



FIRST HALF FINANCIAL REPORT

30 June 2019



ANDREA LACORTE | Chairman

"Growing is our watchword and this year we continue to do so in a way that fills us with pride. The turnover in Italy is growing, the turnover abroad is growing, patents and our new discoveries are growing: all this confirms PharmaNutra as a unique reality in the reference market".



ROBERTO LACORTE | Vice Chairman and CEO

"We are extremely satisfied with the results of this first half report, since they confirm the PharmaNutra Group's double-digit growth trend with margins and cash generation in line with previous years. These results, together with continuous investments in the commercial, scientific and human resources fields, further strengthen the Group's long-term strategic development prospects".



Pharmanutra S.p.A.

*Relazione di revisione contabile limitata
sul bilancio consolidato semestrale
abbreviato al 30 giugno 2019*

Relazione di revisione contabile limitata sul bilancio consolidato semestrale abbreviato

Agli Azionisti di
Pharmanutra S.p.A.

Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio consolidato semestrale abbreviato, costituito dallo stato patrimoniale consolidato, dal conto economico consolidato, dal conto economico consolidato complessivo, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato e dalle relative note esplicative della Pharmanutra S.p.A. e controllate (Gruppo Pharmanutra) al 30 giugno 2019. Gli Amministratori sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto in conformità all'International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità agli International Standards on Auditing e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Pharmanutra al 30 giugno 2019, non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Milano, 19 settembre 2019

BDO Italia S.p.A.



Vincenzo Capaccio
Socio

FIRST HALF FINANCIAL REPORT

30 JUNE 2019

PHARMANUTRA S.P.A.

Tax no. 01679440501 – VAT no. 01679440501

Registered office: VIA DELLE LENZE 216/B - 56122 PISA PI - ITALY

REA no. 146259

Business Register of PISA no. 01679440501

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

www.pharmanutra.it

Members of the Corporate Bodies

Board of Directors

Andrea Lacorte (Chairman)

Roberto Lacorte (Vice Chairman)

Carlo Volpi (Director)

Giovanni Bucarelli (Director)

Germano Tarantino (Director)

Simone Strocchi (Director)

Alessandro Calzolari (Independent Director)

Giuseppe Turchetti (Independent Director)

Board of Statutory Auditors

Michele Lorenzini (Chairman of the Board of Statutory Auditors)

Guido Carugi (Standing Auditor)

Andrea Circi (Standing Auditor)

Independent auditors

BDO Italia S.p.A.

Nomad

CFO SIM S.p.A.

Interim report on operations as at 30 June 2019

1.1 MAIN CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET DATA

Amounts in million euro	30/06/2019	%	30/06/2018	%	VARIATION 2018 Rest			%
ECONOMIC DATA								
REVENUES	25.1	100%	22.1	100%	14%	47.3	100%	
EBITDA	6.3	25%	5.5	25%	15%	11.8	25%	
EBIT	5.8	23%	5.2	23%	13%	11.2	24%	
NET RESULT	4.0	16%	3.6	16%	12%	8.6	18%	
BALANCE SHEET DATA								
NET INVESTED CAPITAL	12.8		10.5			13.1		
NET FINANCIAL POSITION	(10.8)		(9.0)			(11.4)		
SHAREHOLDERS' EQUITY	23.6		19.5			24.4		

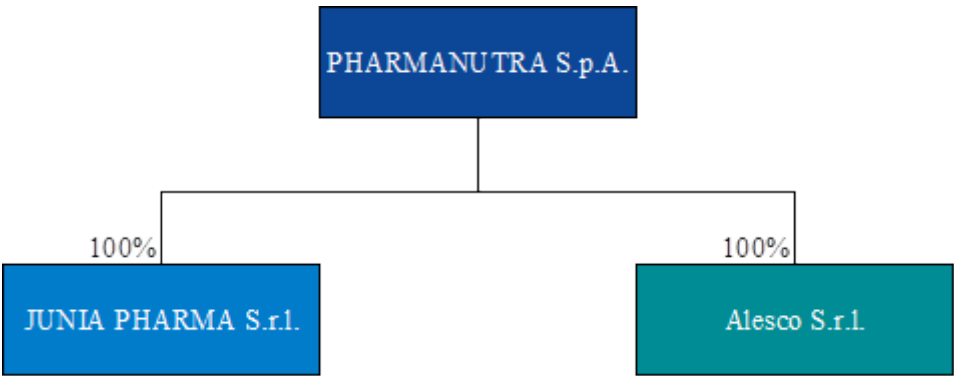
The First Half Financial Report as at 30 June 2019 includes the first application – mandatory from 1st January 2019 – of the international accounting standard IFRS 16, which establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rental contracts.

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

Amounts in million euro	30/06/2019	%	30/06/2018	%	VARIATION 2018 Rest			%
ECONOMIC DATA								
REVENUES	25.1	100%	22.1	100%	14%		47.3	100%
EBITDA	6,2	25%	5.5	25%	13%		11.8	25%
EBIT	5.9	24%	5.2	23%	15%		11.2	24%
NET RESULT	4.0	16%	3.6	16%	12%		8.6	18%
BALANCE SHEET DATA								
NET INVESTED CAPITAL	12.0		10.5				13.1	
NET FINANCIAL POSITION	(11.6)		(9.0)				(11.4)	
SHAREHOLDERS' EQUITY	23.6		19.5				24.4	

1.2 THE PHARMANUTRA GROUP

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



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

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.

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

The subsidiary Alesco S.r.l. (hereinafter also referred to as “Alesco”) produces and distributes raw materials and active ingredients for the food, pharmaceutical and food supplement industries.

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

An analysis of the company's financial position, performance and operating result is provided in the following paragraphs, which are specifically dealing 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.

1.3 CONSOLIDATED FIRST HALF FINANCIAL STATEMENTS

The First Half Financial Report as at 30 June 2019 saw the first application – mandatory from 1 January 2019 – of the international accounting standard IFRS 16, which establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rental contracts. The first application of IFRS 16 as at 30 June 2019 by the Group generated “Assets for rights of use” amounting to Euro 786 thousand, “Liabilities for rights of use” equal to Euro 788 thousand, a positive effect on the EBITDA of Euro 129 thousand, with no significant effects on the result before taxes for the period. For further details, reference should be made to paragraph 4.1. of the Explanatory Notes to the condensed Consolidated First Half financial statements.

In the first half of 2019 the Group recorded revenues of Euro 25.1 million, with an increase of approximately 14% compared to the same period of the previous year. This result was achieved thanks to the positive contribution of Sideral© brand products, with a turnover that rose from Euro 17.1 million in 2018 to Euro 18.1 million (+6%). Turnover from products targeted to the market of topical products for osteo-articular diseases under the Cetilar© brand showed a significant increase, rising from Euro 2.1 million in the first half of 2018 to Euro 2.7 million as at 30 June 2019 (+26%). The products launched in 2018 (Apportal© and Ultramag©) contributed Euro 1.4 million to the turnover as at 30 June 2019.

This significant increase in performance in the two main product lines is due to ongoing research and development and clinical activities on these products, 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.

The Pharmanutra Group further strengthened its presence on international markets with an increase in revenues from Euro 4.9 million to Euro 5.7 million, equal to approximately 23% of total consolidated revenues.

The Pharmanutra Group's **EBITDA** was approximately Euro 6.3 million (Euro 5.5 million as at 30 June 2018), equal to a 25% margin on total revenues, with a 15% increase compared to 30 June 2018. Excluding the effect of the application of the new IFRS 16 standard, the consolidated EBITDA would have amounted to approximately Euro 6.2 million (+13% compared to the previous year).

Net income for the period amounted to Euro 4.0 million, an increase of 12% over the same period of the previous year. Excluding the effect of the application of the new IFRS 16 standard (approximately Euro 1,500), the Net Profit for the period remains unchanged.

The **Net Financial Position** as at 30 June 2019 was positive for Euro 10.8 million compared with Euro 11.4 million as at 31 December 2018, as a further proof of the Group's solidity. As already highlighted before, the change is affected by the effects of the adoption of IFRS 16, which led to the recognition of financial liabilities relating to rights of use for Euro 788 thousand.

It should be noted that during the first half of the year Pharmanutra S.p.A. paid dividends to shareholders for an amount of Euro 4.8 million (Euro 0.50 per share, in line with the payout policy which provides for the distribution of 50% of the consolidated result for the year) given its structural financial capacity and the consolidated corporate practice on dividend policy.

The cash flow from operations in the period, amounting to approximately Euro 5.8 million, confirms the Pharmanutra Group's great cash generation capacity.

The reclassified income statement and balance sheet figures are shown below.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

Amounts in €/000	30/06/2019	31/12/2018
Trade receivables	13,478	12,977
Inventories	2,144	2,149
Trade payables	(6,669)	(6,666)
Operating Working Capital	8,952	8,461
Other receivables	2,718	3,197
Other payables	(3,703)	(2,792)
Net Working Capital	7,967	8,866
Intangible Fixed Assets	4,855	4,729
Tangible Fixed Assets	2,042	966
Financial Fixed Assets	565	743
Total Fixed Assets	7,462	6,438
Provisions and other M/L-term liabilities	(2,673)	(2,232)
TOTAL USES	12,756	13,072
Shareholders' equity	23,569	24,442
Non-current financial liabilities	2,061	1,831
Current financial liabilities	3,016	3,511
Non-current financial assets	(1,266)	(879)
Current financial assets	(4,374)	(865)
Liquid funds	(10,249)	(14,968)
Net Financial Position	(10,813)	(11,370)
TOTAL SOURCES	12,756	13,072

The change in Operating Working Capital is the result of the increase in trade receivables deriving from the commercial dynamics characterising the closing as at 30 June (holiday orders). The reduction in the item Other receivables is mainly due to the use of the tax credit on research and development recorded as at 31 December, while the increase in the item Other payables refers to the recognition of taxes for the period.

The change in the item Tangible fixed assets is affected for the amount of Euro 786 thousand by the adoption of the new accounting standard IFRS 16.

