



FARMAÈ S.P.A.
FINANCIAL STATEMENTS 2020

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Corporate Governance

Board of Directors

Riccardo Iacometti	Chair
Alberto Maglione	Vice Chair
Giuseppe Cannarozzi	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 Auditors

Deloitte & Touche S.p.A.

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 also 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, also 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.

REPORT ON OPERATIONS 2020

Letter to Shareholders

Dear Shareholders,

Farmaè S.p.A., founded in Viareggio in 2014 and listed on the AIM market of the Italian Stock Exchange since July 2019, is today a point of reference in the Health and Well-being sector in Italy. We are the expression of the first Onlife Retail¹ in the sector, placing the Customer at the centre of our circular activities and we respond immediately, rapidly and pragmatically to all their needs, ensuring a unique customer experience regardless of which sales channel is used. We are powered by a centralised and efficient business model and an omni-channel offering that effectively integrates a state-of-the-art digital platform with an ever-expanding network of stores.

During the extraordinary growth that has distinguished us in the last six years, we have been able to make difficult and courageous choices, from the decision to relocate, expand and automate the warehouse, creating a real logistics hub, to the landing on the Stock Exchange in July 2019, from the launch on the luxury market of the new Beautyè brand to the decision to strengthen our presence in the heavy orthopaedics sector through the acquisition of the company Sanort Srl: courageous choices that have proven to be successful to date. Our development strategy places customers and their needs at the centre. Every decision has always been taken with the utmost attention to our employees and with the greatest sense of responsibility towards the community, with the ultimate goal of increasing value for you, the shareholders. In the current historical moment, delicate for its criticality, we feel even more the sense of responsibility towards our stakeholders and we are determined to implement any strategy to ensure corporate sustainability and come out even more successful from this pandemic. Our ongoing commitment to strengthening the strategic pillars of our company - customer proximity, shopping experience, expanded product portfolio - has given us a solid competitive advantage that will prove critical in the near future.

I cannot refrain from saying a few words about the Covid-19 national and international health emergency we are experiencing and analysing our positioning in the face of this violent crisis. During the course of the year, we have guaranteed our customers the total operation and continuity of supplies and support. We have created an internal organisation in order to promptly respond to an important and growing demand for products on the platform and, at the same time, implemented all the necessary safeguards for the protection of employees, collaborators and suppliers, providing smart working methods to reduce the presence of personnel in the offices, implementing effective control and sanitisation procedures (carried out at the end of each work shift) to those who work at warehouses and logistics centres and signing an ad-hoc health insurance policy for all Group employees. We have also put in place a series of measures and controls to ensure constant monitoring of the evolution of the effects of the pandemic and implemented useful actions to inform employees, suppliers, customers and all stakeholders of the initiatives taken to reduce the probability of contagion to a minimum and the management of any risk situations. Furthermore, we have taken the necessary precautionary measures, also in terms of the safety and health protection of workers, in compliance with the provisions of the Decrees of the President of the Council of Ministers, ministerial circulars, the orders of the Civil Protection, as well as the indications issued by other Authorities in the area following the progressive spread of the virus.

¹ Onlife Retail is a new economic paradigm that unites online, offline and logistics.

We were able to guarantee full operations and meet the increased demand for 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 and/or slowed product deliveries or made them more onerous from a logistical point of view. We are also continuously monitoring the Company's financial, commercial and organisational situation, planning and evaluating all possible solutions to minimise the effects of the pandemic. At this time, we do not believe that the impact of the health emergency will hinder the development programs and future strategy that we intend to pursue.

The global pandemic will definitively change purchasing habits: new consumption modes and trends will emerge and only those who, like us, have been able to take up the challenge of digital evolution will be truly competitive and will start from a position of advantage, dictated by a cutting-edge business model and an omni-channel approach. It is therefore with satisfaction and concrete optimism towards the future that I submit to you once again record results for the financial year just ended: revenues, in fact, increased by 75% compared to the previous year and amounted to Euro 65.4 million. EBITDA amounted to approximately Euro 1 million, while adjusted EBITDA was Euro 1.5 million, with a positive net financial position at year-end of Euro 3.4 million, a further 55% increase compared to the end of the previous year. We have incurred unforeseen of an extraordinary nature, and as such we believe to be non-recurring, which would not have arisen had the pandemic not occurred. This had a clear effect on the result for the year, which showed a loss contrary to expectations. These costs were incurred in order to adapt our organisation to the stringent national and regional directives in force at the time, to maintain and increase market leadership and to face the increased competition in the online channel.

The results achieved, in spite of all the difficulties overcome, bear witness to the great work carried out so far, with passion and sacrifice, by all our employees, whom I would like to personally thank for their commitment and dedication shown in this year full of difficulties and uncertainties.

As always, we will face the new challenges with a constantly evolving strategic vision, with determination and rapidity of implementation, elements that have always distinguished us and that allow us to deserve the trust that you, our Shareholders, place in our work and for which I am extremely grateful.

