



FARMAÈ S.P.A.
FINANCIAL STATEMENTS 2019

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CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Riccardo Iacometti	Chairman & CEO
Giuseppe Cannarozzi	Director
Maurizio Paganini	Director
Alberto Maria Maglione	Director
Dario Righetti	Independent Director

BOARD OF STATUTORY AUDITORS

Alberto Colella	Chairman
Giovanni Bulckaen	Regular statutory auditor
Monica Barbara Baldini	Regular statutory auditor
Fabio Panicucci	Alternative statutory auditor
Massimo Mano	Alternative statutory auditor

AUDIT FIRM

Deloitte & Touche S.p.a.

HEADQUARTER

Farmaè S.p.A. Via Aurelia Nord 141, 55049 Viareggio (LU)

Tax code (VAT) 02072180504

Economic and administrative index LU 000000219335

Share Capital Euro 2.867.000 (f.p.)

Activity sector (ATECO) 477320



REPORT ON OPERATIONS 2019

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2019

1 INTRODUCTION

Dear Shareholders, we firstly want to draw your attention to what has been an important and extremely productive 2019 for Farmaè.

The most significant milestones of 2019 are summarised below:

February 2019: start of process of listing of Farmaè S.p.A on the AIM market;

July 2019: Farmaè Spa is listed on the stock exchange (AIM);

September 2019: launch of the restyling of the platform www.farmae.it with the implementation of new technologies capable of improving the end consumers' buying experience and development of new business intelligence software able to enhance the analytical capability of the business and strengthen the structure and organisational planning of company processes;

October 2019: transfer of the new logistics hub to Migliarino Pisano and associated expansion of our logistics capacity to 5,000 square metres;

December 2019: Farmaè Spa launches a new brand on the market: Beautyè.

Beautyè is the first Onlife retailer in the luxury goods (Skincare, Make-Up, Fragrances) and professional (hair products) sectors, developed on the omni-channel integration between the first Beautyè physical store in Italy (270 square metres in Viareggio) and the first omni-channel eRetail platform (launched in December 2019)

All this thanks to new investments, which generated roughly Euro 0.7 million in incremental amortisation/depreciation in 2019 and which will continue to be reflected in the accounts for the next 4 years.

We point out that the taxes still do not recognise the benefit of the tax credit linked to the listing on the AIM market of approximately Euro 0.5 million, whose impact will materialise in 2020.

The financial statements for the year ended as at 31.12.2019 which we submit for your approval report a loss of Euro 63,703. This result was obtained after recording amortisation of intangible fixed assets and depreciation of property, plant and equipment totalling Euro 970,828, after recognising employee severance indemnity pertaining to the year of Euro 89,195 and taxes of Euro 19,912. Lastly, we should point out that the result for the year was concerned by the allocation of gross fees to members of the administrative body amounting to Euro 199,133, including social security costs payable by the company for Euro 30,247.

The analysis of the company's position, its performance and its operating result is reported in the paragraphs below, specifically dedicated to the market scenario and the products and services offered, the investments and the main indicators of the economic performance and evolution of the equity and financial position. This report on operations of Farmaè S.p.A. as at 31 December 2019 (the "Report") is drafted according to the provisions of the Italian Civil Code, as well as according to the Italian accounting standards drawn up by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants) and Organismo Italiano di Contabilità, OIC (the Italian Accounting Standards Setter).

We should point out that the report uses some alternative performance indicators, that the management employs to monitor and evaluate the company's performance.

REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

2 COMPANY OVERVIEW AND BUSINESS MODEL

Company overview

Farmaè S.p.A. is today the leading “onlife e-retailer” in Italy (in terms of turnover and size) of health and well-being products for people and pets.

Established in 2014, Farmaè S.p.A operates predominantly in eCommerce through its web platform (with 22.8 million visitors in 2019), and through 9 sales points, one of which located in Viareggio, one in Cecina, one in Migliarino Pisano, five at the following hospitals, Versilia, San Luca in Lucca, San Jacopo in Pistoia, Santo Stefano in Prato and Massa Carrara Apuane, and a Beautyè branded one opened at the end of 2019 in Viareggio.

This is a store opened in December 2019 on the Viareggio promenade, covering 270 square metres, leading up to the entry in the new online luxury and professional channel through the new online portal www.beautyè.it.

All our sales points are and will be **characterised by an innovative format** in which customers, thanks to **Farmaè’s Media Platform** comprised of several digital touch screens, will be able to access thousands of products on the online platform, consult each product sheet, get information and learn more through the magazine and buy.

Farmaè S.p.A. currently sells 10 categories of product - cosmetics and make-up; over-the-counter drugs, orthopaedic products and aids; homoeopathic products; “parafarmaci” (unregulated, i.e. not on any list compiled by the Ministry of Health, OTC drugs that can be bought in pharmacies); medical devices; children’s products; herbal medicine; dietary products; products for pets (from 2019) - with approximately 40,000 items marketed.

Farmaè S.p.A. has two core components: the “Pharma” and “Beauty” element (relating to the “Health and Well-being” sector and the “Luxury and Professional” sector) which characterise the company as one of the leading Italian distributors and the “Tech” element, as it is, to all intents and purposes, also a technology company able to operate on the market in keeping with the criteria of modernity and innovation which are the hallmark of a major digital player on today’s market.

Farmaè S.p.A.’s value is actually encapsulated by (i) the millions of online consumers and the thousands of customers at its sale points (Data Economy), (ii) by its capacity, as a technology company (Tech), to propose constant tech developments able to provide a range of solutions to meet the needs of customers and of the industry and (iii) by scalability of an integrated offer in the reference sector and its ability to reach a broad cross-section of the market.

1. “Onlife” is a term coined by the philosopher Luciano Floridi, Professor of Philosophy and Ethics of Information at Oxford University, president of a think tank promoted by the European Commission and dedicated to the in-depth analysis of the effects of the digital revolution on the world of consumption; it represents a new economic paradigm where online and offline become one.

Farmaè S.p.A. is recognised by the market as an Integrated Commercial Platform and a reference Media platform in the Health and Well-being sector, primarily thanks to the following factors:

- unique and successful business model that seizes the advantages offered by the omni-channel approach, created with the objective of generating value both for customers and the industry;
- a broad and integrated sales offer to be the unique reference point for customers in the Health and Well-being segment with the Farmaè brand and in the Luxury and Professional segment with the Beautyè brand;
- long-established partnerships with multinational companies in the “Health and Well-being” sector with the Farmaè brand and in the “Luxury and Professional” sector with the Beautyè brand;
- management team with a wealth of experience in the “Health and Well-being” sector and in the “Luxury and Professional” sector, Marketing, Tech, Digital Economy and Big Data;
- constant focus on technological innovation both at company level and at digital and online infrastructure level, to fully capitalise on the benefits of Web 3.0 and 4.0;
- customer-oriented approach thanks to innovative service lines owing to its Customer Care and Logistics.

Thanks to an innovative business model, Farmaè S.p.A. presents itself on the market as a reference point for customers and the industry.

By sharing the new “OnLife” philosophy, Farmaè S.p.A. has put end customers at the centre of its business by responding innovatively, immediately, rapidly and pragmatically to all their needs and ensuring a unique customer experience regardless of which sales channel is used. The company also develops partnerships with the leading industrial firms in the sector, by whom it is now perceived not only as an important customer, but also as a Media Platform through which to improve market knowledge and channel communications effectively to its consumers.

3 FUTURE PLANS AND STRATEGY

Farmaè S.p.A aims to continue with its strategy of growth and development on the “Health and Well-being” channel under the **Farmaè** brand name, by improving its business model, which distinguishes it on the market and aims to establish itself as quickly as possible (3 years) as a reference player also in the “Luxury and Professional” channel, under the **Beautyè** brand name, by innovating this new reference market through its business models which brings together 4 sectors, (Skincare, Make-Up, Fragrances and hair products).

The company’s main goal is to constantly improve a series of distinctive factors which have today made Farmaè Spa a **business model** which is the only one of its kind, successful and difficult to replicate: unique business model created with the objective of generating value for both customers and the industry; maintenance of the **market leadership** which has helped Farmaè Spa become the leading online player in the “Health and Well-being” market with www.farmae.it and the strong desire to become in 3 years the leading online player also in the “Luxury and Professional” market with www.beautyè.it; the **data economy** now capable of managing a tremendous amount of data in turn capable, in view of their in-depth reading and interpretation, of improving and integrating the value proposition for the company, which can be developed going forward as an additional economic value (so-called “data economy”); the **omni-channel approach** and the constant implementation of integration between online and offline, crucial elements in interpreting and always improving the new

and modern customer experience of the end consumer; growth in **industrial partnerships** with the main multinational companies in the sector, in both the “Health and Well-being” channel with the Farmaè project, and in the “Luxury and Professional” channel with the Beautyè project also targeted at developing Farmaè Spa’s **Media** asset; a **product portfolio** which represents a constantly growing offer to the point of being extensive and comprehensive enough to be a reference point for the end consumer in the reference markets of Farmaè Spa; **attractive markets** given that Farmaè Spa, with its own two reference brands, operates in dynamic and constantly expanding markets for a total value, as of today, of roughly Euro 20 billion - retail prices - (Health and Well-being of Euro 10.8 billion and Luxury and Professional Euro 10.2 billion in Italy); a **management team** with a wealth of experience in the reference markets and **constant technological innovation** capable of projecting the company into the near future.

Thanks to the synergistic implementation of the above assets, the company’s objective, over the next three years, is to further increase the user base (22.8 million in 2019) of www.farmae.it, thanks to the implementation of initiatives and running of advertisements and ongoing incentives, however keeping the conversion ratio and the average receipt essentially in line with the results obtained in 2019 and taking advantage of the important base of active customers of [farmae.it](http://www.farmae.it) in order to launch the new portal www.beautyè.it by working on specific automation marketing activities, by implementing specific overlap activities on Farmaè consumers in order to increase the average receipt and profit margins on the Beauty channel.

More specifically, some of the ad hoc strategies:

EXPANSION OF PRODUCT RANGE

In order to support the growth in users, Farmaè S.p.A. expects to expand its product range to a total of approximately 50,000 items marketed in 2020 (around 40,000 today) on www.farmae.it thanks to the expansion of the new product category relating to products for animal treatment, to reach a total of at least 70,000 items marketed in 2022, also including the new mass market products. As regards the platform www.beautyè.it the goal is to reach 20,000 items marketed in 2020.

EXPANSION IN LOGISTICS CAPACITY

With the need to increase the spaces of its warehouse in order to increase the associated capacity, also in light of the development objectives in terms of the number of items marketed and product categories, in October 2019, Farmaè S.p.A. moved to a new central warehouse in an area in the province of Pisa, covering an area of roughly 5,000 square metres. The new warehouse may support the growth Farmaè intends to achieve in terms of turnover in the next few years, with the potential to reach Euro 300 million in turnover when operating at full capacity.

The objective over the next few years in the current logistics space will be to grow the possibility of total automation of the warehouse, by always improving the constantly evolving logistics processes, in order to optimise personnel costs and speed up shipping performances (e.g. 24hr shipping).

OPENING OF NEW SALES POINTS

As outlined previously, in December 2019 Farmaè S.p.A. opened the new Beautyè store on the Viareggio promenade, covering roughly 270 square metres, in order to incorporate, in a unique concept store arrangement, three different types of format: perfume shop, hairdressers and virtual para-pharmacy (omni-channel approach). The new concept - also conceived as a branding tool in order to boost its own visibility on the market - makes provision for the implementation of a series of technologies to facilitate and speed up customer shopping activities, including interactive totems to select products and pay for them directly using credit card without having to go to the till and the possibility of receiving them wherever you want.

Farmaè remains extremely vigilant on the market, to seize growth opportunities including through the physical channel, by prioritising locations in hospitals and high-traffic zones, where currently operating para-pharmacies are already located.

The upcoming openings will presumably see the following two brands incorporated in a single location: Farmaè and Beautyè will hence be able to significantly expand possibilities of purchases, at the same time, for the end consumer.

STRENGTHENING OF RELATIONS WITH STRATEGIC PARTNERS

Farmaè S.p.A. aims to further consolidate its position with its partners as a **Media** platform, on which to implement marketing and communication initiatives; the consolidation of this positioning will enable the company to benefit in both financial terms (thanks to co-marketing revenues) and from a market visibility perspective.

The market players of the two sectors are more frequently turning to Farmaè Spa to seize the opportunities presented by the new online channel and, for this reason, to enhance the **Media** platform positioning the company enjoys increasingly more.

DEVELOPMENT OF THE “FARMAÈ” BRAND

The company’s strategy is aimed at boosting the importance of the “Farmaè” brand and ensuring it becomes a brand of increasingly more national relevance, also through: (i) bigger push in the omni-channel strategy within all Farmaè sales points throughout the country, including through the development of ad hoc physical store communication strategies (e.g. Drive To Store campaigns); (ii) investments in corporate communication; and (iii) reinforcement of the marketing department.

LAUNCH OF THE BEAUTYÈ’ BRAND

The company’s strategy is also aimed at launching the “Beautyè” brand on the market and ensuring it becomes a brand of national relevance, also through: (i) the development of an ad hoc communication strategy both for physical stores and online, capable of positioning the brand as “love brand & love destination”; (ii) ad hoc investments in brand communication; (iii) planning of a dedicated marketing department with experience in the “luxury and professional” market.

INSERTION OF NEW FIGURES IN THE COMPANY ORGANISATIONAL CHART

In order to guarantee sustainable long-term growth, the company has also planned to introduce new figures in all the key areas of its business, such as, for example, Customer Care, Marketing (with marketing managers dedicated to the different product categories), purchasing and internal management control, and has obviously planned to increase the number of pharmacists and warehouse personnel.

INCENTIVE PLAN

The Board of Directors resolved to assign a mandate to the Chairman to prepare, with the help of its legal and tax advisors appointed for the purpose, a phantom stock option plan and the associated Regulation, in favour of directors, executives, employees of the company and its strategic advisors.

This medium-long incentive plan (three/five years), effective from 2021 - would have the objective of management incentive and retention with a view to developing the company's business and would replace, with an eye on optimising management incentive instruments, the stock option plan resolved in due course by the Shareholders' Meeting on 19 June 2019, and whose implementation was delegated to the Board of directors by the end of January 2020.

