



FARMAÈ S.P.A.
2020 HALF-YEAR REPORT

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CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Riccardo Iacometti	Chair
Giuseppe Cannarozzi	Director
Alberto Maria Maglione	Director
Giovanni Bulckaen	Director
Dario Righetti	Independent Director

BOARD OF STATUTORY AUDITORS

Alberto Colella	Chair
Marco Guidi	Statutory Auditor
Monica Barbara Baldini	Statutory Auditor
Fabio Panicucci	Alternate Auditor
Massimo Mano	Alternate Auditor

INDEPENDENT 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

Company Name and Registered Office

Farmaè S.p.A., with registered office in Viareggio (LU), Via Aurelia Nord 141, Tax code, VAT number and registration with the Register of Companies of Lucca no. 02072180504, R.E.A. (Economic and Administrative Index) no. LU-219335.

Share Capital Euro 2,867,000, subscribed and paid-up

The Issuer's Board of Directors was appointed by the Ordinary Shareholders' Meeting of 19 June 2019 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021, with the exception of Director Giovanni Bulckaen, who was appointed by the Shareholders' Meeting of 06 July 2020 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.

The Board of Statutory Auditors in office was appointed by the Ordinary Shareholders' Meeting held on 29 November 2018 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020, with the exception of (i) Alternate Auditor Massimo Mano, who was appointed by the Shareholders' Meeting held on 29 May 2019 and (ii) Standing Auditor Marco Guidi, who was appointed by the Shareholders' Meeting held on 06 July 2020, both in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

The auditing firm will be in office for the three-year period 2019-2021.



2020 HALF-YEAR REPORT

Introduction

Dear Shareholders,

The interim financial statements for the first half of 2020, which we submit for your approval, highlight the continuous growth process undertaken by the Company in previous years. The main indicators of the Company's performance are improving compared to the same period of the previous year; revenues, in fact, equal to Euro 31,309,826, are up 76% compared to the first half of 2019, while the nominal Gross Operating Margin (EBITDA) is equal to Euro 825,819 and the adjusted Gross Operating Margin (EBITDA), calculated as detailed below in the report, is equal to Euro 1,069,473. The result for the period, however, shows a loss of Euro 293,933. This result was obtained after recording amortisation of intangible fixed assets and depreciation of property, plant and equipment totalling Euro 588,237, after recognising employee severance indemnity pertaining to the period of Euro 59,404 as well as current taxes for Euro 16,147 and deferred tax assets for Euro 108,675.

With regard to the Company's financial position, we point out that, despite the final economic result, as shown above, the Company generated operating cash of Euro 1,597,937, a sign of sound management, while the cash flows from investment activities highlight the continuous investments made by the Company. Finally, we note that the Net Financial Position (NFP) is positive, equal to Euro + 2,607,017, up compared to the NFP recorded as at 31/12/2019 of Euro + 2,171,312.

As will also be illustrated in the final part of this report in the paragraph "Covid Information", we would like to point out that the results highlighted above were achieved in the first half of 2020 in a situation of full national and international health emergency. While this factor did not adversely affect the company's operations in terms of volumes of online sales, which have even increased, it nevertheless had a negative impact on the company's income statement in terms of Covid costs incurred for the purchase of safety devices and for the purchase of devices to ensure interpersonal safety distance, as well as in terms of higher logistic costs due to the organisation of the set-up in March and April in three daily shifts and, finally, in terms of higher transport costs for non-executed deliveries due to sudden and unpredictable closures of red zones in about 2,500 municipalities. Last but not least, we would like to point out the incurring of costs for promotional activities, necessary for the strengthening of the Farmaè brand and for greater identification on the national market.

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, the products and services offered, the investments and the main indicators of the economic performance of the equity and financial position.

This report on operations of Farmaè S.p.A. as at 30 June 2020 (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.

Company Description and Business Model

Company Overview

Farmaè S.p.A. is today the leading “onlife e-retailer”¹¹ 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 mainly in e-Commerce through its web platform (with more than 20 million 836 thousand visitors in the first half of 2020 and 3.7 million products sold in the first half of 2020 compared to 2 million in the first half of 2019), and through 10 sales points divided into 9 Farmaè brand sales points (Viareggio Via Aurelia Nord 129; Sarzana Piazza S. Giorgio 2; Cecina via Montanara 52, Migliarino Pisano Via di Traversagna 29 and the remaining five at the Versilia Hospital, the San Luca Hospital in Lucca, the San Jacopo Hospital in Pistoia, the Santo Stefano Hospital in Prato and the Massa Carrara Apuane Hospital) and 1 Beautyè brand sales point in Viareggio in Viale Marconi 84.

Farmaè S.p.A. currently markets, through the brands Farmaè and Beautyè, 14 product categories: cosmetics; supplements/dietetics; ‘parafarmaci’ (unregulated, i.e. not on any list compiled by the Ministry of Health, OTC drugs that can be bought in pharmacies); medical devices; infancy products; herbal medicine products; homoeopathic products; aids/orthopaedics; over-the-counter drugs; veterinary drugs; make up; skincare; fragrances, hair products) - with about 44,000 total references.

Farmaè S.p.A. has two core components: the “Pharma”/“Beauty” element (relating to the “Health and Well-being” sector and the “Beauty” 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 (omni-channel) and (iii) by scalability of an integrated offer in the reference sector and its ability to reach a broad cross-section of the market.

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 and in the Beauty 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 and a new and scalable approach in cross-selling logic thanks to the entry into the Beauty segment with the Beautyè project;
- consolidated partnerships with multinationals in the sector;

¹¹“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.

- management team with strong experience in the reference sectors, marketing, tech, Digital Economy and Big Data;
- constant focus on technological innovation both at Company level and at website level, to fully capitalise on the benefits of Web 3.0 and 4.0;
- customer-oriented approach thanks 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. aims to place 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.

Future Plans and Strategy

Farmaè S.p.A intends to continue its growth and development strategy by improving its business model, which distinguishes it on the market.

Expansion of product range

The Company’s objective over the next three years is to further increase its user base, thanks to the implementation of spot initiatives and ongoing incentives, while maintaining the average conversion rate and receipt substantially in line with the results achieved in 2019 and the first 6 months of 2020.

In order to support the growth of users, Farmaè S.p.A. plans to expand the offer of its products thanks to the expansion of the new product category relating to animal care products by including new mass market products as well as products that are now marketed in the luxury and professional channel with the Beautyè project, in which the company intends to considerably increase the offer by the end of 2020, so as to become a continuous and precise market reference.

Expansion in logistics capacity

Having the need to always improve service performance in terms of delivery, also in light of the business development objectives, Farmaè S.p.A. has followed a further development plan of the automation line of the new warehouse located in the province of Pisa with an area of about 5,000 square meters, in order to improve the picking speed and the volume necessary for the storage logic to increase and improve daily processing performance.

Opening of new sales points

The objective of Farmaè S.p.A is to open further sales points in Italy, including a new, larger format, about 300 square meters able to accommodate, in a single concept store logic, the two different types of commercial cores of Farmaè S.p.A.: Farmaè and Beautyè.

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.

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 media asset will be enhanced both for the Farmaè brand and the Beautyè brand and will also make use of the deep logic of relations between the two different project intelligences that will merge into a single value proposition.

Development of the Farmaè and Beautyè brands

The Company's strategy is aimed at boosting the importance of the Farmaè and Beautyè brand and ensuring they become brands of national relevance, also by: (i) increasing its physical presence on the national territory through an increasing network of sales points; (ii) investments in institutional communication; and (iii) further strengthening of the marketing department.

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.

Trend of the Reference Market and Legislation

Overview of the Online market in Italy in 2019 (Osservatorio Politecnico)

Growth in B2C e-Commerce in Italy continued in 2019. The value of online purchases touched Euro 31.6 billion in 2019, +15% compared to 2018: the increase in absolute value is the highest ever (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 both the historical segments (IT, Consumer Electronics and Clothing) and emerging sectors (Home Decor & Home Living, Food & Grocery and Beauty) were positive.