Impact of COVID-19 on current operations

As can be seen at the date of these financial statements, the national and international scenario of the year 2020 was characterised by the spread of the global pandemic COVID-19 (acronym of the Coronavirus) and the resulting restrictive measures for its containment. In order to minimise the impact and spread of the virus, the public authorities of all the countries involved have imposed long lockdown periods and the consequent closure of many commercial and production activities. In this context and with a view to dealing with the emergency, the management of Farmaè has activated a series of interventions and controls aimed at guaranteeing constant monitoring of the evolution of the effects of the pandemic, seeking the solutions considered most suitable for the management of the related problems. In particular, the Company has put in place useful actions to inform employees, suppliers, customers and all stakeholders on the initiatives undertaken to minimise the risk of contagion and the management of any situations of risk or occurrence of infection. Furthermore, the Company has taken the necessary precautionary measures, also in terms of the safety and health protection of workers, in compliance with the provisions of the Decrees of the President of the Council of Ministers, ministerial circulars, the orders of the Civil Protection, as well as the indications issued by other Authorities in the area following the progressive spread of the virus.

The risks identified by management that the Company has faced and continues to face with respect to the Covid-19 Pandemic and its continuation into 2021 relate to:

- i. operational risks, linked to 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 in the solvency of commercial counterparties with reference to promotional services to suppliers;
- iv. risk of supply of raw materials if measures restricting the movement of persons and the transport of non-perishable/urgent goods are reintroduced.

Given that the Company's business was included among those authorised to continue operations pursuant to the emergency regulations issued and that the Company promptly activated the described healthcare protocols during 2020, no problems were encountered with the organisation of work in the various organisational units.

The results achieved in the year, despite the lockdown and the critical period due to the pandemic, which caused a sharp slowdown in all economic activities worldwide, were however positive. During this period, the Company 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 and/or slowed product deliveries or made them more onerous from a logistical point of view.

Given the nature of the Company's business, which involves marketing pharmaceuticals, over-the-counter medicines, orthopaedic products and beauty products mainly through the e-commerce channel and secondarily through ten retail outlets, the Covid-19 pandemic did not have a negative impact on sales through the online channel.

On the other hand, the impact of Covid-19 was felt in the retail channel, where the pharmacies located near the hospitals suffered a reduction in turnover due to the lower

number of visits made daily to the hospitals for safety reasons and the lower number of visits allowed to loved ones. The management of Farmaè has therefore opted to reduce the opening hours of each single point of sale located at the hospital.

No less important was the impact of Covid-19 on the “*Beautyè*” store, which was penalised by the first lockdown that determined its total closure from March until May 2020 and then underwent partial closures in accordance with national and regional directives in force at the time.

The particular health emergency situation also resulted in the incurrence of non-recurring costs that would not have arisen had the pandemic not occurred. Among the main and most relevant are:

- i. transport costs due to deliveries not carried out following sudden and unforeseeable closures in “red” areas;
- ii. costs for damaged goods and regulations that are no longer resalable returned from the above areas;
- iii. costs arising from the organisation of work in March and April on three daily shifts;
- iv. daily sanitation costs (at the end of each work shift);
- v. expenditure on the purchase of personal protective equipment;
- vi. expenditure on the purchase of detergents and disinfectants;
- vii. expenditure on the purchase of security and safety equipment to ensure people's safety distance;
- viii. expenditure on technical and IT equipment for personnel to promote smart working;
- ix. costs of swabs and serological tests carried out on all personnel;
- x. expenditure on stipulation of a Covid-19 company policy.

The emergency situation also had further negative repercussions in economic terms due to the higher incurrence of Google advertising costs as a result of increased competition in the e-commerce channel and the upgrading of the server and Internet cloud services.

All of the above, even if partially neutralised by the benefit deriving from the tax credit provided for by the regulations on the subject, which in any case was not significant, contributed to the economic result for the year.

The legislative provisions enacted to deal with the COVID-19 epidemic did not therefore have a significant impact on the Company's overall operations, which continued as normal and there was no reduction in the services provided to its customers. As things stand at present, therefore, the Company believes that there are no reasons to believe that the prospects for the going-concern assumption will be significantly affected by the impact of the COVID-19 epidemic.

Management also conducts continuous monitoring of the Company's financial, business and organisational situation, planning and evaluating all possible solutions to minimise the effects of the pandemic and does not believe that the impact of the pandemic will hinder the future programs and strategy that the Company intends to pursue.

Company Description and Business Model

Company Overview

Farmaè S.p.A. is today the leading “onlife e-retailer”² 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 two web platforms Farmaè e Beautyè (with more than 40 million visitors in 2020 and 7.5 million products sold in 2020), and through 10 sales points divided into 9 Farmaè brand sales points (Viareggio Via Aurelia Nord 129; Sarzana Piazza S.Giorgio 2; Livorno via Ippolito Nievo 158, 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 45,000 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 has recently entered the heavy orthopaedics sector by acquiring the online player Sanort www.sanort.com and has consolidated its digital and marketing soul by acquiring 100% of Valnan Communications www.valnan.it an online communication and marketing agency.

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:

² “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.

- 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 and entry into the heavy Orthopaedics segment with the acquisition of Sanort;
- consolidated partnerships with multinationals in the sector;
- 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 technological evolution and the new logic of Machine Learning and Artificial Intelligence;
- 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 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 related to personal “well-being” 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.

