex 3 of the RPT Regulations), a procedure which takes into account the principles and rules set out in art. 7 of the RPT Regulations, as an exception to art. 8 of the RPT Regulations.

The members of the Board of Directors of the Parent Company receive a compensation consisting of a fixed part, and for executive directors only, also a variable part and a part by way of severance indemnity. The variable component paid to Executive Directors is divided between a short-term component and a medium/long-term component based on the recommendations contained in the Corporate Governance Code defined by the Corporate Governance Committee.

Financial expenses refer to interest expense accrued on outstanding lease agreements with the related company Solida S.r.l.

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

The remuneration of senior management consists of a fixed component and a variable incentive calculated on the basis of sales volumes and parameters relating to the financial statements.

The companies of the Group have 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.

The Parent Company has outsourced part of its communication and marketing activities, by strategic choice. These activities are entrusted to Calabughi S.r.l., a company in which the wife of the Vice President, Roberto Lacorte, holds 47% of the capital and is Chair of the Board of Directors. The contract between Pharmanutra and Calabughi S.r.l. has annual duration with tacit renewal unless terminated by one of the parties three months prior to the expiry of the contract and consists in the provision of communication services. These services include the management of the Company web sites and media channels, the design, development and implementation of advertising campaigns to support the products and corporate image, the graphic design of product packaging, promotional material and scientific information documents, as well as the organisation and management of corporate conventions. Moreover, the Parent Company entered into a contract with the same firm, Calabughi, for the sponsorship as "Title Sponsor" of the 151 Miglia regatta and a contract for the management of all the communication, event planning, merchandising activities related to the participation of Cetilar Racing - the team sponsored by the Parent Company - in the endurance world championship races in Europe and the United States.

Each company of the Group has an agency agreement in place with Ouse S.r.l., a company in which the cohabiting partner of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, effective from 1 June 2020 and for an indefinite period. The agency agreements provide for the granting to Ouse S.r.l. of an exclusive agency mandate without representation with the aim to promote and develop the sales of each company in the assigned territories. The compensation is composed of a fixed annual fee and a variable fee determined by applying a percentage to the turnover achieved for amounts between the minimum and maximum thresholds, as defined annually.

Group companies have entered into consulting agreements with Studio Bucarelli, Lacorte, Cognetti. The contracts, which are valid for one year and renewable from year to year by tacit consent, cover general tax advice, the drafting and sending of tax returns, general advice on labour law and the processing of monthly pay slips.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, the consolidated balance sheet and the consolidated income statement, showing transactions with related parties separately, are provided below.

	31/12/2022	of which with related parties	31/12/2021	of which with related parties
NON-CURRENT ASSETS	**41,428**	**638**	**15,837**	**878**
Property, plant and equipment	17,055	420	8,372	660
Intangible assets	21,560		5,500	
Investments	4	0	254	0
Non-current financial assets	244	218	221	218
Other non-current assets	1,259		254	
Deferred tax assets	1,306		1,236	
CURRENT ASSETS	**58,727**	**0**	**55,519**	**25**
Inventories	5,261		2,865	
Trade receivables	21,647	0	16,673	0
Other current assets	2,881		1,099	25
Tax receivables	2,077		943	
Current financial assets	4,810		4,530	
Cash and cash equivalents	22,051		29,409	
TOTAL ASSETS	**100,155**	**638**	**71,356**	**903**
SHAREHOLDERS' EQUITY	**50,948**		**45,082**	
Share capital	1,123		1,123	
Treasury shares	(2,362)			
Legal reserve	225		225	
Other reserves	36,791		29,949	
IAS 19 reserve	226		56	
OCI Fair Value Reserve	(115)		28	
FTA reserve	12		(70)	
Net result	15,048		13,771	
GROUP SHAREHOLDERS' EQUITY	50,948		45,082	
Non-controlling interest				
NON-CURRENT LIABILITIES	**23,417**	**3,269**	**9,526**	**2,177**
Non-current financial liabilities	14,110	281	5,530	442
Provisions for non-current risks and charges	5,414		1,475	
Provisions for employee and director benefits	3,893	2,988	2,521	1,735
CURRENT LIABILITIES	**25,790**	**1,895**	**16,748**	**1,786**
Current financial liabilities	3,616	143	820	223
Trade payables	16,885	261	9,751	79
Other current liabilities	3,765	1,491	2,748	1,484
Tax payables	1,524		3,429	
TOTAL LIABILITIES	**100,155**	**5,164**	**71,356**	**3,963**

	31/12/2022	of which with related parties	31/12/2021	of which with related parties
REVENUES	**83,394**	**0**	**68,836**	**0**
Net revenues	82,724		68,114	
Other revenues	670	0	722	0
OPERATING COSTS	**59,036**	**9,867**	**48,756**	**9,482**
Purchases Raw materials, consum. and supplies	4,793	0	3,264	0
Change in inventories	(1,968)		(971)	
Costs for services	50,402	9,271	41,534	8,901
Personnel costs	5,101	596	4,288	581
Other operating costs	708		641	
EBITDA	**24,358**	**(9,867)**	**20,080**	**(9,482)**
Amortisation, depreciation and write-off	1,318	224	1,389	224
OPERATING RESULT	**23,040**	**(10,091)**	**18,691**	**(9,706)**
FINANCIAL INCOME (EXPENSES) BALANCE	**378**	**(5)**	**118**	**(5)**
Financial income	528	0	159	0
Financial expenses	(150)	(5)	(41)	(5)
PRE-TAX RESULT	**23,418**	**(10,096)**	**18,809**	**(9,711)**
Income Taxes	(8,370)		(5,038)	
Net result of third parties				
Net result of the Group	**15,048**	**(10,096)**	**13,771**	**(9,711)**

Net earnings per share	**1.56**		**1.42**	

Pisa, 16 March 2023

For the Board of Directors

The Chairman

(Andrea Lacorte)

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5, OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned Roberto Lacorte, Managing Director, and Francesco Sarti, Manager responsible for the preparation of Pharmanutra S.p.A.'s financial reports, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, certify:

a) the adequacy in relation to the characteristics of the undertaking and

b) the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2022.

2. It is also certified that:

the consolidated financial statements for the year ended 31 December 2022:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the accounting books and records;
- are capable of providing a true and fair view of the equity, economic and financial position of the issuer as well as of all the companies included in the consolidation;
- the Management Report includes a reliable analysis of the progress and results of operations, as well as the issuer's situation and the one of the undertakings included in the consolidation taken as a whole, together with a description of the main risks and uncertainties to which they are exposed.

Pisa, 16 March 2023

Pharmanutra S.p.A.	Pharmanutra S.p.A.
Roberto Lacorte	Francesco Sarti
Managing Director	*Manager in charge*

INDEPENDENT AUDITOR'S REPORT

Pharmanutra S.p.A.

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

Consolidated financial statements at December 31, 2022

VCP/CFR/lsm - RC062822022BD1119

Tel: +39 02 58.20.10
www.bdo.it

Viale Abruzzi, 94
20131 Milano

Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the Shareholders of
Pharmanutra S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Pharmanutra Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the company Pharmanutra S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**Audit response**
IMPAIRMENT OF THE GOODWILL *NOTE 9.1.2. "INTANGIBLE ASSETS"*	
Intangible assets, accounted for in the consolidated financial statements for a total amount of euro 21.560 thousand, include goodwill for an amount of euro 17.561 thousand, referred to three cash generating unit ("CGU") identified in the wholly controlled companies Junia Pharma S.r.l., for euro 1.790 thousand, Alesco S.r.l., for euro 960 thousand and Akern S.r.l. for euro 14.811 thousand. The recoverability of the amounts accounted for is tested comparing the carrying amount of each CGU to the recoverable amount (value in use); value in use has been estimated applying the Discounted Cash Flow ("DCF") method The recoverability of goodwill is considered a key audit matter for the audit of the consolidated financial statements, due to the subjectivity of the selection of parameters used to estimate the value in use.	Our main audit procedures performed are the following: ▪ also being supported by BDO experts: – we verified the reasonableness of key assumptions underlying the plans of the management; – we verified the adequacy of the impairment model prepared by the Group and its compliance to the accounting principles; – we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, future growth rates and discount rates and determination of "terminal value"; – we verified the clerical accuracy of the impairment model; ▪ we verified the disclosures provided in the accompanying notes.

Responsibilities of Management and Those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/05 and, within the terms prescribed by the law, for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Parent Company Pharmanutra S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We have communicated with Those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided Those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with Those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in our auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the Shareholders meeting of Pharmanutra S.p.A. on October 13, 2020 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2020 to December 31, 2027.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Pharmanutra S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to Those charged with governance.

Report on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Pharmanutra S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements at December 31, 2022 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

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

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98

The Directors of Pharmanutra S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Pharmanutra S.p.A. as at December 31, 2022, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of Pharmanutra Group as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Pharmanutra Group as at December 31, 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Exemption from drawing up the non-financial declaration

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

Milan, March 31, 2023

BDO Italia S.p.A.

Signed by Vincenzo Capaccio
Partner

As disclosed by the Directors, the accompanying consolidated financial statements of Pharmanutra S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

PHARMANUTRA S.p.A.

FINANCIAL STATEMENTS AT 31 December 2022

FINANCIAL STATEMENTS

Pharmanutra S.p.A. Balance Sheet

	Notes	31/12/2022	31/12/2021
NON-CURRENT ASSETS		**38,381,348**	**13,389,268**
Property, plant and equipment	6.1.1	16,339,665	7,886,613
Intangible assets	6.1.2	2,097,480	1,372,873
Investments	6.1.3	17,817,424	3,051,045
Non-current financial assets	6.1.4	185,822	180,822
Other non-current assets	6.1.5	1,258,553	254,320
Deferred tax assets	6.1.6	682,404	643,595
CURRENT ASSETS		**49,272,994**	**49,880,790**
Inventories	6.2.1	3,771,795	2,479,472
Cash and cash equivalents	6.2.2	17,890,520	26,688,745
Current financial assets	6.2.3	4,696,073	4,529,889
Trade receivables	6.2.4	18,740,206	14,563,963
Other current assets	6.2.5	2,779,575	999,161
Tax receivables	6.2.6	1,394,825	619,560
TOTAL ASSETS		**87,654,342**	**63,270,058**
SHAREHOLDERS' EQUITY	**6.3.1**	**41,889,033**	**38,109,630**
Share capital		1,123,098	1,123,098
Legal reserve		224,620	224,620
Treasury shares		(2.362.258)	0
Other reserves		29,865,031	23,934,019
IAS 19 reserve		146,496	59,737
OCI Fair Value Reserve		(114,990)	27,554
FTA reserve		(38,865)	(38,865)
Result for the period		13,045,901	12,779,467
Shareholders' Equity		41,889,033	38,109,630
Non-controlling interest			
NON-CURRENT LIABILITIES		**22,163,355**	**8,891,343**
Non-current financial liabilities	6.4.1	13,491,031	5,364,375
Provisions for non-current risks and charges	6.4.2	5,271,092	1,344,129
Provisions for employee and director benefits	6.4.3	3,401,232	2,182,839
CURRENT LIABILITIES		**23,601,954**	**16,269,085**
Current financial liabilities	6.5.1	3,274,352	500,584
Trade payables	6.5.2	16,202,893	10,061,233
Other current liabilities	6.5.3	3,045,491	2,351,665
Tax payables	6.5.4	1,079,218	3,355,603
TOTAL LIABILITIES		**87,654,342**	**63,270,058**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the Balance Sheet are reported in the specific Balance Sheet table included in Note 11.

Pharmanutra S.p.A. Income Statement

	Notes	2022	2021
REVENUES		**71,209,625**	**60,445,570**
Net revenues	6.6.1	70,279,890	59,506,726
Other revenues	6.6.2	929,735	938,844
OPERATING COSTS		**52,034,061**	**43,975,814**
Purchases of raw materials, consumables and supplies	6.7.1	4,155,310	3,310,130
Change in inventories	6.7.2	-1,271,693	(977,237)
Costs for services	6.7.3	45,430,802	38,117,451
Personnel costs	6.7.4	3,130,613	2,976,726
Other operating costs	6.7.5	589,029	548,745
EBITDA		**19,175,564**	**16,469,756**
Amortisation, depreciation and write-off	6.8.1	953,652	1,148,775
OPERATING RESULT		**18,221,912**	**15,320,980**
FINANCIAL INCOME (EXPENSES) BALANCE		**1,729,362**	**1,544,808**
Financial income	6.9.1	1,844,185	1,568,935
Financial expenses	6.9.2	(114,822)	(24,127)
PRE-TAX RESULT		**19,951,274**	**16,865,788**
Income Taxes	6.10	(6,905,373)	(4,086,322)
Net result of third parties			
Net result for the period		**13,045,901**	**12,779,466**

Pharmanutra S.p.A. Statement of Comprehensive Income

€/1000	2022	2021
Result for the period	13,045,901	12,779,467
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	(52,132)	18,230
Comprehensive income of the period	**12,993,769**	**12,797,697**

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the Income Statement are shown in the specific Income Statement table included in Note 11.