In 2019, B2C e-Commerce consignments, excluding returns, reached a record Euro 318 million.

The services section instead entered a phase of maturity: with an increase of almost Euro 1 billion (+8%), it reached Euro 13.5 billion thanks to 60 million orders and an average receipt of about Euro 288.

Among the product sectors, there was performance of interest in the Beauty sector, with the purchase of perfumes and cosmetics for Euro 568 million (+27%).

In 2019, the value of online purchases from Smartphones accounts for 40% of total e-Commerce (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 the main product sectors, the smartphone has a very high share of total e-Commerce and in some cases is already the main device purchased (50% of value purchases in Clothing, 49% in Home Decor and Home Living, 48% in Beauty).

The smartphone will become the top e-Commerce channel on the whole, between 2020 and 2021. Greater merchant sensitivity to the design of the natively 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.

In 2019, Export, understood as the value of sales from Italian sites to foreign consumers, was worth Euro 4.4 billion (+13% compared to 2018) and represented 15% of total sales and Commerce. The Export of services, equal to about Euro 14 billion (+12% compared to 2018) was driven by the Tourism sector, while the Product sector, thanks to a growth of +13%, was worth about Euro 3 billion and represented 67% of total sales across the border. The main directions of digital product exports are represented by Europe, which attracts about 58% of the flow and value, and the USA (20%). Some South-east Asian countries follow, such as China (4%) and Japan (3%) and Russia (3%).

Outlook for 2020 (Polytechnic Observatory)

Online product e-Commerce is expected to reach 22.7 billion in 2020 (+26%), Euro 4.7 billion more than in 2019.

There are at least three elements that characterise these figures: first of all, a greater penetration of the e-Commerce world compared to the retail total, from 6% to 8%. The second figure is that, while the most mature sectors in e-Commerce are rising at a moderate rate, those that are giving the biggest boost are the emerging sectors, such as food&grocery, which generates Euro 2.5 billion (+56%) and Home Decor and Home Living, with a turnover of Euro 2.3 billion and a growth rate of +30%. Among the leading sectors are the pharmaceutical market, the well-being and beauty market and also goods related to sports&fitness.

Also as a result of the long lockdown due to the Covid19 pandemic, and this is the third figure, there was stability and increase in IT and consumer electronics (Euro six billion in turnover and +18% compared to 2019), clothing (3.9 billion and +21%) and publishing (Euro 1.2 billion and +16%).

These figures represent how Italian e-Commerce has now become an overall part of the market and consumers are increasingly oriented towards this type of purchase, allowing the channel to play a decisive role in the redesign of sales strategies and interaction with consumers.

On the demand side, the growth of Web Shoppers (+2 million in 2020), the greater familiarity and confidence in online and digital payments (even by those who already bought online) are having a positive effect on the development of e-Commerce.

During the lockdown, although most Italians were locked in their homes, there were no reports of a drop in smartphone use for e-Commerce purchases. e-Commerce from smartphones, in the product component, exceeds 50% in 2020: to be exact, it accounts for 56% of total online purchases. e-Commerce purchases from smartphones in 2020 are estimated at Euro 12.8 billion, up 42% from Euro 9 billion in 2019. Greater seller sensitivity to the natively mobile online design, the spread and frequency of use of devices and the improvement in the technological infrastructure, in terms of coverage and connection, formed the basis of the growth in the channel.

Looking at the figures, the online and physical channels are now close and interchangeable, especially in the eyes of consumers, not to mention that during the pandemic, e-Commerce was the main channel of supply for consumption and also plays a key role for recovery. Digital will continue to be indispensable in the future not only for the objective benefits that the online channel represents but also for the benefit and support of the physical aspect, think for example of the need not to crowd a store without distancing customers: the solution of click & collect, i.e. the ability to buy online and pick up directly at the store without queues.

The reference market of Farmaè S.p.A.

The reference market for the activities of Farmaè S.p.A. is the marketing of Health and Well-being products, both on the physical channel and online through the brand Farmaè and the marketing of Hair products (professional sector) and Beauty (Fragrances, Skincare, Make Up) through the Beautyè brand.

In 2019, the total value of the Italian Health and Well-being market²² distributed through the traditional Pharmacy and Para-pharmacy channel (excluding online) amounted to approximately Euro 10.8 billion, (price to the public) while that distributed through the online channel amounted to Euro 315 million, (price to the public) with an incidence of about 3% on the total. The latest projections of IQVIA on the reference market show a growth of the online market (HY 2020 Vs HY 2019) of 60%.

The Health and Well-being market in Italy mainly includes the following product categories:

- OTC (Over-the-counter) i.e. all products used for the treatment of minor pathologies, including self-medication products, medical devices, phyto-therapy, homoeopathy products, etc.
- PEC (Personal Care) i.e. personal care and hygiene products, dermo-cosmetics, oral hygiene, personal hygiene, etc.
- PAC (Patient Care) i.e. dressing products, diagnostic tests, medical-surgical accessories, other para-pharmaceutical products, etc.
- NUT (Nutrition) i.e. dietary foods, substitute meals, infant milk, gluten-free products, etc.

No medical prescription is required for the purchase of these products.

The penetration rate of the online channel on the offline channel of 3% is still low, both in comparison to other product categories and to other countries but is doubling year on year. In fact, the penetration has risen from 0.6% in 2017, to 3% for 2019.

In 2019, the total value of the Italian Beauty market distributed through the traditional channel of perfume shops and beauty salons was about Euro 10 billion, while the value distributed through the online channel amounted to Euro 470 million (+22% YoY) with an incidence of about 4.3% of the total.

The Beauty market for Farmaè S.p.A. in Italy mainly includes the following product categories:

HAIR, i.e. all products for hair care and beauty both in relation to consumer side products and those for the more properly professional hair segment

FRAGRANCES, i.e. all alcohols/perfumes with odorous substances that enhance an individual's smell

SKIN CARE, i.e. all products for the skin care of people

MAKE UP, i.e. all decorative cosmetic products that, through the commonly understood make up, make a person's characters and features recognisable and attractive Farmaè S.p.A. currently operates mainly in Italy.

The competitive context of Farmaè S.p.A. is composed, on the one side, by offline channel operators, like pharmacies, para-pharmacies, perfume shops, supermarkets and, on the other, by online channel operators, which include both specialised operators and traditional website operators.

In 2019, Farmaè S.p.A. was, according to IQVIA, the first operator for online sales related to the Health and Well-being market and at the end of 2019, it launched the Beautyè project on the Beauty market.

² Source: IQVIA

According to forecasts by IQVIA, a global provider of advanced data and technology in the pharmaceutical sector, the Italian online channel will continue to grow in double digits, becoming the third largest European market after Germany and France.

Total online pharmaceutical sales in Europe are expected to reach Euro 6.5 billion in 2020, compared to Euro 2.5 billion in 2018. It is recalled that in Germany, the United Kingdom and Scandinavian countries, it is also possible to distribute prescription medication through the online channel.

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 no. 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.

Operating Performance

Economic-Management Data

Farmaè S.p.A.'s income statement for the first half of the year 2020, reclassified based on value added, compared with that of the first half of 2019, is as follows:

VALUE-ADDED INCOME STATEMENT	Six months ended 30 June 2020	Six months ended 30 June 2020	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 ORDINARY OPERATIONS (2) [h=f-g]	237,582	553,814	(316,232)	(57%)
FINANCIAL INCOME [i]	3,647	450	3,197	
OVERALL COMPANY OP. 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 OPERATING INCOME [u=s-t]	(293,933)	91,689	(385,622)	

(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, 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.

Net sales revenues

In the first half of 2020, Farmaè S.p.A. achieved excellent growth in revenues, amounting to Euro 31.3 million, an increase of 76% compared to Euro 17.8 million in the first half of 2019.

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 (EBITDA), an important indicator of ordinary operations, amounted to Euro 825,819, a decrease of 2% compared to the same period of the previous year, for a differential of Euro 20,752.