In addition to consolidating its position in the distribution channels in which it currently operates by expanding its offerings, Farmaè S.p.A. has a strong desire to consolidate its willingness as a cross-channel company by entering new product channels always attributable to the care, beauty and well-being of all people and pets (Pharma, Beauty, Mass

Market, Bio, Pet, Homeopathy, Orthopaedics) to address attractive and complementary markets.

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 started a further analysis program in order to begin the process of building a second logistic centre able to further expand the logistic and service capacities of the Company, hypothesising its positioning in the geographical area to the advantage and support of new marketing strategies (e.g.: further speeding up of deliveries in the areas of greatest interest for Farmaè S.p.A.).

Technology Development

The intention for the next 3 years is to effectively and operationally enhance the technological capabilities of the Company always enhancing the purchasing experience and knowledge that the final consumer can have thanks to online platforms. There is an important path in this sense aimed at the concrete use of artificial intelligence and machine learning logic to promote a whole series of automated activities that can improve and expand the levers related to business management APIs and consequently the commercial contribution that these can have in expanding both the customer base and their rate of loyalty.

Opening of new sales points

The objective of Farmaè S.p.A is to open further sales points in Italy, including a new sales point 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.

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, IT department, 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.

M&A

The Company has set up an internal organisation, through an M&A office, to start a process aimed at evaluating acquisition opportunities in the market. The philosophy behind the possible acquisition is aimed at the growth and development of the acquired company thanks also to the capacity for synergies and economies of scale from which the Farmaè Spa group can benefit.

Trend of the Reference Market And Legislation

Overview of the Online market in Italy in 2020 (Osservatorio Politecnico)

In 2020, online purchases amounted to Euro 30,559 billion, -3% compared to 2019. This is the result of different dynamics and not at all negligible; on the one hand, the purchase of Products grew by Euro 5.5 billion, +31% compared to 2019, the highest annual increase ever and reached Euro 23.4 billion. On the other hand, the purchases of Services in a strong crisis due to the obvious difficulties of the Tourism/Transportation sector that fell to Euro 7.2 billion recording -47% compared to 2019, both dynamics due to the ongoing pandemic.

More than 50% of B2C product e-Commerce growth is driven by 3 compartments: Information Technology and Consumer Electronics, Clothing and Food & Grocery. The more mature sectors are growing at a sustained rate but below the market average. In 2020, IT and consumer electronics amounted to Euro 6.164 billion +20% on 2019, clothing Euro 3.902 billion +22% and publishing Euro 1.200 billion +18%. On the other hand, emerging sectors are performing very well with much higher growth rates in particular Food & Grocery with 2.710 billion +70% on 2019 and furniture and home living with 2.370 billion +32%. There was also good growth in the Other Product categories with +37%, such as Beauty and Pharma, Games and Auto Parts.

On the other hand, as far as services are concerned, the Tourism/Transportation sector suffered a major setback going from 10.884 billion in 2019 to 4.821 billion in 2020 -56%, the deployment of Covid 19 and the consequent lockdown severely hurt the sector. Tour operators, travel agencies and transport (airlines, car rental, trains, etc.) were the most affected. The value of the segments aggregated under Other Services also fell, with -30%, with the ticketing segment being particularly critical. On the other hand, online purchases for insurance companies are against the trend with a 6% increase.

Overall, the incidence of e-Commerce on total retail sales in Italy will increase from 6% in 2019 to 8% in 2020 in the product component alone. Service penetration also grew slightly from 10.7% in 2019 to 11% in 2020.

In the most developed online industries from 2019 to 2020, Tourism and Transportation increased from 36% to 40%, IT and Consumer Electronics from 28% to 34%, Publishing from 21% to 29%, and Clothing from 9% to 15%. In the less mature sectors, however, furniture and home living went from 8% to 13%, insurance from 7% to 8% and Food & Grocery from 1% to 1.7%.

In 2020, 51% of B2C e-Commerce purchases will be made through smartphones, making them the number one shopping channel.

During the lockdown, despite the majority of Italians were locked in their homes, the use of smartphones has not decreased to enable e-Commerce purchases the issue of mobile

shopping is no longer discriminating and the Smartphone is the device preferred by Italians because of the simple and fast shopping experience and the possibility of continuous access.

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 2020, the total value of the Italian Health and Well-being market 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 389 million (price to the public) with an incidence of about 3.6% on the total. The latest projections of IQVIA on the reference market show a growth of the online market value of 66% and volume of 83%.

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 5.5% is still low, both in comparison to other product categories and to other countries, but is doubling year on year. The ongoing pandemic has accelerated 2.5 percentage points.

In 2020, 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 about Euro 658 million (+40% YoY) with an incidence of about 6.5% 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.

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.

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 merchants (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 merchants carry out activities as single operator, while only a small part is organised into chains.

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);
- they 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);
- they 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;

- there must be an area dedicated exclusively to SOP and OTC medicines;
- the warehouse in service of the storage of the medicine stocks must respect the rules on safe storage and distribution of medicines (Ministerial Decree of 6 July 1999 - approval of the guidelines on good practice regarding distribution of medicines for human use);
- as regards the handling of foodstuffs, a system must be implemented 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

This section provides economic and financial information relating to the Company's annual data for the years ended 31 December 2020 and 31 December 2019.

The report on operations of Farmaè S.p.A. as at 31 December 2020 (the “Report”) is drafted according to the provisions of the Italian Civil Code, and is consistent with the annual financial statements prepared 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).