Pharmanutra S.p.A. Statement of changes in shareholders' equity

€/1000	Notes	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 1/1		**1,123,098**		**224,620**	**23,934,019**	**(38,865)**	**27,554**	**59,737**	**12,779,467**	**38,109,630**
Other changes			(2,362,258)		3,653		(142,544)	86,759		(2,414,390)
Dividends paid	6.3.1				(6,852,108)					(6,852,108)
Allocation of the Result	6.3.1				12,779,467				(12,779,467)	-
Result for the period									13,045,901	13,045,901
Balance at 31/12		**1,123,098**	**(2,362,258)**	**224,620**	**29,865,031**	**(38,865)**	**(114,990)**	**146,496**	**13,045,901**	**41,889,033**

€/1000	Notes	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 1/1/2021		**1,123,098**		**224,620**	**17,784,386**	**(38,865)**	**66,914**	**2,147**	**12,635,887**	**31,798,187**
Other changes							(39,360)	57,590		18,230
Dividends paid					(6,486,255)					(6,486,255)
Allocation of the Result					12,635,888				(12,635,887)	
Result for the period									12,779,467	12,779,467
Balance at 31/12/2021		**1,123,098**		**224,620**	**23,934,019**	**(38,865)**	**27,554**	**59,737**	**12,779,467**	**38,109,630**

Pharmanutra S.p.A. Cash Flow Statement - indirect Method

CASH FLOW STATEMENT (€/1000) - INDIRECT METHOD	Notes	2022	2021
Net result before minority interests		**13,045,901**	**12,779,467**
NON-MONETARY COSTS/REVENUES			
Depreciation, amortization and write-offs	9.8	953,654	1,148,775
Allowances to provisions for employee and director benefits		712,502	726,006
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for non-current risks and charges	9.4.2	926,963	210,963
Change in provisions for employee and director benefits	9.4.3	505,891	538,720
Change in inventories	9.2.1	(1,292,323)	(977,237)
Change in trade receivables	9.2.4	(4,338,771)	(1,365,590)
Change in other current assets	9.2.5	(1,780,414)	(59,496)
Change in tax receivables	9.2.6	(775,265)	720,909
Change in other current liabilities	9.5.3	693,823	452,762
Change in trade payables	9.5.2	6,141,660	3,618,104
Change in tax payables	9.5.4	(2,276,385)	3,051,516
CASH FLOW FROM OPERATIONS		**12,517,236**	**20,844,899**
Investments in intangible assets, property, plant and equipment	9.1.1-9.1.2	(10,236,540)	(4,493,894)
Disposal of intangible assets, property, plant and equipment	9.1.1-9.1.2	267,759	57,242
Net investments in financial assets		(11,766,379)	0
Change in TFM receivable	9.1.5	(1,004,233)	(254,320)
Change in deferred tax assets	9.1.6	(38,809)	(276,042)
CASH FLOW FROM INVESTMENTS		**(22,778,202)**	**(4,967,014)**
Other Increase/(decrease) in equity	9.3.1	(52,132)	18,230
Treasury shares purchases	9.3.1	(2,362,258)	
Dividends distribution	9.1.4	(6,852,108)	(6,486,255)
Increase in financial assets	9.2.3	(211,282)	(199,844)
Decrease in financial assets	9.1.4	40,098	15,057
Increase in financial liabilities	9.5.1	14,414,077	5,000,000
Decrease in financial liabilities	9.4.1	(3,322,535)	(460,443)
Increase in financial liabilities for ROU	9.5.1		216,406
Decrease in financial liabilities for ROU	9.4.1	(191,119)	
CASH FLOW FROM FINANCING		**1,462,741**	**(1,896,849)**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**(8,798,225)**	**13,981,036**
Cash and cash equivalents at the beginning of the period	9.2.2	26,688,745	12,707,709
Cash and cash equivalents at the end of the period	9.2.2	17,890,520	26,688,745
CHANGE IN CASH AND CASH EQUIVALENTS		**(8,798,225)**	**13,981,036**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF PHARMANUTRA S.p.A.

1. EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The financial statements as at 31 December 2022 have been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission.

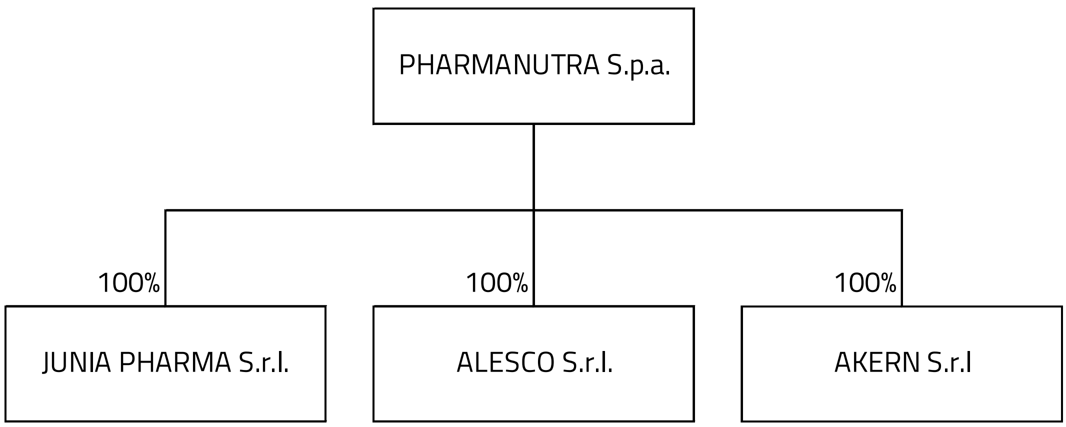
The following classifications have been used:

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

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

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

Pharmanutra S.p.A. (hereinafter also referred to as "Pharmanutra" or the "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:



2. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The statutory financial statements (or "separate" as defined by the reference accounting standards) of Pharmanutra Group as at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union. The IFRS also include all revised International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements are prepared on a going concern basis. In view of what has already been mentioned in the Management Report, to which reference should be made for more details, the Directors believe that there are no problems that could affect the Company's ability to continue as a going concern since the Covid-19 epidemic.

The Financial Statements of Pharmanutra S.p.A. as at 31 December 2022 are audited by the auditing firm BDO S.p.A in accordance with the resolution of the General Annual Meeting of 13 October 2020.

Pharmanutra S.p.A., in its capacity as Parent Company, has prepared the consolidated financial statements of Pharmanutra Group as at 31 December 2022. Pharmanutra's draft financial statements for the year ended 31 December 2022, were approved by the Board of Directors on 16 March 2023, which also authorised their publication.

Below is a description of the most significant accounting standards adopted for the preparation of the financial statements of Pharmanutra as at 31 December 2022, 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.

Leased assets

The assets acquired through leasing contracts, through which the risks and rewards of ownership are substantially transferred to the Company, are recognised as assets of the Company at their current value at the date of signing the contract or, if lower, at the present value of the minimum payments due for the lease, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is shown under financial payables.

Intangible fixed assets

Intangible fixed assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as goodwill when acquired for consideration.

Identifiability is defined by reference to the possibility of distinguishing the intangible fixed asset acquired from goodwill. This requirement is normally met when:

- the intangible fixed asset is attributable to a legal or contractual right, or
- the asset is separable, i.e. it can be sold, transferred, rented or exchanged independently or as part of other assets. Control of the company consists of the power to enjoy the future economic benefits deriving from the asset and the possibility of limiting access to others.

Intangible fixed assets are recorded at cost determined according to the criteria indicated for tangible fixed assets.

Intangible fixed assets with a finite useful life are systematically amortised over their useful life, being understood as the estimate of the period in which the assets will be used by the company. The recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".

Goodwill and other intangible fixed assets, where present, with an indefinite useful life are not subject to amortisation. The recoverability of their book value is verified at least annually and in any case when events occur that indicate a reduction in value. With regard to goodwill, such verification is carried out at the level of the smallest aggregate on the basis of which management assesses, whether directly or indirectly, the return on investment that includes the goodwill itself *(cash generating unit*). Write-offs are not subject to impairment reversal.

Other intangible fixed assets have been amortised at 20%, estimating a useful life of 5 years, with the exception of patents, trademarks and licenses, which are amortised over a useful life of 18 years.

The amortisation period and criteria for intangible fixed assets with a finite useful life are reviewed at least at the end of each financial year and adjusted prospectively if necessary.

Investments

The investments in subsidiaries and associated companies are carried at cost, adjusted for impairment losses in accordance with IAS 36. The positive difference, arising at the time of purchase, between the acquisition cost and the Company's share of the investee company's shareholders' equity at current values, is included in the book value of the investment. The investments in subsidiaries are tested for impairment annually, or more frequently, if necessary. If there is evidence that these investments have suffered an impairment loss, this is recognised in the income statement as a write-off. If any Company's share of the subsidiary's losses exceeds the book value of the investment, the investment amount is written off and the share of further losses is recognised as a provision among liabilities, to the extent that the investor is committed to fulfilling legal or constructive obligations towards the investee company, or in any case to covering its losses. If the impairment loss subsequently ceases to exist or is reduced, a reversal of the impairment loss is recognised in the Income Statement within the limits of its original cost.

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

Impairment of assets

At least once a year, the Company reviews the recoverability of the carrying amount of tangible and intangible assets as well as investments in subsidiaries and associates to determine whether those assets may have suffered an impairment loss. If there is such evidence, the book value of the asset is reduced to the relative recoverable value, thus recording any write-off compared to the relative book value in the income statement. The recoverable amount of an asset is the higher between its fair value, net of sale costs, and its value in use. The value in use is defined on the basis of discounting expected cash flows from the use of the asset or a combination of assets (Cash Generating Unit), as well as the value expected from its disposal at the end of its useful life.

The Cash Generating Units were identified to be tested for impairment, consistently with the Company's organisational and business structure, by identifying in the subsidiaries (Junia Pharma, Alesco and Akern) the lowest possible level of homogeneous combinations that generate independent cash inflows from the continuous use of the assets attributable to them.

When, subsequently, the loss in value of an asset no longer exists or is reduced, the carrying amount of the asset is increased up to the new estimate of the recoverable value and may not exceed the value that would have been determined if no impairment loss had been recorded. The reversal of an impairment loss is recognised in the income statement in the year in which it is recorded.

Inventories

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of change in value.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their fair value and subsequently measured at amortised cost, net of any write-offs. At the time of recognition, the receivable nominal value is representative of its fair value at that date.

IFRS 9 defines a new model for impairment/devaluation of these assets, with the aim of providing useful information to users of the financial statements on the related expected losses. According to this model, the Company measures receivables using an expected loss approach, replacing the IAS 39 framework, which is typically based on the measurement of incurred losses. The Company adopts a simplified approach for the measurement of trade receivables, which does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Company provides for the stratification of trade receivables into categories on the basis of days past due, by defining the allocation based on the historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment.

Trade receivables are fully written off if there is no reasonable expectation of recovery or in the presence of inactive trade counterparties.

The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement.

With regard to financial assets, the Company adopts the accounting standard IFRS 9 Financial Instruments, Recognition and Measurement with regard to the classification, measurement and accounting of financial instruments.

The accounting standard provides rules for the classification of financial assets in the following categories:

Amortised Cost;

Fair Value with change in equity (Fair Value Other Comprehensive Income or FVOCI);

Fair Value with changes in the income statement.

The determination of the category is made based on 2 factors:

The Business Model, i.e. the way in which the Company manages its financial assets or intends to achieve cash flows from financial assets.

The possible Business Models envisaged by the accounting standard are:

Hold to collect (HTC): it provides for the achievement of cash flows as contractually foreseen. This Business Model is attributable to financial assets that will presumably be held until their natural maturity;

Hold to Collect and Sell (HTC&S): this Business Model provides for the achievement of cash flows as contractually foreseen or through the sale of financial assets. This Business Model is therefore attributable to financial assets that may be held to maturity or even sold;

Sell: it provides for the achievement of cash flows through the sale of the instrument. This Business Model is attributable to activities in which cash flows will be achieved through sale (the so-called trading).

Contractual cash flow characteristics of the instrument

The standard refers to the so-called SPPI (Solely Payments of Principal and Interest) test, which aims to define whether an instrument has the contractual characteristics allowing only the principal and interest to be paid.

If the SPPI test is not passed, regardless of the reference business model, the financial instrument must be classified and measured at Fair Value with changes in the income statement.

The classification of an instrument is defined at initial recognition and is no longer subject to change, except in cases that the standard expects to be rare.

With reference to the financial instruments, consisting of bonds issued by leading issuers and investment fund units, the management has carried out an analysis of its intentions in managing the instruments and has carried out the SPPI test for all the instruments in the portfolio, thus concluding that the most relevant business model to its management method is the HTC&S one and that the SPPI test has been passed.

The accounting rules that IFRS 9 defines for debt financial instruments classified to FVTOCI are as follows:

- Interest income is recognised in the income statement using the effective interest rate method, in the same way as for instruments at amortised cost;
- Impairment losses (and any reversal) are recognised in the income statement in accordance with the rules set forth in IFRS 9;
- The differences between the amortised cost and the fair value of the instrument are recognised in equity;
- The cumulative reserve recognised in equity and relating to the debt instrument is reversed to the income statement only when the asset is derecognised.

With regard to the investments made in shares of investment funds, the accounting rules provided for by IFRS 9 are as follows:

- The measurement criterion is fair value at the reporting date;
- Changes in fair value are recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive cash flows from the asset are extinguished;
- the right to receive cash flows from the asset is retained but a contractual obligation has been taken to pay them in full and without delay to a third party;

- the Company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of it.

In cases where the Company has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the Company's financial statements to the extent of its residual involvement in the asset.

Impairment of financial assets

The Company verifies at each reporting date whether a financial asset or group of financial assets has suffered an impairment loss. A financial asset or group of financial assets is to be considered subject to impairment loss if, based on historical experience and on the forecast outcome of its recoverability, after the occurrence of one or more events since its initial recognition, this loss event can be reliably expected on the estimated future cash flows of the financial asset or group of financial assets.

Evidence of impairment loss may be represented by indicators such as financial difficulties, inability to meet obligations, insolvency in interest payments or major payments, which debtors, or a group of debtors, are going through. The probability that it will fail or is subject to another form of financial reorganisation, and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in the context or economic conditions related to the obligations.

The management also evaluates elements such as the performance of the counterparty's sector and financial activity as well as the general economic performance and also makes forward looking considerations.