The table below shows the changes in financial position:

CONSOLIDATED NET FINANCIAL POSITION

Amounts in €/000	30/06/2019	31/12/2018
Cash (Cash+Cheques on hand)	(34)	(23)
Liquid funds (Banks + bank assets)	(10,215)	(14,945)
Total cash and cash equivalents	(10,249)	(14,968)
Current financial assets	(4,374)	(865)
Derivative financial instruments	-	-
Current financial liabilities: due to banks	1,891	2,358
Current portion of non-current debt	865	1,154
Current financial payables for rights of use	259	-
Current financial indebtedness	(1,358)	2,647
Net current financial (assets)/indebtedness	(11,607)	(12,321)
Non-current financial assets	(1,053)	(671)
Deposits paid	(214)	(208)
Non-current bank payables	1,518	1,818
Derivative financial instruments	14	12
Non-current financial payables for rights of use	529	-
Net non-current financial (assets)/indebtedness	795	951
Net financial position	(10,813)	(11,370)

Excluding the effect of the application of IFRS 16, the Net Financial Position as at 30 June 2019 would have been positive for Euro 11,601 thousand.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Amounts in €/000	30/06/2019	30/06/2018
Revenues	25,116	22,050
Operating Costs	18,796	16,560
- of which, Services	15,492	13,587
- of which, Personnel	1,624	1,404
- of which, Other costs	1,680	1,570
EBITDA	6,320	5,490
EBIT	5,845	5,163
Financial income (expense)	(5)	(28)
Taxes	(1,860)	(1,570)
Net result	3,980	3,565

Consolidated revenues increased by 14% compared to the same period of the previous year with a proportional increase in operating service costs. The increase in personnel costs is due to the hiring made in the period, in consideration of the higher business volumes achieved and expected. Excluding the effect deriving from the application of the new accounting standard IFRS 16, the EBITDA would amount to

Euro 6,191 thousand, the EBIT to Euro 5,972 thousand, with no effect on the Net Profit for the period which would amount to Euro 3,979 thousand.

1.4 GROUP PERFORMANCE

Pharmanutra Group's Business Lines

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

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

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

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

The turnover achieved by the Direct Business Line accounts for approximately 77% of the total turnover.

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

The search for and selection of international partners is considered a strategic activity and for this reason is managed directly by the Management with the support of an International Key Account Manager who is exclusively in charge of this activity.

The turnover achieved by the Indirect Business Line accounts for approximately 23% of the total turnover.

Also in the first half of 2019 the commercial expansion on foreign markets continued, both through the opening of new markets (Pakistan, Jordan, India, Bulgaria and South Korea), and through the signing of distribution agreements for Cetilar© and Ultramag© in markets where the Group is already present.

1.5 Reference markets in which the Group operates

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

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 most successful product lines.

1.5.1 Supplements market¹

In the last rolling twelve months, the food supplements market grew in value by 3.9%. The new products launched in the last year together have developed a value of Euro 140 million. The change in consumption is positive and equal to 2.2%. The average retail price rose by 1.7%. In the same period, food for special medical purposes increased in value by 5.1%, with a price increase of 5.5%.

On the other hand, consumption remained substantially stable (-0.4%). With regard to the distribution of food for special medical purposes, pharmacy is the almost exclusive channel with a value share of 90.6%, followed by the parapharmacy with 5.2% and the large-scale retail trade with 4.2%.

With reference to food supplements, the role of the pharmacy as the main purchasing channel is confirmed with a value share of 83.4%, followed by the parapharmacy and the large-scale retail trade with shares of 8.4% and 8.2%, respectively. In pharmacies, which overall recorded a trend of -1% in the last rolling year, supplements stand out with a positive trend of 4.5% in the field of OTC products, which overall continue to register a +1.3% in the last year. Looking at the consumption trend in the last rolling twelve months, there was an increase of 2.8% in pharmacies, while there was a decrease of 0.8% in parapharmacies.

Changes in consumption in the large-scale retail trade, which together accounts for a volume share of around 20%, are the opposite: hypermarkets and supermarkets in which pharma corners are present have experienced a reduction in consumption of 1.4%, while for stores where there is no pharma corner the change is positive and equal to 2.2%.

Price trend records an increase of 1.7% in pharmacies, 1.4% in parapharmacies, 2% in supermarkets and hypermarkets where there is a pharma corner and a slightly decreasing price (-0.4%) in large retail outlets that do not have a pharma corner.

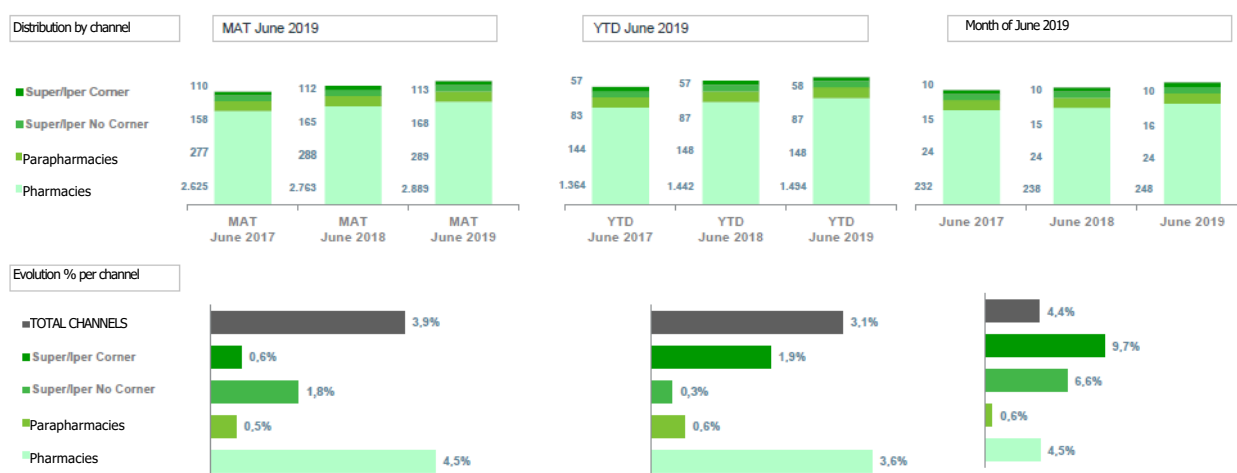
Looking at the evolution of the market in terms of value and the trend in consumption on an annual basis, in the first half of the year and in the last month of 2019 compared to the same periods of 2018 and 2017, there was a slowdown in total consumption: the change was +2.2% in the last rolling twelve months

¹ Source: IQVIA Solutions Italy data processing - rolling year ending June 2019

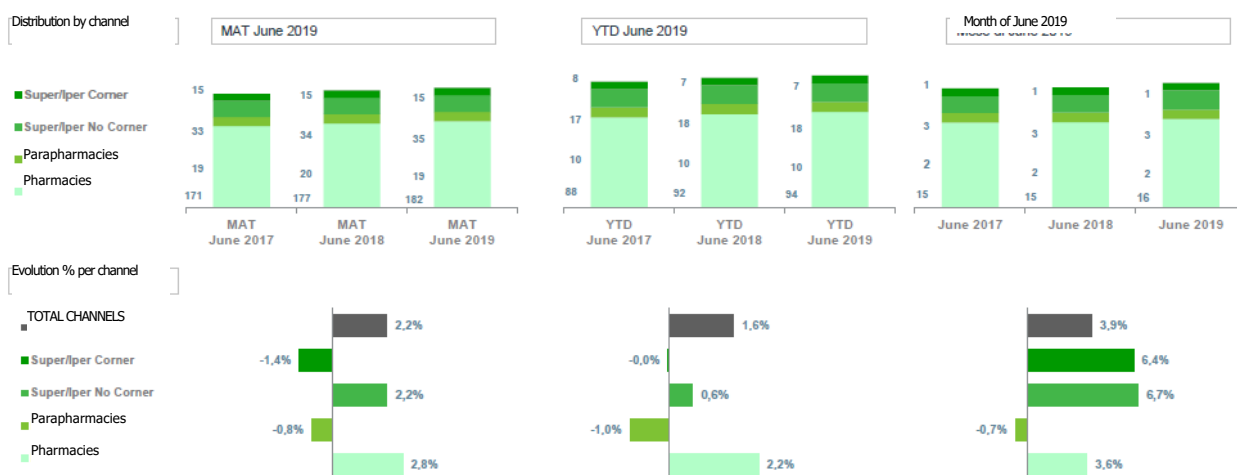
compared to a positive trend of 3% in 2018 over the previous year. This slowdown is also evident in the first half of this year. In June, consumption increased by 3.9% compared to the same month in 2018.

The market classes that performed best in the first half of this year, with an increase of more than five percentage points compared to the total market trend, were painkillers and sleeping pills (+6.3%), antitussive products (+10.8%), group B vitamins (+14.7%) and throat products (+8.7%). In June, the best performing products belong to the categories most related to the needs of use linked to the beginning of the summer season, such as minerals (+20.7%) and tonics (+24.3%).

