

Press Release

FARMAÈ: FIRST HALF OF THE YEAR UP SHARPLY

In the first six months, all the main economic, financial, and operating indicators were very positive: revenues +76%, adj ebitda +26%, net financial position positive at Euro 2.6 million, orders +81%

- REVENUES at Euro 31.3 million, +76% compared to the first half of 2019 thanks to a positive performance of all commercial lines
- ADJ EBITDA¹ increased by 26% to Euro 1.1 million compared to Euro 0.8 million in the first half of 2019
- Net result substantially equal at Euro -0.3 million compared to Euro 0.1 million in the first half of 2019 due to sudden and unforeseeable costs for the Covid emergency, costs for promotion activities and higher amortisation/depreciation related to the new automated warehouse.
- Positive Net Financial Position of Euro 2.6 million, an improvement compared to Euro 2.1 million at 31 December 2019
- The number of web visitors more than doubled to over 20.8 million compared to 10.2 million in the first half of 2019
- Orders grew by +81% to 696 thousand, placed by almost 250 thousand active customers (+74%)

Viareggio, 25 September 2020 – The Board of Directors of **Farmaè S.p.A.** – a company listed on the AIM Italia market of Borsa Italiana, leader in Italy in the e-retailing of health and wellness products – has approved the Half-Year Report as at 30 June 2020, prepared in accordance with the AIM Italia Issuers' Regulations and in compliance with Italian accounting standards.

*“It is with great pride - commented **Riccardo Iacometti**, Founder and CEO of **Farmaè S.p.A.** - that we present such positive figures to the market today. Despite a global economic scenario that was significantly penalised by the current pandemic, in the first six months of the year, we were able to confirm the solidity of our business model, demonstrating in concrete terms that we can face the challenges and obstacles of an unprecedented health emergency. With perseverance, commitment and strong dedication, especially of our employees, together with the functionality and flexibility of our IT systems and organisational structures, we have been able to provide an immediate response to the growing demand for healthcare products, but not only, registered on our platforms. The strong increase in online revenues and sales, together with the number of visitors, which continued to rise*

¹ The adjusted gross operating margin (also referred to as Adjusted EBITDA) indicates the result before financial expenses, taxes, amortisation/depreciation of fixed assets, non-recurring income and expenses and finance lease payments. The adjusted gross operating margin therefore represents an approximation of the cash generation, therefore excluding non-monetary elements, such as the amortisation/depreciation of fixed assets. The adjusted gross operating margin thus defined represents the indicator used by the company's directors to monitor and evaluate the company's business performance.

to over 20 million in the first half of the year, allow us to consolidate our leadership position more and more. We are very proud of the perception that the market has of our Company and we are already evaluating new solutions, especially technological solutions, to provide an even more efficient service that meets the needs of our customers and appeals to future Farmaè buyers”.

MAIN ECONOMIC-FINANCIAL RESULTS AS AT 30 JUNE 2020

	30/06/2020	30/06/2019	Absolute change	% change
(Data in Euro)				
Online sales	29,186,867	16,271,788	12,915,079	79%
Offline sales	1,076,959	971,796	105,163	11%
Co-marketing	1,046,000	600,000	446,000	74%
Other revenues	-	11,838	(11,838)	
Production Value	31,309,826	17,855,422	13,454,404	76%

REVENUES

In the first half of 2020, Farmaè achieved excellent growth in **sales revenues**, equal to Euro 31.3 million, an increase of 76% compared to Euro 17.8 million in the first half of 2019.

The *online* segment recorded turnover of Euro 29.2 million, marking an increase of +79% compared to the same period in the previous year. 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 were Euro 1.1 million, an increase of 11% compared to the first half of 2019. The increase in volumes is related to the improvement in Like for Like performance of the stores that consolidated sales in the current half year.

The *co-marketing* turnover was Euro 1.0 million for an incremental value of 74% compared to the first half of 2019. This significant result is due to the increasingly closer partnership with businesses in the sector, which sees Farmaè as the only true contact point in the online health and well-being market.