If there is objective evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding expected future credit losses that have not yet occurred). The asset carrying amount is reduced through the use of an impairment provision and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the estimated write-off increases or decreases as a result of an event occurring after the write-off was recognised, the previously recognised write-off shall be increased or decreased by adjusting the provision to the income statement.

Impairment of non-financial assets

At each reporting date, the Company assesses the possible existence of indicators of impairment loss of non-financial assets. When events occur that suggest a reduction in the value of an asset or when an annual impairment test is required, its recoverability is verified by comparing its book value with its recoverable amount, represented by the higher of fair value, net of disposal costs, and value in use.

In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, recent transactions or the best information available to reflect the amount that the company could obtain from selling the asset. The value in use is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and provable assumptions that are representative of the best estimate of future economic conditions that will occur over the remaining useful life of the asset, giving greater importance to indications from outside. Discounting is carried out at a rate that takes into account the risk inherent in the business sector.

The valuation is carried out for each individual asset or for the smallest identifiable set of assets that generates autonomous cash inflows from ongoing use (the so-called cash generating units). When the reasons for the write-offs made cease to exist, the assets, except for goodwill, if any, are revalued and the adjustment is charged to the income statement as a revaluation (reversal of impairment). The revaluation is carried out at the lower of the recoverable value and the book value gross of the write-offs previously made and reduced by the depreciation that would have been allocated if no write-off had been made.

Financial liabilities

Financial liabilities falling within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value recognised in the balance sheet, as financial payables, or as derivatives designated as hedging instruments, as appropriate. The financial liabilities of the Company include trade and other payables, loans and derivative financial instruments. The Company determines the classification of its financial liabilities on initial recognition.

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

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

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

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

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

Employee benefits

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

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

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

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

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

In particular:

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

Moreover, in view of the evolutionary nature of the fundamental economic variables, actuarial valuations have been carried out under "dynamic" economic conditions. Such an approach requires the formulation of economic-financial hypotheses capable of summing up in the medium to long term:

- the average annual changes in inflation in line with expectations regarding the general macroeconomic environment;
- the development of expected interest rates in the financial market.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature and whose existence is certain or probable, their amount or date of occurrence being uncertain at the end of the financial year. Allowances to provisions are recognised when:

the existence of a current, legal or implied obligation, arising from a past event is probable;

it is likely that the settlement of the obligation will be onerous;

the amount of the obligation can be reliably estimated.

Allowance to provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to settle the obligation or transfer it to third parties at the end of the period.

Trade payables

Trade payables are recorded at nominal value.

Revenue recognition

Revenues are booked on an accrual basis regardless of the date of collection, net of returns, discounts, allowances and premiums.

Revenues for the sale of the products are recognised at the time of control transfer of the goods given to the buyer, which coincides with the shipment or delivery of the same.

Revenues from the provision of services are recorded in the financial statements when the service is actually rendered.

Revenues of a financial nature are recognised on an accrual basis. For all financial instruments measured at amortised cost, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period.

Service charges are recognised on an accrual basis.

For all financial instruments measured at amortised cost, interest expense is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts future payments and receipts, estimated over the expected life of the financial instrument.

Financial income and expenses

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

Dividends received

Dividends received from subsidiaries are recognised in the income statement when the right to receive such payment is established.

Income taxes

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

Current taxes are calculated on the basis of the estimated taxable income for the 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 reporting date.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of these assets to be recovered.

Deferred taxes are directly charged to the income statement, except for those relating to items being directly recognised in equity, in which case the related deferred taxes are also charged to equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, when they relate to taxes due to the same tax authority and the company intends to settle current tax assets and liabilities on a net basis.

Criteria for the conversion 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 converted into the functional currency at the exchange rate at the reporting date. Exchange differences are recorded in the income statement, including those achieved upon collection of receivables and payment of payables in foreign currency. The gain or loss arising from the conversion 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 (exchange differences on items whose change in fair value is recognised in the statement of comprehensive income or the income statement are recognised in the statement of comprehensive income or the income statement, respectively).

Earnings per share

Basic earnings per share are calculated by dividing the Company's Net results by the weighted average number of shares outstanding during the year, excluding any treasury shares held in portfolio.

3. IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1.1 Accounting standards and interpretations endorsed and effective from 1 January 2022

- the following amendments entered into force on 1 January 2022: "Amendments to IFRS 3 Business Combinations", "Amendments to IAS 16 Property, Plant and Equipment", "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" e "Annual Improvements 2018-2020".

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

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

- on 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent" and on July 15 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – deferral of Effective Date". The amendments will be effective as of 1 January 2023 and clarify the principles that must be applied for the classification of liabilities as current or non-current.

- on 12 February 2021, the IASB published the amendments entitled "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" and "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". All amendments will take effect on 1 January 2023;
- On 07 May 2021, the IASB published and amendment referred to as “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12) . All amendments will take effect on 1 January 2023.

None of these Standards and Interpretations have been early adopted by the Group. The Group is in the process of assessing the impact of these Standards and Interpretations and based on the current state of analysis, no significant impact is expected.

4. MAIN ESTIMATES ADOPTED BY THE MANAGEMENT

The application of generally accepted accounting principles for the preparation of financial statements implies that management makes accounting estimates based on complex and/or subjective judgements, based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate.

Estimates are used to measure intangible assets subject to impairment testing (see § Impairment losses), as well as to recognise provisions for doubtful accounts, inventory obsolescence, amortisation and depreciation, asset write-offs, employee benefits, taxes, other provisions and reserves. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

The use of these accounting estimates affects the carrying amount of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reporting period. Actual results may differ from estimated results due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The following are the accounting estimates that are critical to the preparation of the financial statements because they involve a high degree of recourse to subjective judgements, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgements, assumptions and estimates adopted can have a significant impact on subsequent results.

Recoverable amount of non-current assets

Non-current assets include Property, plant and equipment, Other intangible assets, Equity investments and Other financial assets.

The Company periodically reviews the carrying amount of non-current assets held and used and assets to be disposed of, when facts and circumstances require such a review. When the carrying amount of a non-current asset is impaired, the Company recognises an impairment loss equal to the excess of the carrying amount of the asset over its recoverable amount through use or sale.

Recoverability of deferred tax assets

The Company has deferred tax assets on deductible temporary differences. The results of the business plan were taken into account in determining the estimated recoverable amount.

Provision for doubtful accounts

The allowance for doubtful accounts reflects the management's estimate of the expected losses associated with the portfolio of receivables. The Company applies the simplified approach envisaged by IFRS 9 and records expected losses on all trade receivables on the basis of their residual duration, by defining the provision based on historical experience of credit losses, adjusted to take account of specific forecast factors relating to creditors and the economic environment (the Expected Credit Loss - ECL concept).

Contingent liabilities

The Company recognises a liability for ongoing litigation and lawsuits when it believes it is probable that a financial outlay will be made and when the amount of resulting losses can be reasonably estimated. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

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

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

<u>Demographic assumptions</u>

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- the probability of elimination due to absolute and permanent disability of the worker to become disabled and leave the company community is inferred from the disability tables currently used in reinsurance practice, broken down by gender and age;
- the probability of leaving the company due to resignations and dismissals was estimated, on the basis of company data, over the observation period from 2015 to 2022 and amounts to 7.19% per year;
- the probability of requesting an advance was set at 1% per year, with a 50% rate remaining;
- for the period of retirement for the generic workforce, it was assumed that the earliest of the retirement requirements valid for the General Compulsory Insurance would be reached.

Economic and financial assumptions

The macroeconomic scenario used for the measurements is described in the table below:

Parameters	**Assumptions for 2022**
Rate of salary increase	3.83%
Inflation rate	2.00%
Discount rate of employee’s severance indemnity	2.73%

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 31.12.2022 (Source: Il Sole 24 ore) and fixed with respect to payment commitments with an average residual duration of 22 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:

<u>Demographic assumptions</u>

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- for the probabilities of leaving the company due to voluntary resignations or dismissals, the annual frequencies over the observation period from 2013 to 2022 has been estimated, based on company data, respectively at 4.15% and 6.45% per year;

<u>Economic and financial assumptions</u>

- With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on the assessment date (Source: *Il Sole 24 ore*). For the measurement as at 31.12.2022, a flat rate of 2.626% was adopted on the section of the curve corresponding to 24 years of average residual duration.

Estimates adopted in the determination of deferred taxes

A discretionary assessment is required of the Directors to determine the amount of deferred tax assets that can be recognised. They must estimate the probable occurrence in time and the amount of future taxable profits.

Amortisation/depreciation

Fixed assets cost is depreciated on a straight-line basis over their estimated useful lives, which for rights of use coincides with the assumed duration of the contract. The useful economic life of the Company's fixed assets is determined by the Directors at the time of purchase. It is based on the historical experience gained over their business years and on the knowledge of any technological innovations that could make the fixed asset obsolete or no longer economical.

The Company periodically evaluates technological and industry changes to update the remaining useful life. This

periodic update could lead to a change in the period of depreciation or amortisation and hence also in the depreciation or amortisation charge in future years.

5. RISK AND UNCERTAINTY MANAGEMENT

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

5.1 EXTERNAL RISKS

5.1.1 Risks associated with Covid-19 (so-called "Coronavirus")

Despite the residual effects of the COVID-19 pandemic (so-called "Coronavirus") also in 2022, the Company achieved excellent business results with revenues increasing by approximately 18%, in line with increases in pre-pandemic years. The evolution of the health situation, with the progressive elimination of the restrictive measures put in place and the end of the state of emergency have allowed a gradual return to normality. In view of the above, there is no particular risk to the regularity of production and sales trends, although a further deterioration in the situation cannot be ruled out, which could expose the Company to the risk of a drop in sales.

5.1.2 Risks associated with production entrusted to third party suppliers

The Company is exposed to the risk that production activities entrusted to third party suppliers may not be carried out properly according to the quality standards required by the Company itself, leading to delays in the supply of products or even the need to replace the third party in charge. In addition, the production facilities of third party suppliers are subject to operational risks such as, for example, interruptions or delays in production due to faulty or failed machinery, malfunctions, breakdowns, delays in the supply of raw materials, natural disasters, or the revocation of permits and authorisations or even regulatory or environmental interventions. The possible occurrence of such circumstances could have negative effects on the Company's business.

5.1.3 Risks associated with the regulatory framework and the situation in the countries in which the Company operates

As a result of its international presence, Pharmanutra is exposed to a number of risk factors, particularly in developing countries where the regulatory framework is not permanently defined and clear. This could force the Company to change its business practices, increase costs or expose it to unforeseen civil and criminal liability.

Moreover, the Company cannot be sure that its products can be successfully marketed in these developing markets, given the less stable economic, political or social conditions than in Western European countries and which may result in the possibility of facing political, social, economic and market risks.

With reference to the geopolitical situation of the conflict between Russia and Ukraine, following the sanctions issued by the European Union against Russia, in the first months of the year the Company suspended the supply of products to the Russian distributor, which was resumed in mid-2022, in order to protect the investments made in previous years. It was decided to donate part of the margin achieved with the Russian distributor to support Ukrainian families. At the end of the period, the Company had no exposure to the Russian distributor. It is not considered that the possible adoption of even stronger penalties could lead to a decrease in the expected revenues for the year. Regarding Ukraine, a marginal market, there are no open positions as of today and no commercial operations.

5.1.4 Risks associated with the high degree of competitiveness of the reference market

In view of the fact that the market segments in which Pharmanutra is active are characterised by a high level of competition in terms of quality, price and brand awareness and by the presence of a large number of operators, the possible difficulty for the Company in facing competition could have a negative impact on its market position, with consequent negative effects on its business.

The production activities of the Group are characterised by technology that cannot be replicated and is protected by patents, and this is considered an important competitive advantage, which - together with proprietary raw materials, the strategy of protecting intellectual property rights (trademarks and patents) and continuous investment in research and development - makes it possible to obtain products with characteristics that cannot be replicated by competitors.

5.2 MARKET RISKS

5.2.1 Risks associated with dependence on certain key products

The Company's ability to generate operating profits and cash flows largely depends on maintaining the profitability of a number of key products; among these, the most significant are those based on Sucrosomial® Iron, consisting of the products of the Sideral® line, which represent approximately 74% of the Company's revenues at 31 December 2022 (compared to 79% in 2021).

A contraction in sales of these key products could have negative effects on the Company's business and prospects.

5.2.2 Risks associated with the iron-related therapy market in which the Company operates

The risks to which Pharmanutra is exposed are related: to any changes in the regulatory framework in relation to the way iron is taken, the identification of new therapeutic protocols relating to these consumption ways (of which the Company is unable to predict the timing and methods) and/or to the need to reduce the selling prices of products. The Company's iron-based products are currently all classified as food supplements. In the case of iron, as well as many other nutrients, regulations concern the amount of daily intake beyond which the product cannot be marketed as a food supplement because it would fall into the pharmaceutical category.

A possible regulatory change could have more of an impact on the maximum (or minimum) level of intake which would then lead to a simple formula adjustment.

5.3 FINANCIAL RISKS

5.3.1 Credit risk

Credit risk represents the exposure to potential losses deriving from the non-fulfilment of the obligations undertaken by both commercial and financial counterparties.

Credit risk is essentially attributable to the amount of trade receivables for the sale of finished products.

The Company does not have a significant concentration of credit risk and is subject to moderate credit risks.