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



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

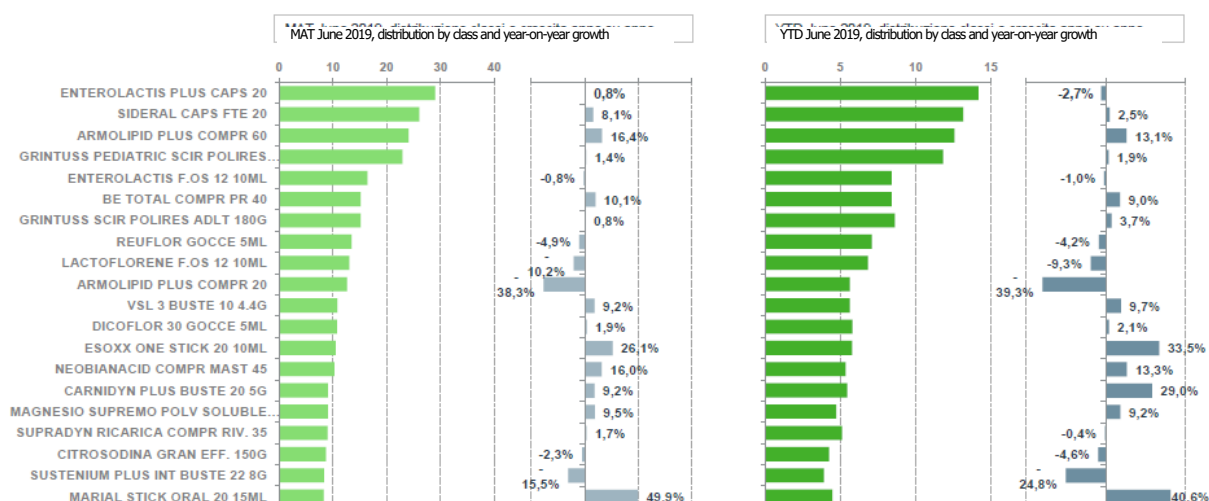


The market for Food Supplements – Top 10 product codes (sellout in value)

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

³ MAT: Moving Annual Total.

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



1.5.2 Iron market

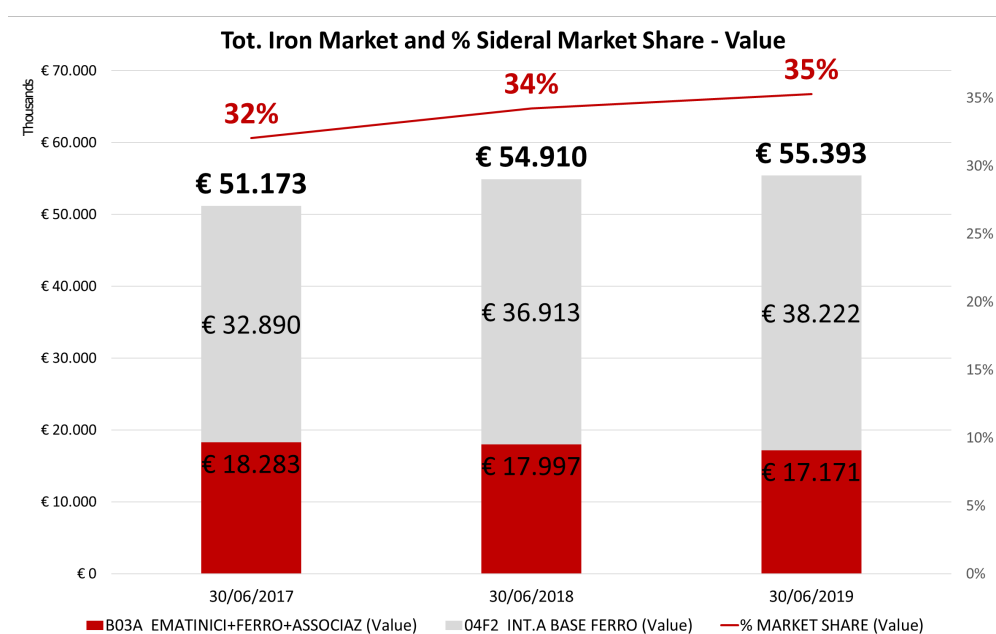
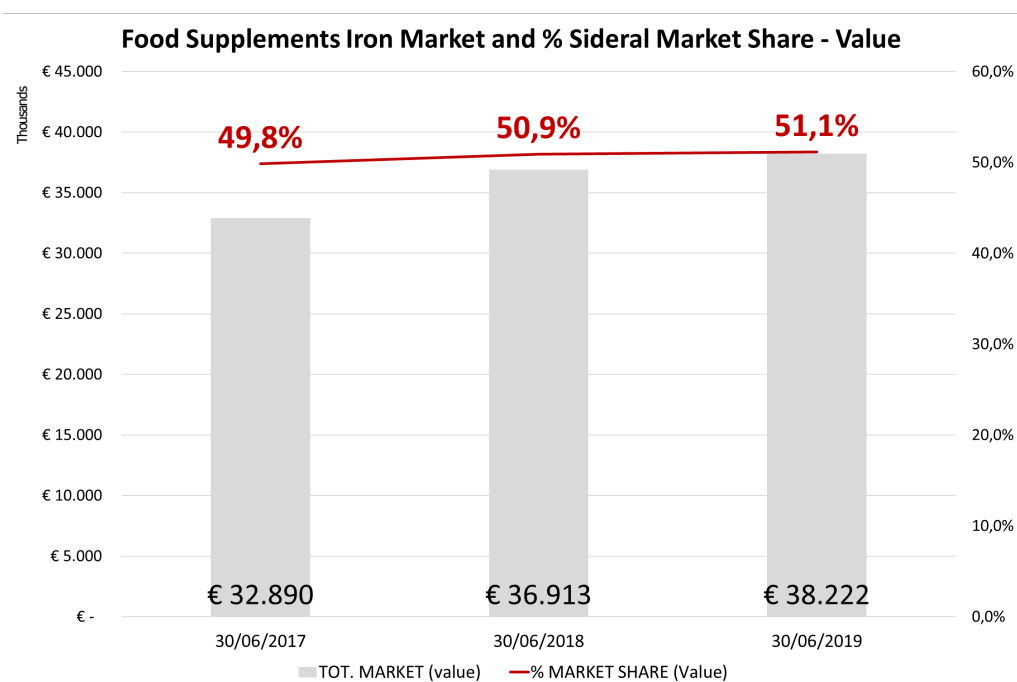
The Pharmanutra Group operates in the iron-based supplements market (Food Supplements and Drugs) with the Sideral© product line, in which it confirmed its leadership position in the first half of 2019 with a market share in value of more than 51% in the Food Supplements segment and 35% in the overall market.

In the first half of 2019, the Food Supplements market grew by 3.5% in value compared with the same period last year, while overall market growth was 0.8%, due to the drop (-4.6%) in the Drugs market.

In the same period, the increase in the Sideral© line, equal to 4%, confirmed the strategic importance and the continuous consolidation of these items within the entire product portfolio of the Group.

The charts below show the trends in the market share of Sideral© (expressed in value) in relation to the market for iron supplements only (Food Supplements) and the overall market consisting of both Food Supplements and Drugs⁵.

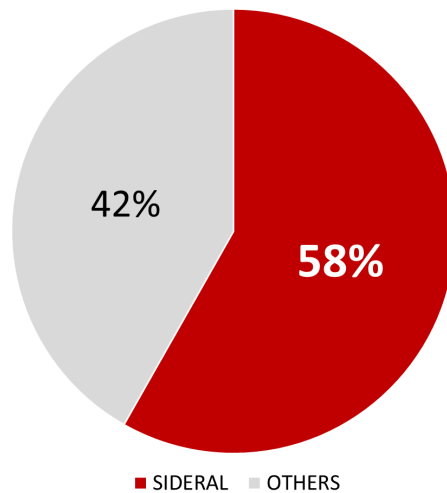
⁵ Source: IQVIA data



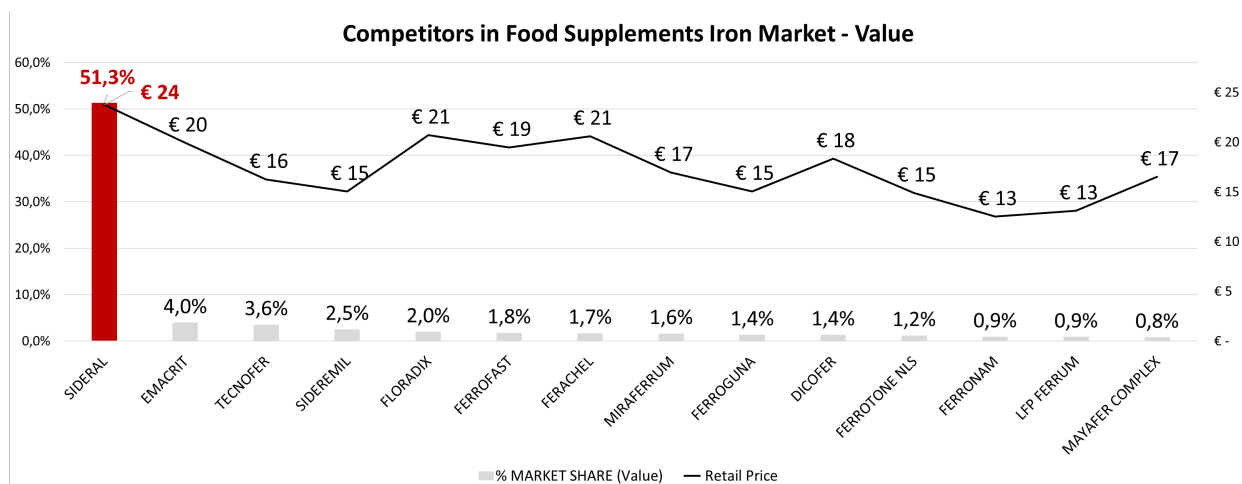
It should be noted that the Sideral© product line also has a significant market share in the entire panorama of the overall market, whose growth is driven by the food supplements segment at the expense of the drugs one.

In the first half of 2019, the Sideral© line also accounted for 58% of the total value growth of the iron supplements market compared to the same period of the previous year.