The adoption of the plan is aimed at incentivising and retaining, also in the medium/long-term, company directors and employees who hold the most important positions and are, therefore, most directly responsible for the company results.

In particular, the plan represents one of the instruments through which it intends to involve the persons who hold a central role in achieving the company's operating results, in order to strengthen their loyalty, at the same time guaranteeing alignment with the interests of the shareholders, the dissemination of a culture of value creation, with a view to increasing confidence in the company's growth.

In consideration and for the purposes of pursuing these objectives, the Plan will be implemented over a medium/long-term period and is structured into five cycles (2021, 2022, 2023, 2024 and 2025), each lasting one year. This interval was judged to be the most suitable to pursue the incentive objectives established beforehand.

The number of options that will be attributed to each beneficiary will be determined, at the full discretion of the Board of Directors, and irrevocably, with regard to the strategic relevance of the position held within the company by each beneficiary in relation to the development of the company itself.

4 REFERENCE MARKET OVERVIEW AND LEGISLATION

Overview of the Online market in Italy in 2019

Growth of B2c eCommerce continues in Italy (source: Politecnico di Milano (Milan Polytechnic)/Osservatori.net. IQVIA). The value of online purchases touched Euro 31.6 billion in 2019, +15% compared to 2018: in terms of absolute value is the highest ever recorded (Euro 4.1 billion).

Also in 2019, growth was driven by the purchases of products, which reached Euro 18.1 billion (+21%) thanks to the Euro 281 million in orders and an average receipt of around Euro 66. The results recorded by the both the historical segments (IT, Electronics and Clothing) and emerging sectors (Beauty, Home Decor & Home Living, Food & Grocery) were positive. In 2019, B2c eCommerce consignments, excluding returns, reached a record Euro 318 million. The services section reached a phase of maturity, with an increase of almost Euro 1 billion (+8%), reaching Euro 13.5 billion thanks to 60 million orders and an average receipt of Euro 228.

Despite it still accounting for a small part of total purchases (penetration of 7.3%), eCommerce now accounts for 65% of the overall Retail growth (online + offline): in fact, online purchases rose by 15% while total consumption remained essentially stable (+1.5%). In fact, in 2019, B2c eCommerce's incidence on total Retail sales rose from 6.5% to 7.3% with a significant difference between products (6%) and services (11%).

In 2019, the value of online purchases from Smartphones accounts for 40% of total eCommerce (34% in 2018). Desktop pcs, despite remaining the preferred device to shop online, fell from 60% in 2018 to 55% in 2019, while tablets dropped from 6% to 5%. In terms of absolute value, B2c eCommerce from smartphones touched Euro 12.5 billion, marking an increase of +33% compared to 2018. The smartphone will become the top eCommerce channel on the whole, between 2020 and 2021. Greater merchant sensitivity to the design of the purely mobile customer journey, the spread and frequency of use of mobile devices (in 2016 the smartphone became the most widely used device to connect to the internet) and the improvement in the technological infrastructure, in terms of coverage and connection, formed the basis of the growth in the channel. Thus, the smartphone is suited to promoting all impulse, personalised (based on the "personal" information saved on the user's device) and omni-channel (online purchases in store) buying.

The reference market of Farmaè Spa

According to IQVIA data, the global provider of big data, analysis, consultancy and innovative technologies in the pharmaceutical domain, Italy is witnessing a double-digit growth trend in online sales, which is benefitting the pharmacies and entrepreneurs who have invested in an eCommerce platform. In 2018, the value of pharmacy e-Commerce in Italy stood at roughly Euro 155 million (retail price), with an acceleration of more than 60% compared to Euro 96 million in 2017. According to IQVIA forecasts, the Italian market continued to grow, reaching a billed amount of Euro 240 million in 2019, while sales of Euro 315 million are forecast in 2020. If these figures are confirmed, Italy will become the third European market in 2020, behind Germany and France. There are currently 800 pharmacies and para-pharmacies in Italy authorised by the Ministry of Health to sell products on the internet. However, according to IQVIA data, 20% of these account for 90% of sales.

In 2020, total sales of pharmaceutical products online in Europe are predicted to reach Euro 6.5 billion. Italy is

in third place behind France in terms of online sales of pharmacy products, with Germany standing out, where the development of eCommerce has been favoured by legislation which also allows medicines that need a prescription to be sold on the internet. In 2015, Germany registered sales of more than Euro 1 billion, which are set to double in 2020.

The competitive context of Farmaè Spa on the “Health and Well-being” channel is composed, on the one side, by offline channel operators, like pharmacies, para-pharmacies, supermarkets and, on the other, by online channel operators, which include both specialised operators and traditional website operators.

The penetration rate of the online channel on the offline channel is still low in Italy, both in relation to the product categories and to other countries, but is doubling year on year. In fact, the penetration has risen from 0.6%, to a forecast 3% for 2020.

At the end of 2019, the value of cosmetics purchased in Italy surpassed Euro 10,350 million (retail price), growth of 2%, thanks to the staying power of professional beauty parlours and hair salons, the significant increases in perfume shops and the large-scale retail trade, but also the growing trends in e-commerce. The forecasts are also positive for 2020, with a growth trend exceeding 2%. There has been an increased overlapping between traditional channels and new forms of retail; in particular, distribution continues to be increasingly less defined in traditional channels, where new forms of sales, such as large-scale retail trade, the single-brand stores, specialised shops within a shop and e-commerce are the most widely used by consumers. Consumers are cutting down on the use of direct sales and traffic in large retail complexes is slowing, with professional channels remaining stable.

Following the static performance in previous years, the professional market, which in 2019 recorded a market total of close to Euro 590 million, is moving along at sustained rates. The total value of the perfume shop segment stood at over Euro 2,050 million, confirming the perfume shop in second place, after the large-scale retail trade, in sales of cosmetics in Italy, roughly 20% of the total. In the perfume shop channel, sales are concentrated in the two fundamental axes, namely alcohol and make-up. New phenomena are evident on the perfume shop market, ranging from single-brand perfume shops, luxury chains, perfume bars, to new experiences which cross with eCommerce. Also in 2019, online sales continue to signal trends exceeding the other traditional channels in the sector: growth is projected at +22%, which is connected with the prediction of further development in the first part of 2020 (+20%). The sales volume exceeds Euro 470 million.

Regulatory framework

By means of Decree Law no. 223 of 4 July 2006 definitively converted with Law no. 248 of 4 August 2006 (so-called Bersani Law), the sale to the public of over-the-counter drugs or self-medication (OTC) and all medicines or products not subject to a medical prescription (SOP) in enterprises other than the pharmacy, was permitted for the first time in Italy, and the possibility of discounting the retail prices for these types of products was granted.

In April 2019, roughly 6,400 para-pharmacies were registered on the Ministry of Health's website (of which around 15% shops within a shop in the large-scale retail trade), with approximately 11,520 pharmacists. Almost all para-pharmacies carry out activities as single operator, while only a small part is organised into chains (11).

The Bersani Law established the technological, structural, organisational requirements that these merchants must satisfy in order to carry out the activities indicated above. The most significant ones are reported below:

- the presence of a pharmacist authorised to practice the profession and listed in the Professional Register must be guaranteed for the entire opening hours of the commercial enterprise;
- a communication must be transmitted to the Municipality and the relevant ASL (Local Health Authority) for the exercise of activities (the ASL is the entity that must carry out health supervision);
- the para-pharmacy must be registered in the central database for the purposes of traceability of the medicine in order to obtain a unique identifying code as set forth in the Decree of the Ministry of Health of 15 July 2004 (Official Gazette no. 2 of 4 January 2005);
- the para-pharmacy must be inserted in the pharmacovigilance system (i.e. group of activities targeted at the identification, evaluation, understanding and prevention of adverse effects or any other problem relating to the use of medicines, in order to ensure a favourable risk/benefit ratio for the population) and in the system for the receipt of notices of the withdrawal and seizure of medicines circulated by the AIFA (Italian Medicines Agency, which is the competent public institution for the medicines regulatory activities in Italy);
- all the regulations governing the safe storage of medicines must be observed, the temperature must be recorded using the appropriate continuous recording devices;
- an area dedicated exclusively to SOP (without prescription obligation) medicines and over-the-counter drugs in para-pharmacies must be provided;
- the warehouse in service of the para-pharmacy for the storage of the medicine stocks must respect the rules on safe storage and distribution of medicines (Ministerial Decree 6 July 1999 - approval of the guidelines on good practice regarding distribution of medicines for human use);
- as regards the handling of foodstuffs, the para-pharmacy must implement a system for the analysis of risks and control of critical points, with reference to the risk of contamination, of both a biological and chemical or physical nature (HACCP - Hazard Analysis and Critical Control Points).

Legislative Decree no. 17 of 19 February 2014, in implementation of directive 2011/62/EU which amends directive 2001/83/EC, containing an EU code relating to medicines for human use, in order to prevent the entry of counterfeit medicines into the legal supply chain, authorised the sale of medicines with no prescription obligation on the web under given terms and conditions, which were subsequently detailed in the circulars issued by the Ministry of Health in 2016. These circulars establish, in detail, the rules for the performance of this online sale, in particular, the operators that intend to carry out distance sale of medicines, must obtain a national identification logo, to be published on its website, which is issued by the Ministry of Health after the necessary checks. This “sticker”, in compliance with the guidelines defined by the European Union (by means of implementing Regulation of the European Commission no. 699/2014 of 24 June 2014 relating to the design of the standard logo for identifying the people who engage in distance sales of medicines to the public and the technical, electronic and encryption requirements for the verification of its authenticity) and common to all member States, in fact, has the function of ensuring that the online seller is an entity qualified to sell medicines pursuant to the legislation in force.

5 OPERATING PERFORMANCE

Economic-Management Data

Farmaè S.p.A.'s income statement as at 31 December 2019, reclassified based on value added, compared with that of 2018, is as follows:

VALUE-ADDED INCOME STATEMENT	2018	2019	Difference
NET SALES REVENUES [a]	24.778.945	37.532.253	12.753.308
CHANGE IN INVENTORIES	3.074.473	3.867.620	793.147
P.E. (VOP) VALUE OF PRODUCTION [b]	27.853.418	41.399.873	13.546.455
CONSUMPTION OF MATERIALS	19.012.210	29.038.969	10.026.759
SERVICE EXPENSES	6.820.402	9.437.877	2.617.475
SUNDRY OPERATING CHARGES	249.544	106.579	- 142.965
TOTAL EXTERNAL OPERATING COSTS [c]	26.082.156	38.583.425	12.501.269
V.A. VALUE ADDED [d=b-c]	1.771.262	2.816.448	1.045.186
COST OF LABOUR [e]	1.151.834	1.844.000	692.166
GROSS OPERATING MARGIN [f=d-e]⁽¹⁾	619.428	972.448	353.020
DEPRECIATION, AMORTISATION AND PROVISIONS (g)	144.979	970.828	825.849
OPERATING INCOME FROM ORDINARY OPERATIONS [h=f-g]⁽²⁾	474.449	1.620	- 472.892
FINANCIAL INCOME [i]	1.796	1.515	- 281
OVERALL COMPANY OPERATING INCOME [m=h-i]	476.245	3.135	- 473.110
FINANCIAL EXPENSES [n]	- 95.341	- 86.844	8.497
ORDINARY INCOME [o=m-n]⁽³⁾	380.904	- 83.709	- 464.613
NON-RECURRING EXPENSES [p]	- 11.704	- 62.550	- 50.846
NON-RECURRING INCOME [q]	2.428	102.468	100.040
BALANCE OF EXTRAORDINARY OPERATIONS [r=q-p]	- 9.276	39.918	49.194
PRE-TAX INCOME [s=o+r]	371.628	- 43.791	- 415.419
Income taxes [t]	107.546	- 19.912	- 127.458
NET OPERATING INCOME [u=s-t]	264.082	- 63.703	- 327.785

(1) The gross operating margin (EBITDA) indicates the result before financial charges, taxes, amortisation/depreciation of fixed assets and non-recurring income and expenses. The gross operating margin therefore represents an approximation of the cash generation before the management of working capital, therefore excluding non-monetary elements, such as the amortisation/depreciation of fixed assets. The gross operating margin defined in this way represents the indicator used by the company's directors to monitor and evaluate the company's business performance. Given that the gross operating margin is not identified as an accounting measure under the accounting standards, it must not be viewed as an alternative measure for the evaluation of the trend in the company's operating results. Given that the composition of EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by the company may not be consistent with the one used by other companies and therefore may not be comparable.

(2) The operating income from ordinary operations indicates the result before financial charges, taxes for the period and non-recurring income and expenses. The operating income from ordinary operations therefore represents the operating result before the remuneration of capital pertaining to both minority interests and own capital. The operating income from ordinary operations defined in this way represents the indicator used by the company's directors to monitor and evaluate the company's business performance. Given that the operating income from ordinary operations is not identified as an accounting measure under the accounting standards, it must not be viewed as an alternative measure for the evaluation of the trend in the company's operating results. Given that the composition of operating income from ordinary operations is not regulated by the reference accounting standards, the calculation criterion applied by the company may not be consistent with the one used by other companies and therefore may not be comparable.

(3) The operating income indicates the result before non-recurring income and expenses and taxes for the period. The operating income defined in this way represents the indicator used by the company's directors to monitor and evaluate the company's business performance. Given that the operating income is not identified as an accounting measure under the accounting standards, it must not be viewed as an alternative measure for the evaluation of the trend in the company's operating results. Given that the composition of operating income is not regulated by the reference accounting standards, the calculation criterion applied by the company may not be consistent with the one used by other companies and therefore may not be comparable.

Value of production

In 2019, Farmaè S.p.A. achieved excellent growth in revenues, amounting to Euro 37.5 million, an increase of 51% compared to Euro 24.7 million in 2018.

The company recorded a strong performance in all business lines, as better described below, confirming the effectiveness of the company's core business model.

Gross operating margin (EBITDA)

The gross operating margin, an important indicator of ordinary operations, came to Euro 964,163, an improvement compared to the same period in the previous year (+56%), for a positive differential of Euro 344,735.