In the first half of 2020, the web portal reached more than 20.8 million visitors compared to 10.2 million in the first half of 2019, with a conversion rate to purchase higher than the national average, mainly thanks to innovative digital strategies. In the first half of the year, Farmaè also recorded 696 thousand orders compared to 385 thousand received in the first half of 2019, orders placed by almost 250 thousand active customers (144 thousand in the same period of 2019). Lastly, 3.7 million products were sold in the first half of 2020, compared to 2.0 million products sold in the first half of 2019.

OPERATING COSTS

	30/06/2020	30/06/2019	Absolute change	% change
(Data in Euro)				
Consumption of materials	23,235,411	13,108,412	10,126,999	77%
Costs for services	8,824,609	3,883,647	4,904,962	127%
Sundry operating costs	94,046	107,438	(13,392)	(12%)
Production Costs	32,154,066	17,099,497	15,018,569	88%

Operating costs amounted to Euro 32.1 million, an increase of 88% compared to Euro 17.1 million in the first half of 2019.

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.

The increase in service costs is affected by the costs incurred following the national health emergency, relating to the purchase of safety devices, the purchase of devices to guarantee the greatest interpersonal safety distance, as well as by higher logistics costs resulting from the organisation of set-ups in March and April in three daily shifts and, finally, by higher transport costs due to missed deliveries following unscheduled and unforeseeable closures of “red areas” in around 2,500 municipalities.

The **Gross Operating Margin (EBITDA)** was Euro 0.8 million, substantially in line with the first half of the previous year.

Adjusted EBITDA

Adjusted EBITDA was Euro 1.1 million. It is considered appropriate to highlight this indicator according to the technical forms used for the supply of financial sources to cover recent productive investments. As is well known, during the period under review, the Company strengthened its logistics structure with the acquisition of an instrumental property and an initial automation system. Both investments were financed through the stipulation of financial leasing contracts which, in the first half of 2020, affected the income statement and the “nominal” EBITDA with the recording of leasing instalments and maxi fee for a total of Euro 243,654.

The different technical form of obtaining financial resources, through the signing of a mortgage contract, would have led to the recording in the income statement of depreciation of Euro 53,745 (estimated useful life of the asset of 33 years instead of the duration of the leasing contract of 10 years) and interest payable for the mortgage estimated at Euro 31,618.

The pre-tax result is negative Euro 386,461. Net of the above adjustments, the pre-tax result would have been negative for Euro 228,170.

The **Net Result** is negative Euro 293,933. This value is affected not only by the aforementioned costs, but also by the greater impact of the depreciation related to the investments on the new automated warehouse, the costs of admission to trading of the Company’s shares on the AIM Italia market and the amortisation of the “Farmaè” brand.

STATEMENT OF FINANCIAL POSITION

	30/06/2020	31/12/2019
(Data in Euro/000)		
Fixed assets	8,049	7,506
Net working capital	1,475	2,697
Net financial position	2,607	2,171
Net equity	11,893	12,187

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 admission to trading of the Company's shares on the AIM Italia market completed in 2019.

We highlight the marked improvement in the net financial position that in the first half of 2020, was positive for Euro 2.6 million compared to negative Euro 0.9 million in the first half of 2019, and positive Euro 2.2 million as at 31 December 2019.

Income management also generated operating cash of Euro 1.6 million, a sign of sound management.

Significant events in the period

On 6 February 2020, a real estate leasing contract was signed for the property located in Migliarino Pisano (PI) for warehousing, storage and shipment of goods. Subsequently, the aforementioned property was equipped with a first automation system, already definitively installed in the first half of the year, and with a second automation system being installed.

On 23 April 2020, the acquisition by Farmaè of 100% of the share capital of Valnan S.r.l. was finalised (for further information, please refer to the press release of 23 April 2020 available on the website www.farmaegroup.it, "Investor Relations" section).

On 1 June 2020, Farmaè announced that Director Maurizio Paganini, who was also Chief Financial Officer, resigned from his position as Director on 26 May, with effect from 31 May 2020. Following the resignation of the Director Mr. Paganini, the Company appointed Giuseppe Cannarozzi, former Director of the Company, as the new Chief Financial Officer of Farmaè.

On 17 June 2020, a new sales outlet was opened in the Municipality of Sarzana in response to the sale of the relevant business unit to Farmaè.