**% Growth Food Supplements Iron Market-
Value**



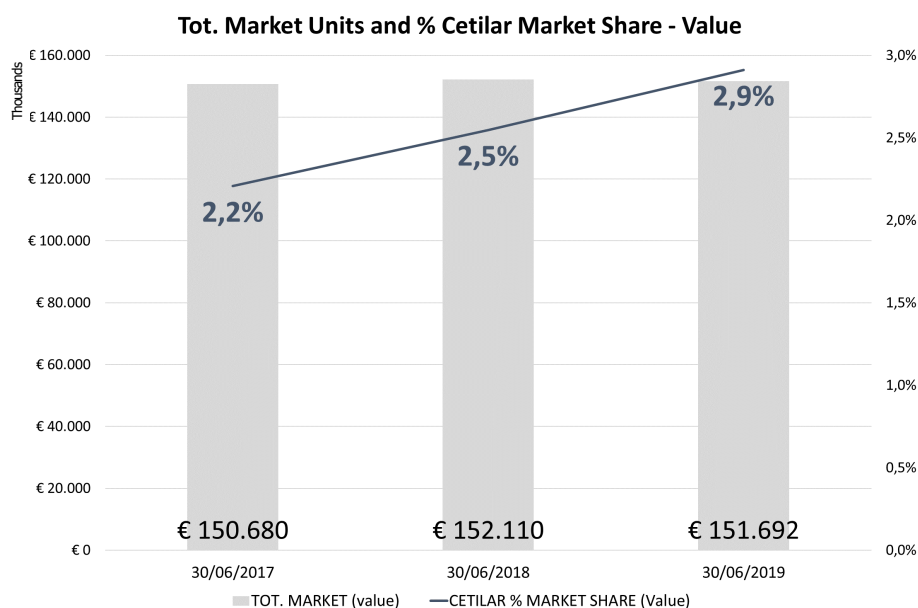
Going into detail and comparing the different players operating in the iron supplements segment in terms of market shares and average price, the direct competitors of Sideral© have much smaller market shares (the second Competitor has a market share almost 13 times lower than Sideral©) and lower market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



1.5.3 Market for topical painkillers

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

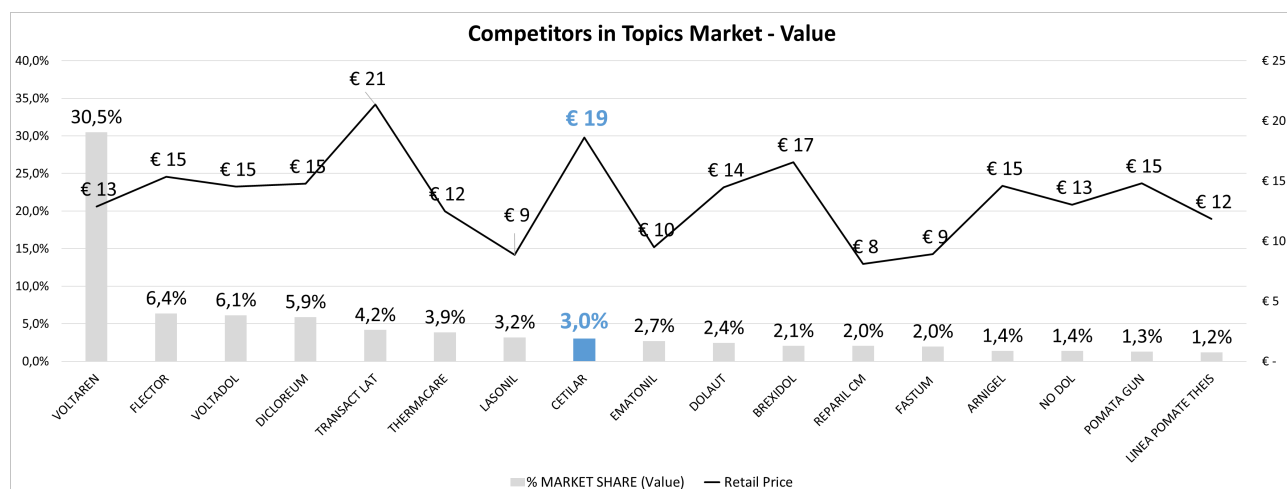
The following chart shows the trend of Cetilar's market share (expressed in value) in relation to the reference market⁶.



Within a slightly declining market context (-0.3%) between the first half of 2019 and 2018, and in a highly fragmented competitive scenario, the Cetilar line recorded a 14% growth in value, increasing its market share (which rose from 2.5% to 2.9%, reaching, in particular, a market share of 3% in the second quarter) and confirming the effectiveness and quality of its products.

⁶ Source: IQVIA data

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



1.6 GROUP EXPOSURE TO RISKS AND UNCERTAINTIES

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

1.6.1 EXTERNAL RISKS

1.6.1.1 RISKS RELATED TO THE MACROECONOMIC AND GEOPOLITICAL CONTEXT

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

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

1.6.1.2 RISKS RELATED TO CONSUMER PURCHASING BEHAVIOUR

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

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

1.6.1.3 MARKET RISKS

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

1.6.2 FINANCIAL RISKS

1.6.2.1 CREDIT RISK

The Group constantly monitors the collectability of receivables through a reliable and concrete acknowledgment of unpaid receivables, and with the enforcement of the company procedure aimed at collecting overdue receivables.

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

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

1.6.2.2 LIQUIDITY RISK

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

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

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

1.6.2.3 INTEREST RATE RISK

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

In order to protect the risk deriving from the increase in bank interest rates on loans/mortgages, two interest rate swap contracts were entered into to cover the risk of change in interest rates.

The Group is also exposed to the risk of changes in interest rates on financial assets held in portfolio. This risk is considered to be low since these are mainly fixed-rate financial instruments.

1.6.2.4 RISK OF CHANGES IN CASH FLOWS

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

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

It should also be noted that there is no particular need for access to bank credit, except for current commercial activities, given the willingness of banks to extend, when necessary, existing credit lines for Group companies. The significant increase in company performance allows the company to enjoy an excellent bank rating.

1.6.2.5 RISKS RELATED TO LITIGATION

At the date of this report, there were no disputes.

1.7 INFORMATION ON RELATIONS WITH STAFF AND ENVIRONMENT

Staff

It should be noted that, at the reporting date and afterwards, there is no situation to report whereby the Group was declared liable, in relation to:

- Fatalities and serious accidents at work;
- Charges for occupational diseases, mobbing etc.

Environment

It should be noted that, at the reporting date and afterwards, there is no situation to report whereby the Group was declared liable, in relation to:

- damage caused to the environment;
- sanctions or penalties for environmental crimes and damage;

1.8 RESEARCH AND DEVELOPMENT ACTIVITIES

In the first half of 2019, the Group's research and development activities were carried out in continuity with the previous years.

1.9 INFORMATION PURSUANT TO ART. 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, reference should be made to the specific paragraph in the explanatory notes to the condensed consolidated first half financial statements in

which information is provided on the use of financial instruments, as they are relevant for the purposes of assessing the financial position.

1.10 OTHER INFORMATION

Own Shares

Pharmanutra S.p.A. does not hold its own shares or shares or quotas of parent companies, either directly or through trust companies or any intermediaries.

Secondary Offices

The Group does not have any secondary offices. The parent company and the subsidiary Alesco have an operating unit in Montacchiello (Pisa), Italy.

1.11 SIGNIFICANT EVENTS DURING THE PERIOD

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

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

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

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

For the subsidiaries Junia Pharma and Alesco, the application of the Organisation, management and control model and the code of ethics is scheduled within the end of the financial year.

In the same month, Andrea Lacorte, Roberto Lacorte and Beda S.r.l. acquired a total of 4.54% of the share capital of Pharmanutra, previously owned by Gianni Lazzarini. The shares subject to acquisition remain subject to lockup, in line with the commitments undertaken by the historical shareholders of Pharmanutra with IPO Challenger 1 S.p.A.

On the same date, the presence of institutional investors in the capital of the Parent Company was increased through the sale of Pharmanutra shares (equal to a total of 3.51% of the share capital) by Gianni Lazzarini and Vertigo Partners S.r.l. through reverse book building transactions.

In June, the new organisational strategy was presented to the external sales network. It aims at a greater specialisation and capillarity in the various fields of application, in order to further enhance the Group's performance in Italy.

1.12 SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FIRST HALF OF 2019

In July, the continuation of the sponsorship agreement with the Cetilar© brand as main sponsor of Parma Calcio 1913 was announced for the 2019-2020 football season. A full-fledged collaboration, which also extends to the scientific field with successful initiatives such as conferences dedicated to sports medicine and nutrition co-organised every year at the Tardini Stadium together with the medical staff of the Parma club.

At the end of July, the deed of purchase of a real estate complex was formalised at the price of Euro 2.8 million. The property, located in Pisa, Italy, is intended to house the new headquarters of the Group, in addition to the production plant and the Research and Development centre. The purchase of the property, which will be subject to renovation, was carried out using the available liquidity and meets the needs arising from the larger structure of the Group as well as allowing closer control of the technologies used for the production of sucrosomial solutions also allowing the reduction of the time required for research and development of new products.

It should be noted that in November 2018 a preliminary contract was entered into for the purchase of land in Montacchiello. Following the purchase of the property complex mentioned above, the parties decided not to fulfil the contract for which a deposit of Euro 330 thousand had been paid. Agreements are being finalised with the land seller, a construction company, to recognise the deposit received as an advance on a future contract for the renovation works.

1.13 BUSINESS OUTLOOK

In relation to the operating performance, the positive performance of the parent company and its subsidiaries should confirm what was already recorded in the first half of the year.

Also in the second half of the year the Group's strategy will be aimed at strengthening its leadership for oral iron supplements, where it already has a market share of over 51% in the Italian market, and at increasing its market share for products branded Cetilar®, Ultramag© and Apportal©. The international development process undertaken will continue, with particular reference to the European, Asian and US markets.

Pisa, 16/09/2019

For the Board of Directors

The Chairman

(Andrea Lacorte)

CONDENSED CONSOLIDATED FIRST HALF FINANCIAL STATEMENTS

30 JUNE 2019

PHARMANUTRA S.P.A.