The exposure to credit risk as at 31 December 2022 and 31 December 2021 is shown below:

€/1000	31/12/2022	31/12/2021
Non-current financial assets	186	181
Other non-current assets	1,259	254
Deferred tax assets	1,043	644
Current financial assets	4,697	4,530
Trade receivables	19,150	15,148
Other current assets	2,780	999
Total Exposure	**29,115**	**21,756**
Provision for doubtful accounts	(409)	(583)
Total exposure net of Allowance for doubtful accounts (*)	**28,706**	**21,173**

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

Below is a breakdown of receivables as at 31 December 2022 and 31 December 2021 grouped by category and due date. Please note that equity investments and tax receivables are not included:

€/1000	Carrying amount at 31/12/2022	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	186	186				
Other non-current assets	1,259	1,259				
Deferred tax assets	1,043	1,043				
Current financial assets	4,697	4,697				
Trade receivables	19,150	17,011	1,081	175	221	663
Other current assets	2,780	2,780				
Total financial assets	**29,115**	**26,976**	**1,081**	**175**	**221**	**663**

€/1000	Carrying amount at 31/12/2021	To expire	Expired			
			0-90	90-180	180-360	> 360
Non-current financial assets	181	181				
Other non-current assets	254	254				
Deferred tax assets	644	644				
Current financial assets	4,530	4,530				
Trade receivables	15,148	12,992	837	85	206	1,027
Other current assets	999	999				
Total financial assets	**21,756**	**19,600**	**837**	**85**	**206**	**1,027**

5.3.2 Liquidity risk

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

To support the acquisition of Akern, the Company obtained two unsecured loans of Euro 6 million each. The first, stipulated with Banco BPM, provides for a variable interest rate calculated with a spread of 0.85% on the quarterly Euribor. The second, being stipulated with Credem, provides for a variable interest rate determined by applying a Spread of 0.90% to the quarterly Euribor.

Despite having available short-term bank credit lines, aimed at managing the requirements related to increases in working capital, the management did not deem it necessary to use these instruments during the year thanks to the generation of liquidity from current operations.

In any case, the liquidity risk originating from normal operations is kept at a low level by managing an adequate level of cash and cash equivalents and controlling the availability of funds obtainable through credit lines.

Financial liabilities as at 31 December 2022 and 2021, as reflected in the balance sheet, broken down by contractual maturity bands are reported below:

€/1000	Balance at 31/12/2022	Current portion	2 to 5 years	Over 5 years
Bank loans and borrowings	16,404	3,165	11,615	1,624
Financial liabilities for rights of use	361	110	252	
Other lenders	0			
Total financial liabilities	**16,765**	**3,274**	**11,867**	**1,624**

€/1000	Balance at 31/12/2021	Current portion	2 to 5 years	Over 5 years
Bank loans and borrowings	5,308	308	3,745	1,255
Financial liabilities for rights of use	552	192	360	
Other lenders	4		4	
Total financial liabilities	**5,864**	**500**	**4,109**	**1,255**

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

5.3.3 Interest rate risk

The Company has variable-rate loan agreements in place and is thus exposed to the risk of changes in interest rates, which is considered low. Current and non-current variable rate debt as a percentage of total medium/long-term borrowings was about 71% at 31 December 2022 and 10% as at 31 December 2021.

The Company does not currently adopt policies to hedge interest rate risk. Simulations were carried out in order to assess the advisability of adopting interest rate risk hedging policies. The cost of these hedges was higher than the higher interest that could result from the expected trend in rates.

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

Financial assets and liabilities measured at fair value

As required by IFRS 13 - Fair Value Measurement, the following information is provided.

The fair value of trade receivables and payables and other financial receivables and payables approximates the nominal value recorded in the financial statements.

The fair value of receivables and payables due from and to banks and related companies does not differ from the values recorded in the financial statements, as the credit spread has been kept constant.

In relation to financial instruments recognised in the Balance Sheet at fair value, IFRS 7 requires these values to be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in determining the fair value. The following levels are distinguished:

Level 1 - quotations recorded on an active market, for assets or liabilities subject to valuation;

Level 2 - inputs other than quoted prices, as referred to in the previous paragraph, that are observable

directly (prices) or indirectly (derived from prices) on the market;

Level 3 - inputs that are not based on observable market data.

With respect to the values as at 31 December 2022 and 31 December 2021, the following table shows the fair value hierarchy for the Company's assets that are measured at fair value:

€/1000	31/12/2022				31/12/2021			
	Level				Level			
Current financial assets	1	2	3	Total	1	2	3	Total
Bonds	3,492		304	3,796	2,505		203	2,708
Investment Funds	900			900	1,822			1,822
Total	**4,392**	**-**	**304**	**4,696**	**4,327**	**-**	**203**	**4,530**

For the only asset that falls within level 3, the valuation model applied is that of nominal value since the underlying of the issue is a securitisation of reinsured trade receivables.

5.3.4 Risk of changes in cash flows

The Company has historically highlighted a substantial and constant increase in the cash flows generated by operations compared to the previous year.

There is no particular need for access to bank credit, except for current commercial activities, given the willingness of banks to extend, when necessary, the existing credit lines.

In view of the above, the risk associated with a decrease in cash flows is considered to be low.

5.3.5 Risks related to litigation

The Company is part of a series of exclusive agency and procurement agreements for the promotion of its products. The activity carried out by agents for the Company also plays an important role in providing scientific information to the medical class. During the year 2020, there were a number of cases in which agents and/or brokers initiated disputes aimed at ascertaining the existence of an employment relationship and claimed for compensation. For the risks highlighted, specific provisions are set aside to cover the estimated liabilities. At the end of February 2022, disputes were settled by conciliation. As a result of the agreements reached, the provision set aside at 31 December 2021 was fully utilised.

There are uncertainties of interpretation regarding the qualification for direct tax purposes of the indemnity received by the Company in 2019 from the pre-listing shareholders on the basis of the reps and warranties given by them in the admission document section one, chapter 16, paragraph 16.1. The risk cannot be excluded that, if the position taken by Pharmanutra is not considered correct by the Italian Inland Revenue, the latter may ascertain the existence of taxes to be paid in relation to the indemnity amount (up to a maximum of approximately 220,000 Euro) plus penalties and interest.

6. COMMENTS ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

6.1 Non-current assets

6.1.1. Tangible fixed assets

Net value	Initial balance	Increases	Decreases	Depreciation	Change in Cons. area	Final balance
Land and buildings	33	5		-6		32
Plant and machinery	52	7		-15		44
Furniture and office machines	327	51		-109		269
Vehicles	789	460	-268	-260		721
Rights of use	550			-191		359
Assets under construction	6,138	8,779				14,917
TOTAL	**7,889**	**9,302**	**-268**	**-581**	**0**	**16,342**

Historical cost	Initial balance	Increases	Decreases	Change in Cons. area	Final balance
Land and buildings	641	5		0	646
Plant and machinery	126	7		0	133
Equipment	18			0	18
Furniture and office machines	944	51		0	995
Vehicles	1,331	460	-461	0	1,330
Rights of use	1,004			0	1,004
Assets under construction	6,138	8,779		0	14,917
TOTAL	**10,202**	**9,302**	**-461**	**0**	**19,043**

Accumulated depreciation/amortisation	Initial balance	Depreciation	Uses	Change in Cons. area	Final balance
Land and buildings	608	6		0	614
Plant and machinery	74	15		0	89
Equipment	18			0	18
Furniture and office machines	617	109		0	726
Vehicles	542	260	-193	0	609
Rights of use	454	191		0	645
TOTAL	**2,313**	**581**	**-193**	**0**	**2,701**

The amount of the year's increases relates to Euro 8,779 thousand for the advancement of the construction of the new headquarters, Euro 460 thousand for the purchase of cars for use by management and sales force managers.

6.1.2 Intangible fixed assets

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

	Initial balance	Increases	Decreases	Depreciation	Change in Consolidation area	Final balance
Industrial patent rights	644	415		-157	0	**902**
Concessions, licenses and trademarks	603	165		-53	0	**715**
Goodwill					0	
Other intangible assets	3			-2	0	**1**
Assets under development and payments on account	122	356			0	**478**
TOTAL	**1,372**	**936**	**0**	**-212**	**0**	**2,096**

The increases in intangible fixed assets refer to patent and trademark management activities for approximately Euro 580 thousand. The increase in fixed assets under construction refers to costs capitalised on research contracts in progress and software being implemented.

6.1.3 Investments

€/1000	31/12/2022	31/12/2021	Change
Investments in subsidiaries	17,817	2,801	15,016
Investments in other companies		250	-250
Investments	**17,817**	**3,051**	**14766**

The changes for the year resulted from the acquisition of all the shares in Akern and the sale, as part of the same transaction, of the shares held in Red Lions S.r.l.

Testing for impairment of investments in subsidiaries (Impairment test)

As indicated in the section on valuation criteria, the investments in subsidiaries are tested for impairment annually, or more frequently if specific events or changes in the circumstances indicate that they may have suffered an impairment loss, in accordance with IAS 36 Impairment of Assets (impairment test). The recoverability of the values recorded is verified by comparing the net carrying amount of the individual cash generating unit with the recoverable value (value in use). Such recoverable value is represented by the current value of future cash flows that are estimated to derive from the continuous use of the assets related to Cash Generating Unit (CGU).

The cash flows used to determine the value in use derive from the most recent estimates made by the management, and in particular the 2023 budget approved on 19 December 2022. Three CGUs have been identified: Junia Pharma, Alesco and Akern.

The recoverable value of the three CGUs identified amounting to Euro 17,817, of which Euro 1 million refers to Alesco, Euro 1,801 thousand to Junia Pharma and Euro 15,016 thousand to Akern, was verified through the value in use, determined by applying the discounted cash flow method.

If the recoverable amount is higher than the net carrying amount of the CGU, no impairment loss is recognised; otherwise, the difference between the net carrying amount and the recoverable amount, as a result of the impairment test, determines the amount of the adjustment to be recognised.

The main assumptions used for the calculation of value in use concern the discount rate (WACC post-tax) of cash flows and the growth rate "g" used for the calculation of the perpetual annuity. With particular reference to the valuations relating to 31 December 2022, the Group used a discount rate of 11.89%, with a growth rate “g” of 1% for all CGUs. With reference to the valuation of Akern, the Group used a discount rate of 9.77%, with a growth rate “g” of 1%.

From the results of the impairment test, it emerged for each CGU that the recoverable value exceeds the carrying value and therefore no write-off was made.

Sensitivity

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

Investments in other companies

The item amounts to Euro 250 thousand of the previous year and represents the subscription value of the investment in Red Lions S.p.A. which was then sold during the year.

6.1.4 Non-current financial assets

€/1000	31/12/2022	31/12/2021	Change
Deposits and advances	186	181	5
Non-current financial assets	**186**	**181**	**5**

The item amounts to Euro 181 thousand, includes Euro 65 thousand of guarantee deposits and Euro 85 thousand of advances paid to the related company Solida S.r.l., at the signing of the lease contracts stipulated with the same.

6.1.5 Other non-current assets

€/1000	31/12/2022	31/12/2021	Change
Insurance for Directors' Severance indemnity	1,259	254	1,005
Other non-current assets	**1,259**	**254**	**1,005**

The change is due to the subscription of the policy against the Directors' Severance Indemnity set aside.

6.1.6 Deferred tax assets

	Initial balance	Increases	Decreases	Final balance
All. Provision for legal dispute risks	111		-111	0
Allowance to provision for inventory write-offs	8	15	-6	17
All. Provision for doubtful accounts	49	16	-49	16
Directors' remunerations	545	545	-330	760
Allocation to the provision for employees' severance indemnity (TFR)	48		-8	40
All. to the provision for Indemnity for termination of agency contracts	-12		-38	-50
Consolidation entries	-105			-105
TOTAL	**644**	**576**	**-542**	**678**

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

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

Deferred tax assets relating to the remuneration of corporate bodies concern the non-deductibility of the variable remuneration.

6.2 Current assets

6.2.1 Inventories

	31/12/2022	31/12/2021	Change
Raw materials, consumables and supplies	1,607	710	897
Finished products and goods	2,226	1,799	427
Provision for inventory write-offs	-61	-29	-32
Total inventories	**3,772**	**2,480**	**1,292**

The increase in inventories results from production planning policies and production carried out in anticipation of increases in the prices of raw materials and consumables.

6.2.2 Cash and cash equivalents

€/1000	31/12/2022	31/12/2021	Change
Bank and postal accounts	17,877	26,673	-8,796
Cash and cheques	14	16	-2
Total cash and cash equivalents	**17,891**	**26,689**	**-8,798**

The balance represents the cash and cash equivalents and the existence of cash and securities at the end of the period. For the evolution of cash and cash equivalents, reference should be made to the cash flow statement for the year and to what is indicated in the Management Report.

6.2.3 Current financial assets

	31/12/2022	31/12/2021	Change
Mutual fund shares	900	1,822	-922
Bonds	3,797	2,708	1,089
Total current fin. assets	**4,697**	**4,530**	**167**

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 shares in investment funds of adequately rated issuers have been subscribed. As at 31.12.2022, a comparison with the market value of the bonds held shows a net capital loss of Euro 128 thousand which was recorded in a shareholders' equity reserve, based on the valuation criteria adopted in accordance with IFRS9. A gain of Euro 8 thousand was recorded in the income statement for the year on the fund shares.

Considering the liquidity available and the regular continuation of activities as stated above, the Company does not foresee the need to resort to the early disposal of the financial instruments in question.

6.2.4 Trade receivables

	31/12/2022	31/12/2021	Change
Trade receivables - Italian customers	11,895	9,895	2,000
Trade receivables - Other countries	2,716	1,663	1,053
Other receivables (subject to collection)	4,174	3,240	934
Invoices/(Credit Notes) to be issued	365	350	15
Provision for doubtful accounts	-409	-583	174
Total trade receivables	**18,741**	**14,565**	**4,176**

The amounts shown in the financial statements are net of the provisions made in the allowance for doubtful accounts, estimated by the management on the basis of the seniority of the receivables, the assessment of their collectability and also taking into account the historical experience and forecasts of future bad debts also for the part of receivables that is collectable at the reporting date.