Adjusted EBITDA

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. Given that the adjusted 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 adjusted gross operating margin 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. 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 lease contracts which, in the first half of 2020, affected the income statement and the "nominal" EBITDA with the recording of lease 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 on mortgages estimated at Euro 31,618. Given the above, the adjusted EBITDA would have been equal to Euro 1,069,473, while the pre-tax result would have been negative for Euro 228,170.

EBITDA from value added IS	+ 825,819
Adjustments:	
Financial lease fees	+ 243,654
Result EBITDA Adjusted	+ 1,069,473
Pre-tax result	- 386,461
Adjustments:	
Financial lease fees	+ 243,654
Amortisation rates	- 53,745
Interest expenses on mortgages	- 31,618
Pre-tax result Adjusted	- 228,170

Net profit (loss)

The Net Result for the first half of 2020 is equal to Euro (293,933). This value is affected, in addition to as indicated in the introductory part of this report on operations, by the greater impact of amortisation and depreciation linked to investments on the new automated warehouse mentioned under significant events, the costs of listing on the AIM market and the amortisation of the brand Farmaè S.p.A.

Turnover achieved

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

	Six months ended 30 June 2020	Six months ended 30 June 2019	Absolute change Comparative Half-year	Change % Comparative Half-year
(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%

The analysis by business line confirms growth in all segments, in particular in the online segment and in the co-marketing services segment.

The online segment recorded turnover of Euro 29,186 thousand, an increase of +79% compared to the same period of 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 1,076 thousand, 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 1,046 thousand, an increase 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 S.p.A. 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 half-year, Farmaè S.p.A. 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

Operating costs incurred by Farmaè S.p.A., according to the reclassification to value added, are broken down as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2020	Change Absolute	Change %
(Data in Euro)			Comparative Half-year	Comparative Half-year
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%

In general, costs amounted to Euro 32,154 thousand, an increase of +88% compared to Euro 17,099 thousand 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 costs for services of more than 100% compared to the first half of 2019 is essentially due to the costs incurred following the national health emergency, which we have explained in detail in the preliminary remarks of this document.

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	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%

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 2019.

Net financial position

Net financial position (NFP) is defined as the difference between the Company's financial liabilities and cash and cash equivalents in addition to financial assets qualifying as cash equivalents (short-term investments, easily convertible into known amounts of money and subject to an insignificant risk of change in value).

As already mentioned at the beginning of this report, we would like to point out the marked improvement in the net financial position, which was positive for Euro 2,607 thousand compared to negative Euro 959 thousand in the first half of 2019 and positive Euro 2,171 thousand as at 31/12/2019.

Below is the calculation of the Company's net financial position:

	30/06/2020	31/12/2019
A. Cash and cash equivalents	3,097,265	3,503,685
B. Other cash and cash equivalents		
C. Securities held for trading	3,833,397	2,919,929
D. Liquidity A + B + C	6,930,662	6,423,614
E. Current financial receivables		
F. Current bank payables	58,979	333,368
G. Current portion of non-current debt	1,851,136	1,817,819
H. Other current financial payables		
I. Current financial debt F + G + H	1,910,116	2,151,187
J. Net current financial debt I - E - D	(5,020,546)	(4,272,427)
K. Non-current bank loans	2,413,530	2,101,115
L. Bonds issued		
M. Other non-current financial payables		
N. Non-current financial debt K + L + M	2,413,530	2,101,115
O. Net financial debt J + N	(2,607,017)	(2,171,312)

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, Farmaè acquired all the shares in the share capital of Valnan S.r.l, previously held by the majority shareholder of Farmaè, by means of a notarized private deed. The acquisition price, equal to Euro 1,200,000, is confirmed by an appraisal report drawn up by an independent expert. The transaction was authorised by the Board of Directors of Farmaè on 20 January 2020. In accordance with Consob Related Parties Regulation as per Resolution no. 17221 of 12 March 2010 and the Procedure for Transactions with Related Parties approved by the Board of Directors of the Company on 19 June 2019, on 16 April 2020 the Farmaè Related Parties Committee also examined this transaction and expressed a favourable opinion on the Company's interest in carrying out this transaction.

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, for strictly personal reasons. 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, the opening of a new sales point located in the Municipality of Sarzana was completed through the signing of a contract for the sale of a business unit.

Significant events after the end of the half-year

On 6 July 2020, Farmaè communicated the appointment of a new Director - in addition to the Board of Directors, to replace the resigning Director Mr. Paganini - in the person of Giovanni Bulckaen (former 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.

The Company 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 precise definition of roles and functions. This reorganisation is part of a process of internal staff growth in order to support the important development of the business through the inclusion of new professional figures.

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.

Treasury shares and shares/portions of parent companies purchased/sold by the Company

The share capital as at 30 June 2020 was fully subscribed and paid-up and represented by 5,734,000 ordinary shares without nominal value.

The Company did not directly or indirectly acquire any treasury shares.

Main risk factors to which the company is exposed

Pursuant to and in accordance with the first paragraph of article 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 of products and services

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 no. 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

Given the financial structure of the Company described above, it is deemed that there is no significant interest rate risk.

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.

Management and coordination

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

Transactions with related parties and subsidiaries

Pursuant to article 2427, point 22/bis of the Italian Civil Code, it is specified below that the following are identified as related parties: Restart S.r.l. (Tax Code and VAT 02516190465), Bewow S.r.l. (Tax Code and VAT 02324350467) and the subsidiary Valnan S.r.l. (Tax Code and VAT 02324350567)

No significant transactions were carried out in the period under review with existing related parties, given that the former is in the process of voluntary liquidation, and the latter carries out exclusive and prevalent activities totally unrelated to those of Farmaè S.p.A.

Please refer to the paragraph on transactions with related parties and subsidiaries in the Explanatory Notes for further details.

Other information

Pursuant to article 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 (LU), Via Aurelia 335 at Versilia Hospital (store);
- Pistoia, Via Ciliegiole snc at the hospital facility (store);
- Lucca (LU), Via G. Lippi Francesconi snc at the hospital facility (store);
- Prato (PT), Via Suor Niccolina Infermiera 20 at the hospital facility (store);
- Massa (MS), Via E. Mattei 21 at the hospital facility (store);
- Cecina (LI), Via Montanara 52 (store);
- Viareggio (LU), Via Marco Polo 139 (Offices);
- Viareggio (LU), Piazza Mazzini 20 (Offices);
- Vecchiano (PI), Via Traversagna 26-29 (warehouse);
- Vecchiano (PI), Via Traversagna 26-29 (store);
- Viareggio (LU), Viale Marconi, no. 84 PT and P1 (store and hair and beauty salon);
- Sarzana (SP), Piazza S. Giorgio 2 (store).

Covid 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 possible 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 about 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.



INTERIM FINANCIAL STATEMENTS

FARMAÈ S.P.A. - INTERIM FINANCIAL STATEMENTS

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

	30/06/2020	31/12/2019	30/06/2019
Assets			
A) Receivables from shareholders for unpaid contributions			
Part recalled	-	-	-
Part to recall	-	-	-
B) Fixed assets			
I - Intangible fixed assets			
1) start-up and expansion costs	0	0	74,604
2) development costs	110,449	124,170	0
3) industrial patent and intellectual property rights	708,136	716,807	332,797
4) concessions, licenses, trademarks and similar rights	2,176,542	2,235,037	2,232,203
5) goodwill	52,692	42,116	63,364
7) others	2,715,250	2,609,230	373,401
I - Intangible fixed assets	5,763,069	5,727,360	3,076,369
II - Property, plant and equipment			
1) land and buildings	13,019	13,849	11,805
2) plants and machinery	322,005	339,465	232,328
3) industrial and commercial equipment	182,544	149,440	112,299
4) other assets	552,218	507,354	222,010
II - Property, plant and equipment	1,069,786	1,010,108	578,442
III - Financial fixed assets			
1) investments in			
a) subsidiaries	1,200,000	0	0
Total investments	1,200,000	0	0
2) receivables			
d) from companies subject to the control of the parent companies			
due within one year	0	229,974	50,000
due beyond one year	0	445,729	659,419
Total receivables from companies subject to the control of the parent companies	0	675,703	709,419