Tax no. 01679440501 – VAT no. 01679440501

Registered office: VIA DELLE LENZE 216/B - 56122 PISA PI - ITALY

REA no. 146259

Business Register of PISA no. 01679440501

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

www.pharmanutra.it

FINANCIAL STATEMENTS

Pharmanutra Group - Consolidated Balance Sheet

BALANCE SHEET	Notes	30/06/2019	31/12/2018
<u>NON-CURRENT ASSETS</u>		8,727,986	7,317,507
Tangible fixed assets	7.1.1	2,041,749	965,695
Intangible fixed assets	7.1.2	4,855,320	4,729,133
Equity investments	7.1.3	253,700	253,700
Non-current financial assets	7.1.4	213,657	208,280
Other non-current assets	7.1.5	1,052,644	671,213
Deferred tax assets	7.1.6	310,916	489,485
<u>CURRENT ASSETS</u>		32,962,378	34,156,117
Inventories	7.2.1	2,144,200	2,149,425
Liquid funds	7.2.2	10,248,917	14,968,178
Current financial assets	7.2.3	4,373,831	864,601
Trade receivables	7.2.4	13,477,603	12,977,053
Other current assets	7.2.5	2,444,445	1,670,931
Tax receivables	7.2.6	273,382	1,525,928
<u>Assets held for sale</u>		-	-
TOTAL ASSETS		41,690,364	41,473,624
BALANCE SHEET	Notes	30/06/2019	31/12/2018
<u>SHAREHOLDERS' EQUITY:</u>	7.3.1	23,568,644	24,442,354
Share capital		1,123,098	1,123,098
Legal reserve		224,620	224,620
Other reserves		18,352,514	14,637,179
IAS 19 reserve		(85,789)	(7,917)
Financial instruments reserve (FVOCI)		43,622	(23,050)
FT A reserve		(69,073)	(69,073)
Profit (loss) for the year		3,979,652	8,557,497
Minority interest in capital and reserves		-	-
Minority interest in profit (loss)		-	-
<u>NON-CURRENT LIABILITIES</u>		4,733,474	4,062,365
Non-current financial liabilities	7.4.1	2,060,939	1,830,753
Provisions for risks and charges	7.4.2	671,339	539,075
Provisions for benefits	7.4.3	2,001,196	1,692,537
<u>CURRENT LIABILITIES</u>		13,388,246	12,968,906
Current financial liabilities	7.5.1	3,015,523	3,511,399
Trade payables	7.5.2	6,669,431	6,665,918
Other current liabilities	7.5.3	1,108,818	1,787,157
Tax payables	7.5.4	2,594,474	1,004,432
<u>Liabilities held for sale</u>		-	-
TOTAL LIABILITIES		41,690,364	41,473,624

Pharmanutra Group - Consolidated income statement

INCOME STATEMENT	Notes	30/06/2019	30/06/2018
A) REVENUES		25,115,793	22,050,457
Net revenues	7.6.1	24,997,644	22,008,034
Other revenues	7.6.2	118,149	42,423
B) OPERATING COSTS		18,795,519	16,559,986
Purchases of raw materials, consumables and supplies	7.7.1	1,290,494	1,499,195
Change in inventories	7.7.2	5,226	(181,679)
Costs for services	7.7.3	15,491,653	13,586,760
Personnel costs	7.7.4	1,623,736	1,403,707
Other operating costs	7.7.5	384,410	252,003
(A-B) EBITDA		6,320,274	5,490,471
C) Amortisation, depreciation and write-downs		475,204	327,446
(A-B-C) EBIT		5,845,070	5,163,025
D) FINANCIAL INCOME [COSTS]		(5,268)	(28,302)
Financial income	7.8.1	28,219	1,935
Financial costs	7.8.2	(33,487)	(30,237)
PROFIT (LOSS) BEFORE TAXES (A-B-C+D)		5,839,802	5,134,723
Taxes	7.10	(1,860,150)	(1,569,927)
Minority interest in profit/loss for the year		-	-
Group interest in profit/loss for the year		3,979,652	3,564,796

Pharmanutra Group - Consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	30/06/2019	30/06/2018
PROFIT (LOSS) FOR THE YEAR	3,979,652	3,564,796
Gains (losses) on application of IAS	(12,875)	4,131
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	3,966,777	3,568,927

Pharmanutra Group - Statement of changes in shareholders' equity

(in thousands of Euro)	Share capital	Legal reserve	Other reserves	Actuarial reserve IAS 19	Financial Instruments Reserve (FVOCI)	FTA reserve	Profit (loss) for the year	Balance
Group shareholders' equity as at 31/12/2017	1,123	40	11,983	(9)		(69)	6,030	19,098
Allocation of result		185	5,846				(6,030)	0
Distribution of dividends			(3,195)					(3,195)
Other changes			3	1	(23)			(19)
Profit (loss) for the year							8,557	8,557
Group shareholders' equity as at 31/12/2018	1,123	225	14,637	(8)	(23)	(69)	8,557	24,442
Allocation of result			8,557				(8,557)	0
Distribution of dividends			(4,840)					(4,840)
Other changes			(2)	(78)	67			(13)
Profit (loss) for the year							3,980	3,980
Group shareholders' equity as at 30/06/2019	1,123	225	18,352	(86)	44	(69)	3,980	23,569

Pharmanutra Group - Consolidated cash flow statement (indirect method)

	30/06/2019	30/06/2018	31/12/2018
Net result before minority interests	3,981,576	3,564,796	8,557,497
NON-MONETARY COSTS/REVENUES			
Amortisation, depreciation and write-downs	475,204	327,446	661,662
Provision for employee benefits	84,625	59,603	148,527
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in provisions for risks and charges	132,265	79,283	128,124
Change in provisions for employee benefits	224,033	157,040	343,887
Change in inventories	5,227	(181,679)	(270,927)
Change in trade receivables	(500,050)	(1,691,190)	(2,892,852)
Change in other current assets	(773,515)	(1,239,333)	(1,264,865)
Change in tax receivables	1,306,267	(99,037)	(1,349,127)
Change in other current liabilities	(678,338)	(279,742)	506,500
Change in trade payables	3,514	1,361,790	1,805,845
Change in tax payables	1,536,321	1,449,074	61,829
CASH FLOW FROM OPERATIONS	5,797,129	3,508,051	6,436,100
Net investments in tangible and intangible fixed assets	(890,978)	(475,869)	(798,809)
Net investments in financial fixed assets	0	0	0
(Increase)/decrease in other non-current assets	(202,862)	(276,377)	(479,483)
Increase/(decrease) in other non-current liabilities	0	0	0
(Increase)/decrease in current financial assets	(3,509,230)	0	(864,601)
(Increase)/decrease in non-current financial assets	(5,376)	0	104,489
CASH FLOW FROM INVESTMENTS	(4,608,446)	(752,246)	(2,038,404)
Share capital increase with share premium	0	0	0
Increase/(decrease) in assets	(12,875)	4,917	(18,753)
Cash flow from dividend distribution	(4,840,489)	(3,194,722)	(3,194,722)
Increase/(decrease) in non-current financial liabilities	(298,877)	(564,648)	(1,156,725)
CASH FLOW FROM FINANCING	(5,152,241)	(3,754,453)	(4,370,200)
TOTAL CHANGE IN CASH	(3,963,558)	(998,648)	27,496
Liquid funds net of current financial liabilities at the beginning of the year	11,456,278	11,429,283	11,429,283
Liquid funds net of current financial liabilities at the end of the year	7,492,720	10,430,637	11,456,779
Total liquid funds	10,248,917	12,859,888	14,968,178
Total current financial liabilities	2,756,199	2,429,251	3,511,399
Liquid funds net of current financial liabilities at the end of the year	7,492,718	10,430,637	11,456,779

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FIRST HALF FINANCIAL STATEMENTS

1. LAYOUT AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The First Half Financial Report as at 30 June 2019 (hereinafter the “First Half Report”) has been prepared in accordance with the AIM Regulations.

These condensed First Half Financial Statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. IFRS also include the International Accounting Standards (“IAS”) still in force, as well as all the interpretative documents issued by the Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee (“IFRIC”) and, before that, the Standing Interpretations Committee (“SIC”). The accounting standards used to prepare these condensed First Half financial statements, prepared in accordance with IAS 34 – Interim Financial Reporting, are the same as those used to prepare the Consolidated financial statements as at 31 December 2018, with the exception of the new standards and interpretations effective from 1 January 2019. The new standards that have led to a change in the Group's accounting policies from the current first half of the year are described in paragraph 4.1.

It should also be noted that the information contained in these condensed first half financial statements is not comparable to that contained in a complete set of financial statements prepared in accordance with IAS 1, with particular reference to the fewer details provided on financial assets and liabilities.

With regard to the performance in the first half of 2019, reference should be made to the Directors' Report on Operations.

The figures in the Income Statement are provided for the six-month period in question, and for the period between the beginning of the financial year and the closing date of the six-month period (progressive); they are compared with the figures for the same period of the previous financial year. The figures in the Balance Sheet, relating to the closing date of the first half of the year, are compared with the figures at the end of the last financial year. Therefore, the comments on the items in the Income Statement are made with reference to the same period of the previous year (30 June 2018), while those on the Balance Sheet are made with reference to the previous year (31 December 2018).

The reference date of the condensed consolidated first half financial statements coincides with the closing date of the first half of 2019 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 (EUR).

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

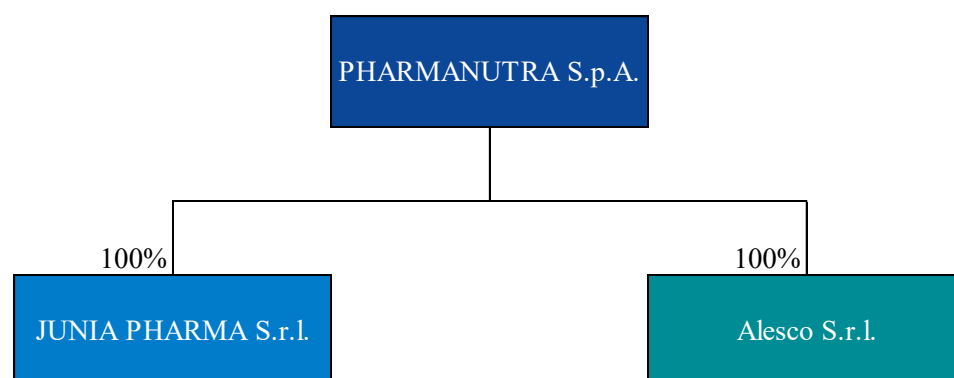
2. CONSOLIDATION AREA

The condensed consolidated first half financial statements of the “Group” include the financial statements as at 30 June 2019 of Pharmanutra S.p.A. (hereinafter referred to as the “Parent Company”) and those of the companies in which it holds a controlling stake.