The incidence of the gross operating margin on net sales revenues reached 2.6%, compared to 2.5% in 2018.

Net profit (loss)

The net loss as at 31.12.2019 came to Euro 63,703, and reflects the impact of amortisation/depreciation related to a number of initiatives outlined in "Significant events", which will enable Farmaè to carry on its growth trend, continuing to be a key player on the market over the next few years.

More specifically, the turnover achieved by Farmaè S.p.A. is broken down as follows based on Business lines.

The analysis by business line confirms significant growth in all segments, and in the Online segment in particular.

(Data in Euro)	31/12/2019	31/12/2018	Absolute Change Year being compared	% Change Year being compared
Online sales	34.214.235	22.787.540	11.426.695	50%
Offline sales	1.994.860	1.710.033	284.827	17%
Co-marketing	1.199.250	255.298	943.952	370%
Other revenues	123.909	26.074	97.835	375%
Value of production	37.532.254	24.778.945	12.753.309	51%

The latter recorded turnover of Euro 34,214 thousand, marking an increase of +50% compared to the same period in the previous year, which had amounted to Euro 22,787 thousand. The main drivers of this growth are the expansion in the range of products offered and the increase in the number of customers.

Offline sales came to Euro 1,994.9 thousand, marking an increase of Euro 284.8 thousand (+17%) compared to 2018.

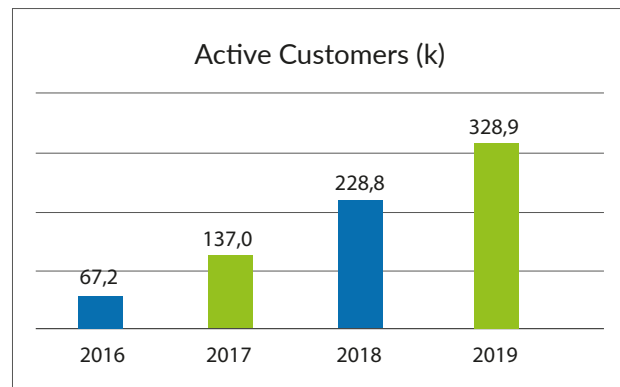
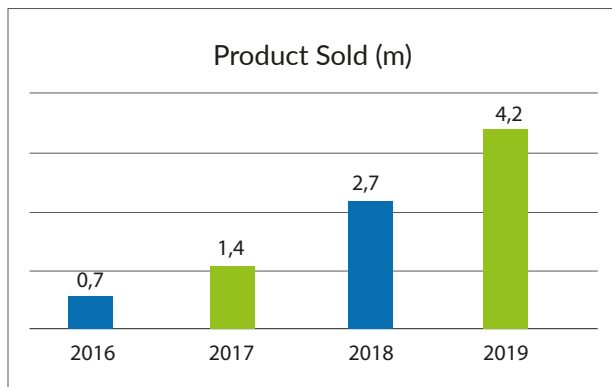
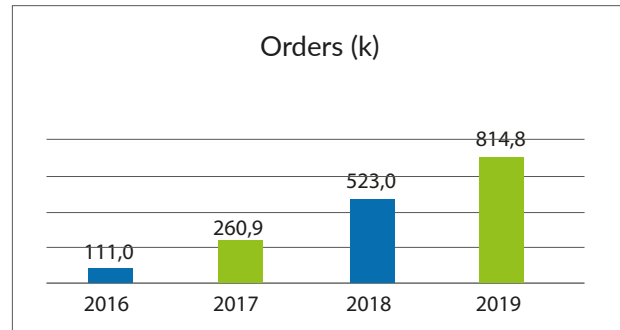
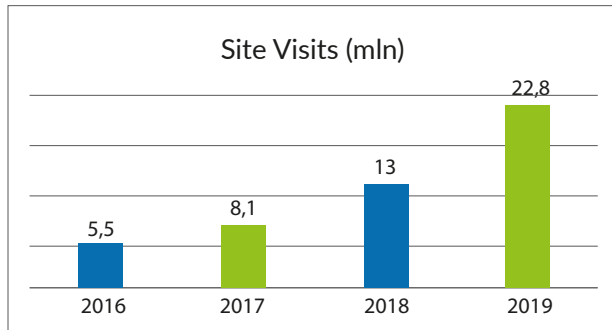
The increase in volumes is related to the improvement in the Like for Like performances of Stores, which, during the year, consolidated their sales, and the turnover generated by the opening of the new store in Cecina in the first half of 2019.

Co-marketing turnover stood at Euro 1,199.25 thousand, compared to Euro 255.3 thousand recorded in 2018. This significant result is due to the increasingly closer partnership with businesses in the sector, which sees Farmaè S.p.A. as the only true contact point in the online health and well-being market.

. During the year, Farmaè S.p.A. registered 814.8 thousand orders compared to 523 thousand orders in the first half of 2018, from almost 328.9 thousand active customers (228.8 thousand active customers in 2018), for 4.2 million products sold (2.7 million products sold in 2018).

FARMAÈ S.P.A. - REPORT ON OPERATIONS 2019

The main management KPIs in the last 4 years are shown below:



More specifically, the operating costs incurred by Farmaè S.p.A. are broken down as follows:

(Data in Euro)	at 31/12/2019	at 31/12/2018	Absolute Change - YoY comparison	% Change - YoY comparison
Consumption of materials	29.038.969	19.012.210	10.026.759	53%
Costs for services	9.437.877	6.820.402	2.617.475	38%
Sundry operating costs	106.579	249.544	(142.965)	-57%
Personnel costs	1.844.000	1.151.834	692.165	60%
TOTALS	40.427.425	27.233.990	13.193.435	48%

This increase is strictly related to the rise in company turnover and subsequent increase in direct and indirect costs connected with the Business lines, the supplies of goods and general company operations.

Statement of financial position

The reclassified balance sheet of the company, compared with that of the previous period, is as follows. It summarises the significant aggregates which are outlined below:

STATEMENT OF FINANCIAL POSITION	31/12/2018	31/12/2019	Difference
LIQUID ASSETS	476.409	3.503.685	3.027.276
DEFERRED ASSETS	1.229.357	6.905.829	5.676.472
INVENTORIES	6.906.638	10.796.006	3.889.369
CURRENT ASSETS (C)	8.612.404	21.205.520	12.593.116
PROPERTY, PLANT AND EQUIPMENT	454.131	1.010.108	555.977
INTANGIBLE FIXED ASSETS	2.635.327	5.727.360	3.092.033
FINANCIAL FIXED ASSETS	460.762	768.808	308.046
FIXED ASSETS	3.550.220	7.506.276	3.956.056
ASSETS - LOANS (K)	12.162.624	28.711.796	16.549.172
CURRENT LIABILITIES (C)	8.890.910	14.235.706	5.344.796
CONSOLIDATED LIABILITIES	1.026.006	2.289.087	1.263.081
NET CAPITAL (N)	2.245.708	12.187.003	9.941.295
LIABILITIES AND SHAREHOLDERS' EQUITY - SOURCES	12.162.624	28.711.796	16.549.172

The reclassified balance sheet shows a consolidation of financial autonomy, determined by the significant increase in resources contributed in the form of own capital with respect to the capital pertaining to minority interest, as a result of the listing completed in July 2019.

The improvement in the management of net working capital continued, which sees the company focussed on constantly reducing the days of stock turnover, for better procurement management.

We believe these effects will be even more positive in subsequent years, with the move to the new logistics hub. The net financial position also improved to Euro +2,171 thousand, compared to Euro -1,209 thousand at the end of 2018. In particular, it should be noted that: (i) operations used cash of Euro 2,004 thousand, mainly due to the increase in inventories, trade receivables and other items of working capital, an effect partially mitigated by the increase in trade payables (ii) significant investments were made in intangible fixed assets, amounting to Euro 3,905 thousand, connected primarily to the listing costs and works performed on third-party assets, and in particular on the new warehouse, as well as in property, plant and equipment for Euro 713 thousand primarily for plants and machinery and furnishings. Financial management benefits from the increase in share capital, amounting to Euro 10 million as a result of the listing on the AIM Italia market.

6 SIGNIFICANT EVENTS IN THE PERIOD

On 26 March 2019, the company signed a Rent to Buy agreement with Sofib Srl for an area in the Province of Pisa covering around 5,000 square metres, to which the entire Farmaè S.p.A. warehouse was transferred at the end of October 2019.

During the first half of 2019, Farmaè S.p.A. opened the sales point located in the vicinity of the Cecina Hospital. At the end of 2018, the company launched the project for the Admission of its Shares to trading on the AIM Italia market. This process continued in 2019 and was concluded successfully on 29 July 2019, with the admission to listing on the AIM Italia market.

The main corporate developments are detailed below.

On 19 June 2019, the Company's Shareholders' Meeting resolved, inter alia, to:

- proceed immediately with the fractioning of the shares to be carried out based on a ratio of 2:1 (two shares for every 1 share held) so that the current 2,200,000 shares are fragmented into 4,400,000 shares, without nominal value;
- assign the shares resulting from the fractioning equal to 4,400,000 to the sole shareholder based on the shares held by the same;
- increase, on a paid basis and in divisible form, the share capital for a maximum amount of Euro 15,000,000.

On 29 July, Farmaè S.p.A. was listed on AIM Italia, following a total placement of 1,334,000 newly-issued ordinary shares stemming from the share capital increase reserved to the market, for a value of roughly Euro 10 million, targeted at institutional and professional investors. The placement generated total demand almost 2 times higher than global supply.

- The placement price of the ordinary shares was set at Euro 7.5, with company capitalisation at the date of the start of trading of approximately Euro 43.0 million and a free float of 23.26% of the company's share capital.
- The table below illustrates, according to the records of the shareholders' register, the evolution in the shareholding structure of the Issuer, with the full placement of the maximum number of shares involved in the Offer, equal to a maximum of 1,334,000 shares.

Shareholder	Number of shares held	% of share capital
Riccardo Iacometti	4.400.000	76,74%
Market ⁽¹⁾	1.334.000	23,26%
TOTAL	5.734.000	100,00%

(1) Means investors falling under the definition of "free float" pursuant to the AIM Issuers' Regulation and those not falling under said definition.

At the start of October 2019, Farmaè transferred all its logistics activities to a new warehouse covering around 5,000 square metres, located in Migliarino Pisano (PI). This opening was necessary to best meet the service needs of customers and to support the constant growth in terms of turnover Farmaè S.p.A. will achieve in the

next few years. We report that, when operating at full capacity, the warehouse can reach potential turnover of Euro 300 million.

In December 2019, Farmaè S.p.A. opened the new Beautyè store on the Viareggio promenade, covering roughly 270 square metres, in order to incorporate, in a unique concept store arrangement, three different types of format: perfume shop, hairdressers and para-pharmacy.

The new concept - also conceived as a branding tool in order to boost its own visibility on the market - makes provision for the implementation of a series of technologies to facilitate and speed up customer shopping activities, including interactive totems to select products and pay for them directly using credit card without having to go to the till. The new store was leading up to the opening of new portal www.beautyè.it for the online sale.

7 INVESTMENTS MADE DURING THE YEAR

During the year, the main investments made related to the costs of acquisition of intangible fixed assets (Euro 3,905,414), and concerned:

- the costs incurred for accessing the listing on the AIM Italia stock market (classified under other intangible fixed assets), a procedure which was successfully concluded on 29/07/2019;
- capitalisations of costs for extraordinary maintenance to third-party assets (classified under other intangible fixed assets);
- capitalisation of costs incurred for the creation, development and promotion of new sections of the e-Commerce website and for the new management software in use (classified under patent and intellectual property rights).

8 RESEARCH & DEVELOPMENT

During the year, your company incurred research and development costs for external collaborations amounting to Euro 124,170, continuing with the processes already commenced previously.

The investments made did not benefit, during the year under review, from the tax credit pursuant to art. 3 of Decree Law 145/2013.

9 SIGNIFICANT EVENTS AFTER YEAR END

As is well known, from January 2020, the national and international scenario was gradually impacted by the spread of the Coronavirus and subsequent restrictions to contain it, put in place by the Government authorities of the countries concerned. These circumstances, extraordinary in nature and scope, are having direct and indirect repercussions on economic activity and have created a general scenario of uncertainty. Despite being a subsequent event that does not need to be acknowledged in the balance sheet values in accordance with OIC 29, the company management conducted a risk analysis in order to determine the potential risks as well as the future impacts connected with the spread of the Coronavirus also with reference to business continuity. In this regard, at business level, the directors believe that the impacts of the Coronavirus are limited.

In particular, these could concern, first and foremost, the part connected with the provision of services like co-marketing with partner companies and the sale at physical sale points (pharmacies) and the new Beautyè perfume shop. With reference to the provision of services, these could be postponed by partner customers or could be subject to delays in the collections of the services performed or to be performed, a fact that could, in any case, have a modest impact on the cash flows of the company given that these revenues currently make up an insignificant portion of turnover. With reference to the second activity, the restrictions imposed could negatively impact the turnover of pharmacies and the Beautyè perfume shop, whose impact, as for the services described above, on total company turnover is insignificant. With reference to the core business (sales via on-line channel), by contrast, the directors do not expect any negative impacts in terms of product demand, while there could be negative effects at operational level in relation to (i) the restrictions imposed by the Government whose tightening could make certain areas inaccessible for the delivery of products or (ii) the unavailability of couriers for delivering said goods, actually limiting the company's ability to deliver the products and earn revenues, despite the demand and, lastly, (iii) to possible difficulties in product procurement. These effects are, nonetheless, irrelevant at present and the company's performances are suited to confirming the going concern assumption and the measurement of balance sheet items.

On 20 January 2020, Farmaè's Board of Directors evaluated the opportunity to purchase 100% of the share capital of Valnan Communications S.r.l., and to confer the mandate to director Alberto Maglione and to director Maurizio Paganini, separately, (i) to assign a mandate to a financial advisor to prepare an evaluation of the target, according to the applicable evaluation methods for these types of transactions and to Pedersoli Studio Legale to prepare a first draft of the purchase/sale contract; and (ii) to constantly and promptly keep the RPT (related-party transaction) Committee up-to-date on the negotiations in progress which, in this case, will be the Board of Statutory Auditors.