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d-bis) others			
due within one year	0	76,200	0
due beyond one year	16,452	16,905	443,176
Total non-current receivables from others	16,452	93,105	443,176
Total receivables	0	768,808	1,152,595
Closing balance, book value, III financial fixed assets	1,216,452	768,808	1,152,595
Closing balance, book value, total fixed assets	8,049,307	7,506,276	4,807,406
C) Current assets			
I - Inventories			
4) finished goods and goods for resale	13,253,322	10,688,996	7,728,915
5) advances	0	0	61,493
I - Inventories	13,253,322	10,688,996	7,790,408
II - Receivables			
1) trade receivables			
due within one year	1,475,408	1,517,187	914,474
Total receivables from customers recorded as current assets	1,475,408	1,517,187	914,474
5-bis) tax receivables			
due within one year	1,949,409	1,466,940	458,606
Total tax receivables recorded as current assets	1,949,409	1,466,940	458,606
5-ter) deferred tax assets recorded as current assets	108,675	0	0
5-quater) due from others			
due within one year	605,244	854,052	264,727
Total receivables from others recorded as current assets	605,244	854,052	264,727
Total receivables	4,138,736	3,838,179	1,637,807
III - Financial assets not held as fixed assets			
6) other securities	3,833,397	2,919,929	258,281
III - Financial assets not held as fixed assets	3,833,397	2,919,929	258,281
IV - Cash and cash equivalents			
1) bank and post office deposits	3,075,245	3,463,694	1,795,877
3) cash at bank and on hand	22,020	39,991	14,040
IV - Cash and cash equivalents	3,097,265	3,503,685	1,809,917
Total current assets (C)	24,322,720	20,950,789	11,496,413
D) Accruals and deferrals	986,359	254,731	65,169
Total assets	33,358,386	28,711,796	16,368,988
Liabilities			
A) Shareholders' equity			
I - Capital	2,867,000	2,867,000	2,200,000
II - Share premium reserve	9,338,000	9,338,000	0
IV - Legal reserve	14,719	14,719	14,719
VI - Other reserves, indicated separately			

FARMAÈ S.P.A. - INTERIM FINANCIAL STATEMENTS

Shareholders' equity, miscellaneous other reserves, closing balance	30,990	30,987	30,990
VI - Other reserves	30,990	30,987	30,990
VIII - Profits (losses) carried forward	(63,703)	0	0
IX - Profit (loss) for the period	(293,933)	(63,703)	91,689
Total shareholders' equity	11,893,073	12,187,003	2,337,398
B) Provisions for risks and charges			
C) Employee severance indemnity (TFR)	237,938	187,972	157,213
D) Payables			
4) payables to banks			
due within one year	1,905,188	2,151,187	1,566,107
due beyond one year	2,407,834	2,101,115	1,436,449
Total payables to banks	4,313,022	4,252,302	3,002,556
5) payables to other lenders			
due within one year	4,927	0	0
due beyond one year	5,696	0	0
Total payables to other lenders	10,623	0	0
7) trade payables			
due within one year	16,294,921	11,814,086	10,427,478
Total trade payables	16,294,921	11,814,086	10,427,478
9) payables to subsidiaries			
due within one year	122,002	0	0
Total payables to subsidiaries	122,002	0	0
12) tax payables			
due within one year	88,529	54,965	162,531
Total tax payables	88,529	54,965	162,531
13) payables to pension and social security institutions			
due within one year	93,276	76,921	78,651
Total payables to pension and social security institutions	93,276	76,921	78,651
14) other payables			
due within one year	242,172	131,564	158,212
Other payables, closing balance	242,172	131,564	158,212
Total payables	21,164,545	16,329,838	13,829,428
E) Accruals and deferrals	62,831	6,983	44,949
Total liabilities	33,358,386	28,711,796	16,368,988

INCOME STATEMENT

	Six months ended 30 June 2020	Six months ended 30 June 2019
A) Production value		
1) revenues from sales and services	31,309,826	17,843,584
2) changes in inventories of work in progress, semi-finished and finished goods	2,564,326	907,539
5) other revenues and income		
others	348,692	16,576
Total other revenues and income	348,692	16,576
Total production value	34,222,844	18,767,699
B) Production costs		
6) raw and ancillary materials, consumables and goods	23,235,411	13,108,411
7) for services	8,353,136	3,694,811
8) for use of third-party assets	471,473	188,838
9) personnel		
a) wages and salaries	894,352	577,931
b) social security charges	265,546	184,252
c) employee severance indemnity (TFR)	59,404	38,730
e) other costs	23,657	15,980
Total personnel costs	1,242,959	816,893
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	483,166	238,704
b) depreciation of property, plant and equipment	105,071	54,053
Total amortisation, depreciation and write-downs	588,237	292,757
14) sundry operating costs	94,046	111,829
Total production costs	33,985,262	18,213,539
Difference between production value and costs (A - B)	237,582	554,160
C) Financial income and expenses		
16) other financial income		
a) financial income from receivables recorded as fixed assets		
a5) from others	0	450
c) from securities recorded as current assets not held as investments	250	0
d) other income		
others	3,397	0
Total other income	3,397	0
Total other financial income	3,647	450
17) interest and other financial charges		
e) payables to others	627,690	363,816
Total interest and other financial charges	627,690	363,816
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	(624,043)	(363,366)
D) Value adjustments of financial assets and liabilities		
Pre-tax result (A - B + - C + - D)	(386,461)	190,794

FARMAÈ S.P.A. - INTERIM FINANCIAL STATEMENTS

20) Current income taxes and deferred tax assets and liabilities for the period		
current taxes	16,147	99,105
deferred tax liabilities and assets	(108,675)	0
Total income taxes for the period, current, deferred tax liabilities and assets	(92,528)	99,105
21) Profit (loss) for the period	(293,933)	91,689

Values are expressed in Euro

INDIRECT CASH FLOW STATEMENT

Cash Flow Statement (indirect method)	Six months ended 30 June 2020	Six months ended 30 June 2019
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	(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 period 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 the provision for severance indemnity (TFR)	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 trade receivables	41,779	(513,135)
Increase/(Decrease) in trade payables and payables to subsidiaries	4,602,837	2,524,272
Decrease/(Increase) in accrued income and prepaid expenses	(731,628)	
Increase/(Decrease) in accrued expenses and deferred income	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)

FARMAÈ S.P.A. - INTERIM FINANCIAL STATEMENTS

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		
Increase/(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 at bank and 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 at bank and on hand	22,020	14,040
Total cash and cash equivalents - closing balance	3,097,265	1,809,917



EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Reference legislation, structure and content of the financial statements

Dear Shareholders,

These interim financial statements as at 30 June 2020 (hereinafter also referred to as the interim financial statements), submitted for your examination and approval, together with these explanatory notes, which form an integral part of them, show a loss for the period of Euro 293,933, compared to a profit for the previous half-year of Euro 91,689.

The loss reported was recorded, after the allocation of amortisation/depreciation charges of Euro 588,237, Employee severance indemnity of Euro 59,404, as well as after having recorded current taxes of Euro 16,147 in the income statement and having allocated deferred tax assets of Euro 108,675.

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

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.

The interim 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 interim financial statements ended 30 June 2020 drafted in this way correspond to the results of the accounting records. The amounts are stated in Euro.

During this period, bank fees related to the collection of invoices were reclassified under financial charges. This classification is also consistent with the tax treatment of said expenses, which are considered to all intents and purposes as financial, as required by the tax authorities. The reclassification was also made regarding the

comparison period 30/06/2019 for comparative purposes. The value of these expenses amounted to Euro 544,606 as at 30/06/2020 and Euro 313,185 in the half-year ended 30/06/2019.

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 period and comparative figures.