Subsidiaries are companies in which the Group 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 the Group 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 following is a graphic representation of the current structure of the Pharmanutra S.p.A. group:



The companies included in the consolidation area are as follows:

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

2.1 CHANGES IN THE CONSOLIDATION AREA

The consolidation area has not changed compared to the consolidated financial statements of the previous year.

3. CONSOLIDATION CRITERIA AND TECHNIQUES

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

- subsidiaries are consolidated from the date on which control is actually transferred to the Group and are no longer consolidated on the date on which control is transferred outside the Group;
- where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies used with those adopted by the Group;
- the assets and liabilities, expenses and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements; the carrying amount of equity investments is written off against the corresponding portion of shareholders' equity of the investee companies, measuring the individual items of the balance sheet assets and liabilities at their current value at the date control is acquired. Any residual difference is recorded under the asset item "Goodwill", if positive or in the income statement, if negative;
- the reciprocal relationships of payables and receivables, costs and revenues between consolidated companies and the effects of all significant transactions between them are written off;

- 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 POLICIES

Below is a description of the most significant accounting standards adopted for the preparation of the consolidated financial statements of Pharmanutra S.p.A. as at 30 June 2019.

The accounting policies adopted in the preparation of the condensed consolidated first half financial statements are consistent with those adopted in the previous annual consolidated financial statements.

For the first time, the Group applies IFRS 16 Leases as a lessee. IFRS 16 may be applied retrospectively to each prior period presented by applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (full retrospective method) or retrospectively by accounting for the cumulative effect at the date of initial application (modified retrospective method). The Group has chosen to apply the modified retrospective method.

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

- IFRS 16 “Leasing”

In January 2016, the IASB published IFRS 16 “Leasing”, adopted by the EU with Regulation No. 2017/1986 of 31 October 2017. This new standard replaced IAS 17. The new standard, which must be applied for annual periods beginning on or after 1 January 2019, establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rent agreements and requires lessees to recognise all lease/rent agreements using a single accounting model. Within this context, at the date of commencement of a lease/rent, the lessee will recognise an asset (under fixed assets) representing the right to use the related asset throughout the contractual term, i.e. the so-called right of use, as well as a financial liability relating to the discounted amount of the lease/rental fee payments. The lessee is required to recognise imputed interest expense on the lease liability and imputed amortisation on the right of use in the income statement. On the other hand, compared to the previous accounting system, lease/rental fees are not recognised in the income statement. As shown in the following table, the first application of IFRS 16 as at 30 June 2019 generated “Assets for rights of use” equal to Euro 786 thousand, “Liabilities for rights of use” equal to Euro 788 thousand, a positive effect on the EBITDA of Euro 129 thousand, with no significant effects on the result before taxes for the period.

EFFECT OF IFRS 16 APPLICATION	
Amounts in €	30.6.19
RIGHTS OF USE	786,465
FINANCIAL LIABILITIES FOR RIGHTS OF USE	788,387
RENT FEES	(129,300)
EFFECT ON EBITDA	129,300
AMORTISATION OF RIGHTS OF USE	127,097
EFFECT ON EBIT	2,203
INTEREST	4,125
EFFECT ON PRE-TAX RESULT	(1,922)

- IFRS 9 “Financial instruments”

In October 2017, the IASB published an amendment to IFRS 9 concerning “Prepayment Features with Negative Compensation”. The amendment confirms that when a financial liability recognised at amortised cost is modified without this entailing a de-recognition, the related gain or loss must be immediately recognised in the income statement. The gain or loss is measured as the difference between the previous cash flow and the flow restated as a function of the change. This amendment, applicable from 1 January 2019, did not have a significant impact on the financial statements or the disclosures.

- IAS 28

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

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

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

- IFRIC 23

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

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

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

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

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

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

As required by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the following are the new Standards or Interpretations already issued, but not yet effective or not yet endorsed by the European Union at 30 June 2019 and therefore not applicable.

- In May 2017, the IASB issued the new standard IFRS 17 “Insurance contracts”. The new standard will replace IFRS 4 and will be applicable from 1 January 2022.
- In October 2018, the IASB published a number of amendments to IAS 1 and IAS 8 that provide clarification on the definition of “materiality”. The amendments will apply from 1 January 2020.
- In October 2018, the IASB published a number of amendments to IFRS 3 that change the definition of “business”. The amendments will apply from 1 January 2020.

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

5. MAIN ESTIMATES ADOPTED BY THE MANAGEMENT

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

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

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

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

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

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- the probability of elimination due to absolute and permanent disability of the worker to become disabled and leave the company community is inferred from the disability tables currently used in reinsurance practice, broken down by gender and age;
- the probability of leaving the company due to resignations and dismissals was estimated, on the basis of company data, over the observation period from 2015 to 2018 and amounts to 4.50% 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 30.6.19
Rate of salary increase	5.76%
Inflation rate	2.00%
Discount rate of employees leaving entitlement	0.733%

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 28.06.2019 (Source: *Il Sole 24 ore*) and fixed with respect to payment commitments with an average residual duration of 25 years.

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

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

Demographic assumptions

- The probability of death was derived from the Italian population, broken down by age and gender, as measured by ISTAT in 2000 and reduced by 25%;
- For the probabilities of leaving the company due to voluntary resignations, the annual frequencies have been estimated, on the basis of company data, over the observation period from 2013 to 2018 and set equal to 4.15% per year;
- The probability of leaving the company due to dismissal by the Company was estimated based on annual frequencies, on the basis of company data, for the observation period from 2013 to 2018 and set equal to 6.45% per year;

Economic and financial assumptions

With regard to the discount rate, reference was made to the structure by maturity of the interest rates calculated via a bootstrap method from the swap rate curve recorded on the measurement date (Source: *Il Sole 24 ore*) and fixed with respect to payment commitments with an average residual duration observed at the same measurement date:

- for the measurement as at 30.06.2019, a flat rate of 0.736% was adopted on the section of the curve corresponding to 27 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.

6. RISK MANAGEMENT

For information on risk management, reference should be made to the Report on Operations.

7. COMMENTS ON THE MAIN ITEMS

7.1 BALANCE SHEET: NON-CURRENT ASSETS

7.1.1) Tangible fixed assets	2,042
-------------------------------------	--------------

(in thousands of Euro)	Historical cost at 30/06/2019	Accrued Amort./Depre c. at 30/06/2019	Net value at 30/6/2019
Land and buildings	631	388	243
Plant and machinery	114	40	74
Industrial and commercial equipment	17	17	(0)
Other assets	1,662	724	938
Rights of use	914	127	787
TOTAL	3,338	1,296	2,042

The following tables show historical costs, previous amortisation and depreciation, movements during the period and final balances for each item.

(in thousands of Euro)	Historical cost at	Write-up Write-	Change in Cons. area	Acquisition	Decr.	Other	Historical cost at
Land and buildings	612			19			631
Plant and machinery	78			36			114
Industrial and commercial equipment	17						17
Other assets	1,467			597	(402)		1,662
Rights of use	0			914			914
TOTAL	2,174	0	0	1,566	(402)	0	3,338

(in thousands of Euro)	Accrued Amort./Dep rec. at 31/12/2018	Write-up Write- down	Change in Cons. area	Uses	Amort./De pr.	Other	Accrued Amort./Dep rec. at 30/06/2019
Land and buildings	338				3	47	388
Plant and machinery	33				7		40
Industrial and commercial equipment	17				0		17
Other assets	820			(219)	123		724
Rights of use	0				127		127
TOTAL	1,208	0	0	(219)	260	47	1,296

Investments in tangible fixed assets incurred by the Group in the first half of 2019 amounted to Euro 652 thousand and related mainly to the purchase of furniture and furnishings for the offices in Montacchiello, where certain company functions were transferred in March, and to the purchase of cars for use by the management and the sales force.

As a result of the application of the new IFRS 16 standard, Euro 914 thousand of Rights of Use have been recognised, representing the present value of the lease/rent contracts in force as at 30 June and Euro 127 thousand of amortisation for the six-month period related to them.

7.1.2) Intangible fixed assets	4,855
---------------------------------------	--------------

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

(in thousands of Euro)	Balance at 31/12/18	Write-up Write-down	Acquisition	Decr.	Amort./Depr.	Other	Balance at 30/06/2019
Development costs	26				(13)		13
Industrial patent rights	283		33		(32)		284
Concessions, licenses, trademarks and similar rights	1,355		74		(48)		1,381
Goodwill	2,750						2,750
Other intangible assets	27		20		(59)	47	35
Fixed assets under construction and payments on account	288		104				392
TOTAL	4,729	0	231	0	(152)	47	4,855

The increases in intangible assets mainly refer to capitalised costs for the implementation of company software and costs relating to the registration of new brands. The increase in the item “Fixed assets under construction” refers to research projects in progress and company software being implemented.

Intangible fixed assets include goodwill (consolidation difference) for Euro 2,750 thousand, which emerged following the acquisition of total control of Junia Pharma S.r.l. and Alesco S.r.l. in 2016.

No impairment indicators (trigger events) were identified in the first half of 2019.

7.1.3) Equity investments	254
----------------------------------	------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Non-current financial assets (Red Lions S.p.A.)	254	254	0
TOTAL	254	254	0

The amount relating to the item “Non-current financial assets (securities)” includes Euro 250 thousand for the subscription value of the equity investment in the company Red Lions S.p.A., in which Pharmanutra S.p.A. holds 217,391 shares, equal to 15.15% of the share capital of Red Lions S.p.A.; the latter pursues its corporate purpose mainly through the offer of services to companies, aimed at supporting their set-up and development (including also the activity of certified incubator) as well as carrying out the acquisition of equity investments.