On said date, the Board of Directors resolved to assign a mandate to the Chairman to prepare, with the help of its legal and tax advisors appointed for the purpose, a phantom stock option plan and the associated Regulation, in favour of directors, executives, employees of the company and its strategic advisors.

This medium-long incentive plan (three/five years), effective from 2021 - would have the objective of management incentive and retention with a view to developing the company's business and would replace, with an eye on optimising management incentive instruments, the stock option plan resolved in due course by the Shareholders' Meeting on 19 June 2019, and whose implementation was delegated to the Board of directors by the end of January 2020.

10 BUSINESS OUTLOOK

The growth forecasts for the next year are broadly positive. Farmaè intends to continue its development on the Pharma channel, with sustained growth trends to consolidate its leading position on the market.

At the same time, it intends to replicate its success in the Pharma channel in the new Beauty channel, and achieve a leadership position in the next 3 years.

Its unique omni-channel positioning will enable it to reinforce its partnership with the industry, which views Farmaè as the unique multi-channel contact point in the sector.

Therefore, the management is confident of the company being able to continue its process of consolidation on the reference market.

11 MAIN RISK FACTORS TO WHICH THE COMPANY IS EXPOSED

Pursuant to and in accordance with the first paragraph of art. 2428 of the Italian Civil Code, the main risks and uncertainties to which the company is exposed are described below:

Risks connected with hacking and IT security

The company and the customers to which the company provides its products and services could be subject to cyber-attacks. We report that, at the date of incorporation of the company, these risks have never happened given that the company has adopted the most sophisticated IT security systems to prevent these occurrences.

Risks connected with defective products sold by the Issuer

The company sells a vast range of products for health and well-being. As the distributor of the aforementioned products, Farmaè S.p.A. is exposed to the risk of claims for liability actions for compensation for damages caused by defective products, pursuant to articles 114 et seq. of Legislative Decree 206/2005 ("Consumer Code") by buyers of the products bought and sold, although pursuant to the Consumer Code, as supplier of products which are potentially defective, it may be liable solely where the producer and, in the case of non-EU production, the importer of said products have not been identified. To this end, an insurance policy was signed with the insurance company Generali Italia S.p.A. on 7 March 2018.

It should be noted that, as of today, the company has never been involved in proceedings relating to claims for compensation for damages caused by defective products sold.

Credit risk in relation to business dealings with customers

The company presents a customer portfolio which, at the moment, does not spark any worries in terms of solvency; therefore, no specific commercial and insurance policies have been implemented to cover any potential significant losses.

Liquidity risks

Liquidity risk, relating to the availability of financial resources and access to the credit market. Liquidity risk is considered medium/low, given the level of company debt with respect to the volumes of business and shareholders' equity. It should be noted that the company has an extremely low customer payment deferment rate (around 3 days) due to the type of business which involves payments at the time of sale.

Interest rate risk

Interest rate risk relating to the company's exposure to financial instruments that generate interest. The company is exposed for an insignificant value and, therefore, there are no risks relating to interest rates on bank debt. The company does not own financial instruments for speculative purposes and, therefore, there are no resulting risks.

Exchange rate risk

The company operates almost entirely in the Euro area. Transactions settled in a non-Euro currency, if present, involve very small amounts. Therefore, there are no significant exchange rate risks.

Coronavirus risk

As stated, from January 2020, the national and international scenario was impacted by the spread of the Coronavirus and subsequent restrictions to contain it, put in place by the Government authorities of the countries concerned. With reference to Farmaè, in particular, the risks identified by the management relate to i) operating risks, related to possible restrictions on operations deriving from the ban measures imposed by the authorities, as well as limitations on movements which could delay some company processes such as the delivery of products and/or sourcing of marketed items to be sold, ii) market risks, linked to the possible shrinking of the economy, iii) the risk of deterioration in the degree of solvency of commercial counterparties and iv) risk of procurement of raw materials in the event in which the restrictive measures on the movement of people currently in force should be tightened, including the transport of non-perishable/non-essential goods.

Although, as things stand, we do not forecast any significant impacts on the economic-financial performances, we cannot rule out this happening in the future if the restrictions are tightened and the pandemic gets worse. The potential risks of this event on the financial statements will, nonetheless, be constantly monitored throughout the year.

12 MANAGEMENT AND COORDINATION ACTIVITIES

Pursuant to paragraph 5 of art. 2497-bis of the Italian Civil Code, it is hereby stated that the company is not subject to third-party management and coordination activities.

13 INFORMATION ON RELATED PARTY TRANSACTION

The considerations with related parties are reported below.

We should point out that natural persons represented by the shareholder and his family members, members of the Board of Directors and the Board of Statutory Auditors, key management personnel are also considered related parties. The company enters into commercial transactions with Valnan srl, concluded on an arm's length basis. This company is managed by the natural persons on the Board of Directors of Farmaè S.p.A. Transactions with related parties do not qualify as either atypical or unusual, falling under the normal course of company business and are settled on an arm's length basis.

Pursuant to art. 2427, point 22/bis of the Italian Civil Code, information on transactions carried out during the current year by the company with related parties is provided below.

We should point out that, as previously reported, in order to remove any obstacles in terms of the presence of related parties, on 20 January 2020, Farmaè's Board of Directors evaluated the opportunity to purchase 100% of the share capital of Valnan Communications S.r.l., and to confer the mandate to director Alberto Maglione and to director Maurizio Paganini, separately, (i) to assign a mandate to a financial advisor to prepare an evaluation of the target, according to the applicable evaluation methods for these types of transactions and to Pedersoli Studio Legale to prepare a first draft of the purchase/sale contract; and (ii) to constantly and promptly keep the RPT (related-party transaction) Committee up-to-date on the negotiations in progress which, in this case, will be the Board of Statutory Auditors;

The company had relations with the following companies in the period:

- **Restart S.r.l.** (Tax Code and VAT no. 02516190465)
- **Bewow S.r.l.** (Tax Code and VAT no. 02324350467)
- **Valnan S.r.l.** (Tax Code and VAT no. 01348440460)

The following table shows the equity and economic transactions entered into with related parties:

(In Euro)	Receivables	Costs	Revenues	Financial charges	Total purchased and capitalised in the year
RESTART S.r.l	-	-	-	-	91.967
BEWOW S.r.l	675.703	56.133	-	8.287	-
VALNAN S.r.l	-	489.743	1.956	-	430.000

Costs relating to Restart S.r.l. refer to capitalisations in the year, in particular for the interactive sales point feasibility study (analysis of feasibility of omni-channel strategy, Italian and international market benchmark, Italian market start-up benchmark, design&ux for new interactive points, management and coordination of third parties, omni-channel strategy for interactive sales points) and warehouse feasibility study (logistics as

marketing tool, “last mile” management, Italian market benchmark on e-commerce logistics, new consumer requirements, “state of art” overview of warehouses, feasibility studies on new systems, on design criteria, new warehouse development).

In relation to the related party Bewow S.r.l., a receivable for non-interest-bearing loans is recognised under assets, which, as pointed out in the Explanatory Notes, was measured using the amortised cost method based on an implicit interest rate of 5%. Payments in half-yearly instalments is guaranteed contractually on said loan, the last of which falling due on 31/12/2022.

Commercial transactions involving technical consultancy, for an amount of Euro 489,743, were entered into with the company “Valnan S.r.l.” (with a sole shareholder) during the year. Communication and IT consultancy services were also provided for the creation, development and promotion of new sections of the e-Commerce website and for the development of the new management software, as well as for the conception and implementation of a feasibility study on logistics and on the new warehouse, able to construct a new indicative procedure on the new services for the company in its development over the next few years. The assets capitalised under intangible fixed assets, in the item “Development costs” and the item “Patent rights” totalled Euro 46,000 and Euro 384,000 respectively, whose invoices were settled in full as at the reporting date. The 2019 income statement recorded amortisation connected with said capitalisations vis-à-vis Valnan for Euro 43,000.

The transactions entered into with the related parties were regulated under market prices comparable with the prices applied by other operators to said company “Farmaè S.p.A.” in the current year.

14 OTHER INFORMATION

Pursuant to art. 2428, paragraph 2, no. 6-bis of the Italian Civil Code, it should be noted that, during the current period, no financial instruments were used that are relevant for the purposes of evaluating the equity and financial position.

The company operates almost exclusively with customers comprised of entities that do not have a VAT number (private customers), to whom “spot” collection conditions are applied through banking channels, such as credit and debit cards, prepaid cards, bank transfers. As a result, no significant credit or liquidity risk is envisaged.

Local units

During the current year, the company operated not only in the registered office, but also at the local units listed below:

- Lido di Camaiore, Via Aurelia at Versilia Hospital (store);
- Pistoia, Via Ciliegiolo snc at the hospital facility (store);
- Lucca, Via G. Lippi Francesconi snc at the hospital facility (store);
- Prato, Via Suor Niccolina Infermiera, no. 20 at the hospital facility (store);
- Massa, Via E. Mattei, no. 21 at the hospital facility (store);
- Cecina, Via Montanara, no. 52 (store);
- Viareggio, Via Marco Polo, no. 139 (Offices);
- Viareggio, Piazza Mazzini, no. 20 (Offices);
- Vecchiano (PI), Via Traversagna, no. 26 (warehouse);
- Vecchiano (PI), Via Traversagna, no. 26 (store);
- Viareggio (LU), Viale Marconi, no. 84 PT and P1 (store and hair and beauty salon);

The warehouse and logistics local units of Vecchiano (PI) as well as Viareggio Viale Marconi Beautyè store commenced operations at the end of 2019, without making a significant contribution to the current year.

We thank you for the confidence shown in us and invite you to approve the financial statements as presented.

BOARD OF DIRECTORS

Riccardo Iacometti	Chairman & CEO
Giuseppe Cannarozzi	Director
Maurizio Paganini	Director
Alberto Maria Maglione	Director
Dario Righetti	Independent Director



FINANCIAL STATEMENTS 2019

HEADQUARTER

Farmaè S.p.A.

Tax Code 02072180504 – VAT no. 02072180504

VIA AURELIA NORD 141 - 55049 VIAREGGIO LU

Economic and Administrative Index no. 219335

Register of Companies of Lucca no. 02072180504

Share Capital Euro 2,867,000.00 fully paid up

BALANCE SHEET - ASSETS

	31/12/2019	31/12/2018
A) SUBSCRIBED CAPITAL UNPAID	0	0
B) IMMOBILIZZAZIONI		
I) INTANGIBLE FIXED ASSETS		
2) Development costs	124.170	0
3) Industrial patents and intellectual property rights	716.807	33.952
4) Concessions, licences, trademarks and similar rights	2.235.037	2.348.451
5) Goodwill	42.116	84.232
7) Other intangible fixed assets	2.609.230	168.692
I TOTAL INTANGIBLE FIXED ASSETS	5.727.360	2.635.327
II) PROPERTY, PLANT AND EQUIPMENT		
1) Land and buildings	13.849	12.488
2) Plant and machinery	339.465	245.090
3) Industrial and commercial equipment	149.440	45.549
4) Other assets	507.354	151.004
II TOTAL PROPERTY, PLANT AND EQUIPMENT	1,010,108	454.131
III) FINANCIAL FIXED ASSETS		
2) Receivables (financial fixed assets) due from:		
d) Receivables due from companies subject to the control of parent companies		
d1) due within the next year	229.974	350.000
d2) due after the next year	445.729	433.990
d TOTAL Receivables due from companies subject to the control of parent companies	675.703	783.990
db1) due within the next year	76.200	0
db2) due after the next year	16.905	26.772
db TOTAL due from others	93.105	26.772
2 TOTAL Receivables (financial fixed assets) due from:	768.808	810.762
III TOTAL FINANCIAL FIXED ASSETS	768.808	810.762
B TOTAL FIXED ASSETS	7.506.276	3.900.220

FARMAÈ S.P.A. - FINANCIAL STATEMENTS 2019

C CURRENT ASSETS		
I) INVENTORIES		
4) finished goods and goods for resale	10.688.996	6.821.376
5) advances (to suppliers for raw materials/products and goods for resale)	0	85.262
I TOTAL INVENTORIES	10.688.996	6.906.638
I) RECEIVABLES DUE FROM:		
1) Customers:		
a) due within next financial year	1.517.187	401.339
1 TOTAL Customers:	1.517.187	401.339
5-bis) Tax receivables		
a) due within next financial year	1.466.940	442.748
1 TOTAL Customers:	1.466.940	442.748
5-bis) Tax receivables		
a) due within next financial year	854.052	0
5-quater TOTAL due from others	854.052	0
II TOTAL RECEIVABLES DUE:	3.838.179	844.087
III - CURRENT FINANCIAL ASSETS		
6) Other securities	2.919.929	198.616
III TOTAL CURRENT FINANCIAL ASSETS	2,919,929	198.616
IV TOTAL CASH AND CASH EQUIVALENTS		
1) Bank and postal deposits	3.463.694	234.589
3) Cash at bank and on hand	39.991	43.204
IV TOTAL CASH AND CASH EQUIVALENTS	3.503.685	277.793
C TOTAL CURRENT ASSETS	20.950.789	8.227.134
D) ACCRUALS AND DEFERRALS	254.731	35.271
TOTAL BALANCE SHEET - ASSETS	28.711.796	12.162.625

BALANCE SHEET - LIABILITIES

	31/12/2019	31/12/2018
A) SHAREHOLDERS' EQUITY		
I) Capital	2.867.000	2.200.000
II) Share premium reserve	9.338.000	0
III) Revaluation reserves	0	0
IV) Legal reserve	14.719	14.719
V) Statutory reserves	0	0
VI) Other reserves:		
f) Reserve from subsidised contributions	30.989	0
u) Other profit reserves	-2	138.451
VI TOTAL Other reserves:	30.987	138.451
VII) Reserve for expected cash flow hedge transactions	0	0
VIII) Retained profit (losses)	0	-371.533
IX) Profit (Loss) for the year	-63.703	264.072
X) Negative reserve for shares in portfolio	0	0
A TOTAL SHAREHOLDERS' EQUITY	12.187.003	2.245.709
B) PROVISIONS FOR RISKS AND CHARGES		
C) EMPLOYEE SEVERANCE INDEMNITY	187.972	126.075
D) PAYABLES		
4) Payables to banks		
a) due within next financial year	2.151.187	788.389
b) due after next financial year	2.101.115	897.226
4 TOTAL Payables due to banks	4.252.302	1.685.615
7) Trade payables		
a) due within next financial year	11.814.086	7.903.206
7 TOTAL Trade payables	11.814.086	7.903.206
12) Tax payables		
a) due within next financial year	54.965	50.257
12) TOTAL Tax payables	54.965	50.257
13) Payables due to social security institutions		
a) due within next financial year	76.921	36.433
b) due after next financial year	0	2.705
13 TOTAL Payables due to social security institutions	76.921	39.138
14) Other payables		
a) due within next financial year	131.564	102.100
14 TOTAL Other payables	131.564	102.100
D TOTAL PAYABLES	16.329.838	9.780.316
E) ACCRUALS AND DEFERRALS	6.983	10.525
TOTAL BALANCE SHEET - LIABILITIES	28.711.796	12.162.625