Covid-19 Disclosure

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 management relate to:

i) operational risks, linked to potential restrictions on operations resulting from possible interdiction measures imposed by the Authorities, as well as restrictions on movements that could delay certain business processes such as delivery of products and/or procurement of marketed items for sale;

- ii) market risks, linked to the possible contraction of the economy;
- iii) risk of deterioration of the solvency degree of commercial counterparties;
- iv) risk of supply of raw materials if measures restricting the movement of persons and the transport of non-perishable/urgent goods are reintroduced.

The results achieved in the first half of the year were positive, despite the lockdown and the critical period due to the pandemic, which caused a sharp slowdown in all economic activities worldwide. During this period, the Group was able to guarantee full operations and meet the increased demand for its products from customers, thanks to the new logistics centre and despite the restrictive measures taken on transport of non-perishable/urgent goods which, in some cases, limited product deliveries.

Although the particular health emergency situation did not have negative repercussions in terms of revenues for the period, it did, however, result in incurring extraordinary costs, such as costs for daily sanitisation (one for each work shift), for the purchase of personal protective equipment, for the purchase of detergents and disinfectants, for the purchase of safety devices and for the purchase of devices to ensure interpersonal safety distance. All for a total cost of Euro 232 thousand which, although partially neutralised by the benefit deriving from the tax credit provided for by the relevant regulations, which will be positively included in the income statement for the second half of 2020, negatively affected the economic result in the period in question.

The interim financial statements were prepared in accordance with OIC 30 and on a going concern basis, given no significant uncertainties exist in this regard.

Significant events after the end of the half-year

On 6 July 2020, Farmaè appointed a new Director - in addition to the Board of Directors, to replace the resigning Director Maurizio Paganini - in the person of Giovanni Bulckaen (who until this appointment held the position of standing auditor of the Company) and also appointed the new standing auditor, Marco Guidi.

The Company has set itself the objective of undertaking a path of sustainability in the definition of its strategy, in the establishment of its policies and in its daily management conduct, taking into consideration the impact that its work can have at economic, social and environmental level. To this end, on 4 August 2020, the Company mandated Deloitte to initiate internal and benchmark analyses to support the Company.

Farmaè has implemented an internal reorganisation to improve performance according to the definition of a precise corporate culture to be shared at all levels, based on a new and more functional definition of roles and functions. This reorganisation foresees the insertion of new professional figures to support the existing personnel as part of a growth path aimed at supporting the important development of Farmaè activities.

In August 2020, the second automation system was released at the logistics centre of Migliarino Pisano.

As part of the Beautyè channel, a commercial agreement was signed during the summer with the LVMH group for the inclusion in the sales catalogue of new and prestigious beauty prestige brands.

Business outlook

During the year, Farmaè guaranteed full operations and continuity of support and supplies for its customers. The Company was quickly able to activate an internal organisation in order to promptly respond to an important and growing demand for products on the platform and, at the same time, to put in place all the necessary safeguards for the protection of employees, collaborators and suppliers, activating smart working systems to reduce the presence of personnel at its offices, implementing effective control and sanitisation procedures for those who work at warehouses and logistics centres and signing an *ad hoc* health insurance policy for all Group employees.

E-commerce, the Group's main activity, is proving to be an important tool at the service of citizens to deal with the emergency and the figures recorded in the first half of the current year are proof of this.

Therefore, on the basis of these results and the economic and financial results to date, we are confident that growth will continue in the current year, also in view of very significant upcoming events for the retail sector, such as Black Friday and Christmas, concentrated in the latter part of the year, without prejudice to the impact that any further and new restrictive measures due to Covid-19 could have on the Company and in particular on logistics and transport management.

Farmaè intends to continue its development in the Pharma channel, with sustained growth trends, in order to consolidate its leadership position in the market and, at the same time, it intends to replicate its success in the new Beauty channel in order to reach leadership positions in the next 3 years.

Filing of documentation

The documentation relating to the Half-Year Report as at 30 June 2020, as required by current regulations, will be made available to the public at the registered office (via Aurelia Nord 141, Viareggio) as well as through publication on the website www.farmaegroup.it, "Investor Relations/Financial Statements and Reports" section within the applicable legal and regulatory deadlines.