These interim financial statements have been subjected to a voluntary limited audit by Deloitte & Touche S.p.A.

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 ten fixed sales points, five of which located in hospitals in Tuscany.

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 possible 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 about 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.

Significant events during 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, Farmaè acquired all the shares in the share capital of Valnan S.r.l, previously held by the majority shareholder of Farmaè, by means of a notarized private deed. The acquisition price, equal to Euro 1,200,000, is confirmed by an appraisal report drawn up by an independent expert. The transaction was authorised by the Board of Directors of Farmaè on 20 January 2020. In accordance with Consob Related Parties Regulation as per Resolution no. 17221 of 12 March 2010 and the Procedure for Transactions with Related Parties approved by the Board of Directors of the Company on 19 June 2019, on 16 April 2020 the Farmaè Related Parties Committee also examined this transaction and expressed a favourable opinion on the Company's interest in carrying out this transaction.

On 17 June 2020, the opening of a new sales point located in the Municipality of Sarzana was completed through the signing of a contract for the sale of a business unit.

Authorisation for dissemination

The interim financial statements as at 30 June 2020 of Farmaè S.p.A. were approved by the Board of Directors on 25 September 2020, which authorised their publication in the press release of the same date containing the main elements of the financial statements.

Drafting principles

These interim financial statements as at 30 June 2020 were drafted in accordance with accounting standard OIC 30. These interim financial statements were also drafted in compliance with the general clause set forth in article 2423 of the Italian Civil Code and the measurement criteria established for the individual items set out in article 2426 of the Italian Civil Code and clarified for each individual item later in these Explanatory Notes. Moreover, in compliance with the provisions of article 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;
 - the risks and losses for the period were considered even if known after the closing;
 - profits were included only if they were actually realised by the end of the period 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, the amount of the corresponding item from the previous year was indicated and for the income statement, the amount of the corresponding item from the previous period was indicated, in accordance with the provisions of article 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.

Measurement criteria applied

Outlined below are the most significant measurement criteria adopted for drafting these interim financial statements as at 30 June 2020 in compliance with article 2426 of the Italian Civil Code and the OIC accounting standards.

The measurement criteria adopted for the drafting of the interim financial statements, in line with the provisions of article 2423-bis of the Italian Civil Code, do not differ from those used for the drafting of the financial statements as at 31 December 2019.

It is specified that there were no exceptional circumstances that required the use of exceptions under article 2423, paragraph 5 of the Italian Civil Code.

Intangible fixed assets and amortisation

Intangible fixed assets are stated as 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 article 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 interim period, 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 will not be modified in subsequent years. For the purpose of calculating the useful life of goodwill, the Company has taken into consideration the information available to estimate the period within which it is likely that the economic benefits associated with goodwill will materialise.

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 cost in the period 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 article 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	110,449
Industrial patents and intellectual property rights		5 years	708,136
Concessions, licenses, trademarks and similar rights		20 years	2,176,542
Goodwill		5 years	52,692
	Costs incurred for listing	5 years	1,069,279
Other intangible fixed assets	Improvements to third-party assets	lease term (between 5 and 10 years)	1,115,990
	Other intangible fixed assets	5 years/duration of the lease for "key money"	529,981

For the purposes of the interim financial statements, amortisation rates were compared to the reference period of 30 June 2020.

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 period, given considered representative of the actual wear and tear: These rates were also adjusted to the time period to which these notes refer (half-year):

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

Property, plant and equipment can only be revalued in cases in which special laws require 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 would estimate 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

Equity investments in financial assets, represented by shares in unlisted companies, are measured at cost, determined on the basis of the purchase or subscription price. The cost is reduced for impairment losses if the investee has incurred losses for the period and profits of an amount to absorb the losses incurred are not expected in the immediate future. The part of the write-downs exceeding the book value of the equity investments is recorded under provisions for risks and charges; if the reasons for these adjustments no longer apply, the original value of the equity investments is reinstated in subsequent years.

Inventories

Closing inventories are booked, pursuant to article 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 criterion is not applied when the effects are irrelevant, i.e. when transaction costs, commissions paid between the parties and any other difference between the initial value and the due date value are of little importance or if the receivables are short-term (i.e. with due date of 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 in line with their presumed realisable value.

Financial assets not held as fixed assets

The item “Financial assets not held as fixed 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

Cash and cash equivalents at period-end are stated at the nominal value.

Accruals and deferrals

Accruals and deferrals include portions of expenses and revenues for the period, however payable in subsequent periods and portions of expenses and revenues incurred before the end of the year, however relating to subsequent years, on an accruals basis.

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 as at period-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 as 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 as 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.

Transactions with related parties

Transactions with related parties were at normal market conditions.

Financial income and charges

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

Income taxes

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

The payable for current taxes is recorded under "tax payables", net of advances paid, or under other receivables if the advances exceed the tax burden for the period.

Deferred taxes arising from taxable temporary differences between the result for the period and taxable income are also recorded, where they exist.

In particular, deferred tax assets and the resulting tax benefit are recognised only if there is reasonable certainty of future profits that allow recovery thereof.

Use of estimates

The drafting of these interim financial statements requires 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 as 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 periods.

The most significant financial statement items affected by estimates and assumptions are the credit notes to be received for year-end premiums and invoices to be issued for co-marketing activities. With reference to the inventory write-down provision, 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.

With reference to the provisions for risks and charges and the provision for the write-down of receivables, the financial statements reflect an estimate of the liability based on the best knowledge of the state of solvency of the counterparties and the progress of disputes, in this case using the information provided by legal and tax advisors who assist the Company and the Group in general and considering contacts with counterparties. The risk assessment is subject to the uncertainty surrounding any assessment of future events and litigation outcome, and it cannot be excluded that in future years expenses may arise that cannot today be estimated, in relation to a deterioration in the status of disputes and the level of solvency of counterparties. In accordance with OIC 30 with reference to premiums from suppliers in the half-year financial statements, we proceeded on the basis of all available information (in particular, historical trends and purchase forecasts) to estimate, in the best possible way, the premium percentage that is expected to accrue at the end of the year and apply it to the purchase volumes of the interim period.

Detailed information on the Balance Sheet

Explanatory Notes - Assets

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 (article 2242-bis of the Italian Civil Code).

Intangible fixed assets

As at the date of these interim financial statements, intangible fixed assets totalled Euro 5,763,069 (Euro 5,727,360 as at the end of the previous year) and are broken down as follows.

The breakdown and summary changes in intangible assets are provided in the following table.

	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Opening balance						
Book value	124,170	716,807	2,235,037	42,116	2,609,230	5,727,360
Changes in the period						
Increases for acquisitions	-	79,841	-	35,000	404,034	518,875
Amortisation for the period	(13,721)	(88,512)	(58,495)	(24,424)	(298,014)	(483,166)
Total changes	(13,721)	(8,671)	(58,495)	10,576	106,020	35,709
Interim book value	110,449	708,136	2,176,542	52,692	2,715,250	5,763,069

Intangible fixed assets are mainly attributable to:

- the costs incurred for accessing the listing on the AIM Italia stock market (classified under other intangible fixed assets);
- 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);

The changes in intangible fixed assets are mainly linked to:

- capitalisations of costs for extraordinary maintenance to third-party assets (classified under other intangible fixed assets);
- goodwill, amounting to Euro 35,000 referring to the purchase of a working sales point for the sale of para-pharmaceutical products and over-the-counter medicines;
- normal amortisation process.

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 amortised. There are no fixed assets not subject to amortisation.

Property, plant and equipment

As at the date of these interim financial statements, property, plant and equipment amounted to Euro 1,069,786 (Euro 1,010,108 as at the end of the previous year).