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

€/1000	31/12/2022	31/12/2021	Change
Italy	16,040	12,927	3,113
Asia	1,577	1,070	507
Europe	521	485	36
Africa	510	83	428
America	93	-	93
Total trade receivables	**18,741**	**14,565**	**4,176**

Changes in the Provision for doubtful accounts during 2022 were as follows:

	PROVISION FOR DOUBTFUL
Initial balance	(583)
Allowances	(163)
Decreases	336
Final balance	**(409)**

6.2.5 Other current assets

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

€/1000	31/12/2022	31/12/2021	Change
Receivables from employees	43	42	1
Advances	1,837	822	1,015
Prepayments and accrued income	900	135	765
Total other current assets	**2,780**	**999**	**1,781**

The item "Advances" includes receivables from agents for advances, amounting to Euro 208 thousand, Euro 255 thousand in the previous year, relating to amounts advanced upon signing agency agreements, Euro 1,038 thousand relating to the advance paid for the shares of an aircraft that will be used to optimise management travel, ensuring greater flexibility in terms of routes and times, and greater economy and efficiency (in terms of flight duration and reduction in waiting times).

6.2.6 Tax receivables

"Tax receivables" can be broken down as follows:

	31/12/2022	31/12/2021	Change
VAT receivables	1,081	300	781
R&D tax receivables	309	266	43
Other tax receivables	5	53	-48
Tax receivables	**1,395**	**619**	**776**

The increase in VAT receivables is due to the advancement of the construction of the new headquarters.

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

6.3 Shareholders' Equity

6.3.1 Shareholders' equity

The changes in the items of shareholders' equity are shown below:

€/1000	Share capital	Treasury shares	Legal reserve	Other reserves	FTA reserve	OCI Fair Value Reserve	IAS 19 reserve	Result for the period	Total
Balance at 1/1	**1,123**		**225**	**23,934**	**(39)**	**28**	**61**	**12,779**	**38,111**
Other changes		(2,362)		4		(143)	87		(2,414)
Dividends paid				(6,852)					(6,852)
Allocation of Result				12,779				(12,779)	-
Result for the period								13,046	13,046
Balance at 31/12	**1,123**	**(2,362)**	**225**	**29,865**	**(39)**	**(115)**	**148**	**13,046**	**41,891**

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.

On 21 January 2022, the treasury share purchase programme was launched to enable the Company to take advantage of the opportunity to make a capital expenditures, in cases where the market price trend of Pharmanutra shares, including for factors external to the company, is not able to adequately express the value of the same, and thus to provide the company with a useful capital expenditures opportunity for any purpose permitted by current regulations. As at 31 December 2022, Pharmanutra holds 37,999 treasury shares equal to 0.39% of the share capital, for a value of Euro 2,362 thousand.

On 27 April 2022 the Shareholders' Meeting resolved the distribution of Euro 0.71 dividend per share, corresponding to a payout ratio of approximately 50% of the 2021 consolidated net result, for a total amount of Euro 6,852 thousand.

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

€/1000	Amount	Possible uses	Available portion	Summary of uses made in the three previous years	
				to hedge losses	for other reasons
Capital reserves:					
Share capital	1,123				
Share premium provision	7,205	A,B,C	7,205		
Earnings reserves:					
Legal reserve	225	B	225		
Extraordinary reserve	22,420	A,B,C	22,420		
Other reserves:					
Provision for purchases of treasury shares	-2,362				
Expected cash flow hedging reserve	0				
Result of the previous years	240				
OCI Fair Value Reserve	-115				
FTA reserve	-39				
IAS 19 reserve	148				
Total	**28,845**		**29,850**	**0**	**0**
Non-distributable portion			**2,587**		
Distributable portion			**27,263**		

A: for capital increase, B: to cover losses, C: for distribution to shareholders

6.4 Non-current liabilities

6.4.1 Non-current financial liabilities

€/1000	31/12/2022	31/12/2021	Change
Liabilities for derivative fin. instruments		4	-4
BPER loan	4,253	5,000	-747
Credem loan	4,218		4,218
BPM loan	4,768		4,768
Non-current fin. liabilities for rights of use	251	360	-109
Non-current financial liabilities	**13,490**	**5,364**	**8,126**

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

During the year, the Company obtained two medium- and long-term loans from BPM and Credem in the amount of Euro 6 million each to cover the acquisition of all of Akern's shares. The loans are not backed by collateral or covenants of any kind.

Non-current financial liabilities for non-current rights of use represent the discounted amount due beyond one year of the lease contracts in force as at 31.12.2022 in accordance with IFRS16. The increase over the previous year stems from the renewal of certain lease contracts.

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA update with reference to the "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", we report that the Company's Net Financial Position as at 31 December 2022 is as follows:

		31/12/2022	31/12/2021
	A Cash and cash equivalents	(17,891)	(26,689)
	B Cash equivalents		
	C Other current financial assets	(4,697)	(4,530)
	D Liquidity (A+B+C)	**(22,588)**	**(31,219)**
1)	E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	110	349
	F Current portion of non-current financial debt	3,165	151
	G Current financial debt (E+F)	**3,275**	**500**
	of which guaranteed	0	0
	of which not guaranteed	3,275	500
	H Net current financial debt (G-D)	**(19,313)**	**(30,719)**
2)	I Non-current financial debt (excluding current portion and debt instruments)	13,490	5,360
	J Debt instruments		4
	K Trade payables and other non-current payables		
	L Non-current financial debt (I+J+K)	**13,490**	**5,364**
	of which guaranteed	0	0
	of which not guaranteed	13,490	5,364
	M Net financial debt (H+L) - CONSOB comm. (4/3/21 ESMA32-382-1138)	**(5,823)**	**(25,355)**
3)	N Other current and non-current financial assets	(1,445)	(435)
	O Net financial debt (M-N)	**(7,268)**	**(25,790)**

1) It includes the following items of the financial statements: Current financial liabilities (Financial liabilities for rights of use Euro 110 thousand);
2) It includes the following items of the financial statements: non-current financial liabilities (M/L-term loans Euro 13,239, Financial liabilities for non-current rights of use Euro 251 thousand):
3) it includes the following items of the financial statements: non-current financial assets (Deposits paid Euro 186 thousand), Other non-current financial assets (Insurance for Directors' severance indemnity Euro 1,259 thousand).

6.4.2 Provisions for risks and charges

	31/12/2022	31/12/2021	Change
Tax provision	1,400		1,400
Provision for indemnity for termination of agency contracts	857	838	19
Provision for sundry risks and legal disputes	14	505	-491
Provision for contractual obligations	3,000		3,000
Provisions for risks and charges	**5,271**	**1,343**	**3,928**

Provisions for risks and charges include:

Provision for taxes: as already mentioned in the Management Report, during the year, the Parent Company received an invitation from the Pisa Provincial Directorate of the Agenzia delle Entrate (Inland Revenue) to discuss the start the tax settlement proposal for the 2016 tax year. The Company has expressed its willingness to collaborate, which implies the definition of 2016 and subsequent years up to 2021, and with this in mind, it has provisionally estimated the amount related to the definition of the aforementioned tax periods.

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).

Provision for risks to cover the risk of legal disputes in progress, measured at Euro 505 thousand in 2021 to cover outstanding disputes with agents following the termination of the agency agreement; in February 2022, the disputes were settled by conciliation and the provision was fully used.

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

6.4.3 Provisions for employee benefits and director benefits

	31/12/2022	31/12/2021	Change
Provision for employees' severance indemnity	583	592	-9
Provision for Directors' severance indemnity	1,519	942	577
Provision for M/L/T Directors' Variable Compensation	1,300	650	650
Provisions for employee and director benefits	**3,402**	**2,184**	**1,218**

Provisions for benefits refer to:

- Provision for Directors' severance indemnity.

The amount set aside of Euro 577 thousand was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting held on 26 April 2021 and corresponds to the Company's actual commitment to the Directors at the reporting date.

- Provision for M/L Term Directors' Variable Compensation

In view of the changeover to the MTA market, STAR segment, a remuneration policy for directors has been adopted that meets the requirements of the Governance Code issued by Borsa Italiana (the "Code"). Therefore, for the financial years 2021 and 2022, a new criterion for determining the variable remuneration to be allocated to Executive Directors has been adopted, which meets the criteria set out in the Code, which are summarised below:

- fixed and variable component adequately balanced according to the strategic objectives;
- provision of maximum limits for variable components;
- adequacy of the fixed component to compensate directors' performance if the variable component is not achieved due to failure to meet targets;
- objectives whose achievement is linked to the payment of variable components that are predetermined, measurable and linked to the creation of value for shareholders;
- deferred payment of a significant portion of the variable component in an appropriate timeframe with respect to the vesting period.

On the basis of the above, the portion of medium/long-term variable remuneration due to Executive Directors accrued during the year amounted to Euro 650 thousand.

- Employees' severance indemnity. The liability for employees' severance indemnity has been calculated in compliance with the current provisions governing the employment relationship for employees and corresponds to the actual commitment of the Company towards individual employees at the reporting date. The amount set aside refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their 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).

6.5 Current liabilities

6.5.1 Current financial liabilities

€/1000	31/12/2022	31/12/2021	Change
Bank loans and borrowings for loans	3,165	151	3,014
Bank loans and borrowings for current accounts	0	157	-157
Current fin. liabilities for rights of use	110	192	-82
Tot. Current fin. liabilities	**3,275**	**500**	**2,775**

The item "Bank loans and borrowings for current accounts" in the previous year referred to transitory accounts.

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.

6.5.2 Trade payables

Trade payables are broken down in the table below:

€/1000	31/12/2022	31/12/2021	Change
Trade payables - suppliers in Italy	13,855	8,433	5,422
Trade payables - suppliers in Other countries	743	673	70
Payments on account	1,606	956	650
Total trade payables	**16,204**	**10,062**	**6,142**

The increase in the item Payables to Italian suppliers is due to the higher operating costs incurred during the year.

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

€/1000	31/12/2022	31/12/2021	Change
Italy	13,939	8,403	5,536
Asia	684	768	(84)
Europe	1,467	866	601
America	114	1	113
Other	-	23	(23)
Total trade payables	**16,204**	**10,062**	**6,143**

6.5.3 Other current liabilities

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

	31/12/2022	31/12/2021	Change
Payables for wages and salaries	525	360	165
Payables to social security institutions	226	282	-56
Payables to directors and statutory auditors	1,465	1,438	27
Sundry debtors	29	39	-10
Provision for agents' severance indemnity	111	131	-20
Guarantee withholding	584	103	481
Security deposits from Customers	107		107
Total other current liabilities	**3,047**	**2,353**	**694**

The item Payables to directors and statutory auditors refers to the amount of short-term variable remuneration accrued by executive directors on the results for the year 2022.

6.5.4 Current tax payables

	31/12/2022	31/12/2021	Change
Income taxes	687	2,971	-2,284
Payables for withholdings	392	385	7
Total tax payables	**1,079**	**3,356**	**-2,277**

The change in Income Taxes is attributable to lower advance payments in the previous year due to the utilisation of the 2020 Patent Box credit.

6.6 Revenues

6.6.1 Net revenues

	2022	2021	Change
LB1 REVENUES	51,718	42,844	8,874
LB2 REVENUES	18,562	16,662	1,900
TOTAL SALES	**70,280**	**59,506**	**10,774**

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

€/1000	2022	2021	Change	Δ%	Incidence 2022	Incidence 2021
Italy	51,718	42,845	8,874			
Total LB1	***51,718***	***42,845***	***8,874***	**20.7%**	**73.6%**	**72.0%**
Europe	11,786	10,226	1,560	15.3%		
Middle East	5,059	4,315	744	17.2%		
Far East	465	518	(53)	-10.2%		
Africa	970	1,602	(633)	-39.5%		
Other	282	-	282	n.s.		
Total LB2	***18,562***	***16,662***	***1,900***	**11.4%**	**26.4%**	**28.0%**
Total net revenues	**70,280**	**59,507**	**10,773**	**18.1%**	**100%**	**100%**

The gradual easing of restrictions imposed to contain the Covid-19 epidemic has enabled the company to return to pre-pandemic growth levels in the Italian market with revenues up 20.7% on the previous year.

Revenues earned on foreign markets show an increase of about 11.4% from Euro 16,662 thousand in 2021 to Euro 18,562 thousand in 2022, thanks to the progressive increase in the operations of distribution contracts stipulated in previous years.

The Company's activity is divided into the following business lines:

Direct business line (LB1): it is characterised by the direct control of the distribution channels in the reference markets and the relevant marketing activities.

In 2022, the direct business line accounted for 74% (about 72% in 2021) of total revenues.

The distribution channels for the Company can be broken down into:

- Direct: deriving from the activity carried out by the network of sales representatives who are entrusted with the marketing of products throughout the national territory. 95% of direct orders are orders directly from pharmacies and parapharmacies.
- Wholesalers who directly supply the pharmacies and parapharmacies with the products.

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

Indirect business line (LB2): the business model is mainly used in foreign markets. It is characterised by the marketing of finished products through local partners which, under long-term exclusive distribution contracts, distribute and sell the products in their own markets.

In 2022 the Indirect business line accounted for about 26% of the revenues (about 28% in the previous year).

6.6.2 Other revenues and income

	2022	2021	Change
Tax receivables	158	178	-20
Contractual indemnities		108	-108
Refunds and recovery of expenses	41	8	33
Contingent assets	127	236	-109
Other revenues and income	605	410	195
Total Other revenues and income	**931**	**940**	**-9**

The item "Tax receivable" includes the amount of the Research and Development tax receivable benefit calculated on the basis of Italian Decree-Law no. 145/2013 and subsequent amendments for research and development expenses incurred by the Company in 2022.

The item Contractual indemnities for 2021 refers to indemnities invoiced to agents for non-notice of termination.

The item Other revenues and income mainly includes re-invoicing for services rendered to third parties and subsidiaries within the scope of existing intercompany agreements.