This press release is available on the website www.farmaegroup.it, "Investor Relations" section.

Established in Viareggio in 2014, Farmaè is the first Health and Well-being Onlife eRetailer in Italy. Onlife retail is a new economic paradigm characterised by the integration of online, offline, logistics and data in a single chain of value. The company today operates primarily in eCommerce with more than 44,000 items marketed in 10 different product categories sold, but it is also present throughout the country with 9 Farmaè stores and 1 Beautyè Store.

By sharing the new "OnLife" philosophy, Farmaè intends to put Customers at the centre of its business by responding immediately, rapidly and pragmatically to all their needs and ensuring a unique customer experience regardless of which sales channel is used.

For further information:

**Nomad**

Alantra Capital Markets
+39 02 63 67 16 01
Stefano Bellavita
stefano.bellavita@alantra.com

Investor Relation

Farmaè
Investor Relations Officer
Alberto Maglione
+39 0584 1660552
ir@farmaegroup.it

CDR Communication srl
IR Advisor
Vincenza Colucci
Tel. +39 335 6909547
vincenza.colucci@cdr-communication.it

Specialist

Banca Profilo S.p.A.
+39 02 584081
Alessio Muretti
alessio.muretti@bancaprofilo.it

Media Relation

SEC Spa – 02.624.999.1
Daniele Pinosa – 335 7233872 –
Fabio Santilio – 339 8446521 santilio@secrp.com

Income Statement, Balance Sheet and Cash Flow Statement as at 30 June 2020 annexed.

INCOME STATEMENT

VALUE-ADDED INCOME STATEMENT	Six months as at 30 June 2020	Six months as at 30 June 2019	Difference	%
NET SALES REVENUES [a]	31,309,826	17,855,422	13,454,404	76%
CHANGE IN INVENTORIES	2,564,326	907,539	1,656,787	183%
OTHER REVENUES	348,692	0	348,692	
P.E. (PV) PERIOD PRODUCT [b]	34,222,844	18,762,961	15,459,883	82%
CONSUMPTION OF MATERIALS	23,235,411	13,108,412	10,126,999	77%
SERVICE EXPENSES	8,824,609	3,883,647	4,940,962	127%
SUNDRY OPERATING CHARGES	94,046	107,438	(13,392)	(12%)
TOTAL EXTERNAL OPERATING COSTS [c]	32,154,066	17,099,497	15,054,569	88%
(V.A.) VALUE ADDED [d=b-c]	2,068,778	1,663,464	405,314	24%
COST OF LABOUR [e]	1,242,959	816,893	426,066	52%
(M.O.L.) Gross Operating Margin [f=d-e] (1)	825,819	846,571	(20,752)	(2%)
DEPRECIATION, AMORTISATION AND PROVISIONS [g]	588,237	292,757	295,480	
(ROGC) OPERATING INCOME FROM ORDINARY OPERATIONS (2) [h=f-g]	237,582	553,814	(316,232)	(57%)
FINANCIAL INCOME [i]	3,647	450	3,197	
(ROGA) OVERALL COMPANY OPERATING INCOME [m=h+i]	241,229	554,264	(313,035)	(56%)
FINANCIAL EXPENSES [n]	627,690	363,816	263,874	
(R.O.) ORDINARY INCOME [o=m-n] (3)	(386,461)	190,447	(576,909)	
EXTRAORDINARY EXPENSES [p]	0	4,391	(4,391)	
EXTRAORDINARY INCOME [q]	0	4,738	(4,738)	
BALANCE OF EXTRAORDINARY OPERATIONS [r=q-p]	0	347	(347)	
(R.A.I.) PRE-TAX INCOME [s=o+r]	(386,461)	190,794	(577,255)	
Income taxes [t]	92,528	(99,105)	191,633	
(R.N.) NET INCOME FY [u=s-t]	(293,933)	91,689	(385,622)	