INCOME STATEMENT

	2019	2018
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	37.408.345	24.752.870
2) Change in inventories of work in progress, semi-finished and finished goods	3.867.620	3.074.473
5) Other revenue and income		
b) Other revenue and income	226.378	33.054
5 TOTAL Other revenue and income	226.378	33.054
A TOTAL VALUE OF PRODUCTION	41.502.343	27.860.397
B) COSTS OF PRODUCTION		
6) Raw materials, consumables and goods for resale	29.038.969	19.012.210
7) for services	9.110.429	6.570.137
8) for use of third-party assets	327.448	254.825
9) for personnel:		
a) wages and salaries	1.354.248	870.374
b) social security charges	400.557	201.069
c) employee severance indemnity	89.195	49.083
e) other costs	0	31.308
9 TOTAL for personnel:	1.844.000	1.151.834
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	813.381	75.960
a) depreciation of property, plant and equipment	157.447	69.019
10 TOTAL amortisation, depreciation and write-downs:	970.828	144.979
14) Sundry operating charges	177.416	261.249
B COSTS OF PRODUCTION	41.469.090	27.395.234
A-B TOTAL DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	33.253	465.163
C) FINANCIAL INCOME AND EXPENSES		
16) Other financial income:		
a) financial income from non-current receivables		
a5) from others	0	675
TOTAL financial income from non-current receivables	0	675
c) financial income from securities not classified under equity investments - current assets	900	1.121
d) financial income other than the above		
d5) from others	615	0
TOTAL financial income other than the above	615	0
16 TOTAL Other financial income:	1.515	1.796
17) Interest and other financial expense from:		
e) payables due to others	78.559	95.341
17 TOTAL interest and other financial expense from:	78.559	95.341

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15+16-17±17bis TOTAL DIFFERENCE BETWEEN FINANCIAL INCOME AND CHARGES	(77.044)	(93.545)
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES		
A-B±C±D TOTAL PROFIT BEFORE TAXES	(43.791)	371.618
20) Income taxes for the period: current, deferred, prepaid		
a) current taxes	19.912	173.433
b) taxes relating to previous years	0	65.887
20 TOTAL Income taxes for the year: current, deferred, prepaid taxes	19.912	107.546
21) Profit/(loss) for the year	(63.703)	264.072

These financial statements are true and consistent with the underlying accounting records.

CASH FLOW STATEMENT

	2019	2018
A) Cash flows from operating activities		
Profit/(loss) for the year	(63.703)	264.072
Income taxes	19.912	107.546
Interest expense/(income)	86.846	93.545
1) Profit (loss) for the year before taxes, interest, dividends and capital gains/ losses from disposal	43.055	465.163
Adjustments for non-monetary elements that did not have a contra-item in net working capital		
Allocations to provisions employee severance indemnity	89.195	49.083
Amortisation/depreciation of fixed assets	970.828	144.979
Total adjustments for non-monetary elements that did not have a contra-item in net working capital	1.060.023	194.062
2) Cash flow before changes in net working capital	1.103.078	659.225
Variations in net working capital		
Increase in inventories	(3.782.358)	(3.159.735)
Increase in receivables due from customers	(1.115.848)	(270.387)
Increase in trade payables	3.910.880	3.064.680
Increase in accrued income and prepaid expenses	(219.460)	(14.885)
Decrease in accrued expenses and deferred income	(3.542)	7.743
Other increases in working capital (mainly tax receivables and other receivables)	(1.610.880)	(125.897)
Total changes in net working capital	(2.821.208)	(498.481)
3) Cash flow after changes in net working capital	(1.718.130)	160.744
Other adjustments		
Interest collected/(paid)	(85.331)	
(Income taxes paid)	(173.370)	(136.801)
(Use of provisions)	(27.298)	(13.211)
Total other adjustments		
Total other adjustments	(285.999)	(150.012)
Cash flows from operating activities (A)	(2.004.129)	10.732
B) Cash flows from investment activities		
Property, plant and equipment		
(Investments)	(713.424)	(372.299)
Disinvestments		
Intangible fixed assets		
(Investments)	(3.905.414)	(141.727)
Financial fixed assets		
(Investments)		(595.846)
Disinvestments		60.000
Current financial assets		
(Investments)	(2.721.313)	(108.264)
Cash flow from investment activities (B)	(7.340.151)	(1.158.136)

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C) Cash flows from financing activities		
Third party financing		
Increases/(Decrease) in short-term payables to banks	257.654	(6.014)
Obtainment of loans	4.350.000	1.195.438
(Loan repayment)	(2.042.482)	(226.249)
Own funds		
Paid share capital increase	10.005.000	
(Reimbursement of capital)		
Sale/(purchase) of treasury shares		
(Dividends and advances on dividends)		
Cash flow from financing activities (C)	12.570.172	963.175
Increase (decrease) in cash and cash equivalents (A ± B ± C)	3.225.892	(184.229)
Total cash and cash equivalents at start of year	277.793	462.022
Total cash and cash equivalents at end of year	3.503.685	277.793



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Reference legislation, structure and content of the financial statements

Dear Shareholders,

the draft financial statements for the year ended as at 31 December 2019, which we present for your examination, together with these explanatory notes, which constitute an integral part of them, posted a loss of Euro 63,703, compared to a profit of Euro 264,072 in the previous year. The loss was recorded, after the allocation of amortisation/depreciation charges of Euro 970,828, Employee severance indemnity of Euro 89,195, as well as after having recorded taxes of the Euro 19,912 in the income statement.

In light of the above, we provide you with the data and accompanying information, in observance of the current legislation.

The financial statements for the year ended as at 31 December 2019 were prepared in compliance with the Italian Civil Code, as amended by Legislative Decree 139/2015, interpreted and supplemented by the Italian accounting standards issued by the "Organismo Italiano di Contabilità" (OIC) [the Italian Accounting Standards Setter] in force as at 31 December 2019 or applicable for financial statements for periods ended as at said date.

The financial statements were prepared on a going concern basis, given no significant uncertainties exist in this regard.

The financial statements are comprised of the Balance Sheet (prepared in compliance with the layout envisaged under articles 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared in compliance with the layout envisaged under articles 2425 and 2425-bis of the Italian Civil Code), the Cash Flow Statement (whose contents, in conformance with article 2425-ter of the Italian Civil Code, are presented according to the provisions of accounting standard OIC 10) and these Explanatory Notes, drafted in accordance with the provisions of articles 2427 and 2427-bis of the Italian Civil Code.

The purpose of the Explanatory Notes is to illustrate, analyse and in some cases supplement the data in the financial statements. They contain the information required by articles 2427 and 2427-bis of the Italian Civil Code, the provisions of the Italian Civil Code regarding financial statements and other previous laws. In addition, they provide all the complementary information needed to give the most transparent and complete view, even if not required by specific legal provisions.

The financial statements for the year ended 31 December 2019 drafted in this way correspond to the results of the accounting records. The amounts are stated in Euros.

Items not expressly reported in the Balance Sheet and Income Statement, set forth in articles 2424 and 2425 of

the Italian Civil Code, are understood to have a zero balance. The right not to indicate these items is understood to apply solely in the event they have a zero balance in both the current year and the previous year.

2 Activities performed

The company carries out the retail sale of “parafarmaci” (unregulated, i.e. not on any list compiled by the Ministry of Health, OTC drugs that can be bought in pharmacies), over-the-counter drugs, orthopaedic products primarily by making use of the E-commerce channel and, to a lesser extent, in the eight fixed sales points, five of which located in hospitals. In December 2019, the retail sale of beauty products commenced at another physical sales point.

Activities were carried out normally during the year; there were no events that had a significant impact on operations and that would require recourse to the exceptions provided for under art. 2423, paragraph 5 of the Italian Civil Code.

3 Drafting principles

These financial statements were drafted in compliance with the general clause set forth in art. 2423 of the Italian Civil Code and the measurement criteria established for the individual items set out in art. 2426 of the Italian Civil Code and clarified for each individual item later in these Explanatory Notes. Moreover, in compliance with the provisions of art. 2423-bis of the Italian Civil Code, the following drafting criteria were respected:

- items were measured according to the principle of prudence and based on the going-concern assumption;
- the items are recognised and presented by taking account of the principle of the prevalence of substance over form;
- the items are recognised and presented by taking account of the existence of the transaction or of the contract;
- income and charges were considered on an accruals basis regardless of the date of collection or payment;
- risks and losses during the year were taken into account even if they were recognised after the balance sheet date;
- profits were included only if they were actually realised by the end of the year on an accruals basis, with the exception of any unrealised exchange gains, in respect of which the appropriate reserve was recognised;
- for each item in the balance sheet and income statement the amount of the item from the previous year was included, in accordance with the provisions of art. 2423-ter of the Italian Civil Code;
- mixed elements under a single item were valued separately.

In application of the principle of relevance, the obligations regarding recognition, measurement, presentation, and disclosure are not observed when this has an irrelevant impact, from a quantitative and qualitative point of view, for the purpose of providing a true and fair view.

4 Measurement criteria applied

The most significant measurement criteria adopted for drafting the financial statements as at 31 December 2019 in compliance with art. 2426 of the Italian Civil Code and the OIC accounting standards are as follows.

Intangible fixed assets and amortisation

Intangible fixed assets are stated at purchase cost, including any accessory costs, and are systematically amortised in relation to their residual possible useful life, taking into account the specifications contained in point 5) of art. 2426 of the Italian Civil Code. The rates applied, which reflect the useful life of the fixed assets, are halved in the case of acquisitions in the current year, given considered representative of the actual wear and tear.

Intangible fixed assets are recorded with the consent of the Board of Statutory Auditors in cases set forth by law.

Development costs are amortised according to their useful life; in exceptional cases where it is not possible to reliably estimate their useful life, they are amortised in a period not exceeding five years. Until the amortisation is completed, dividends can only be distributed if there are sufficient available reserves to cover the amount of costs not amortised.

Industrial patents and intellectual property rights are amortised according to their useful life (5 years).

Goodwill includes the sums paid in this manner in relation to acquisitions of companies or other corporate transactions and is amortised according to its useful life. The useful life was estimated at the time of the initial recognition of goodwill at 5 years and is not modified in subsequent years.

The trademark, in compliance with the provisions of OIC 24, was measured at purchase cost and its value was distributed on the basis of its useful life, considered to be 20 years by the Administrative Body.

Improvements to third-party assets are capitalised and booked under "Other intangible fixed assets" unless they can be separated from the assets themselves (otherwise they are recorded under "property, plant and equipment" in the specific item they belong to), and are amortised systematically at the shorter period between the expected future use and the residual term of the lease, taking account of any renewal period if dependent on the Company.

Advertising and research costs are booked in full at period cost in the year in which they are incurred.

In the event in which, regardless of the amortisation already recorded, there is impairment, the fixed asset is written down accordingly; it is restated to its original value, if the reasons for its write-down are no longer applicable in future years, within the limits of the value that the asset would have had if the value adjustment had never taken place, with the exception of the item "Goodwill" and "Long-term charges" pursuant to number 5 of art. 2426 of the Italian Civil Code.

The main amortisation rates applied for the individual classes of relevant intangible assets reported in the financial statements are summarised below:

Intangible asset	Sub-class	Period	Net book value
Development costs		5 years	124.170
Industrial patents and intellectual property rights		5 years	716.807
Concessions, licenses, trade-marks and similar rights		20 years	2.235.037
Goodwill		5 years	42.116
	Costs incurred for listing	5 years	1.221.080
Other intangible fixed assets	Improvements to third-party assets	duration of the lease (between 5 and 10 years)	796.477
	Other intangible fixed assets	5 years/duration of the lease for "key money"	591.674

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at purchase cost, inclusive of any accessory charges net of accumulated depreciation.

No fixed asset has ever been subject to monetary revaluation.

Amounts for interest payable were not recognised in the cost of assets.

The cost of Property, plant and equipment whose use is limited over time is systematically depreciated based on the economic-technical rates, determined in relation to the residual useful life.

The following rates were applied, which reflect the result of the technical depreciation plans, confirmed by the companies and halved in the case of acquisitions in the current year, given considered representative of the actual wear and tear:

- Light constructions:	10%
- Plants:	7.50%
- Machinery:	15%
- Furniture:	15%
- Specific plants:	33% - 12.50%
- Office furniture and machines:	12.5% - 20%
- Vehicles:	20%
- Cars:	25%

Property, plant and equipment can only be revalued in cases in which special laws require it or allow it.

In the event in which, regardless of the depreciation already recorded, there is impairment, the fixed asset is written down accordingly; it is restated to its original value, if the reasons for its write-down are no longer applicable in future years, within the limits of the value that the asset would have had if the value adjustment had never taken place.

Ordinary maintenance and repair costs are expensed in full to the income statement. Maintenance expenditure that increases the carrying amount of the asset is charged to the asset to which it relates and depreciated over its estimated useful life.