6.7 OPERATING COSTS

6.7.1 Purchases of raw materials, consumables and supplies

Purchases are broken down in the following table:

	2022	2021	Change
Costs for raw materials and semi-fin. goods	3,544	2,619	925
Costs for consumables	500	405	95
Costs for the purchase of fin. goods	112	287	-175
Total purchases of raw materials, consumables and supplies	**4,156**	**3,311**	**845**

The increase in the cost of purchases of raw materials, consumables and supplies is related to the higher volume of business compared to the previous year.

Raw materials and semi-finished goods costs include Euro 3,422 (Euro 2,586 thousand in 2021) of purchases from subsidiaries.

6.7.2 Change in inventories

	2022	2021	Change
Change in raw materials	-897	-368	-529
Change in finished product inventories	-427	-637	210
Change in semi-finished products			0
All. write-off provision Inventories	53	27	26
Change in inventories	**-1,271**	**-978**	**-293**

The increase in inventories as at 31.12.2022 is the result of production planning with a view to streamlining production costs.

6.7.3 Costs for services

	2022	2021	Change
Marketing and advertising costs	12,051	7,819	4,232
Production and logistics	14,507	12,513	1,994
General service costs	4,577	2,821	1,756
Research and development costs	505	379	126
Costs for IT services	352	287	65
Commercial costs and commercial network costs	10,089	9,557	532
Corporate bodies	8,071	7,940	131
Rental and leasing costs	33	17	16
Financial costs	217	201	16
Total costs for services	**50,402**	**41,534**	**8,868**

The year-on-year increase in sales was accompanied by a physiological increase in costs for services due to the higher revenue volumes realised in finished goods processing and logistics costs (+ Euro 1.2 million), sales network costs (+ Euro 0.2 million); among the costs for general services, the most significant increases concern travel costs (+ Euro 0.6 million), consultancy costs for the defence and protection of the intellectual property and for the implementation of the structure for new business lines (+ Euro 0.4 million). Marketing costs increased (+ EUR 4.1 million) as a result of the new investments implemented to support the group's brands and the development of future strategies. In addition, the removal of restrictions related to the Covid-19 outbreak allowed for more events to be realised than in the previous year.

6.7.4 Personnel costs

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

	2022	2021	Change
Wages and salaries	2,267	2,133	134
Social security charges	716	659	57
Allowance for Leaving Indemnity	136	150	-14
Other personnel costs	11	36	-25
Total personnel costs	**3,130**	**2,978**	**152**

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.

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

Units	2022	2021	Change
Executives	2	2	0
White collars	40	36	4
Blue collars	2	0	2
Total	**44**	**38**	**6**

6.7.5 Other operating costs

	2022	2021	Change
Capital losses	34	10	24
Sundry tax charges	73	77	-4
Loss on receivables	23		23
Membership fees	45	32	13
Charitable donations and social security charges	148	163	-15
Other costs	263	269	-6
Total other operating costs	**586**	**551**	**35**

The item "Charitable donations and social security charges" includes the amount of Euro 114 thousand referring to the liberal disbursement made in favour of the Pisa's Provincial Committee of the Italian Red Cross in support of the Ukrainian families hosted.

6.8 AMORTISATION, DEPRECIATION AND PROVISIONS

6.8.1 Amortisation, depreciation and provisions

	2022	2021	Change
Amortisation of intangible fixed assets	210	230	-20
Depreciation of tangible fixed assets	580	558	22
Allowance to prov. for risks related to legal disputes		230	-230
Allowance to provision for doubtful accounts from customers	94	74	20
Allowance to provision for doubtful accounts from customers not ded.	69	54	15
Total amortisation, depreciation and write-off	**953**	**1,146**	**-193**

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

6.9 FINANCIAL MANAGEMENT

6.9.1 Financial revenues

	2022	2021	Change
Interest income	128	118	10
Dividends	1,316	1,440	-124
Exchange gains	2	2	0
Other financial income	398	9	389
Total financial income	**1,844**	**1,569**	**275**

The change in the item "Other financial income" derives from the capital gain realised on the sale of the Red Lions S.r.l. shares mentioned above.

6.9.2 Financial expenses

	2022	2021	Change
Other financial expenses	-42	-16	-26
Interest expense	-42	-4	-38
Realised exchange losses	-30	-3	-27
Total financial expenses	**-114**	**-23**	**-91**

6.10 Income taxes

	2022	2021	Change
Direct taxes on business income	5,545	4,865	680
Deferred tax assets	-38	-276	238
Previous year taxes and tax receivables		-502	502
Allowance to Provision for Taxes	1,400		1,400
Total taxes	**6,907**	**4,087**	**2,820**

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

The item Previous year taxes and 2021 tax receivables includes the tax receivables obtained against the costs incurred in 2020 for translisting to the Star market for Euro 457 thousand and the tax receivables obtained against the sponsorship costs incurred in 2020 for Euro 45 thousand.

As regards the evolution of the request for renewal of the "Patent Box" tax benefit, please refer to the section Significant Events of the Management Report.

For the item "Allowance to provision for taxes", please refer to what has already been described above.

7. OTHER INFORMATION

In accordance with the law, the total compensation due to the Directors, the members of the Board of Statutory Auditors and the independent audit firm, if any, is shown below:

Directors: Euro 6,602 thousand

Board of Statutory Auditors: Euro 65 thousand

Independent audit firm: Euro 49 thousand

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

The following table, prepared in accordance with Article 149-*duodecies* of the CONSOB Issuers' Regulations, shows the fees accrued in the year 2022 for audit and non-audit services rendered by the Independent auditors and by entities belonging and not belonging to its network.

Values expressed in thousands of Euro

Service provider	Notes	Recipient	Fees accrued in the FY 2021
Auditing and certification services			
BDO ITALIA S.p.A.	[1]	Pharmanutra S.p.A.	49
Total			**49**

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

8. EVENTS SUBSEQUENT TO THE END OF 31 DECEMBER 2022

As for the events after the closing date of 31 December 2022, reference should be made to the Directors' Report on Operations.

9. COMMITMENTS

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

To Junia Pharma, a guarantee for Euro 1,000,000;

To Alesco, a guarantee for credit limit subject to collection for Euro 400,000;

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

In June 2021, the Parent Company entered into a contract for the construction of the new headquarters. The amount of the contract, equal to Euro 14.5 million plus VAT, will be paid on the basis of progress reports issued by the constructor. Due to the increase in raw material prices in the first half of 2022, the contract amount was increased by Euro 1.6 million, already paid, and the delivery date was postponed to early 2023. The outstanding amount of commitments under the contract at 31 December 2022 is Euro 8.6 million.

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

Following the incorporation of Pharmanutra Usa Corp. in December, the Parent Company, as soon as the necessary information is available to open a current account in the United States, will have to pay in the subscribed capital in the amount of USD 300 thousand.

10. CONTINGENT LIABILITIES AND MAIN OUTSTANDING DISPUTES

The Company does not have any significant contingent liabilities of which information has not already been provided in this report and which are not covered by adequate provisions.

11. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are identified according to the extended definition provided by IAS 24, i.e. including relations with administrative and control bodies as well as with managers with strategic responsibilities and transactions with subsidiaries.

The tables below show the amounts of commercial and financial transactions entered into in 2021 between the Parent Company and its subsidiaries and other related parties.

Transactions with subsidiaries

The transactions with the Group’s companies, all concluded at standard market conditions, concern the supply by Alesco of the main active ingredients to Pharmanutra, the payment by the latter to Alesco of royalties for the exploitation of the patent relating to Sucrosomial® Iron technology, and the charge-back of personnel.

The following is a summary of financial transactions during the year and the related balances at 31/12/2022.

Amounts in €/1000	Income statement item at 31.12.2022				Balance sheet item at 31.12.2022	
Subject Related Party	**Other Revenues**	**Purchases of raw materials, consum. and supplies**	**Costs for services**	**Dividends**	**Trade receivables**	**Trade payables**
Junia Pharma S.r.l.	256	74	181	354	256	183
Alesco S.r.l.	185	3,422	1,901	962	185	2,935
Akern S.r.l.						
TOTAL	**441**	**3,496**	**2,082**	**1,316**	**441**	**3,118**

Transactions with other related parties

The financial impact as at 31 December 2022 and the economic impact for 2022 of the transactions with other related parties is shown in the table below:

Related party Balance sheet (€/1000)	ROU Assets	Non-current financial assets	Other current assets	Other current liabilities	Provisions for employees and Directors benefits	Trade Payables	ROU non-current financial liabilities	ROU current financial liabilities
Members of Pharmanutra S.p.A. BoD				1.444	2.881	38		
Board of Statutory Auditors						25		
Supervisory Board compensation				1		14		
Senior management compensation				14	106			
Solida S.r.l.	273	178					203	72
Calabughi S.r.l.						158		
Ouse S.r.l.								
Studio Bucarelli, Lacorte, Cognetti						3		
Other related parties								
TOTAL	**272**	**178**	**0**	**1.459**	**2.988**	**238**	**203**	**72**

Related party Income Statement (€/1000)	Costs for services	Financial expenses	Personnel costs	Amort. Rights of use
Members of Pharmanutra S.p.A. BoD	6.602		168	
Board of Statutory Auditors	67			
Supervisory Board compensation	25			
Senior management compensation			428	
Solida S.r.l.		3		154
Calabughi S.r.l.	850			
Ouse S.r.l.	353			
Studio Bucarelli, Lacorte, Cognetti	40			
Other related parties				
TOTAL	**7.938**	**3**	**596**	**154**

On 29 June 2021, Pharmanutra's Board of Directors approved the new procedure for related party transactions, in compliance with the provisions of Consob Resolution no. 21624 of 10 December 2020, the "New RPT Procedure". This procedure, which is effective as of 01 July 2021, is available on the website www.pharmanutra.it, “Governance” section. It should also be noted that the company, as (i) a smaller company, as well as (ii) a newly listed company pursuant to art. 3 of the RPT Regulations, will apply to the related party transactions governed by the New RPT Procedure, including those of greater importance (as identified pursuant to Annex 3 of the RPT Regulations), a procedure which takes into account the principles and rules set out in art. 7 of the RPT Regulations, as an exception to art. 8 of the RPT Regulations.

The members of the Board of Directors of the Company receive a compensation consisting of a fixed part, and for executive directors only, also a variable part and a part by way of severance indemnity. The variable component paid to Executive Directors is divided between a short-term component and a medium/long-term component based on the recommendations contained in the Corporate Governance Code defined by the Corporate Governance Committee.

Financial expenses refer to interest expense accrued on outstanding lease agreements with the related company Solida S.r.l.

The remuneration of senior management consists of a fixed component and a variable incentive calculated on the basis of sales volumes and parameters relating to the financial statements.

The Companies have 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 Company; the Company pays an annual rent and has paid amounts to Solida S.r.l. as a security deposit and advance.

Pharmanutra has outsourced part of its communication and marketing activities, by strategic choice. These activities are entrusted to Calabughi S.r.l., a company in which the wife of the Vice President, Roberto Lacorte, holds 47% of the capital and is Chair of the Board of Directors. The contract between Pharmanutra and Calabughi S.r.l. has annual duration with tacit renewal unless terminated by one of the parties three months prior to the expiry of the contract and consists in the provision of communication services. These services include the management of the Company web sites and media channels, the design, development and implementation of advertising campaigns to support the products and corporate image, the graphic design of product packaging, promotional material and scientific information documents, as well as the organisation and management of corporate conventions. Moreover, the Parent Company entered into a contract with the same firm, Calabughi, for the sponsorship as "Title Sponsor" of the 151 Miglia regatta and a contract for the management of all the communication, event planning, merchandising activities related to the participation of Cetilar Racing - the team sponsored by the Parent Company - in the endurance world championship races of which the most famous is the 24 Hours of Le Mans.

The Company has an agency agreement in place with Ouse S.r.l., a company in which the cohabiting partner of the Chairman, Andrea Lacorte, holds 60% of the share capital and serves as Sole Director, effective from 1 June 2020 and for an indefinite period. The agency agreement provide for the granting to Ouse S.r.l. of an exclusive agency mandate without representation with the aim to promote and develop the sales of Pharmanutra in the assigned territories. The compensation is composed of a fixed annual fee and a variable fee determined by applying a percentage to the turnover achieved for amounts between the minimum and maximum thresholds, as defined annually.

Pharmanutra has entered into a consulting agreement with Studio Bucarelli, Lacorte, Cognetti. The contract, which is valid for one year and renewable from year to year by tacit consent, covers general tax advice, the drafting and sending of tax returns, general advice on labour law and the processing of monthly pay slips.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, the consolidated balance sheet and the consolidated income statement, showing transactions with related parties separately, are provided below.