BALANCE SHEET

STATEMENT OF FINANCIAL POSITION	30/06/2020	31/12/2019	Difference	%
LIQUID ASSETS	3,097,265	3,503,685	(406,420)	(12%)
DEFERRED ASSETS	8,958,493	6,905,829	2,052,664	30%
INVENTORIES	13,253,322	10,796,006	2,457,316	23%
CURRENT ASSETS (C)	25,309,079	21,205,520	4,103,559	19%
PROPERTY, PLANT AND EQUIPMENT	1,069,788	1,010,108	59,680	6%
INTANGIBLE FIXED ASSETS	5,763,069	5,727,360	35,709	1%
FINANCIAL FIXED ASSETS	1,216,452	768,808	447,644	58%
FIXED ASSETS	8,049,309	7,506,276	543,033	7%
ASSETS - LOANS (K)	33,358,388	28,711,796	4,646,592	16%
CURRENT LIABILITIES (P)	18,813,847	14,235,076	4,578,771	32%
CONSOLIDATED LIABILITIES	2,651,467	2,289,087	362,380	16%
NET CAPITAL (N)	11,893,073	12,187,003	(293,930)	(2%)
LIABILITIES AND SHAREHOLDERS' EQUITY - SOURCES	33,358,388	28,711,796	4,646,591	16%

CASH FLOW STATEMENT

Cash Flow Statement (indirect method)	30/06/2020	30/06/2019
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the year	(293,933)	91,689
Income taxes	(92,528)	99,105
Interest expense/(income)	624,043	50,181
(Gains)/Losses from disposal of assets	2,984	
1) Profit (loss) for the year before taxes, interest, dividends and capital gains/losses from disposal	240,566	240,976
Adjustments for non-monetary elements that did not have a contra-item in net working capital		
Allocations to provisions employee severance indemnity	59,404	38,730
Amortisation/depreciation of fixed assets	588,237	292,757
Other increase/(decrease) adjustments for non-monetary elements	(65,143)	
Total adjustments for non-monetary elements that did not have a contra-item in net working capital	582,498	331,487
2) Cash flow before changes in net working capital	823,064	572,463
Variations in net working capital		
Decrease/(Increase) in inventories	(2,564,326)	(883,770)
Decrease/(Increase) in receivables from customers	41,779	(513,135)
Increase/(Decrease) in payables to suppliers and subsidiaries	4,602,837	2,524,272
Decrease/(Increase) in accrued and deferred assets	(731,628)	
Increase/(Decrease) in accrued and deferred liabilities	55,848	
Other Decreases/(Other Increases) in net working capital	3,824	(427,287)
Total changes in net working capital	1,408,354	700,080
3) Cash flow after changes in net working capital	2,231,418	700,080
Other adjustments		
Interest collected/(paid)	(624,043)	(50,181)
(Income taxes paid)	92,528	(131,812)
(Use of provisions)		(7,592)
Other collections/(payments)	(9,438)	
Total other adjustments	(633,481)	(189,585)
Cash flows from operating activities (A)	1,597,937	1,082,958
B) Cash flows from investment activities		
Property, plant and equipment		
(Investments)	(200,013)	(183,188)
Divestments	15,810	
Intangible fixed assets		
Divestments (Investments)	(518,875)	(674,921)
Financial fixed assets		
Sale BEWOW S.r.l. – partial collection		50,000
(Investments)	(1,200,000)	(59,665)
Divestments	740,846	
Current financial assets		
(Investments)	(913,468)	
Cash flow from investment activities (B)	(2,075,700)	(867,775)
C) Cash flows from financing activities		
Third party financing		
Increases/(Decrease) in short-term payables to banks	(276,691)	(208,360)
Obtainment of loans	2,200,000	2,300,000
(Loan repayment)	(1,851,966)	(774,699)
Own funds	-	
Cash flow from financing activities (C)	71,343	1,316,941

Increase (decrease) in cash and cash equivalents (A ± B ± C)	(406,420)	1,532,124
Cash and cash equivalents - opening balance		
Bank and post office deposits	3,463,694	234,589
Cash and equivalents on hand	39,991	43,204
Total cash and cash equivalents - opening balance	3,503,685	277,793
Cash and cash equivalents - closing balance		
Bank and post office deposits	3,075,245	1,795,877
Cash and equivalents on hand	22,020	14,040
Total cash and cash equivalents at end of year	3,097,265	1,809,917