The shares of the company Red Lions S.p.A. are held by companies of significant importance in the industrial context of the Pisa area, all sensitive to innovation and development activities. The company Pharmanutra S.p.A., which shares this sensitivity, could obtain interesting contacts and exchanges of experience from its equity investment in Red Lions S.p.A., both with the other shareholder companies (and their subsidiaries) and with the “target companies” of Red Lions S.p.A.’s business.

7.1.4) Non-current financial assets	214
--	------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Guarantee deposits	123	123	0
Advances	91	85	6
TOTAL	214	208	6

The item “Guarantee deposits”, amounting to Euro 123 thousand, mainly refers to the amounts paid on execution of the lease contracts stipulated with the related party Solida S.r.l. (Euro 105 thousand as guarantee deposits); in addition, Pharmanutra S.p.A. paid Solida S.r.l. an advance of Euro 85 thousand.

7.1.5) Other non-current assets	1,053
--	--------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Other receivables from others	1,053	671	382
TOTAL	1,053	671	382

The amount represents the value of the premiums paid as at 30 June 2019 in relation to the policy taken out for the Directors' Termination Indemnity. The increase refers to the premium paid during the six-month period.

7.1.6) Deferred tax assets	311
-----------------------------------	------------

(in thousands of Euro)	Balance at 31/12/18	Incr.	Decr.	Other	Balance at 30/06/2019
Allowance to provision for doubtful accounts - not for tax purposes	110	13		(1)	122
Allowance to provision for risks related to legal disputes	0				0
Other	71	18			89
Provision for employees leaving entitlement	50	4			54
Indemnity for termination of the agency contracts	(11)	9	(4)		(6)
Accumulated depreciation/amortisation	(43)		(11)		(54)
Provision for inventory write-downs	84	18		4	106
Compensation of corporate bodies	228	0	(228)		0
TOTAL	489	62	(243)	3	311

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.

7.2 BALANCE SHEET: CURRENT ASSETS

7.2.1) Inventories	2,144
---------------------------	--------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Raw materials, consumables and supplies	317	268	49
Finished products and goods	1,827	1,881	(54)
TOTAL	2,144	2,149	(5)

The value of finished product inventories is net of the provision set aside for an amount of Euro 380 thousand (Euro 320 thousand at 31 December 2018) for the write-down of the finished product inventory.

7.2.2) Liquid funds	10,249
----------------------------	---------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Bank and postal accounts	10,215	14,945	(4,730)
Cheques on hand	29	17	12
Cash-in-hand and cash equivalents	5	6	(1)
TOTAL	10,249	14,968	(4,719)

The balance represents the liquid funds and the existence of cash and securities at the end of the period. For the evolution of cash and cash equivalents, reference should be made to the cash flow statement for the first half of 2019.

7.2.3) Current financial assets	4,374
--	--------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Financial instruments (Bonds)	1,860	855	1,005
Financial instruments (Mutual funds)	2,510	0	2,510
Other	4	10	(6)
TOTAL	4,374	865	3,509

The item Financial instruments represents a temporary investment of part of the company's liquidity made through an individual asset management mandate granted to Azimut Capital Management S.g.r.. In accordance with this mandate, bonds and units in investment funds of adequately rated issuers have been subscribed. As at 30.06.2019, the comparison with the market value showed a capital gain of Euro 45 thousand, relating to the bond component considered by the Group according to the “*Hold to collect & sell*” model for the management of financial instruments, which was recognised, on the basis of the accounting policy under IFRS 9 for this category, in a shareholders' equity reserve and a capital loss of Euro 1,000 relating to the measurement of mutual fund units which was posted in the income statement. Measurements of financial instruments after 30/6 do not show any impairment loss.

7.2.3) Trade receivables	13,478
---------------------------------	---------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Trade receivables - Italian customers	9,249	7,733	1,516
Trade receivables - Other countries	1,482	2,389	(907)
Other receivables (subject to collection)	3,388	3,454	(66)
Invoices to be issued	18	0	18
Allowance for doubtful accounts	(659)	(599)	(60)
TOTAL	13,478	12,977	501

The most significant change refers to the increase in trade receivables from Italian customers and is related to the sales increase during the period and the commercial policies that characterised the period (holiday orders). The change in foreign trade receivables is also to be considered in relation to sales trends.

The amounts shown in the financial statements are net of the provisions made to the Allowance for doubtful accounts, estimated by Group management on the basis of the seniority of the receivables and the assessment of their collectability.

Changes in the Allowance for doubtful accounts during the first half of 2019 were as follows:

Movements in the allowance for doubtful accounts

(in thousands of Euro)	Balance at 30/06/2019
Initial balance	(599)
Use during the year	0
Provision for the year	(60)
Final balance	(659)

7.2.4) Other current assets	2,444
------------------------------------	--------------

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

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Receivables from shareholders for indemnification	454	769	(315)
Receivables from employees	0	5	(5)
Advances	355	432	(77)
Deposits	350	330	20
Prepayments and accrued income	1,245	100	1,145
Other receivables	40	35	5
TOTAL	2,444	1,671	773

The item “Receivables from shareholders for indemnification” accounts for the residual amount receivable due to Pharmanutra from the existing shareholders at the date of listing for taxes, penalties and interest paid for the settlement of the tax dispute for the years 2013, 2014 and 2015 on the basis of the representations and warranties issued by the same in the admission document, Section 1, chapter 16, paragraph 16.1.

The item “Prepayments” refers almost exclusively to marketing costs accruing on an annual basis, but financially incurred in the first half of the year. At 30.6.18 the prepayments relating to marketing costs amounted to Euro 1,300 thousand.

The item “Advances” mainly consists of receivables from agents for advances of Euro 281 thousand (Euro 278 thousand as at 31 December, relating to amounts advanced by the Parent Company and the subsidiary Junia Pharma Srl at the time of execution of the agency contracts. These advances shall be repaid on termination of the relationship with each agent. The remainder refers to advances paid to suppliers.

7.2.5) Tax receivables	273
-------------------------------	------------

“Tax receivables” can be broken down as follows:

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Value added tax	273	239	34
Receivables for R&D expense tax bonus	0	1,287	(1,287)
TOTAL	273	1,526	(1,253)

During the first half of the year, the tax credit recognised as at 31 December 2018 was fully used.

7.3 BALANCE SHEET: SHAREHOLDERS' EQUITY

7.3.1) Shareholders' equity	23,569
------------------------------------	---------------

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

(in thousands of Euro)	Share capital	Legal reserve	Other reserves	Actuarial Reserve under IAS 19	Financial Instruments Reserve (FVOCI)	FTA reserve	Profit (loss) for the year	Balance
Group shareholders' equity as at 31/12/2018	1,123	225	14,637	(8)	(23)	(69)	8,557	24,442
Allocation of result			8,557				(8,557)	0
Distribution of dividends			(4,840)					(4,840)
Other changes			(2)	(78)	67			(13)
Profit (loss) for the year							3,980	3,980
Group shareholders' equity as at 30/06/2019	1,123	225	18,352	(86)	44	(69)	3,980	23,569

The share capital, fully subscribed and paid up, amounts to Euro 1,123,097.70 and consists of 9,680,977 ordinary shares, with no par value, of the Parent Company Pharmanutra S.p.A.. The reconciliation between shareholders' equity and the result of the Parent Company and the corresponding consolidated figures is as follows:

(in thousands of Euro)	Result of the year	Shareholders' equity
Shareholders' equity and result for the year from the Parent company's financial statements	3,925	20,624
<i>Effects of the derecognition of the book value of consolidated equity investments:</i>		
- Book value of equity investments	0	(2,801)
- Shareholders' equity (including the results for the year of consolidated companies)	1,127	3,278
- Goodwill	0	2,750
<i>Derecognition of the effects of transactions between Group companies:</i>		
- Write-off of intercompany dividends	(1,011)	0
- Derecognition of capital gains or losses on internal disposals	(61)	(282)
Shareholders' equity and result for the year of the Group	3,980	23,569
Shareholders' equity and result for the year of minority interest		
Shareholders' equity and result for the year of the Consolidated Financial Statements	3,980	23,569

7.4 BALANCE SHEET: NON-CURRENT LIABILITIES

7.4.1) Non-current financial liabilities	2,061
---	--------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Bank loans and borrowings	1,518	1,818	(300)
Loans and borrowings from other financial backers	14	13	1
Non-current payables for rights of use	529	0	529
TOTAL	2,061	1,831	230

Bank loans and borrowings consist of the portion of loans payable by Group companies due beyond 12 months. Payables due within one year are classified as "Current financial liabilities" (see paragraph 7.5.1).

Non-current payables for rights of use represent the discounted amount due beyond one year of the lease contracts in force in accordance with IFRS 16.

The following table shows the breakdown of indebtedness by company and due date as at 30/06/2019.

(in thousands of Euro)	Balance at 30/06/19	Due within 12 months	Due after 12 months
<i>- Loans and borrowings from banks and other financial backers</i>			
Pharmanutra S.p.A.	3,512	2,441	1,071
Junia Pharma S.p.A.	544	83	461
Alesco S.p.A.	233	233	0
<i>Total</i>	4,289	2,757	1,532
<i>- Rights of use:</i>			
Pharmanutra S.p.A.	546	189	357
Junia Pharma S.p.A.	121	35	86
Alesco S.p.A.	121	35	86
<i>Total</i>	788	259	529
Total	5,077	3,016	2,061

7.4.2) Provisions for risks and charges | 671

(in thousands of Euro)	Balance at 31/12/18	Incr.	Decr.	Other	Balance at 30/06/2019
Legal disputes and contractual risks	2				2
Indemnity for termination of the agency contracts	537	193	(37)	(24)	669
TOTAL	539	193	(37)	(24)	671

Provisions for risks and charges include:

- Provision for risks to cover the risk of ongoing legal disputes, set up in 2016 and measured at Euro 2 thousand;
- Provision for indemnity for termination of the agency contracts, set up under article 1751 of the Italian Civil Code and the current collective economic agreement which provides that, upon termination of the agency relationship, the agent is entitled to an indemnity for termination of employment.

The indemnity for termination of the 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 effect of which is reported under Other movements.