The breakdown and changes in the individual items are shown below

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other property, plant and equipment	Total property, plant and equipment
Opening balance					
Book value	13,849	339,465	149,440	507,354	1,010,108
Changes in the period					
Increases for acquisitions		40,780	48,496	110,737	200,013
Depreciation for the period	(830)	(22,976)	(15,392)	(65,873)	(105,071)
Other changes	-	(35,264)	-	-	(35,264)
Total changes	(830)	(17,460)	33,104	44,864	59,678
Closing balance					
Interim book value	13,019	322,005	182,544	552,218	1,069,786

It is specified that item B) II) 4) "Other property, plant and equipment", amounting to Euro 552,218, 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 201,802;
- Vehicles/Cars, whose net book value amounts to Euro 14,360;
- Furnishings, whose net book value amounts to Euro 321,433;
- Other assets, whose net book value amounts to Euro 14,623

It should be noted that no exemption was applied pursuant to and in accordance with the provisions of article 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

Financial fixed assets amounted to Euro 1,216,452 (Euro 768,808 as at the end of the previous year).

Equity investments included in financial assets as at 30 June 2020 amounted to Euro 1,200,000, with no equity investments as at the end of 2019.

	Equity investments in subsidiaries	Total equity investments
Opening balance		
Book value	0	0
Changes during the period	1,200,000	1,200,000
Closing balance		
Interim book value	1,200,000	1,200,000

The item “Equity investments in subsidiaries”, amounting to Euro 1,200,000, represents the entire shareholding in Valnan S.r.l. The shareholding is recorded at purchase cost. For further details, please refer to the paragraph “Significant events during the period”.

In accordance with the requirements of article 2427 of the Italian Civil Code, the figures relating to the subsidiary were provided for the last financial year available (31/12/2019, last approved financial statements available as at the date of drafting of these interim financial statements):

Company Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital in Euro	Net profit (loss) for last year in Euro	Shareholders' equity in Euro	Portion held in Euro	Portion held in %	Book value or corresponding receivable
VALNAN SRL	VIAREGGIO (LU)	01348440460	60,000	10,381	104,273	60,000	100.00	1,200,000
Total								1,200,000

With regard to the equity investment held, it is specified that the consolidated financial statements have not been drafted because they are not considered significant for the purposes of clarity and providing a true and fair view of the financial position and economic result of these financial statements, considering the absolute and relative economic values expressed and the type of activity carried out by the subsidiary and not exceeding the size limits set out in article 27 of Legislative Decree no. 127/1991.

Receivables included under financial assets as at 31 December 2019 referred 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 and collected in advance as outlined in the paragraph “Significant events during the period”.
- The remaining amount is mainly from a confirmation deposit for the purchase of the packaging automation system and reclassified under fixed assets following completion of the purchase.

Current assets

Inventories

Inventories included under current assets amounted to Euro 13,253,322 (Euro 10,688,996 as at the end of the previous year).

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

	Finished goods and goods for resale	Payments on account	Total inventories
Opening balance	10,688,996	-	10,688,996
Change in the period	2,564,326	-	2,564,326
Closing balance	13,253,322	-	13,253,322

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.

Current assets: Receivables

As at 30 June 2020, receivables included under current assets amounted to Euro 4,138,736 (Euro 3,838,179 as at the end of the previous year).

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

	Trade receivables recorded as current assets	Tax receivables recorded as current assets	Receivables for deferred tax assets recorded as current assets	Other receivables recorded as current assets	Total receivables recorded as current assets
Opening balance	1,517,187	1,466,940	-	854,052	3,838,179
Change in the period	(41,779)	482,469	108,675	(248,808)	300,577
Closing balance	1,475,408	1,949,409	108,675	605,244	4,138,736
Portion due within 12 months	1,475,408	1,949,409	108,675	605,244	4,138,736

Trade receivables recorded as current assets

Given the company carries out predominantly retail activities, which entails the collection of payments early or on delivery, trade receivables as at the date of this report relate mostly to co-marketing and promotional services to counterparties of prime standing.

They include invoices to be issued for the amount of Euro 843,217. The risk of insolvency has therefore been estimated by management as limited, as it was not deemed necessary to recognise any provisions for the write-down of receivables.

Tax receivables recorded as current assets

Tax receivables amounting to Euro 1,949,409 mainly refer to VAT and direct tax credits.

It is specified that the company is in VAT credit, owing to the type of business it performs. Purchases are mainly

subject to VAT at a rate of 22% while sales are applied VAT rates of 4%-10%-22%.

Receivables for deferred tax assets recorded as current assets

Receivables for deferred tax assets of Euro 108,675 refer to the receivable for deferred tax assets recognised in the financial statements following the tax loss resulting at the end of the increase and decrease in the IRES taxable base.

Receivables from others recorded as current assets

Receivables from others totalling Euro 605,244 mainly refer to Euro 105,477 for a temporary receivable for cash on delivery and waiting to receive them from the companies appointed to collect the cash on delivery, Euro 114,000 for a deposit paid as confirmation of the order for the modification and integration of the order preparation system, Euro 63,101 for advance payments to suppliers and for the remainder to sundry receivables of a residual nature, of non-significant unit value, connected with the performance of the company's activities.

Current assets: financial assets not held as fixed assets

Financial assets not held as fixed assets amounted to Euro 3,833,397 (Euro 2,919,929 as at the end of 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 are not held as fixed assets are composed, for Euro 1,199,046 from bank-issued securities, for Euro 1,122,000 by insurance policies with guaranteed return and for Euro 1,512,351 by listed investment funds, all with Investment Grade risk. Securities are measured at the lower of the specific cost and the market value.

	Other current securities	Total financial assets not held as fixed assets
Opening balance	2,919,929	2,919,929
Changes in the period	913,468	913,468
Closing balance	3,833,397	3,833,397

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 3,097,265 (Euro 3,503,685 as at the end of 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	3,463,694	39,991	3,503,685
Change in the period	(388,449)	(17,971)	(406,420)
Closing balance	3,075,245	22,020	3,097,265

The item Cash at bank and on hand represents almost all cash on hand, mainly related to the cash fund and/or the amounts not yet paid to banks as at the end of the reference period by the Company's sales points.

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

Accrued income and prepaid expenses

Accrued income and prepaid expenses amounted to Euro 986,359 (Euro 254,731 as at the end of the previous year).

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

	Prepaid expenses	Total accrued income and prepaid expenses
Opening balance	254,731	254,731
Change in the period	731,628	731,628
Closing balance	986,359	986,359

Prepaid expenses mainly refer to the following items:

Lease maxi fee (initial larger lease instalment) Euro 492,381;

- Registration tax Euro 149,783;
- Software licences Euro 24,315;
- Consultancy Euro 102,076;
- Update costs Euro 33,000;

The item lease maxi fee refers to advances paid on lease contracts signed for the purchase of the new warehouse and its automation. The item “Other prepaid expenses” instead includes rental fees, prepaid software fees and insurance premiums.

Capitalised financial charges

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

Explanatory notes - Liabilities and Shareholders' equity

Shareholders' equity

Shareholders' equity amounted to Euro 11,893,073 as at 30 June 2020 (Euro 12,187,003 as at the end of the previous year).

Changes in the balances of items under liabilities and shareholders' equity are described below:

	Share capital	Share premium reserve	Legal reserve	Miscellaneous other reserves	Profits (losses) carried forward	Profit/(loss) for the period	Total shareholders' equity
Balance as at 31 December 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)	-
Capital increase AIM listing	667,000	9,338,000					10,005,000
Loss coverage previous years				(107,464)	107,464		-
Result for the period						(63,703)	(63,703)
Opening balance	2,867,000	9,338,000	14,719	30,987		(63,703)	12,187,003
Allocation of profit for the previous year	-				(63,703)	63,703	-
Result of the period						(293,933)	(293,933)
Other allocations	-		-	-	-	-	-
Other changes				3			3
Closing balance	2,867,000	9,338,000	14,719	30,990	(63,703)	(293,933)	11,893,073

The share capital as at 30 June 2020 was fully subscribed and paid-up and amounted to Euro 2,867,000 represented by 5,734,000 ordinary shares without nominal value.

The legal reserve recorded in the financial statements amounted to Euro 14,719, with no increase compared to 31/12/2019.