The financial information below should be read together with the Company's financial statements for the year ended 31 December 2020. These financial statements are provided after this report on operations and are available to the public for consultation at the Company's registered office in Viareggio (LU), via Aurelia Nord 141, as well as on the Company's website www.farmaegroup.it.

The report refers to some alternative indicators of performance, that the management uses to monitor and evaluate the Company's performance.

Economic and financial information at 31 December 2020

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

INCOME STATEMENT (Euro)	31/12/2020	31/12/2019	Change	Change %
Net sales revenues	65,401,954	37,408,245	27,993,609	75%
Change in inventory	3,960,073	3,867,620	92,453	2%
Other revenues and income	99,404	226,378	(126,974)	(56%)
VALUE OF PRODUCTION	69,461,431	41,502,343	27,959,088	67%
Purchases of goods	(48,252,923)	(29,038,969)	(19,213,954)	66%
Service expenses (1)	(16,409,023)	(8,326,255)	(8,082,768)	97%
Costs for use of third-party assets	(1,009,787)	(327,448)	(682,339)	208%
Sundry operating costs	(266,433)	(177,416)	(89,017)	50%
TOTAL EXTERNAL OPERATING COSTS	(65,938,165)	(37,870,088)	(28,068,077)	74%
V.A. VALUE ADDED	3,523,265	3,632,255	(108,990)	(3%)
Personnel expense	(2,565,122)	(1,844,000)	(721,123)	39%
GROSS OPERATING MARGIN (EBITDA) (2)	958,143	1,788,255	(830,112)	(46%)
Depreciation, amortisation and provisions	-	(970,828)	970,828	(100%)
OP. INCOME ORDINARY OPERATIONS (EBIT) (3)	958,143	817,427	140,716	17%
Financial income	15,136	1,515	13,621	899%
Financial charges	(1,261,477)	(862,733)	(398,744)	46%
PRE-TAX RESULT (EBT) (4)	(288,198)	(43,791)	(244,407)	558%
Income taxes	(260,077)	(19,912)	(240,165)	1206%
RESULT FOR THE YEAR	(548,276)	(63,703)	(484,573)	761%

- (1) During the current year, bank fees and collection fees related to online collections 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 year 31.12.2019 for comparative purposes. The value of these expenses amounted to Euro 1,136,814 as at 31.12.2020 and Euro 784,174 at 31.12.2019.
- (2) The gross operating margin indicates the result before financial charges, taxes, depreciation and amortisation of fixed assets and provisions and write-downs of fixed assets and receivables included in current assets. The gross operating margin therefore represents an approximation of the cash generation, therefore excluding non-monetary elements. 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.
- (3) Operating income from ordinary operations indicates the result before financial charges and taxes for the year. 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.
- (4) The pre-tax result indicates the result before taxes for the period. The pre-tax result thus defined represents the indicator used by the Company's directors to monitor and evaluate the company's business performance. Given that the pre-tax result 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 the pre-tax result 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.

In order to facilitate understanding of the Company's economic and financial performance, the main indicators are provided below:

(Euro)	31/12/2020	31/12/2019	Change %
Economic indicators			
Revenues from sales	65,401,954	37,408,345	75%

Production value	69,461,431	41,502,343	67%
EBITDA	958,143	1,788,255	(46%)
EBITDA % on revenues	1.5%	4.7%	
EBITDA ADJUSTED	1,460,379	1,788,255	(18%)
EBITDA ADJUSTED % on revenues	2.2%	4.8%	
EBIT	958,143	817,427	17%
EBIT % on revenues	1.5%	2.2%	
EBT	(288,198)	(43,791)	558%
EBT ADJUSTED	39,194	(43,791)	(190%)
Net result	(548,276)	(63,703)	761%
Net result % on revenues	(0.8%)	(0.2%)	

Specifying that:

- i. these indicators are not indicative of the Company's future performance;
- ii. these indicators are not required by Italian GAAP and, although they are derived from the financial statements as at 31 December 2020 and the financial statements as at 31 December 2019, they are not audited;
- iii. the definitions and criteria adopted for the determination of the indicators used by the Company, insofar as they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies and, therefore, may not be comparable with those presented by such entities;

Net sales revenues

In 2020, the Company continued its significant growth path begun in previous years. Net sales revenue amounted to Euro 65.4 million, up 75% from Euro 37.5 million achieved in 2019.

The Company recorded positive performance in all commercial lines, confirming the validity of the business model implemented, as shown by the results reported below:

(Data in Euro)	31/12/2020	31/12/2019	Change Absolute	Change %
Online sales	61,011,813	34,214,235	26,797,577	78%
Offline sales	2,419,832	1,994,860	424,972	21%
Co-marketing	1,970,309	1,199,250	771,059	64%
Other revenues	99,404	226,378	(126,974)	(56%)
Total	65,501,358	37,634,723	27,866,635	74%

The analysis by business lines 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 61 million, marking an increase of +78% compared to the previous year. The main drivers of this growth are attributable to:

- ✓ expansion of the range of products offered;
- ✓ growth of the user base;
- ✓ growth in the conversion rate and consequent growth in annual orders.

Offline sales were Euro 2.4 million, an increase of 21% compared to the previous year.