Write-downs due to impairment

At each reporting date, the company assesses whether there are any indicators to suggest a fixed asset has suffered impairment. If said indicator should exist, the company estimates the recoverable value of the fixed asset and carries out a write-down in the event in which the latter is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

Financial fixed assets

Receivables booked to fixed assets, expiring after 12 months, non-interest-bearing or at significantly lower rates than the market rates are initially recognised at the value equal to the future cash flows of the loan discounted at the market rate. In the initial recognition of the receivables according to the amortised cost method, an implicit interest rate of 5% was presumed; this rate was used to discount the future cash flows deriving from the receivable, in order to determine its initial book value. The difference between the initial book value of the receivable determined in this way and the forward value is recognised in the income statement as financial income over the duration of the receivable using the effective interest rate method

Inventories

Closing inventories are booked, pursuant to art. 2426, paragraph 1, no. 9, using the weighted average purchase cost method and at the lower value between the purchase cost, including all directly attributable costs and accessory charges, and the presumed realisable value taken from market trends.

Inventories are written down in the financial statements when the realisable value based on market trends is lower than the associated book value. Obsolete and slow-moving stock is written down in relation to the possibility of use or sale.

Receivables

Receivables are booked to the financial statements according to the amortised cost method, taking into account the time factor and the presumed realisable value. The amortised cost method is not applicable when the effects are irrelevant, or when transaction costs, commissions paid between the parties and any other difference between the initial value and the value at maturity is insignificant or if the receivables are short-term (i.e. expiring in less than 12 months).

The value of the receivables, as determined above, is adjusted, where necessary, by an appropriate bad debt provision, shown as a direct reduction of the value of the receivables themselves, in order to adjust them into line with their presumed realisable value.

Current financial assets

The item "Current financial assets" includes securities and savings plans intended, based on the decision of the Directors, not to be permanently invested in the company. They are booked at the lower of the specific cost and the market value.

Assets are written down to the lower realisable value on an individual basis, for each type of asset, and not for the entire segment. If the assumptions for the adjustment no longer apply, wholly or partly, said adjustment is cancelled up to the restoration of the cost.

Cash and cash equivalents

Closing cash and cash equivalents are valued at nominal value.

Accruals and deferrals

Portions of costs and revenues pertaining to the year and due in subsequent years and portions of costs and revenues incurred before the close of the year but pertaining to subsequent years were recorded in the item "Accruals and deferrals" according to the accruals principle

Provisions for risks and charges

Provisions for risks and charges, if applicable, are allocated to cover losses or liabilities of certain or probable existence, whose amount or date of occurrence, however, could not be determined at year-end. For contingent liabilities likely to exist, by contrast, information is provided in the Explanatory Notes, while contingent liabilities whose risk of occurrence is remote are not recognised. The allocations reflect the best possible estimate based on the information available.

Provision for Employee severance indemnity

The item "Employee severance indemnity" includes the amount employees would be entitled to receive in the event their employment contract was terminated at the reporting date. The seniority indemnities making up the aforementioned item, i.e. the portion of the provision pertaining to the year and the annual revaluation of the pre-existing provision, are determined in compliance with the regulations in force. Employee severance indemnity is recorded in item C of liabilities and the associated allocation in item B9 of the income statement.

Payables

Payables are recorded according to the amortised cost method, taking into account the time factor. The amortised cost method is not applied to payables if its effects are irrelevant. The effects are considered irrelevant for short-term payables (i.e. with expiry of less than 12 months).

Payables for holidays accrued by employees and for deferred salaries, including the amount due to social security institutions, are allocated on the basis of the amount that would have to be paid in the assumption of the termination of the employment contract at the reporting date.

Recognition of revenues and costs

Revenues for the sale of goods are recognised when the substantive, and not merely formal, transfer of ownership has occurred, using the transfer of risks and benefits as a benchmark for the substantive transfer.

Revenues for the provision of services are recognised based on their completion and/or accrual.

Revenues from the sale of products and goods or the provision of services relating to ordinary operations are stated net of returns, discounts, rebates and premiums, as well as net of taxes directly related to the sale of products and provision of services.

Costs were recognised on an accruals basis regardless of the date of collection and payment, net of returns, discounts, rebates and premiums.

With reference to revenues and costs relating to the concession with the hospital manager Gesat in which the company operates together with other companies with retail sales points, the company is the collector, for the entire network of concessionaires, of the accessory expenses charged by the Manager. In certain cases provided for contractually, these expenses are re-invoiced by the company to the other managers, with a mark-up. These chargebacks are accounted for as a reduction of the costs for the use of third-party assets, as they are considered pass-through costs for the company. .

Transactions with related parties

Transactions with related parties took place on an arm's length basis and are summarised in the paragraph "Information on transactions with related parties".

Financial income and charges

Financial income and charges are recognised based on the accrual principle.

Income taxes

Income taxes for the year are posted based on an estimate of the taxable income in compliance with the provisions in force, taking into account the applicable exemptions and the tax credits due.

Use of estimates

The preparation of these financial statements requires the Management to make estimates and assumptions which have an effect on the asset and liability values and on the disclosure relating to the contingent assets and liabilities at the reference date. The estimates and assumptions used are based on experience and on other factors considered relevant. The final results may therefore differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of each change to them are reflected in the income statement in the period when the revision to the estimate was made, if said revision only affects said period, or also in subsequent periods, if the revision affects both the current and future years.

The most significant items of the financial statements concerned by the estimates and assumptions are the provisions for inventory write-down, bad debt provision and provision for risks and charges for which more considerations are included below in the comments to the balance sheet items.

5 Detailed information on the Balance Sheet

Explanatory Notes, assets

Changes in the balances of items under assets are described below.

5.1 Fixed assets

Changes in the balances of fixed assets are described below, specifying that these balance sheet elements intended to be used permanently by the company are included under fixed assets (art. 2242-bis of the Italian Civil Code).

Intangible fixed assets

	Development costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Opening balance						
Book value		33.952	2.348.451	84.232	168.692	2.635.327
Changes during the year						
Contribution						
Increases for acquisitions	137.967	769.140	4.220	-	2.994.087	3.905.414
Amortisation in the year	(13.797)	(86.285)	(117.634)	(42.116)	(553.549)	(813.381)
Other changes	-	-	-	-	-	0
Total changes	124.170	682.855	(113.414)	(42.116)	2.440.538	3.092.033
Closing balance						
Book value	124.170	716.807	2.235.037	42.116	2.609.230	5.727.360

Movements in intangible fixed assets

The table above outlines the movements and breakdown of intangible fixed assets.

The changes in intangible fixed assets are mainly linked to:

- the costs incurred for accessing the listing on the AIM Italia stock market (classified under other intangible fixed assets), a procedure which was successfully concluded on 29/07/2019;
- capitalisations of costs for extraordinary maintenance to third-party assets (classified under other intangible fixed assets);
- capitalisation of costs incurred for the creation, development and promotion of new sections of the e-Commerce website and for the new management software in use (classified under patent and intellectual property rights);
- normal amortisation process.

At the balance sheet date, intangible fixed assets amounted to Euro 5,727,360, composed as follows:

- Development costs of Euro 124,170, equal to the net value of the capitalisations carried out during the year relating to costs of long-term use.
- Industrial patent and intellectual property rights amounting to Euro 716,807, whose amount mainly relates to the costs incurred for the creation, development and promotion of new sections of the e-Commerce website and for the new management software.
- Costs for licences and trademarks of Euro 2,235,037, corresponding to the net value as they relate to intangible

fixed assets, amortisation is carried out on account, of which Euro 2,168,451 is the result of the contribution made on 29 November 2018 which augments the previous contribution (amounting to Euro 180,000).

- Goodwill, amounting to Euro 42,116 refers to the net residual value from amortisation relating to the purchase of a functioning business unit relating to the sale of para-pharmaceutical products and over-the-counter drugs also through e-commerce, by Smart Source Srl, a company which is part of a co-founder of Farmaè no longer part of the shareholding structure, which took place in 2016; the amount corresponds to the net book value, deriving from the amortisation on account carried out over 5 years.

- Other intangible fixed assets, amounting to Euro 2,609,230, are determined for an amount consisting of costs incurred by the company for the listing on the AIM Italia stock market for Euro 1,381,181 for long-term costs deriving from indemnities paid, for the acquisition under a lease of the Beautyè sales point for Euro 300,000 (so-called Key Money) amortised in the shorter period between the economic-technical life and the duration of the associated leases, for the residual part primarily expenses for extraordinary maintenance conducted on third-party assets.

It should be noted that, in the absence of indicators of potential impairment, the recoverable value was not determined. All fixed assets are, nonetheless, systematically depreciated. There are no fixed assets not subject to depreciation

Property, plant and equipment

At the reporting date, property, plant and equipment amounted to Euro 1,010,108 (Euro 454,131 in the previous year).

	Land and build-ings	Plant and ma-chinery	Industrial and commercial equipment	Other assets	Total Property, plant and equipment
Opening balance					
Book value	12.488	245.090	45.549	151.004	454.131
Changes during the year					
Increases for acquisitions	2.886	135.363	122.943	452.232	713.424
Amortisation in the year	(1.525)	(40.988)	(19.052)	(95.882)	(153.447)
Total changes	1.361	94.375	103.891	356.350	555.977
Closing balance					
Book value	13.849	339.465	149.440	507.354	1.010.108

The breakdown and changes in the individual items are shown in the table above.

The item "Other assets", amounting to Euro 507,354, includes the net book value (determined as the difference between the historical acquisition cost and accumulated depreciation) relating to the types of assets summarised below:

- Electronic office machines whose net book value amounts to Euro 153,335;

- Vehicles/Cars, whose net book value amounts to Euro 12,103;
- Furnishings, whose net book value amounts to Euro 341,916;

It should be noted that no exemption was applied pursuant to and in accordance with the provisions of art. 2423, paragraph 4, of the Italian Civil Code.

It should be noted that, in the absence of indicators of potential impairment, the recoverable value was not determined. All fixed assets are, nonetheless, systematically depreciated. There are no fixed assets not subject to depreciation.

Financial fixed assets

Receivables included under financial fixed assets as at 31 December 2019 came to Euro 768,808 (Euro 810,762 in the previous year).

	Receivables from companies controlled by the parent company	Receivables from others	Total non-current receivables
Opening balance	783.990	26.772	810.762
Reclassifications	-	-	-
Increases/(decreases) in the year	(108.287)	66.333	(41.954)
Closing balance	675.703	93.105	768.808
Of which portion expiring within one year	675.703	76.200	751.903
Of which portion expiring after one year		16.905	16.905

Receivables included under financial fixed assets refer to:

- Euro 675,703 for the receivable due from the related company Bewow S.r.l. for non-interest-bearing loans, disbursed in previous years, with a nominal value of Euro 740,845, measured using the amortised cost method.
- For the residual amount, they relate primarily to a down payment for the purchase of a packaging automation system.

5.2 Current assets

Inventories

Inventories included under current assets came to Euro 10,688,996 (Euro 6,906,638 in the previous year).

The breakdown and changes in the individual items are shown below:

	Finished goods and goods for resale	Total inventories
Opening balance	6.906.638	6.906.638
Changes during the year	3.782.358	3.782.358
Closing balance	10.688.996	10.688.996

The company did not set aside any provision for obsolescence given that the goods intended for resale are composed almost entirely of stock with a high turnover ratio, while the risk on products that are unsold, due to expire or non-compliant is borne almost entirely by the supplier.

Receivables

At the reporting date receivables included under current assets came to Euro 3,838,179 (Euro 844,087 in the previous year).

The changes in the year with regard to receivables recorded under current assets are reported in the appropriate table of changes below:

	Receivables due from customers recorded under current assets	Tax receivables recorded under current assets	Other receivables recorded under current assets	Total receivables recorded under current assets
Opening balance	401.339	442.748	-	844.087
Changes during the year	1.115.848	1.024.192	854.052	2.994.092
Closing balance	1.517.187	1.466.940	854.052	3.838.179
Amount due within 12 months	1.517.187	1.466.940	854.052	3.838.179
Amount due after 12 months	-	-	-	-

Receivables due from customers recorded under current assets

Given the company carries out predominantly retail activities, which entails the collection of payments early or on delivery, the trade receivables at the reporting date relate mostly to co-marketing and promotional services to counterparties of prime standing. They include invoices to be issued for Euro 416,045 which have been fully issued at the date of these financial statements. The risk of insolvency has therefore been estimated by management as limited, so there was no need to recognise any provisions for the write-down of receivables. Lastly, it should be noted that, as of today, roughly 70% of the main receivables outstanding as at the reporting date have been collected.

Tax receivables recorded under current assets

Tax receivables, amounting to Euro 1,466,940, refer for Euro 1,316,981 to the VAT credit accrued as at 31/12/2019 which will be used in 2020 up to a maximum of Euro 700,000 to offset other taxes and the remainder as a "horizontal" offset with current VAT payables. It should be noted that the company is in VAT

credit, owing to the type of business it performs. In fact, purchases are primarily subject to VAT at a rate of 22% while sales are made largely through the application of a “distributed” VAT rate. The difference relates to other tax receivables.

Other receivables recorded under current assets

Other receivables recorded under current assets refer for:

- Euro 350,000 to the receivable for the sums paid in advance to the company SOFIB SRL, the promissory selling party in the preliminary property sale agreement for the commercial property located in the Municipality of Vecchiano (PI), Migliarino Pisano district, to be used as a new advanced logistics hub. As reported in “Subsequent events”, on 6 February 2020, the contract which provides the option right for the purchase of the property for warehouse use was terminated and, at the same time, a property lease was signed for the purchase as user of the same property; consequently, the amount of Euro 350,000 was repaid by the supplier to the company.
- Euro 243,984 to the receivable for collections to be registered in relation to sales completed close to the end of the year but still not credited to the company’s current accounts.

Current financial assets

Financial assets that do not constitute equity investments totalled Euro 2,919,929 (Euro 198,616 in the previous year).

They are represented by securities and notes issued by banks as well as investment of excess liquidity in mutual investment funds.

It should be noted that the securities that do not constitute fixed assets are composed, for Euro 1,600,000 from bank-issued securities, for Euro 960,500 by insurance policies with guaranteed return and for Euro 359,429 by listed investment funds, all with Investment Grade risk. Securities are measured at the lower of the specific cost and the market value.

It should be noted that, as a result of the financial crisis connected with the spread of the Coronavirus pandemic, in March 2020, some securities recorded a decrease. The value of investment funds at the date of these financial statements is equal to roughly Euro 330,000. The other securities instead recorded significant decreases.