The item "Miscellaneous other reserves" of Euro 30,990 has not changed and is representative of the capital contribution reserve. This reserve originally amounted to Euro 138,451 and was created following the conferment of the Trademark in 2018; as at 31 December 2019, it had a residual amount of Euro 30,989 due to the use of this reserve to partially cover losses of previous years.

Available funds and use of shareholders' equity

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

Origin, possibility of use and distributability of shareholders' equity items

	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	(63,703)	
Total	11,893,073	

KEY / NOTES:

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

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 as at the reporting date, less advance payments made.

Employee severance indemnity is recognised under liabilities for a total Euro 237,938 (Euro 187,972 as at the end of 2019).

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

	Employee severance indemnity
Opening balance	187,972
Provision in the period	59,404
Use in the period	(9,438)
Total changes	49,966
Closing balance	237,938

Payables

Changes and expiry of payables

Payables are recognised under liabilities for a total of Euro 21,164,545 (Euro 16,329,838 as at the end of 2019). The breakdown of the individual items is as follows:

	Payables to banks	Payables to other lenders	Trade payables	Payables to subsidiaries	Tax payables	Payables to social security institutions	Other payables	Total payables
Opening balance	4,252,302	-	11,814,086	-	54,965	76,921	131,564	16,329,838
Change in the period	60,720	10,623	4,480,835	122,002	33,564	16,355	110,608	4,834,707
Closing balance	4,313,022	10,623	16,294,921	122,002	88,529	93,276	242,172	21,164,545
Portion due within 12 months	1,905,188	4,927	16,294,921	122,002	88,529	93,276	242,172	18,751,015
Portion due beyond 12 months	2,407,834	5,696	-	-	-	-	-	2,413,530

Payables to banks amounted to Euro 4,313,022 and relate to various loans stipulated in order to consolidate company activities for Euro 4,254,042 and Euro 58,979 for current account overdrafts. The payable for loans is due within 12 months for Euro 1,846,209 and Euro 2,407,834 beyond 12 months. Payables to banks are not subject to guarantees or respect for covenants.

Trade payables amounting to Euro 16,294,921 relate to commercial transactions under the normal payment terms, all due within one year. The breakdown of payables by geographic area is not significant for the Company given that almost all purchases are made from Italian counterparties located throughout Italy

Payables to subsidiaries amounting to Euro 122,002 relate to commercial consultancy relations under the normal payment terms, all due within one year.

Tax payables of Euro 88,529 refer to withholding taxes to be paid on income from employment and self-employment, direct taxes payable, some of which are estimated in relation to the present half-year, and other payables of a residual amount.

Payables to welfare and social security institutions, amounting to Euro 93,276, refer to contributions and include supplementary pension funds.

Other payables amounting to Euro 242,172 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 interim financial statements as at 30 June 2020.

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.

Accrued expenses and deferred income

Accrued expenses and deferred income amounted to Euro 62,831 (Euro 6,983 as at the end of the previous year) and mainly refer to accrued expenses recorded for consultancy invoices.

Receivables and payables with a duration of more than five years

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

Explanatory Notes - Income statement

Production value

Pursuant to the provisions of article 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 the first half of 2020, roughly 99% of revenues were generated in the domestic market and approximately 1% in the foreign markets (EEC countries/non-EEC countries). The production value also includes, for an amount of Euro 1,046,000, revenues for co-marketing and promotional services for leading counterparties.

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

Description	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
1) revenues from sales and services	31,309,826	17,843,584	13,466,242
2) Change in inventories of work in progress, semi-finished and finished products	2,564,326	907,539	1,656,787
5) Other revenue and income	348,692	16,576	332,116
Total	34,222,844	18,767,699	15,455,145

Revenues from the sale of goods and provision of services amounted to Euro 31,309,826.

The item "Change in inventories of work in progress, semi-finished and finished products", amounting to Euro 2,564,326 (Euro 907,539 in the first half of 2019) includes the change in the quantity of closing inventories as at 30 June 2020 compared to the opening inventories as at 1 January 2020.

The breakdown by business category is not deemed significant, given that revenues refer entirely to the company's core business, as defined above.

Production costs

Summary comments of the economic performance in the period 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 amounted to Euro 23,235,411 (Euro 13,108,411 in the first half of 2019).

Costs for services

Costs for services are recognised as part of production costs in the income statement for Euro 8,353,136 (Euro 3,694,811 in the first half of 2019).

Description	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Transport costs	2,781,712	1,458,105	1,323,607
Advertising expenses	2,272,988	788,766	1,484,222
Professional and operational consultancy	1,143,156	512,233	630,923
Logistics costs	1,034,132	529,295	504,837
Electricity	40,027	16,669	23,358
Water	4,981	563	4,418
Maintenance and repairs	7,028	10,282	(3,254)
Insurance services	33,924	19,795	14,129
Directors' fees plus social security contributions	111,411	147,384	(35,973)
Software fees and licences	232,967	28,812	204,155
Joint venture fees	4,628	5,553	(925)
Covid costs	232,135	-	232,135
Telephone costs	68,623	38,773	29,850
Entertainment expenses	433	867	(434)
Hotels, restaurants, travel and transfers	2,560	5,949	(3,389)
Other	382,431	131,765	250,666
TOTAL	8,353,136	3,694,811	4,658,325

Transport expenses refer to the costs incurred by the company for free shipping for customers, while industrial 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 first half of 2020.

Logistics costs refer to the expenses incurred for the incoming and outgoing goods handling of the Migliarino logistics centre.

Web advertising and promotion expenses are mainly attributable to the costs incurred for the management of the Google platform and for the advertising campaign broadcast on TV in May 2020.

It should be noted that the item professional and operational consultancy includes both the part relating to the Stock Exchange, amounting to Euro 159,513, general for Euro 289,650 and operational for Euro 693,993,

which are largely related to costs for communication services and IT material, of which Euro 355,000 was paid to the subsidiary Valnan S.r.l. and the remainder to the company High Technologies and Telecommunications Consulting S.r.l. and Incas S.p.A.

As previously mentioned, financial collection charges and other bank fees, starting from the current period, are shown under item C.17 "Interest and financial charges" below. The figure for the previous period was reclassified for comparability of amounts.

Costs for the use of third-party assets

Costs for use of third-party assets are booked under production costs in the income statement for a total of Euro 471,473 (Euro 188,838 in the first half of 2019).

The individual items are broken down as follows:

Description	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Rental expenses	128,251	124,554	3,697
Rental fees	65,786	44,470	21,316
Lease fees and maxi fee	243,654	-	243,654
Other costs for use of third-party assets	33,781	19,814	13,967
TOTAL	471,473	188,838	282,635

This item refers mainly to lease fees incurred for the use of commercial properties where the physical sales points operate. Lease fees refer to the real estate lease stipulated for the acquisition of the property used for the storage and shipment of goods and the instrumental lease stipulated for the acquisition of an initial automation system for the goods shipment line.

Personnel costs

The item "Personnel costs", amounting to Euro 1,242,959 (Euro 816,893 in the first half of 2019) includes the costs incurred in the period for employees.

Description	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
a) wages and salaries	894,352	577,931	316,421
b) social security charges	265,546	184,252	78,654
c) employee severance indemnity (TFR)	59,404	38,730	20,674
d) other costs	23,657	15,980	7,677
TOTAL	1,242,959	816,893	426,066

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 article 2427, no. 15 of the Italian Civil Code, we inform you that the changes in personnel and subsequent average number as at the reporting date are as follows:

	White collar	Total
Beginning of period	49	49
Hires/promotions	19	19
Exits/promotions	3	3
End of period	66	66
Average number	58	58

Depreciation/amortisation and write-downs

The item "depreciation/amortisation and write-downs" amounting to Euro 588,237 (Euro 292,757 in the first half of 2019) includes the amortisation of intangible fixed assets for Euro 483,166 and depreciation of property, plant and equipment for Euro 105,071.

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

Sundry operating costs

Sundry operating costs are recognised as part of production costs in the income statement for a total of Euro 94,046 (Euro 111,829 in the first half of 2019).