The increase in volumes is linked to the improvement in the “Beauty” segment, the consolidation of the Like for Like performance of the stores and the higher turnover generated by the opening of the sales point in Sarzana. The main objective of these sales points is to increase the Company's visibility in the market.

The co-marketing turnover was Euro 2 million for an incremental value of 64% compared to 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.

Gross Operating Margin (EBITDA)

The gross operating margin (EBITDA) represents the indicator used by the Company's directors to monitor and evaluate the company's business performance. EBITDA amounted to Euro 958,143, a decrease of 46% compared to the previous year (in 2019, it amounted to Euro 1,788,255).

The incidence of the gross operating margin on net sales revenues was 1.47%.

EBITDA was primarily impacted by an increase in costs incurred for use of third-party assets, primarily due to lease fees and maxi fees on the two financial leases commenced in early 2020, and unexpected and non-recurring costs that would not have arisen had the pandemic not occurred.

Adjusted EBITDA ⁽¹⁾

As is well known, during the year, 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 2020, affected the income statement and the "nominal" EBITDA with the recording of lease instalments and maxi fee for a total of Euro 502,236.

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 107,490 (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 67,354. Given the above, the adjusted EBITDA amounted to Euro 1,460,379, while the adjusted pre-tax result was positive for Euro 39,194.

EBITDA from value added IS	+ 958,143
Adjustments:	
Financial lease fees	+ 502,236
Result EBITDA Adjusted	+ 1,460,379

Pre-tax result	- 288,198
Adjustments:	
Financial lease fees	+ 502,236
Amortisation rates	- 107,490
Interest expenses on mortgages	- 67,354
Pre-tax result Adjusted	+ 39,194

(1) The adjusted gross operating margin (defined as Adjusted EBITDA) indicates the result before financial charges, taxes, depreciation and amortisation of fixed assets, provisions, write-downs of fixed assets and receivables included in current assets as financial lease fees. The adjusted gross operating margin therefore represents an approximation of the cash generation, therefore excluding non-monetary elements. 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.

It should be noted that during the current year, bank fees and collection fees related to online collections were reclassified under financial charges.

Adjusted EBITDA for the year, net of these expenses associated with the Company's operations, amounted to Euro 323,565 (Euro 1,004,081 in 2019, specifying that the Company had no financial leases outstanding at that date).

Operating income from ordinary operations (EBIT)

EBIT for the 2020 financial year amounted to Euro 958,143, an increase of 17% compared to the previous year. EBIT for the year is equal to EBITDA because, as disclosed in the introduction to this report and as further detailed in the Notes, the Company has taken advantage of the possibility to suspend in full the depreciation and amortisation of all property, plant and equipment and intangible assets, not recognising them in the income statement as provided for by Decree Law no. 104/2020, article 60, converted by Law no. 126/2020. Depreciation and amortisation suspended in 2020 amounted to Euro 1,280,587. Net of this effect, EBIT for the year would have been Euro (322,444). Please refer to the notes for further details.

Net profit (loss)

After recognising current taxes and deferred tax liabilities and assets for Euro 260,077, the net loss for 2020 was Euro 548,276. This value, as specified in the section describing EBITDA, was affected by the national and international health emergency situation due to Covid-19 which, although it did not negatively affect the company's operations in terms of volumes of online revenues, which actually increased. However, it did negatively affect the company's income statement in terms of non-recurring and unforeseen costs, which would not have arisen if the pandemic had not occurred. Further information is provided in the introduction to this Report on Operations and in the specific section of this Report on Covid disclosures. In addition, as described in the comments on EBIT, the net result was affected by the suspension of depreciation and amortisation. Net of this effect, the net loss for the year would have been Euro (1,459,798).