7.4.3) Provisions for benefits	2,001
---------------------------------------	--------------

(in thousands of Euro)	Balance at 31/12/18	Accr.	Payments	Other	Balance at 30/06/2019
Directors' termination indemnity provision	1,053	166			1,219
Provision for employees leaving entitlement	640	85	(21)	78	782
TOTAL	1,693	251	(21)	78	2,001

Provisions for benefits refer to:

- Directors' termination indemnity provision. The amount set aside, amounting to Euro 166 thousand, was calculated on the basis of the provisions of the Ordinary Shareholders' Meeting and corresponds to the company's actual commitment to the Directors as at the closing date of the first half of 2019.
- Employees leaving entitlement amounts set aside by companies included in the consolidated financial statements. The liability for employees leaving entitlement has been calculated in compliance with the current provisions governing the employment relationship for employees and corresponds to the actual commitment of the companies towards individual employees at the reporting date. The amount set aside refers to employees who, following the entry into force of the new supplementary pension system, have expressly allocated their leaving entitlement accruing from 1 January 2007 to the company. The amount relating to the provision for employees leaving entitlement is therefore net of the amounts paid out during the year and allocated to pension funds. The resulting amount was measured in accordance with IAS/IFRS (IAS 19), the effect of which is reported under Other movements.

7.5 BALANCE SHEET: CURRENT LIABILITIES

7.5.1) Current financial liabilities	3,016		
(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Bank loans and borrowings for current accounts	1,892	2,358	(466)
Bank loans and borrowings for loans	865	1,154	(289)
Payables for rights of use	259	0	259
TOTAL	3,016	3,512	(496)

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

7.5.2) Trade payables	6,669
------------------------------	--------------

Trade payables can be broken down as shown in the table below:

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Trade payables - suppliers in Italy	5,775	6,234	(459)
Trade payables - suppliers in Other countries	367	213	154
Payments on account	527	219	308
TOTAL	6,669	6,666	3

7.5.3) Other current liabilities	1,109
---	--------------

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

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Payables for wages and salaries	492	316	176
Payables to pension and social security institutions	371	295	76
Payables to directors and statutory auditors	145	1,062	(917)
Accrued expenses and deferred income	40	6	34
Leaving entitlement provision for agents and representatives	61	108	(47)
TOTAL	1,109	1,787	(678)

The change in the item Payables to directors and statutory auditors reflects the failure to recognise the variable part of the remuneration received by Directors, which can only be determined at the end of the financial year.

7.5.4) Tax payables	2,594
----------------------------	--------------

(in thousands of Euro)	Balance at 30/06/2019	Balance at 31/12/18	Difference
Value added tax	0	(54)	54
Income taxes (IRES and IRAP)	2,250	568	1,682
Other tax payables	344	490	(146)
TOTAL	2,594	1,004	1,590

The increase in the item Income taxes derives from the recognition of taxes for the period.

7.6 INCOME STATEMENT: REVENUES

7.6.1) Net revenues	24,998
---------------------	--------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Revenues from sales	24,998	22,008	2,990
TOTAL	24,998	22,008	2,990

The breakdown of revenues by line of business is as follows:

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 the first half of 2019, the direct business line accounted for approximately 77% of total turnover, in line with the first half of the previous year.

The distribution channels for the companies Pharmanutra S.p.A. and Junia Pharma S.r.l. 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. 91% of direct orders are orders directly from pharmacies and parapharmacies.
- Wholesalers: who directly supply the pharmacies and parapharmacies with the products.
- Tenders for supply contracts with public facilities.

For the development of the sales channels, the activity carried out by the sales representatives directly addressed to the medical practitioners in order to make known the clinical efficacy and uniqueness of the products is of fundamental importance.

Alesco, unlike the other companies of the Pharmanutra Group, oversees only the direct distribution channel.

Indirect business line: the important internationalisation process of the Pharmanutra Group is developed through the creation of partnerships with distributors who, by purchasing the group's products, deal with their marketing on foreign markets.

The market is directly controlled by the partners, who are supported and guided by the Pharmanutra Group for all marketing and scientific training activities.

In the first half of 2019, the Indirect Business Line accounted for approximately 23% of total turnover, up by approximately 16% compared to the same period of the previous year.

7.6.2) Other revenues and income	118
---	------------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Other revenues	91	42	48
Insurance reimbursements	27	-	27
Total	118	42	76

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

7.7 INCOME STATEMENT: OPERATING COSTS

Purchases are broken down as follows:

7.7.1) Purchases of raw materials, consumables and supplies	1,290
--	--------------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Costs for finished products	846	1,012	(166)
Costs for raw materials	177	267	(90)
Other costs	267	220	47
Total	1,290	1,499	(209)

7.7.2) Change in inventories	5
-------------------------------------	----------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Raw materials, spare parts, consumables	(49)	(185)	137
Initial Value	450	371	80
Final value	(499)	(556)	57
Finished products	54	4	50
Initial Value	2,311	1,927	384
Final value	(2,257)	(1,924)	(333)
Total	5	(182)	187

The final value of the inventories is adjusted for the allowance to the inventory write-down provision.

7.7.3) Costs for services	15,492
----------------------------------	---------------

Costs for services increased by Euro 1,905 thousand. Reference should be made to the table below for details.

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Marketing	2,803	2,017	786
Production and logistics	4,103	3,260	843
Overhead	1,190	1,003	186
Scientific	309	349	(40)
IT	148	152	(4)
Sales and Network	4,365	4,140	224
Corporate bodies	2,487	2,458	29
Rentals and leases	7	128	(122)
Financial	80	79	1
TOTAL	15,492	13,587	1,905

The increase in Sales and Network and Production and Logistics derived from the increase in sales compared to the first half of 2018. The growth in the cost of the commercial network is in line with the Group's strategic objectives for 2019.

The increase in marketing and advertising costs is due to the investments made in support of the Group's brands.

7.7.4) Personnel costs	1,624
-------------------------------	--------------

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

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Other personnel costs	3	13	(11)
Employee benefits	85	48	37
Social security charges	360	321	39
Wages and salaries	1,177	1,022	155
Total	1,624	1,404	220

The item includes all expenses for employees, including accrued holidays and additional months' pay as well as related social security charges, in addition to the provision for severance indemnities and other contractual costs. The increase compared to the previous period is due to the adaptation of the organisational structure to the higher volumes.

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

	30.6.2019	30.6.2018
Executives	2	2
White collars	48	42
Blue collars	1	1
Total	51	45

7.7.5) Other operating costs	384
-------------------------------------	------------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Other taxes and duties	53	37	16
Other losses	27	5	22
Other costs	274	191	83
Fines and penalties	-	4	(4)
Loss on bad debts	-	3	(3)
Membership fees	31	12	19
Contingent liabilities	-	1	(1)
Total	384	252	132

INCOME STATEMENT: FINANCIAL REVENUES (COSTS)

7.8.1) Financial revenues	28
----------------------------------	-----------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Interest income on bonds	28	0	28
Realised exchange gains	0	2	(2)
Total	28	2	26

7.8.2) Financial costs	33
-------------------------------	-----------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Other financial charges	7	4	3
Interest expense on bank accounts payable	6	4	2
Interest expense on bank loans Realised	20	22	(2)
exchange losses	0	1	(1)
Total	33	30	3

7.8 INCOME STATEMENT: INCOME TAXES

7.9) Taxes	(1,860)
-------------------	----------------

(in thousands of Euro)	30/06/2019	30/06/2018	Difference
Deferred tax assets	(179)	(56)	(123)
Direct taxes on business income	(1,682)	(1,514)	(167)
Total	(1,860)	(1,570)	(290)

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

8. OTHER INFORMATION

The remuneration for the first half of 2019 due to the Directors, the members of the Boards of Statutory Auditors and the independent auditors is as follows:

- Directors: Euro 2,346 thousand
- Board of Statutory Auditors: Euro 35 thousand
- Independent auditors: Euro 34 thousand.

9. EVENTS SUBSEQUENT TO THE END OF THE FIRST HALF OF 2019

For further events after the end of the first half of 2019, reference should be made to the Directors' Report on Operations.

10. COMMITMENTS AND GUARANTEES

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

- Junia Pharma Srl by resolution of 02/03/2015 guarantee for Euro 960,000;
- Alesco Srl to guarantee credit limit subject to collection for Euro 210,000;
- Alesco Srl to guarantee a credit facility on current account for Euro 52,000.

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.

The financial impact at 30 June 2019 and the economic impact for the first half of 2019 is shown in the table below:

Related parties - financial position (Euro/000)

Related parties - financial position (Euro/000)	30-Jun-19
a) Investee companies	
payables	0
receivables	0
b) Directors and Statutory Auditors of the Parent Company and its subsidiaries and strategic managers	
payables	1,499
receivables	352
Fixed assets	0
c) Close family members of subjects under b)	
payables	0
receivables	1
Fixed assets	0
c) Companies associated with subjects under b) and c)	
payables	117
receivables	190
Rights of use	794
Financial liabilities for rights of use	719

Related parties - income statement (Euro/000)

Related parties - income statement (Euro/000)	30-Jun-19
a) Investee companies	
costs for services	0
b) Directors and Statutory Auditors of the Parent Company and its subsidiaries and strategic managers	
costs for services	2,198
c) Close family members of subjects under b)	
costs for services	5
c) Companies associated with subjects under b) and c)	
costs for services	341
Amortisation of rights of use	113
Interest expense	4

The members of the Board of Directors of the Parent Company receive compensation consisting of a fixed part, a possible variable part, which cannot yet be determined as it is based on the results of the 2019 financial year, and a part by way of severance indemnity.

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

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

Pisa, 16/09/2019

For the Board of Directors

The Chairman

(Andrea Lacorte)

••• | PharmaNutra

JUNIA  PHARMA

 ALESCO



PHARMANUTRA S.P.A.

Tax no. / VAT no. 01679440501

Registered office: via delle Lenze 216/B
56122 PISA PI - ITALY

REA no. 146259

Business Register of PISA no.

01679440501

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

www.pharmanutra.it