	31/12/2022	of which with related parties	31/12/2021	of which with related parties
NON-CURRENT ASSETS	**38,383**	**18,267**	**13,391**	**3,405**
Property, plant and equipment	16,342	272	7,889	426
Intangible assets	2,096		1,372	
Investments	17,817	17,817	3,051	2,801
Non-current financial assets	186	178	181	178
Other non-current assets	1,259		254	
Deferred tax assets	683		644	
CURRENT ASSETS	**49,276**	**441**	**49,882**	**402**
Inventories	3,772		2,480	
Trade receivables	18,741	441	14,565	377
Other current assets	2,780		999	25
Tax receivables	1,395		619	
Current financial assets	4,697		4,530	
Cash and cash equivalents	17,891		26,689	
TOTAL ASSETS	**87,659**	**18,708**	**63,273**	**3,807**
SHAREHOLDERS' EQUITY	**41,891**		**38,111**	
Share capital	1,123		1,123	
Treasury shares	(2,362)			
Legal reserve	225		225	
Other reserves	29,865		23,934	
IAS 19 reserve	148		61	
OCI Fair Value Reserve	(115)		28	
FTA reserve	(39)		(39)	
Net result	13,046		12,779	
GROUP SHAREHOLDERS' EQUITY	41,891		38,111	
Non-controlling interest				
NON-CURRENT LIABILITIES	**22,163**	**3,191**	**8,891**	**2,010**
Non-current financial liabilities	13,490	203	5,364	275
Provisions for non-current risks and charges	5,271		1,343	
Provisions for employee and director benefits	3,402	2,988	2,184	1,735
CURRENT LIABILITIES	**23,605**	**4,887**	**16,271**	**4,080**
Current financial liabilities	3,275	72	500	154
Trade payables	16,204	3,356	10,062	2,473
Other current liabilities	3,047	1,459	2,353	1,453
Tax payables	1,079		3,356	
TOTAL LIABILITIES	**87,659**	**8,078**	**63,273**	**6,090**

	31/12/2022	of which with related parties	31/12/2021	of which with related parties
REVENUES	**71,211**	**441**	**60,446**	**382**
Net revenues	70,280		59,506	
Other revenues	931	441	940	382
OPERATING COSTS	**52,035**	**14,112**	**43,980**	**12,871**
Purchases Raw materials, consum. and supplies	4,156	3,496	3,311	2,854
Change in inventories	(1,271)		(978)	
Costs for services	45,434	10,020	38,118	9,436
Personnel costs	3,130	596	2,978	581
Other operating costs	586		551	
EBITDA	**19,176**	**(13,671)**	**16,466**	**(12,489)**
Amortisation, depreciation and write-offs	953	154	1,146	154
OPERATING RESULT	**18,223**	**(13,825)**	**15,320**	**(12,643)**
FINANCIAL INCOME (EXPENSES) BALANCE	**1,730**	**1,313**	**1,546**	**1,408**
Financial income	1,844	1,316	1,569	1,411
Financial expenses	(114)	(3)	(23)	(3)
PRE-TAX RESULT	**19,953**	**(12,512)**	**16,866**	**(11,235)**
Income Taxes	(6,907)		(4,087)	
Net result of third parties				
Net result	**13,046**	**(12,512)**	**12,779**	**(11,235)**

Net earnings per share	**1.35**		**1.32**	

12. ALLOCATION OF THE RESULT FOR THE YEAR

It is proposed to the Shareholders' Meeting that the result for the year, equal to Euro 13,045,901, be allocated as follows:

EURO	31/12/2022
Net result	13,045,901
- 5% to the legal reserve (pursuant to art. 2430 of the Italian Civ. Code)	0
- to the Extraordinary Reserve	5,331,519
- to Dividend (Euro 0.80 per share)	7,714,382

Pisa, 16 March 2023

For the Board of Directors

The Chairman

(Andrea Lacorte)

CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5, OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

1. The undersigned Roberto Lacorte, Managing Director, and Francesco Sarti, Manager responsible for the preparation of Pharmanutra S.p.A.'s financial reports, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, certify:

a) the adequacy in relation to the characteristics of the undertaking and

b) the effective application of administrative and accounting procedures for the preparation of financial statements during the year 2022.

2. It is also certified that:

the financial statements for the year ended 31 December 2022:

- have been prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the accounting books and records;
- are capable of providing a true and fair view of the issuer's equity, economic and financial position;
- the Management Report includes a reliable analysis of the progress and results of operations, as well as the issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

Pisa, 16 March 2023

Pharmanutra S.p.A.	Pharmanutra S.p.A.
Roberto Lacorte	Francesco Sarti
Managing Director	Manager in charge

Pharmanutra S.p.A.

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

Financial statements at December 31, 2022

VCP/CFR/lsm - RC062822022BD1118

Tel: +39 02 58.20.10
www.bdo.it

Viale Abruzzi, 94
20131 Milano

Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

To the shareholders of
Pharmanutra S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Pharmanutra S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES	
NOTE 6.1.3. “INVESTMENTS”	
Investments in subsidiaries are accounted for in the financial statements for a total amount of euro 17.817 thousand and are referred to the wholly controlled companies Junia Pharma S.r.l., Alesco S.r.l., and Akern S.r.l. The recoverability of the amounts accounted for is tested comparing the carrying amount to the recoverable amount (value in use) estimated applying the Discounted Cash Flow (“DCF”) method. Impairment of investments in subsidiaries is considered a key audit matter for the audit of the financial statements, due to the subjectivity of the selection of parameters used to estimate the recoverable amount.	Our main audit procedures performed are the following: ▪ we verified the proper classification and related accounting treatment based on reference accounting principles; ▪ we obtained and examined the financial statements as of December 31, 2022 of the subsidiaries, which are audited by us, according to specific audit engagements; ▪ we compared the value of investment in subsidiaries to the equity portion attributable to the parent company; ▪ with reference to the impairment test, also being supported by BDO experts: – we verified the reasonableness of key assumptions underlying the plans of the management; – we verified the adequacy of the impairment model prepared by the Group and its compliance to the accounting principles; – we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, future growth rates and discount rates and determination of “terminal value”; – we verified the clerical accuracy of the impairment model; ▪ we verified the disclosures provided in the accompanying notes.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05 and, within the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Pharmanutra S.p.A. on October 13, 2020 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2020 to December 31, 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Pharmanutra S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements at December 31, 2022 have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Pharmanutra S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Pharmanutra S.p.A. as at December 31, 2022, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Pharmanutra S.p.A. as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Pharmanutra S.p.A. as at December 31, 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 31, 2023

BDO Italia S.p.A.

Signed by Vincenzo Capaccio

Partner

As disclosed by the Directors, the accompanying separate financial statements of Pharmanutra S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Report of the Board of Statutory Auditors to the Shareholders' Meeting of "PHARMANUTRA S.P.A." pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2429, paragraph 2, of the Italian Civil Code

Dear Shareholders,

The Board of Statutory Auditors of Pharmanutra S.p.A. (hereinafter also referred to as "the Company"), pursuant to Article 153, Legislative Decree 58/1998, and Article 2429, paragraph 2, of the Italian Civil Code, is requested to report to the Shareholders' Meeting, convened for the approval of the financial statements, on the supervisory activity performed over the year in the fulfilment of its duties, on any omissions and reprehensible facts found and on the results of the financial year, as well as to make proposals concerning the financial statements, their approval and matters within its competence.

In the financial year ended on 31 December 2022 and up to the date hereof, the Board of Statutory Auditors carried out its supervisory activities as provided by the Law, taking into account the principles of conduct recommended by the National Council of Certified Public Accountants and Accounting Experts, the CONSOB provisions on corporate controls, as well as the provisions as per Article 19, Legislative Decree no. 39/2010.

The annual financial statements and the consolidated financial statements of the Company have been prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Article 9, Paragraph 3 of Legislative Decree No. 38/2005.

The general principles adopted in the preparation of the financial statements are explained in detail in the Notes to the Financial Statements.

The Company is not requested to submit the statements pursuant to Articles 3 and 4, Legislative Decree No. 254/2016 (individual statement and consolidated statement of a non-financial nature) as it has not exceeded the size limits set forth in Art. 2 of the aforementioned decree. Nonetheless, Pharmanutra published the Group's first sustainability report in accordance with the Global Reporting Initiative (see "significant events and facts" below).

The Board of Statutory Auditors acquired the necessary information for the performance of the supervisory tasks assigned to it through the participation in the meetings of the Board of Directors of the Committees established within the Board of Directors, hearings of the Company's management, information acquired from the competent corporate structures and meetings with the auditing firm, as well as further control activities.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of 2 May 2022: its members are Giuseppe Rotunno (Chairman), Debora Mazzaccherini and Michele Giordano (Standing Auditors), as well as Elena Pro and Alessandro Lini (Alternate Auditors). The term of office of the auditing body will expire on the date of the Shareholders' Meeting approving the financial statements of the Company for the financial year 2024.

In the course of the meetings held, the Board of Statutory Auditors commenced self-assessment activities; the results were recorded in the minutes and communicated to the Board of Directors.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion laid down in Article 148 of Legislative Decree No. 58/98.

The Board of Statutory Auditors, at the time of appointment and in the course of its office, verified the existence of the independence requirement.

Supervisory activities of the Board of Statutory Auditors

The Board of Statutory Auditors carried out its supervisory activities in compliance with the provisions set out in Article 2403 of the Italian Civil Code and Article 149, Legislative Decree 58/1998, as well as Article 19, Legislative Decree 39/2010, as explained below.

Supervisory and reporting activities required by CONSOB

The Board of Statutory Auditors, in the performance of its duties, carried out the supervisory activities prescribed by Article 2403 of the Italian Civil Code and Article 149, Legislative Decree 58/1998, the CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors, following the provisions contained in the Corporate Governance Code, the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Certified Public Accountants and Accounting Experts. Drafting this Report, we have taken into account CONSOB Communications No. 1025564 of 6 April 2001, No. 3021582 of 4 April 2003 and No. 6031329 of 7 April 2006, concerning the contents of the Report of the Board of Statutory Auditors of listed joint-stock companies to the Shareholders' Meeting.

Within the scope of its functions, therefore, the Board of Statutory Auditors:

- in the course of the financial year, the Board of Statutory Auditors met 10 times, attended 2 meetings of the Risk Control Committee and met with the Remuneration and Appointments Committee and the Related Party Transactions Committee;

- attended the meetings of the Board of Directors (6), overseeing compliance with the statutory, legislative and regulatory provisions governing the functioning of the Company's bodies, as well as compliance with the principles of proper management;

- monitored, to the extent of its competence, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, collection of information from the heads of certain corporate functions and meetings, with the auditing firm BDO Italia S.p.A. (hereinafter "BDO" or "Auditing Firm") in the context of a mutual exchange of relevant data and information;

- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter to correctly represent management events, through information from the heads of the respective functions, examination of company documents and analysis of the results of the work carried out by the auditing firm;

- supervised the adequacy of the mutual flow of information between the Company and its subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998, ensured by the instructions issued by the Company's management to the Group.

Furthermore, the Board of Statutory Auditors:

- obtained from the Directors adequate information on the activities carried out and on the most important economic, financial and asset operations carried out by the Company and its subsidiaries pursuant to Article 150, paragraph 1 of Legislative Decree No. 58/1998. In this regard, both collectively and individually, the Board paid particular attention to the fact that the transactions resolved and implemented were in compliance with the law, the Articles of Association and were not imprudent or reckless, in contrast with the resolutions passed by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- held meetings with representatives of the auditing firm pursuant to Art. 150, paragraph 3 of Legislative Decree no. 58/1998, and no relevant data and/or information emerged that needs to be highlighted in this Report;
- monitored the procedures for the concrete implementation of the corporate governance rules set forth in the Corporate Governance Code to which the Company adheres as adequately represented in the Report on Corporate Governance and Ownership Structure, in compliance with Article 124-*ter*, Legislative Decree No. 58/1998 and art. 89-*bis* of the Issuers' Regulation.

Supervisory and reporting activities required by the Audit Consolidated Act

Pursuant to Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in its capacity as internal control and audit committee, is called upon to supervise:

- the financial reporting process;
- the effectiveness of the internal control and risk management systems;
- on the statutory audit of the financial statements and consolidated financial statements;
- on the independence of the Audit Firm, in particular with regard to the adequacy of the provision of non-audit services to the Company.

Supervision of the financial reporting process

The Board of Statutory Auditors monitored the existence of rules and procedures relating to the process of creation and dissemination of financial information.

In this regard, it should be noted that the Report on Corporate Governance and Ownership Structure illustrates how the Group has defined its Internal Control and Risk Management System related to the financial reporting process at Consolidated level.

The Manager in charge of preparing the corporate accounting documents is Mr. Francesco Sarti, who also holds the position of Chief Financial Officer, to whom the Board of Directors has assigned the task of:

- preparing proper managing and accounting procedures for the preparation of financial reporting documents and for the identification of the main legal risks to financial reporting to be submitted to the Board of Directors for approval;
- monitoring the application of procedures;
- providing the market with a certificate on the adequacy and effective application of managing and accounting procedures for the purposes of the Group's financial reporting.

The Board of Statutory Auditors acknowledges that it has received proper information on the monitoring of corporate processes with an administrative-accounting impact within the Internal Control System, carried out both during the year in connection with the periodic management reports and during the closing of the accounts for the preparation of both the financial statements and the consolidated financial statements.

The adequacy of the administrative-accounting system was also assessed by obtaining information from the heads of the respective functions and analysing the results of the work carried out by the Audit Firm.

There were no particular critical issues or obstacles to the issuance of the certificate by the Manager in charge of preparing the Company's accounting reports and the Chief Executive Officer on the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements and consolidated financial statements for the financial year 2022.

The Board of Statutory Auditors monitored compliance with the regulations concerning the preparation and publication of the First half financial report, as well as the approaches given to the same and the correct application of the accounting principles, also using the information obtained from the Auditing Firm.

Effectiveness of the internal control and risk management systems

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems.

The Board of Statutory Auditors acknowledges that it has verified the most relevant activities carried out by the overall internal control and risk management system through a specific exchange of information with all the relevant functions.

As part of its control activities, in particular, the Board of Statutory Auditors acknowledges having received and examined:

- the periodic reports on the activities carried out by both the Control and Risk Committee and the Internal Audit Manager;
- periodic updates on the evolution of the risk management and mitigation process, the outcome of monitoring and the assessment activities carried out by the Internal Audit department, and the objectives achieved.

The Board of Statutory Auditors periodically met with the Supervisory Board and examined its periodic reports on its activities, verifying its activity plan and budget. Similarly, the Board of Statutory Auditors took note of the compliance activity pursuant to Legislative Decree No. 231/01 and the programme of planned activities, also noting the update of the Organisation and Management Model pursuant to Legislative Decree No. 231/01.

The main risks identified, monitored and managed are listed in the Management Report.