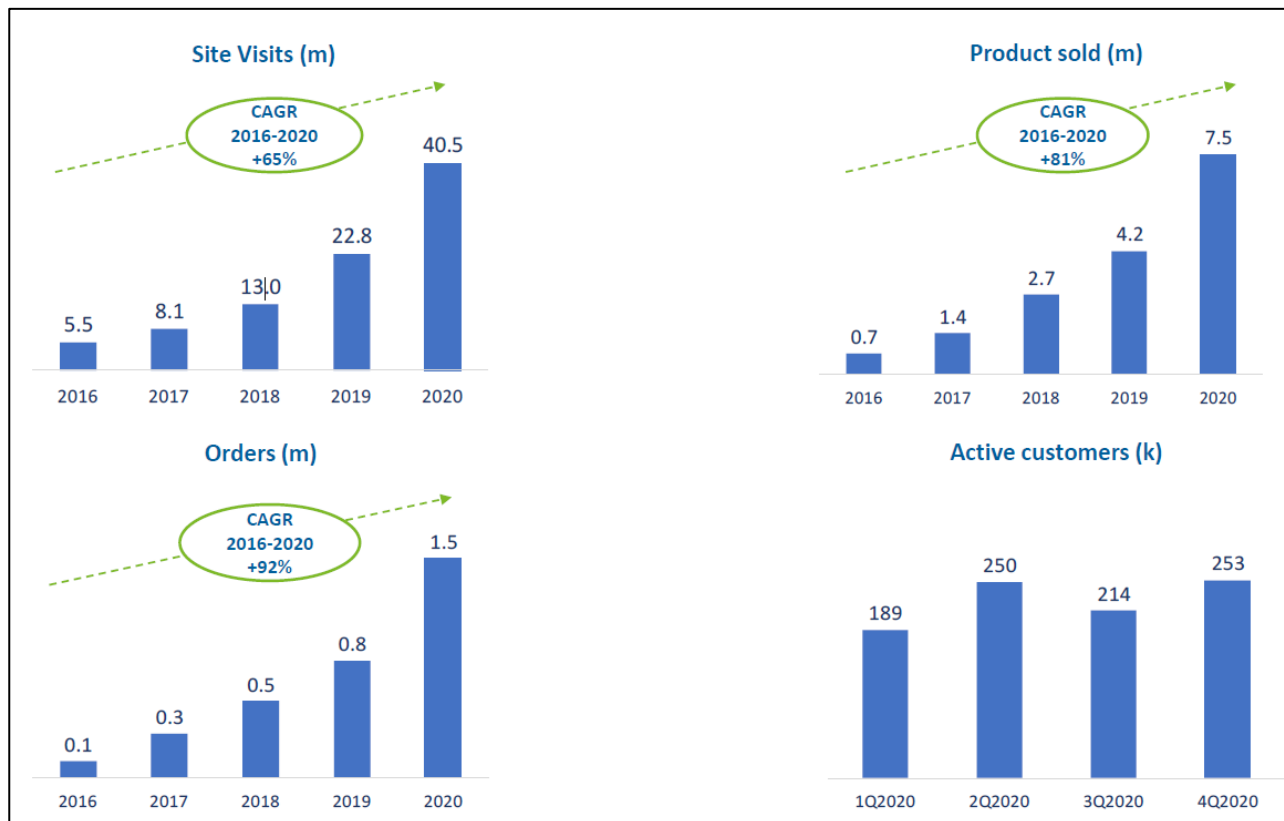
Main management KPIs

In 2020, the web portal reached over 40.5 million visitors compared to 22.8 million in the previous year, with a conversion rate to purchase of about 3.6%, among the highest of the sector, mainly thanks to innovative digital strategies.

During the year, the Company also recorded 1.5 million online orders compared to 815 thousand orders received in 2019.

Lastly, 7.5 million products were sold in 2020, compared to 4.2 million products sold in 2019.

The performance of the main management KPIs in the last 5 years is shown below:



Statement of financial position

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

BALANCE SHEET	31/12/2020	31/12/2019	CHANGE	CHANGE %
Immediate liquidity	8,983,967	3,503,685	5,480,282	156%
Deferred liquidity	9,555,360	6,905,829	2,649,531	38%
Inventories	14,649,069	10,796,006	3,853,063	36%
CURRENT ASSETS (C)	33,188,396	21,205,520	11,982,876	57%
Property, plant and equipment	1,981,459	1,010,108	971,351	96%
Intangible fixed assets	6,595,521	5,727,360	868,161	15%
Financial fixed assets	1,304,993	768,808	536,185	70%
NON-CURRENT ASSETS	9,881,973	7,506,276	2,375,697	32%
TOTAL ASSETS - USES (K)	43,070,369	28,711,796	14,358,573	50%
CURRENT LIABILITIES (P)	22,710,968	14,235,706	8,475,262	60%
NON-CURRENT LIABILITIES	8,585,672	2,289,087	6,296,585	275%
SHAREHOLDERS' EQUITY (N)	11,773,729	12,187,003	(413,274)	(3%)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY - SOURCES	43,070,369	28,711,796	14,358,573	50%

Current assets of Euro 33,188,396 were 57% higher than the current assets recorded as at 31 December 2019. The increase is mainly due to the increase in immediate liquidity, a sign

that the Company does not have cash flow problems, and to the increase in inventories due to the higher transactional volumes to be handled.

Fixed assets (non-current), amounting to Euro 9,881,973, increased by Euro 2,375,697 compared to 31 December 2019 mainly due to the investments in the period in machinery, leasehold improvements and the acquisition of the investments in Valnan S.r.l and Sanort S.r.l.

Current liabilities, amounting to Euro 22,710,968, have increased by Euro 8,475,262, mainly due to the increase in the item "Payables to suppliers" related to the development of the business and the continuous growth of volumes purchased for subsequent resale.

Non-current liabilities, amounting to Euro 8,585,672, increased by Euro 6,296,585, mainly due to the loans/mortgages taken out by the Company in 2020 at very favourable market conditions and rates.

The reclassified statement of financial position by sources and uses as at 31 December 2020 and 31 December 2019 is provided below.