Cash and cash equivalents

The cash and cash equivalents included in current assets amounted to Euro 3,503,685 (Euro 277,793 in the previous year), and include credit balances in current accounts and cash.

The breakdown and changes in the individual items are shown below:

	Bank and post office deposits	Cash at bank and on hand	Total cash and cash equivalents
Opening balance	234.589	43.204	277.793
Changes during the year	3.229.105	(3.213)	3.225.892
Closing balance	3.463.694	39.991	3.503.685

The item Cash at bank and in hand is represented by cash present in the physical sale points at year-end as well as “contrassegno” -cash-on-delivery- collections.

For more details on the change in cash and cash equivalents, please refer to the statement of cash flows.

5.3 Accrued income and prepaid expenses

Accrued income and prepaid expenses came to Euro 254,731 (Euro 35,271 in the previous year).

The breakdown and changes in the individual items are shown below:

	Prepaid expenses	Total accrued income and prepaid expenses
Opening balance	35.271	35.271
Changes during the year	219.460	219.460
Closing balance	254.731	254.731

Prepaid expenses refer to:

- Lease Maxicanone (“initial larger lease instalment”)	Euro 130,000;
- Software licences	Euro 38,584
- Update costs	Euro 33,000
- Other prepaid expenses	Euro 53,147

The item Lease “maxicanone” refers to the advances paid in relation to the automation of the newly opened warehouse. By contrast, the item “Other” includes rental fees, software fees paid in advance and insurance premiums.

Capitalised financial charges

In compliance with the requirements of art. 2427, point 8, of the Italian Civil Code, no financial charges were recognised in any items under balance sheet assets during the year.

Explanatory notes - Liabilities and shareholders’ equity

Changes in the balances of items under liabilities and shareholders’ equity are described below.

5.4 Shareholders' equity

Shareholders' equity totalled Euro 12,187,003 at the close of the year (Euro 2,245,709 in the previous year).

The tables below highlight the changes that occurred during the year in the individual items that make up shareholders' equity.

Share capital at 31 December 2019 is composed of 5,734,000 shares without nominal value.

Changes in the items of shareholders' equity

	Share capital	Share premium reserve	Legal reserve	Miscellaneous other reserves	Retained earnings (losses carried forward)	Profit/(loss) for the year	Total shareholders' equity
Value as at 31.12.2017	50.000		5.562		(425.531)	183.155	(186.814)
Allocation of profit for the previous year			9.157		173.998	(183.155)	-
Share capital increase	120.000				(120.000)		-
Share capital increase in kind	2.030.000			138.451			2.168.451
Result for the year						264.072	264.072
Value as at 31.12.2018	2.200.000	-	14.719	138.451	(371.533)	264.072	2.245.709
Allocation of profit for the previous year	-				264.072	(264.072)	-
Share capital increase through AIM listing	667.000	9.338.000					10.005.000
Coverage of losses of previous years				(107.464)	107.461		-
Result for the year						(63.703)	(63.703)
Value as at 31.12.2019	2.867.000	9.338.000	14.719	30.987	-	(63.703)	12.187.003

The increase in shareholders' equity is due essentially to the increase in share capital of Euro 667,000 on 19/06/2019 and the share premium of Euro 9,338,000 as a result of the share subscriptions as part of the AIM Italia listing, for a total of Euro 10,005,000.

The year 2019 closed with a loss of Euro 63,703.

Available funds and use of shareholders' equity

The following table, pursuant to point 7-bis of art. 2427 of the Italian Civil Code, shows the items of shareholders' equity, specifying, for each one, the nature and possibility of use/distributability:

	Amount	Possibility of use
Share capital	2.867.000	B
Share premium reserve	9.338.000	A,B
Legal reserve	14.719	A,B
Other reserves		
Miscellaneous other reserves	30.987	A,B
Total other reserves	30.987	
Losses carried forward	-	
Total	12.250.706	

KEY / NOTES:

- A = for share capital increases
- B = to cover losses
- C = for distribution to shareholders
- D = for other statutory restrictions
- E = other

5.5 Employee severance indemnity

Information on employee severance indemnity

The provision for Employee severance indemnity is recognised in compliance with the provisions of the applicable legislation and corresponds to the Company's actual commitment to the individual employees at the reporting date, less advance payments made.

Employee severance indemnity is recognised under liabilities for a total Euro 187,972 (Euro 126,075 in the previous year).

The breakdown and changes in the individual items are shown below:

	Employee severance indemnity
Opening balance	126.075
Changes during the year	
Provision for the year	89.195
Other changes	(27.298)
Total changes	61.897
Closing balance	187.972

5.6 Payables

Changes and expiry of payables

Payables are recognised under liabilities for a total of Euro 16,329,838 (Euro 9,780,316 in the previous year).

The breakdown of the individual items is as follows:

	Amounts due to banks	Payables to suppliers	Tax payables	Payables to social security institutions	Other payables	Total payables
Opening balance	1.685.615	7.903.206	50.257	39.138	102.100	9.780.316
Changes during the year	2.566.687	3.910.880	4.708	37.783	29.464	6.549.522
Closing balance	4.252.302	11.814.086	54.965	76.921	131.564	16.329.838
Amount due within 12 months	2.151.187	11.814.086	54.965	76.921	131.564	14.228.723
Amount due after 12 months	2.101.115	-	-	-	-	2.101.115

Payables due to banks totalled Euro 4,252,302 and relate to loans stipulated in order to consolidate company activities for Euro 1,817,821 and, for the remainder, current account overdrafts. Of this amount, Euro 2,151,187 is due within 12 months and Euro 2,101,115 after 12 months. Payables due to banks are not subject to guarantees or respect for covenants.

The table below shows the loans in place as at 31 December 2019.

FARMAÈ S.P.A. - EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Bank	Amount	Maturity	Rate	Due within 12 months	Due after 12 months	Beyond 5 years
CRV 156150 loan	180.000	18/12/2023	6-month Euribor rate + 5.25%	19.320	63.977	-
CRV 169742 loan	150.000	20/08/2023	6-month Euribor rate + 2.75%	29.518	82.276	-
UBI loan no. 1282076	400.000	21/08/2023	Fixed 3.50%	78.062	222.019	-
B.POP 4154103 loan	500.000	31/12/2022	Fixed 1.78%	133.333	266.667	-
Credem loan	250.000	19/03/2020	Fixed 0.9%	62.711	-	-
BPER 4449685 loan	400.000	18/02/2020	3-month Euribor rate +0.85%	66.903	-	-
CRV 171755 loan	500.000	20/02/2024	6-month Euribor rate + 21m15%	97.905	321.971	-
UBI loan no. 1521789	500.000	17/09/2020	3-month Euribor 360 MMP + 2.20%	376.023	-	-
MPS 74189996726 loan	200.000	31/10/2023	6-month Euribor rate + 1.95%	39.341	115.720	-
BPM 4339668 loan	500.000	30/06/2020	3-month Euribor rate + 5%	250.875	-	-
MPS 4016748 loan	200.000	31/07/2020	6-month Euribor rate + 1.95%	200.000	-	-
MPS 4025767 loan	400.000	30/11/2024	6-month Euribor rate + 1.50%	77.717	315.859	-
INTESA 4563732 loan	500.000	20/11/2024	1-month Euribor rate + 2.35%	96.373	395.679	-
CRV 174480 loan	400.000	27/11/2024	6-month Euribor rate + 2.5%	76.730	316.946	-
UNICREDIT 6-month loan	200.000	06/04/2020	Fixed 0.90%	200.000	-	-
FIDITALIA loan	19.250	28/12/2020	Fixed 6.25%	13.010	-	-
TOTAL				1.817.821	2.101.115	-

Trade payables amounting to Euro 11,814,086 relate to commercial transactions under the normal payment terms, all expiring within one year.

The breakdown by geographic area is not significant given that almost all purchases are made from Italian counterparties.

Tax payables are eliminated by receivables for advances for IRES (corporate income tax) and IRAP (regional business tax) paid to the Italian Revenue Agency in 2019, which highlighted a net credit position with the Italian Revenue Agency. The debt positions of Euro 54,965, nonetheless, refer to withholdings to be paid on employee and freelance income and direct and indirect tax payables.

Payables to welfare and social security institutions, amounting to Euro 76,921, refer to current contributions

including amounts due to supplementary pension funds.

Other payables, amounting to Euro 131,564, include current payables due to employees for wages and salaries, monthly pay and holidays not taken and other payables.

Payables secured by collateral on company assets

No payables secured by collateral on company assets are recorded in the financial statements.

Payables relating to repurchase transactions

No payables relating to repurchase transactions were recorded.

It is specified that the company has not subscribed any derivative financial instruments.

5.7 Accrued expenses and deferred income

Accrued expenses and deferred income totalled Euro 6,983 (Euro 10,525 in the previous year) and refer to bank charges

6 Receivables and payables with a residual duration of more than five years

The company does not have any receivables or payables with a residual duration of more than five years.

7 Detailed information on the income statement

Explanatory Notes - Income statement

7.1 Value of production

Pursuant to the provisions of art. 2427, point 10 of the Italian Civil Code, it is specified that the revenues relate mainly to the retail sale of “parafarmaci” (unregulated, i.e. not on any list compiled by the Ministry of Health, OTC drugs that can be bought in pharmacies), over-the-counter drugs and orthopaedic products, especially through the e-commerce channel. As represented in the table below, in 2019, roughly 99% of revenues were generated in the domestic market and approximately 1% in the foreign markets (EEC countries/non-EEC countries).

The value of production also includes, for an amount of Euro 1,199,250, revenues for services (co-marketing).

The table below shows the trend in revenues, compared with the previous year.

The breakdown by business category is not deemed significant, given that revenues refer entirely to the

company's core business, as defined above.

Description	Current period	Previous period	Change
1) Sales and service revenues	37.408.345	24.752.870	12.655.475
2) Change in inventories of work in progress, semi-finished and finished products	3.867.620	3.074.473	793.147
5) Other revenue and income	226.378	33.054	193.324
Total	41.502.343	27.860.397	13.641.946

The item "Other revenue and income" includes the insurance reimbursement obtained following the recognition of atmospheric damages equal to Euro 109,655, plus other non-recurring revenues.

Breakdown of sales and service revenues by geographic area

While referring you to the report on operations for detailed comments on their trend, their breakdown by geographic area is shown below..

Geographic area	Sales - Italy	Sales - European Union	Total
Value in current year	37.034.262	374.083	37.408.345

Revenues from the sale of goods and provision of services amounted to Euro 37,408,345. The item "Change in inventories of work in progress, semi-finished and finished products", amounting to Euro 3,867,620 (Euro 3,074,473 as at 31 December 2018) includes the change in the quantity of closing inventories as at 31 December 2019 compared to the opening inventories at 31 December 2018.

No non-recurring revenues of a significant size were posted which are worthy of comments and details.

7.2 Costs of production

As already specified in the section dedicated to the Value of production and with the same purpose of allowing a correct interpretation of the balance sheet data and, in particular, in order to provide precise information on the process of formation of the result for the year, it is necessary to point out that the costs of production were not influenced by the extraordinary expenses of significant size as such to be worthy of comments and details.

Summary comments of the economic performance in the year are provided below:

Costs for raw materials, consumables and goods for resale

Costs of raw materials, consumables and goods for resale, net of returns, rebates and discounts totalled Euro 29,038,969 (Euro 19,012,210 in the previous year).

Costs for services

Costs for services are recognised as part of costs of production in the income statement for a total of Euro 9,110,429 (Euro 6,570,137 in the previous year).

Description	2019	2018	Change
Transport costs	3.550.758	2.573.489	977.269
Advertising and promotion costs	1.740.270	1.037.030	703.240
Warehousing and logistics services	1.095.567	692.472	403.095
Technical consultancy and communication	934.066	852.392	81.674
Collection and bank fees	784.174	531.531	252.643
Directors' fees	199.133	325.012	(125.879)
Software support fees	166.093	83.016	83.077
Telephone costs	125.553	78.498	47.055
Legal expenses	67.634	21.312	46.322
Insurance services	50.284	24.405	25.879
Hotels, restaurants, travel and transfers	48.069	22.935	25.134
Professional consultancy services	45.245	142.823	(97.578)
Electricity	43.296	21.876	21.420
Waste disposal service	39.900	1.338	38.562
Cleaning service	33.125	17.238	15.887
Sundry expenses for vehicles	19.347	8.221	11.126
Joint venture fees	18.493	11.105	7.388
Maintenance and repairs	16.524	7.429	9.095
Entertainment expenses	12.909	8.150	4.759
Maintenance and repairs to third-party assets	3.908	10.540	(6.632)
Postal and franking expenses	2.915	442	2.473
Water	673	3.742	(3.069)
Other	112.493	95.141	17.352
TOTAL	9.110.429	6.570.137	2.540.292

Transport expenses refer to the costs incurred by the company for free shipping for customers, while logistics services relate to the costs of goods handling in the storage depots. The increase in the two items is connected with the expansion in the sales volumes achieved in the year.

Web advertising and promotion expenses are attributable primarily to the costs incurred on the Google platform. It should be noted that the item technical consultancy includes costs to the related party Valnan S.r.l. of Euro 489,743. For more details please refer to the paragraph "Information on transactions with related parties".

Collection and bank fees refer to the collection services used by the company, incurred mainly through the financial platforms Pay-Pal and Braintree.

The reduction in costs for directors' fees is connected with the partial waivers of directors' emoluments in relation to 2019.

Lastly, legal expenses include the costs incurred for bringing the company into line with the Privacy legislation.

Costs for the use of third-party assets

Costs for use of third-party assets are booked under costs of production in the income statement for a total of Euro 327,448 (Euro 254,825 in the previous year).

The individual items are broken down as follows:

Description	Current peri-od	Previous period	Change
Rents payable	223.026	200.251	22.775
Rental fees	104.422	54.574	49.848
TOTAL	327.448	254.825	72.623

The item mainly refers to lease fees incurred for the use of commercial properties where the physical sales points carry out activities, as well as buildings for warehouse and goods shipping use which have been decommissioned as a result of the transfer to the new logistics hub. The increase is connected with the new logistics warehouse whose lease agreement took effect in July and became fully operational starting from November 2019.