The individual items are broken down as follows:

Description	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Duties and taxes other than on income	17,722	8,302	9,420
Fines and penalties (non-deductible)	2,361	13,739	(11,378)
Contingent liabilities	43,161	24,468	18,693

Promotional items - sweepstakes	-	65,320	(65,320)
Losses on receivables	30,770	-	30,770
Other	32	-	32
TOTAL	94,046	111,829	(17,783)

Financial income and charges

Pursuant to article 2427, paragraph 1, letters 11) and 12) of the Italian Civil Code, we report that, during the period, 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 article 2425, no. 17 of the Italian Civil Code.

It is noted that item C) 17) e) of the Income Statement amounted to Euro 627,690. The item mainly consists of the financial charges incurred by the company through the PayPal and Braintree “Incasso sicuro” (Safe Collection) financial platforms.

Amount and type of individual revenue elements of an exceptional impact

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

Income tax for the period, current and deferred tax liabilities and assets

Taxes are allocated on the basis of the forecast expense pertaining to the period ended 30/06/2020.

IRES (corporate income tax)	Euro	-
IRAP (regional business tax)	Euro	16,147
Deferred tax assets	Euro	(108,675)
Total	Euro	(92,528)

Deferred tax assets were allocated with the tax loss for the period.

Notes - Other Information

Fees and advances of directors and statutory auditors

Pursuant to article 2427, point 16 of the Italian Civil Code, it is specified that in the first half of 2020, the company incurred costs for directors' fees totalling Euro 111,412, of which Euro 94,007 for fees expense reimbursements and Euro 17,405 in the form of social security contributions payable by the company.

During the period, fees were also paid to members of the Board of Statutory Auditors for Euro 14,577.

Independent Auditors' fees

The independent audit of the interim 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 article 2427, paragraph 1, number 16-bis of the Italian Civil Code is provided below:

	Value
Annual accounting audit	18,000
Limited audit of interim financial statements	8,000
Periodic audits and fiscal regularity	4,000
Total fees due to the independent auditors	30,000

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

In accordance with the provisions of article 2427, first paragraph, no. 9) of the Italian Civil Code, we inform you that the Company is a user of two finance lease agreements, the first signed for the acquisition of the instrumental property located in Migliarino Pisano (PI) and the second signed for the acquisition of the automation system of a WMS machine, lines and automation and handling systems for picking and order preparation complete with accessories and equipment. The financial commitment made initially amounted to Euro 4,276,696 and Euro 681,515, respectively. As at the end of the period, the company's residual commitment, against the two contracts mentioned above, amounted to Euro 3,767,668 and Euro 496,090 respectively.

The effects on the interim financial statements that would have been obtained by accounting for these operations according to the financial methodology are set out below:

	Amount
Total amount of assets under finance lease as at period-end	4,512,255
Amortisation/Depreciation that would have been relevant to the period	53,745
Adjustments and write-backs that would have been relevant to the period	0
Current value of instalments not past due as at period-end	3,903,164
Financial charges relevant to the period on the basis of the effective interest rate	31,618

Information on financial instruments issued by the company

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

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 article 2447-bis, letter a) of the Italian Civil Code, nor did it stipulate any loan agreements that fall under the cases set forth in article 2447-bis, letter b) of the Italian Civil Code.

Information on transactions with related parties and subsidiaries

Pursuant to article 2427, point 22/bis of the Italian Civil Code, it is specified below that the following are identified as related parties: Restart S.r.l. (Tax Code and VAT 02516190465), Bewow S.r.l. (Tax Code and VAT

02324350467) and the subsidiary Valnan S.r.l. (Tax Code and VAT 01348440460).

The following table shows the equity and economic transactions entered into with related parties/subsidiaries in the period ended 30 June 2020:

(In Euro)	Receivables	Payables	Costs	Revenues
RESTART S.r.l.	-	-	-	-
BEWOW S.r.l.	822	350		
VALNAN S.r.l.	-	122,002	355,000	62

The company Restart S.r.l. is in voluntary liquidation while the company Bewow S.r.l. carries out exclusive and prevalent activities totally unrelated to that of the company Farmaè S.p.A.

Commercial transactions involving technical consultancy, for an amount of Euro 355,000, were entered into in the period with the subsidiary "Valnan S.r.l." (with a sole shareholder), as outlined in the paragraph relating to "costs for services". 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 period.

On 23 April 2020, Farmaè acquired all the shares in the share capital of Valnan S.r.l, previously held by the majority shareholder of Farmaè, by means of a notarized private deed. The acquisition price, equal to Euro 1,200,000, is confirmed by an appraisal report drawn up by an independent expert. The transaction was authorised by the Board of Directors of Farmaè on 20 January 2020. In accordance with Consob Related Parties Regulation as per Resolution no. 17221 of 12 March 2010 and the Procedure for Transactions with Related Parties approved by the Board of Directors of the Company on 19 June 2019, on 16 April 2020 the Farmaè Related Parties Committee also examined this transaction and expressed a favourable opinion on the Company's interest in carrying out this transaction.

On 28 April 2020, the receivable for non-interest-bearing loans from the related party Bewow S.r.l. was collected in advance, for which it was contractually envisaged and guaranteed to be payable in six-monthly instalments, the last of which is due 31/12/2022. The settlement of this asset, which was valued using the amortised cost method on the basis of an implicit interest rate of 5%, generated financial income in the income statement for the period of Euro 65,143.

Local units

In the first half of 2020, the company operated not only in the registered office, but also at the local units listed below:

- Lido di Camaiore (LU), Via Aurelia 335 at Versilia Hospital (store);
- Pistoia, Via Ciliegiole snc at the hospital facility (store);
- Lucca (LU), Via G. Lippi Francesconi snc at the hospital facility (store);

- Prato (PT), Via Suor Niccolina Infermiera 20 at the hospital facility (store);
- Massa (MS), Via E. Mattei 21 at the hospital facility (store);
- Cecina (LI), Via Montanara 52 (store);
- Viareggio (LU), Via Marco Polo 139 (Offices);
- Viareggio (LU), Piazza Mazzini 20 (Offices);
- Vecchiano (PI), Via Traversagna 26-29 (warehouse);
- Vecchiano (PI), Via Traversagna 26-29 (store);
- Viareggio (LU), Viale Marconi, no. 84 PT and P1 (store and hair and beauty salon);
- Sarzana (SP), Piazza S. Giorgio 2 (store).

Information on off-balance sheet agreements

Pursuant to no. 22-ter of article 2427 of the Italian Civil Code, it should be noted that, as at the end of the period, 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 period-end

Pursuant to article 2423 bis, paragraph 1, no. 4 of the Italian Civil Code, it is specified that, after the end of the period in question, there were no significant events worthy of mention.

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

In compliance with the provisions of article 2427-bis of the Italian Civil Code, it is specified that the Company did not stipulate any derivative financial instruments in the first half of 2020 or in previous years.

Notes - Final Part

These Explanatory Notes constitute an inseparable part of the half-year financial statements as at 30/06/2020 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 30/06/2020 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 interim financial statements.

Statement of compliance

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

THE BOARD OF DIRECTORS

Riccardo Iacometti	President and CEO
Giuseppe Cannarozzi	Director
Bulckaen Giovanni	Director
Alberto Maria Maglione	Director
Dario Righetti	Independent Director



REPORT OF THE AUDITING COMPANY



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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

**To the Board of Directors of
Farmaè S.p.A.**

Introduction

We have reviewed the accompanying interim financial statements of Farmaè S.p.A. (the "Company"), which comprise the balance sheet as of June 30, 2020, the income statement and cash flow statement for the six-month period then ended and the explanatory notes. The Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with the Italian Accounting Standard OIC 30. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Company as at June 30, 2020, are not prepared, in all material respects, in accordance with the Italian Accounting Standard OIC 30.

DELOITTE & TOUCHE S.p.A.

Signed by
Daide Bertoia
Partner

Milan, Italy
September 25, 2020

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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