USES	31/12/2020	31/12/2019	CHANGE	CHANGE %
Non-current assets	9,881,973	7,506,276	2,375,697	32%
Net working capital	(782,616)	2,697,387	(3,480,003)	(129%)
Non-current liabilities	(680,787)	(187,972)	(492,815)	262%
NET INVESTED CAPITAL (*)	8,418,570	10,015,691	(1,597,121)	(16%)
SOURCES				
Equity	11,773,729	12,187,003	(413,274)	(3%)
Net financial debt	(3,355,159)	(2,171,312)	(1,183,847)	55%
TOTAL SOURCES OF FUNDING	8,418,570	10,015,691	(1,597,121)	(16%)

() Net invested capital is the algebraic sum of net working capital, obtained as the difference between current assets and current liabilities, excluding financial assets and liabilities, and non-current assets and non-current liabilities, excluding financial assets and liabilities. Net invested capital is not identified as an accounting measure under the relevant accounting standards. The determination criteria applied may not be consistent with those adopted by other Companies and, therefore, the balance obtained may not be comparable with that determined by the latter.*

The main equity indicators identified can be summarised as follows:

(Euro thousands)	31/12/2020	31/12/2019	Change %
Equity indicators			
Net Working Capital	(782,616)	2,697,387	(129%)
Net Invested Capital	8,418,570	10,015,691	(16%)
Net financial position	(3,355,159)	(2,171,312)	55%

Net working capital

Net working capital (abbreviated as NWC) expresses the extent to which the company is able to pay off short-term liabilities through the (direct and indirect) realisation of short-term assets. It is obtained as the difference between current assets and current liabilities, excluding financial assets and liabilities.

The breakdown of net working capital at 31 December 2020 and 31 December 2019 is detailed in the table below:

(Amounts in Euro)	31/12/2020	31/12/2019	CHANGE	CHANGE %
Inventories	14,649,069	10,688,996	3,960,073	37%
Trade receivables	1,897,220	1,517,187	380,033	25%
Other receivables (tax receivables, deferred tax assets and others)	1,927,182	2,320,992	(393,810)	(17%)
Accrued income and prepaid expenses	808,826	254,731	554,095	218%
Current assets (excluding financial assets)	19,282,297	14,781,906	4,500,391	25%
Trade payables	19,651,036	11,814,086	7,836,950	66%
Other payables (tax, social security and other payables)	373,423	263,450	109,973	42%
Accrued expenses and deferred income	40,454	6,983	33,471	479%
Current liabilities (excluding financial liabilities)	20,064,913	12,084,519	7,980,394	66%
NET WORKING CAPITAL	(782,616)	2,697,387	(3,480,003)	(129%)

Net invested capital

USES	31/12/2020	31/12/2019	CHANGE	CHANGE %
Non-current assets	9,881,973	7,506,276	2,375,697	32%
Net working capital	(782,616)	2,697,387	(3,480,003)	(129%)
Non-current liabilities	(680,787)	(187,972)	492,815	262%
NET INVESTED CAPITAL (*)	8,418,570	10,015,691	(1,597,121)	(16%)

(*) Net invested capital is the algebraic sum of net working capital, non-current assets and non-current liabilities. Net invested capital is not identified as an accounting measure under the relevant accounting standards. The determination criteria applied by the Company may not be consistent with those adopted by other entities and, therefore, the balance obtained may not be comparable with that determined by these entities.

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).

We report the marked improvement in the net financial position, which was positive at the end of the 2020 financial year by Euro 3,355 thousand, up 55% compared to Euro 2,171 thousand as at 31 December 2019.

The Company's total cash (including cash equivalents) at 31 December 2020 amounted to Euro 13.9 million, an increase of 116% compared to the resulting cash and cash equivalents at 31 December 2019.

The net financial position, presented in accordance with the format of Consob Communication no. DEM/6064293 of 28 July 2006, 31 December 2020 and 31 December 2019 is detailed in the table below:

(Amounts in Euro)	31/12/2020	31/12/2019
A. Cash and cash equivalents	8,983,967	3,503,685
B. Other cash and cash equivalents		
C. Securities held for trading	4,922,131	2,919,929
D. Liquidity A + B + C	13,906,098	6,423,614
E. Current financial receivables		
F. Current bank payables		
G. Current portion of non-current debt	2,646,054	2,151,187
H. Other current financial payables		
I. Current financial debt F + G + H	2,646,054	2,151,187
J. Net current financial debt I – E – D	(11,260,044)	(4,272,427)
K. Non-current bank payables	7,904,885	2,101,115
L. Bonds issued		
M. Other non-current financial payables		
N. Non-current financial debt K + L + M	7,904,885	2,101,115
O. Net financial debt J + N	(3,355,159)	(2,171,312)

Cash flows for the years ended 31 December 2020 and 31 December 2019 are detailed in the table below:

(Amounts in Euro)	31/12/2020	31/12/2019	CHANGE
1. Cash flows from operating activities			
1) Profit for the year before taxes, interest, dividends and gains/losses on disposals	951,337	817,427	133,910
Adjustments for non-monetary items that had no balancing entry in NWC			
2) Cash flow before changes in NWC	1,405,194	1,877,450	(472,256)
Total changes in net working capital	3,294,174	(2,821,208)	6,115,382
3) Cash flow after changes in NWC	4,699,367	(943,758)	5,643,125
Total other adjustments	(1,258,655)	(1,061,886)	(196,769)
Cash flow from operating activities (A)	3,440,713	(2,004,129)	5,444,842
Cash flow from investment activities (B)	(4,250,868)	(7,340,151)	3,089,283
Cash flow from financing activities (C)	6,290,439	12,570,172	(6,279,733)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	5,480,283	3,225,892	2,254,391
Total cash and cash equivalents at start of year	3,503,685	277,793	3,225,892
Total cash and cash equivalents at end of year	8,983,968	3,503,685	5,480,283

The core business in the year ended 31 December 2020 generated cash of Euro 3,440,713, a marked increase compared to the cash flow from operating activities resulting at 31 December 2019.