Personnel costs

The item "Personnel costs", amounting to Euro 1,844,000 (Euro 1,151,834 as at 31 December 2018) includes the costs incurred in the year for employees.

Description	Current period	Previous period	Change
a) wages and salaries	1.354.248	870.374	483.874
b) social security charges	400.557	201.069	199.488
c) employee severance indemnity	89.195	49.083	40.112
e) other costs		31.308	-31.308
Total personnel costs	1.844.000	1.151.834	692.166

More specifically, item B9a) includes salaries and wages including the amounts accrued and not paid relating to additional months' pay and holidays accrued and not taken before withholdings for taxes and social security charges payable by the employee; item B9b) includes the expenses payable by the company, net of "taxed" amounts; item B9c) includes allocations set aside in the period for employee severance indemnity and, lastly, item B9e) includes other costs.

In compliance with the provisions of art. 2427, no. 15 of the Italian Civil Code, we inform you that the changes in personnel and subsequent average number are as follows:

	White collar	Total
Start of year	37	37
Hires/promotions	23	23
Exits/promotions	2	2
End of year	58	58
Average number	46	46

Depreciation/amortisation and write-downs

The item “depreciation/amortisation and write-downs” amounting to Euro 970,828 (Euro 144,979 in the previous year) includes the amortisation of intangible fixed assets for Euro 813,381 and depreciation of property, plant and equipment of Euro 157,447.

None of the intangible fixed assets and property, plant and equipment booked to the financial statements was subject to write-downs, given that none of them suffered impairment.

Sundry operating charges

Sundry operating charges are recognised as part of costs of production in the income statement for a total of Euro 177,416 (Euro 261,249 in the previous year).

The individual items are broken down as follows:

Description	Current period	Previous period	Change
Various taxes and duties	16.010	8.436	7.574
Chamber of Commerce fees	2.936	1.766	1.170
Non-deductible fines and penalties	19.914	7.203	12.711
Ordinary capital losses	3.067	-	3.067
Contingent liabilities	62.550	11.704	50.846
Gifts to customers	11.565	203.965	(192.400)
Charitable donations	-	2.553	(2.553)
Losses on receivables	20.077	-	20.077
Other	41.297	25.622	15.675
TOTAL	177.416	261.249	(83.833)

It should be noted that the item “Gifts to customers” declined significantly if compared with the previous year, due to the fact that, in 2018, the company purchased products intended for “gifts” which were also used in the current year.

Losses on receivables refer to an amount that was posted as a loss following an extraordinary event.

7.3 Financial income and charges

Pursuant to art. 2427, paragraph 1, letters 11) and 12) of the Italian Civil Code, we report that, during the year, the company did not record any income from equity investments and did not expense, in the income statement, any interest and financial charges other than those pursuant to art. 2425, no. 17 of the Italian Civil Code.

It should be noted that item C) 17) e) of the income statement includes an amount of Euro 8,287, corresponding to the amount of “figurative interest expense” deriving from the application of the amortised cost method in the measurement of the receivable for non-interest bearing loans, as detailed in the section of these Explanatory Notes dedicated to financial fixed assets.

Amount and type of individual revenue elements of an exceptional impact

Pursuant to art. 2427, point 13 of the Italian Civil Code, it should be noted that, during the current year, no revenue elements were recognised that, in terms of value or size, can be considered as having an exceptional impact.

Amount and type of individual cost elements of an exceptional impact

Pursuant to art. 2427, point 13 of the Italian Civil Code, it should be noted that, during the current year, no cost elements were recognised that, in terms of value or size, can be considered as having an exceptional impact.

7.4 Income taxes for the year – current, deferred and prepaid

Current, deferred and prepaid taxes

Taxes are allocated on the basis of the forecast expense pertaining to the year.

IRES (corporate income tax)	Euro //
IRAP (regional business tax)	Euro 19.912
Taxes relating to previous years	Euro //
Total	Euro 19.912

A summary table of the reconciliation between the applicable tax rate and the average effective tax rate is provided below:

Calculation of taxable income for IRAP purposes

Difference between value and costs of production	33.253	
Costs not relevant for IRAP purposes	271.556	
Costs of employees and other non-deductible costs	1.844.000	
Deductions due	(1.735.690)	
Total	413.120	
Current IRAP for the year (rate 4.82%)		19.912

8 Other information

Fees and advances of directors and statutory auditors

Pursuant to art. 2427, point 16 of the Italian Civil Code, it should be pointed out that, during the current year, the company incurred costs for directors' fees totalling Euro 199,133, of which Euro 168,886 for gross fees and Euro 30,247 in the form of social security contributions payable by the company.

During the year, fees were paid to members of the Board of Statutory Auditors totalling Euro 17,348.

Independent Auditors' fees

The independent audit of the financial statements and legally-required audit of the accounts are entrusted to the independent auditors Deloitte and Touche.

The information regarding fees to the independent auditors, pursuant to art. 2427, paragraph 1, number 16-bis of the Italian Civil Code is provided below:

	Value
Annual accounting audit	22.000
Limited audit of interim financial statements	8.000
Total fees due to the independent auditors	30.000

Total amount of commitments (including leases), guarantees and contingent liabilities

In compliance with the provisions of art. 2427, paragraph 1, no. 9) of the Italian Civil Code, it is communicated that, at the end of 2019, lease no. SI82058 was signed for a purchase amount of Euro 650,000, targeted at the acquisition, as user, of a WMS machine, and automation and handling lines and systems in service of the picking and preparation of orders complete with accessories and equipment. This section includes the commitment assumed in terms of the consideration of the lease agreement amounting to Euro 675,015.45, whose effects in the income statement will only be recognised from 2020 onwards.

In the event in which the company had adopted the aforementioned financial method, in compliance with no. 22 of art. 2427 of the Italian Civil Code, this would have the following effects:

Description	Amount
	Pisa warehouse automation and handling lines and systems
Present value of instalments not past due	495.507
Interest expense pertaining to the year	3.031
Historical cost	650.000
Depreciation in the year	35.165
Book value	614.835

There are no other commitments or contingent liabilities.

Securities and financial instruments issued by the company

Pursuant to art. 2427 of the Italian Civil Code, it is specified that the company did not issue any financial instruments and securities.

Total amount of commitments, guarantees and contingent liabilities

During the current year, there are no off-balance sheet commitments, guarantees and contingent liabilities held by the company.

Information on assets and loans allocated for a specific business project

The company did not establish, within its assets, any asset to be used exclusively for a specific business project pursuant to art. 2447-bis, letter a) of the Italian Civil Code, nor did it stipulate any loan agreements that fall under the cases set forth in art. 2447-bis, letter b) of the Italian Civil Code.

Information on transactions with related parties

Pursuant to art. 2427, point 22/bis of the Italian Civil Code, information on transactions carried out during the current year by the company with related parties is provided below.

In 2019, the company had dealings with the following companies:

- Restart S.r.l. (Tax Code and VAT no. 02516190465)
- Bewow S.r.l. (Tax Code and VAT no. 02324350467)
- Valnan S.r.l. (Tax Code and VAT no. 01348440460)

All the above companies are headed up by the company's majority shareholder.

The following table shows the equity and economic transactions entered into with related parties in the year ended as at 31 December 2019:

(in euro)	receivables	financial re-ceivables	payables	revenues	costs	financial charg-es	Total purchased and capitalised in the year
RESTART SRL	-	-	-	-	-	-	91.967
BEWOW SRL	-	675.703	-	-	56.133	8.287	-
VALNAN SRL	-	-	-	1.956	489.743	-	430.000

In relation to the related party Bewow S.r.l., a receivable for non-interest-bearing loans is recognised under assets, which, as pointed out in another part of these Explanatory Notes, was measured using the amortised cost method based on an implicit interest rate of 5%. Payments in half-yearly instalments is guaranteed contractually on said loan, the last of which falling due on 31/12/2022.

Commercial transactions involving technical consultancy, for an amount of Euro 489,743, were entered into with the company "Valnan S.r.l." (with a sole shareholder), as outlined in the paragraph relating to "costs for services". Services were also provided for the creation, development and promotion of new sections of the e-Commerce website and the new management software, as well as for the conception and implementation of a feasibility study on logistics and on the new warehouse, able to construct a new indicative procedure on the new services for the company in its development over the next few years. The activities relating to this second type of service are capitalised under intangible fixed assets for a historical cost value of Euro 430,000. These transactions are regulated under market prices comparable with the prices applied by other operators to said company "Farmaè S.p.A." in the current year.

Costs relating to Restart refer to capitalisations in the year, in particular for the interactive sales point feasibility study (analysis of feasibility of omni-channel strategy, Italian and international market benchmark, Italian market start-up benchmark, design&ux for new interactive points, management and coordination of third parties, omni-channel strategy for interactive sales points) and warehouse feasibility study (logistics as marketing tool, "last mile" management, Italian market benchmark on e-commerce logistics, new consumer requirements, "state of art" overview of warehouses, feasibility studies on new systems, on design criteria, new warehouse development).

Local units

During the current year, the company operated not only in the registered office, but also at the local units listed below:

- Lido di Camaiore, Via Aurelia at Versilia Hospital (store)
- Pistoia, Via Ciliegiole snc at the hospital facility (store)
- Lucca, Via G. Lippi Francesconi snc at the hospital facility (store)
- Prato, Via Suor Niccolina Infermiera, no. 20 at the hospital facility (store)

- Massa, Via E. Mattei, no. 21 at the hospital facility (store)
- Cecina, Via Montanara, no. 52 (store)
- Viareggio, Via Marco Polo, no. 139 (Offices)
- Viareggio, Piazza Mazzini, no. 20 (Offices)
- Vecchiano (PI), Via Traversagna, no. 26 (warehouse)
- Vecchiano (PI), Via Traversagna, no. 26 (store)
- Viareggio (LU), Viale Marconi, no. 84 PT and P1 (store and hair and beauty salon).

Information on off-balance sheet agreements

Pursuant to no. 22-ter of art. 2427 of the Italian Civil Code, it should be noted that, at the end of the year, there were no agreements (or other deeds, including related to one another) that expose the company to significant risks whose effects are not recorded in the balance sheet, and knowledge of which could be useful for an evaluation of the company's financial position and economic result.

Information on significant events after the close of the year

As is well known, from January 2020, the national and international scenario was gradually impacted by the spread of the Coronavirus and subsequent restrictions to contain it, put in place by the Government authorities of the countries concerned. These circumstances, extraordinary in nature and scope, are having direct and indirect repercussions on economic activity and have created a general scenario of uncertainty. Despite being a subsequent event that does not need to be acknowledged in the balance sheet values in accordance with OIC 29, the company management conducted a risk analysis in order to determine the potential risks as well as the future impacts connected with the spread of the Coronavirus also with reference to business continuity. In this regard, at business level, the directors believe that the impacts of the Coronavirus are limited. In particular, these could concern, first and foremost, the part connected with the provision of services like co-marketing with partner companies and the sale at physical sale points (pharmacies) and the new Beautyè perfume shop. With reference to the provision of services, these could be postponed by partner customers or could be subject to delays in the collections of the services performed or to be performed, a fact that could, in any case, have a modest impact on the cash flows of the company given that these revenues currently make up an insignificant portion of turnover. With reference to the second activity, the restrictions imposed could negatively impact the turnover of pharmacies and the perfume shop, whose impact, as for the services described above, on total company turnover is insignificant. With reference to the core business (sales via on-line channel), by contrast, the directors do not expect any negative impacts in terms of product demand, while there could be negative effects at operational level in relation to i) the restrictions imposed by the Government whose tightening could make certain areas inaccessible for the delivery of products or ii) the unavailability of couriers for delivering said goods, actually limiting the company's ability to deliver the products and earn revenues, despite the demand and, lastly, iii) to possible difficulties in product procurement. These effects are, nonetheless, irrelevant at present and the company's performances are suited to confirming the going concern assumption and the assessment of balance sheet items.

Pursuant to art. 22 quater of the Italian Civil Code, it should be noted that, following the close of the year and, in particular, on 6 February 2020, the contract which provides the option right for the purchase of the property for use as a warehouse and shipping hub in the Municipality of Vecchiano (PI), Migliarino Pisano district, was terminated and, at the same time, a property lease for Euro 3,916,000 was signed by means of deed of the Notary Agata Capo located in Viareggio, for the acquisition of said property as user. Consequently, the amount of Euro 350,000 paid as consideration of the option right, based on agreement between the parties, was commuted on account as a lease “maxicanone” (initial large lease instalment).

Information relating to derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code.

In compliance with provisions of art. 2427-bis of the Italian Civil Code, it should be noted that the company did not stipulate any derivative financial instruments, during the current year or in previous years.

Proposal to allocate profits or cover losses

We propose that you approve the financial statements for the year ended 31/12/2019 and carry forward the loss for the year of Euro 63,703.

9 Conclusions

These Explanatory Notes constitute an inseparable part of the financial statements and the accounting information contained therein corresponds to the accounting records of the company kept in compliance with the regulations in force; in addition, subsequent to year-end and up until today, no events have occurred as such to make the current financial position essentially different from the one reported in the balance sheet and income statement or to require additional adjustments or supplementary notes to the financial statements.

Statement of compliance

It is hereby stated that the electronic document in XBRL format containing the balance sheet, the income statement, the explanatory notes and the statement of cash flows conforms to the corresponding original documents filed at the company.

THESE FINANCIAL STATEMENTS CONFORM TO THE RESULTS OF THE ACCOUNTING RECORDS AND ARE TRUE AND ACTUAL.

BOARD OF DIRECTORS

Riccardo Iacometti	Chairman & CEO
Giuseppe Cannarozzi	Director
Maurizio Paganini	Director
Alberto Maria Maglione	Director
Dario Righetti	Independent Director



REPORT OF THE AUDITING COMPANY



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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
Farmaè S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Farmaè S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2019, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

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 requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine 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, the Directors are 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 they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, 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 International Standards on Auditing (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 International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude 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.
- Evaluate 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 communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Farmaè S.p.A. are responsible for the preparation of the report on operations of Farmaè S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.



We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Farmaè S.p.A. as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Farmaè S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Davide Bertoia
Partner

Milan, Italy
April 6, 2020

This report has been translated into the English language solely for the convenience of international readers.