Following the activities carried out during the period, as detailed above, the Board of Statutory Auditors concurred with the positive assessment expressed by the Control and Risk Committee in its report of 13.03.2023 regarding the adequacy of the Internal Control and Risk Management System.

Statutory audit of annual and consolidated financial statements and independence of the Auditing Firm

The Board of Statutory Auditors acknowledges that:

- the Auditing Firm, entrusted with the legal audit of the accounts for the period 2020-2027, has carried out the assessment activities required by the applicable law, and in its periodic meetings with the Board of Statutory Auditors has not highlighted any facts and/or findings that should be worth of mentioning in this Report;
- the Board of Statutory Auditors supervised the audit of the annual and consolidated financial statements, informing and discussing with the Auditing Firm, also in the light of the recent changes concerning the Auditing Firm's report.

In particular, all the main stages of the audit activity were explained to the Board, including the identification of risk areas with a description of the relevant procedures adopted.

The Board of Statutory Auditors monitored the independence of BDO Italia S.p.A., verifying the nature and extent of the services provided by the firm, other than auditing, with reference to the Company and its subsidiaries. In this regard, the Board of Statutory Auditors reports that no engagements other than those relating to the audit of the accounts were conferred on the auditing firm during the financial year.

In light of the foregoing, the Board of Statutory Auditors considers that the auditing firm's independence requirement is fulfilled.

Lastly, it should be noted that the Auditing Company today:

- has issued the reports pursuant to Art. 14, Legislative Decree No. 39/2010 and Article 10, European Regulation 537/2014, which show that the Company's financial statements and the Group's consolidated financial statements as at 31 December 2022 comply with the International Financial Reporting Standards (IFRSs) adopted by the European Union, as well as the measures issued in implementation of Article 9, Legislative Decree No. 38/2005. Such reports are drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows for the financial year then ended;
- has expressed its opinion on the consistency of the Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership Structure with the financial statements and the consolidated financial statements of the Company and the Group, confirming that the aforementioned reports are drafted in accordance with the law;
- has delivered to the Board of Statutory Auditors the additional report pursuant to Article 11, European Regulation 537/2014, in relation to which this auditing body has no observations such as to be included in this Report;
- has provided annual confirmation of its independence pursuant to Art. 6, paragraph 2 letter a), European Regulation 537/2014.

Significant transactions, events and facts.

The information acquired on the most significant economic, financial and equity transactions carried out by the Company during FY 2022 enabled the Board of Statutory Auditors to ascertain their compliance with the law and the Articles of Association, and their consistency with the Company's interests.

Notable transactions in 2022 include:

- <u>Purchase of treasury shares</u>
  On 24 January 2022 Company initiated the treasury share buyback programme, implemented

after the resolution passed by the Ordinary Shareholders' Meeting on 26 April 2021 and subsequently on 02 May 2022. At 31 December 2022, Pharmanutra holds 37,999 treasury shares equal to 0.39% of the share capital.

- Patents

  At the beginning of 2022, a patent on the use of cetylated fatty acids (CFAs) in the United States was granted. The patent certificate certifies Pharmanutra's intellectual property on the use of cetylated fatty acids (CFAs), the functional principle at the base of Cetilar® medical devices for the treatment and prevention of muscle and joint disorders. In particular, the new granted patent protects certain specific steps in the manufacturing process and, most importantly, covers both topical and oral use of CFA preparations.

  In the same period, the European Union authorised the admission to the market of cetylated fatty acids as Novel Food. Such new food (Lipocet®) consists mainly of a mixture of myristic acid, oleic acid and, to a lesser extent, other cetylated fatty acids, which until now could only be used in Cetilar® topical products.

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

- M&A transactions

  In June, a preliminary agreement was signed for the acquisition of the entire share capital of Akern S.r.l., a company active in research, development, production and sale activities in the field of medical tools and software for monitoring body composition using bio-impedance techniques. The consideration is set for 12 million Euro in addition to an earn-out to be paid to the sellers up to a maximum of 3 million Euro upon achievement of targets related to Akern's EBITDA and industrial margin, calculated on the basis of the results of the 2022, 2023 and 2024 financial years. The transaction was finalised in two instalments, the first in July and the second in December.

- Sustainability Report

  In September, the Company published the first Group's Sustainability Report, which was prepared on a voluntary basis (as Pharmanutra S.p.A. is exempt from the mandatory reporting of the Non-Financial Statement pursuant to Legislative Decree No. 254/2016) in accordance with the Global Reporting Initiative (GRI), which is the most widely recognised international non-financial reporting standard to date. The document was subject to a limited audit by KPMG S.p.A.

- Launch of new products

  In the financial year, the company made an important extension of the Cetilar® and ApportAL® lines through the market launch of the new Cetilar® Oro and ApportAL® Vital.

  Cetilar® Oro is a nutritional supplement based on Cetylated Esters (CFAs), as well as the leading oral formulation in the Cetilar® range, until now exclusively including topical products for the reduction of muscle-skeletal pain in cases of trauma, contractures, strains, contusions or sprains. Cetilar® Oro is an absolute innovation amongst the products dedicated to muscle and joint well-being. It is the only orodispersible food supplement made up of a mixture of Cetylated Fatty Acids (CFAs), an exclusive Pharmanutra patent.

  The new ApportAL® Vital, which will be marketed by Junia Pharma, like the already well-known and popular nutritional supplement ApportAL®, contains numerous nutrients, including vitamins, Sucrosomial® minerals, amino acids, royal jelly and coenzyme Q10.

- Foreign market development

In September, the opening of the new online store dedicated to the SiderAL® range on the TMall Global China cross-border e-commerce platform kicked off the sale of the full range of Sucrosomial® Iron-based nutritional supplements also on the Chinese market. The project was developed in partnership with Adiacent (Sesa Group), a leading Italian agency in China in the life science industry.

Finally, Pharmanutra Usa Corporation was established, with its operational headquarters in Florida and a share capital of USD 300,000. The new company will be distributing and promote the Group's products in the U.S.A., a key market for foreign development that, due to its specific requirements, requires a physical presence in the territory. The promotion of Pharmanutra-branded nutritional supplements and medical devices (which will be classified as cosmetics) is scheduled to begin, both through selected online e-commerce channels and through direct distribution in the territory, in the first half of 2023.

- Sponsorships
  In November, a partnership was announced between Pharmanutra and Luna Rossa Prada Pirelli in the campaign for the 37th America's Cup, scheduled to take place in Barcelona, Spain, between September and October 2024, through the development of the innovative and ambitious Human Performance project. Athletic preparation, injury prevention, nutrition and mental preparation are the main areas on which the Human Performance project is focused, seeking - through the best professionals in their respective fields and a constant comparison between the various areas - the best possible performance.

- Relations with Tax Authorities
  In the financial year, Pharmanutra received an invitation from the Provincial Directorate of the Revenue Agency of Pisa to discuss the commencement of the fiscal investigation for the 2016 tax year. The objections raised relate predominantly to the alleged lack of pertinence of certain sponsorship costs.

  The Company has expressed its willingness to collaborate, which implies the definition of 2016 and subsequent years up to 2021, and with this in mind, it has provisionally and prudently estimated the amount related to the definition of the aforementioned tax periods with a provision to the Tax Fund of 1.4 million Euro.

Generally speaking, this Board noticed that the inflationary dynamics that characterised 2022 did not lead to any reduction in margins of Pharmanutra thanks, not only, to the cost efficiency measures implemented between the end of 2021 and the beginning of 2022, but also to the increase in sales prices starting from March 2022.

Similarly, the ongoing conflict between Ukraine and Russia had an almost negligible effect on the results of the year 2022; Ukraine is a marginal market for Pharmanutra, which continued to distribute its products in the Russian market, allocating the margin deriving from such distribution to philanthropic initiatives in favour of the Ukrainian population. The Company was also affected, to a very limited extent, by the conflict-induced effects in terms of increased energy procurement costs thanks to the implementation of careful and foresighted initiatives.

Lastly, it should be noted that the Shareholders' Meeting, held on 2 May 2022, resolved to approve the financial statements and to distribute an ordinary dividend of 0.71 Euro for each ordinary outstanding share at the ex-coupon date (no. 5) (which took place on 2 May 2022, record date 3 May and payment on 4 May).

Irregularities, reprehensible facts, reports pursuant to Article 2408 of the Italian Civil Code, atypical and/or unusual transactions

As a result of the supervisory and control activities performed over the financial year, the Board of Auditors is able to certify that:

- throughout the activities carried out, no omissions, irregularities or reprehensible or otherwise significant facts emerged such as to require their reporting to the control bodies or mention in this Report;
- the Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code or complaints from third parties;
- no transactions were identified either with third parties, or intra-group and/or with related parties such as to show atypical or unusual transactions, in terms of content, nature, size and timing.

Intra-group or related party transactions

With regard to the transactions carried out within the Group and with related parties, the Directors have provided specific and accurate information in the Report on Operations and in the Notes to the Financial Statements and the Consolidated Financial Statements, pointing out in particular that the Company has had transactions with other Group companies, third party companies and top management at normal market conditions.

The “Procedure for Transactions with Related Parties” has been updated in accordance with the law.

With regard to intra-group transactions and related party transactions, the Directors have noticed that the characteristics of the commercial and financial relations with such parties in the Directors' Report and in the notes to the annual financial statements and consolidated financial statements.

The Board of Statutory Auditors, in the context of its activities and the audits it has carried out, considers that the amounts are congruous and that the transactions carried out correspond to the actual interests of the Company.

Impairment Test Procedure

On 3 February 2023, the Company's Board of Directors approved the impairment procedure in accordance with the requirements of international accounting standard IAS 36 and the impairment tests carried out on the subsidiaries Junia Pharma S.r.l., Alesco S.r.l. and Akern S.r.l. in order to verify the appropriateness of the values of the equity investments recognised in Pharmanutra's separate financial statements and those of the goodwill recognised in the Group's consolidated financial statements.

The results of the impairment tests are adequately explained in the notes to the financial statements.

Further supervisory activity in relation to the annual and consolidated financial statements

With regard to the financial statements for the financial year ended 31 December 2022, the consolidated financial statements and the management report, the following should be noted:

- through direct checks and information obtained from the auditors, the Board of Statutory Auditors assessed compliance with the rules concerning the structure of the separate and consolidated financial statements and the accompanying management reports;
- the effects of related party transactions are expressly disclosed in the financial statements;
- the annual financial statements and the consolidated financial statements correspond to the facts and information that have come to the knowledge of the Board of Statutory Auditors during the exercise of its supervisory duties and its powers of control and inspection;
- the Board of Statutory Auditors also verified, through information obtained from the Executive in Charge and the Auditing Firm, that the data and information in the financial statements and consolidated financial statements have been codified in application of EU Delegated Regulation 2019/815 in accordance with the ESEF (European Single Electronic Format) electronic communication format and that the directors have made the declarations required by the regulations;
- as far as the Board of Statutory Auditors is aware, the Directors, in drafting both the annual financial statements and the consolidated financial statements, did not make exceptions to the provisions set forth in Art. 2423, paragraph 5, Italian Civil Code;
- with regard to corporate governance and the way in which the rules of corporate governance are actually implemented, the Company has prepared a report pursuant to Article 123-*bis*, Legislative Decree No.
  58/1998, which the Board of Auditors agrees with in its contents. In this regard, please note that the Company and the Group adhere to the Corporate Governance Code of Italian Listed Companies;
- the supervisory and control activities carried out by the Board of Statutory Auditors, as described above, did not reveal any significant facts to be mentioned in this report or to be reported to the supervisory and control bodies;
- pursuant to Art.123-*ter* of Legislative Decree No. 58/1998, the Report on Remuneration is presented to the Shareholders' Meeting, the approach of which the Board of Statutory Auditors has examined and endorsed in its preparation.
- the net result ascertained by the Directors for the year ended on 31 December 2022, as is also evident from a reading of the financial statements, shows a net profit for the financial year of 13,045 thousand.

Proposal to the Assembly

On the basis of the foregoing summary of the supervisory activities carried out during the year, also taking into account the findings of the independent auditors' report, the Board of Statutory Auditors has no observations to make with regard to the Company's financial statements and the Group's consolidated financial statements and the related notes and report on operations, nor with regard to the Board of Directors' proposal to the Shareholders' Meeting regarding the distribution of a gross (ordinary) dividend of 0.80 Euro per outstanding (ordinary) share and the "carry forward" of the residual ascertained result for the year.

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Pursuant to Article 144-*quinquesdecies* of the Issuers' Regulations, approved by Consob Resolution 11971/99, as amended and supplemented, the list of offices held by the Board of Statutory Auditors at the companies referred to in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code is published by Consob on its website (www.consob.it).

It should be noted that Article 144-*quaterdecies* (disclosure requirements to Consob) provides that persons who hold the position of member of the supervisory body of only one issuer are not subject to the disclosure requirements set out in the aforementioned article and, in such a case, are not included in the lists published by Consob.

In the Report on Corporate Governance and Ownership Structure, the Company provides information on the offices held by the members of the Board of Statutory Auditors.

The Board of Statutory Auditors hereby acknowledges the compliance of all its members with the aforementioned Consob regulations on the 'limit on the accumulation of offices'.

Pisa, 31 March 2023

BOARD OF STATUTORY AUDITORS
Giuseppe Rotunno *(President)*
Debora Mazzacherini *(Standing Auditor)*
Michele Giordano *(Standing Auditor)*

PHARMANUTRA

JUNIAPHARMA

ALESCO

PharmaNutra SpA
C.F. | P.Iva | Reg. Impr. Pisa: 01679440501
Registered Office: VIA DELLE LENZE 216/B - 56122 PISA PI
I.V. | R.E.A 146259
Share Capital € 1.123.097,70 i.v.

www.pharmanutra.it