The Company's investment activity during 2020 also continued although it has not reached the levels of the previous year. Cash flows from investing activities, amounting to Euro

4,250,868, in fact decreased by approximately Euro 3.1 million compared to 31 December 2019.

Cash flows from financing activities decreased significantly compared to the previous year, reflecting the Company's ability to finance its investment activities mainly through cash flows generated by its operations.

Significant events during the year

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. In a following sequence, the above property was equipped with a system for the preparation and automatic execution of orders, which was definitively installed in the first half of the year. In September 2020, this plant was upgraded and improved, allowing to halve the time of processing and order management, to reduce the processing error, to make personnel work in larger spaces and to increase the products in the list, easily managing more than 40,000 references.

On 23 April 2020, Farmaè acquired all the shares in the share capital of Valnan S.r.l, by means of a notarised private deed. Farmaè's acquisition of Valnan Communications is to be considered a strategic and important value asset because the agency, increasingly organised and performing, represents a reference point in the historical growth of Farmaè, having followed and indicated its development over the years in terms of marketing and communication while maintaining its new independence in the reference market. Said independence has allowed management to bring into the group Farmaè Spa that value of knowledge and experience that only operating in different markets brings. It is believed that Valnan, in addition to improving the business development of Farmaè Spa and its various projects, is a company destined to grow and rapidly become one of the leading online marketing and communication agencies in Italy.

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 purchase of a business unit with Pharma Sangiorgio S.r.l.

In July 2020, the Company implemented a new 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.

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.

On 11 September 2020, the Sanort trademark was registered at the Italian Patent and Trademark Office in Lucca. The registration of the trademark allowed its subsequent recognition in the financial statements, following the revaluation carried out on the basis of the value identified by a special appraisal drafted by an independent expert. The revaluation was made possible by the legislation contained in Decree Law 104/2020 and was performed

solely for statutory purposes, without providing for the payment of substitute tax or the release of the Revaluation Reserve for tax purposes.

On 26 October 2020, the opening of a new sales point in the Municipality of Livorno was completed; the opening of the sales point in Livorno and the consequent closure of the store in Cecina, which took place in early October 2020, is strategic to the dissemination of the brand and better positioning on the market.

On 06 November 2020, Farmaè acquired all the shares in the share capital of Sanort S.r.l. by means of a notarised private deed. The acquisition price was Euro 85,000. The transaction was authorised by the Board of Directors of Farmaè on 25 September 2020. This transaction has not been classified as a significant transaction pursuant to article 12 of the AIM Regulation. It does not constitute a reverse takeover pursuant to article 14 of the AIM Regulation and, since it is not a particularly significant transaction, it is not considered price sensitive.

Significant events after the end of the year

Corporate Social Responsibility

In December 2020, the Company created the internal Corporate Social Responsibility Function and appointed an internal representative. Corporate Social Responsibility (CSR) is the set of policies, practices and behaviours adopted in favour of the community in which the Company operates as well as the company itself. It is a form of voluntary responsibility that the Company assumes towards its social interlocutors: the so-called stakeholders.

The CSR Manager is currently identifying the material issues (approximately 15) on which quantitative and/or qualitative objectives and KPIs will be set and by the first half of April 2021, the CSR Manager will identify the Champions who will work collaborate in implementing the CSR of all Farmaè Group companies. The CSR Manager will agree with the various Champions the objectives to be achieved by each company and, by December 2021, the CSR Manager will complete, with the support of the Champions, the CFO and the Human Resources Manager, the Corporate Social Responsibility report that will be annexed to the annual financial statements and will be published on the Company website in a dedicated area.

Lastly, the CSR Manager will be an active participant in interfacing with the local community, business and CSR-related organisations, health entities, government departments and charities. The CSR Manager will attend Corporate Social Responsibility events both organised by the Farmaè Group and those invited to. Through a plan strictly linked to the company budget, the CSR Manager will propose initiatives that will make the Group increasingly visible and its companies better known.

Phantom Stock Option

On 29 January 2021, the Board of Directors identified the beneficiaries of the first grant cycle of the incentive plan based on the award of phantom stock options, which was approved by the Shareholders' Meeting of 27 April 2020.

Company Regulations

In January 2021, the Company approved 14 company regulations prepared by the appointed company BrotherHood S.r.l. In particular, the appointed company has prepared the following Internal Regulations (R.I.):

- i. “R.I. no. 1/2021 - Disciplinary Code”, which regulates, with reference to the Company's personnel/workers, the duties and the relative conduct to be observed in the company, the prohibitions, the justifications for any absences, the change of domicile, the observance of working hours and the consequent disciplinary measures in the event of non-compliance with the code;
- ii. “R.I. no. 2/2021 - Procedure for the Insertion of New Hires”, which establishes the criteria for the insertion of new hires, the competencies and the conditions of the insertion program;
- iii. “R.I. no. 3/2021 - Whistleblowing”, i.e. a policy to regulate the reporting of unlawful conduct by employees or third parties, essentially dividing the related procedure into 4 phases: reporting of unlawful conduct, investigation, outcome of the investigation and protection of the reporter, witness and reported person, as well as protection and archiving of documents and training and communication in this area;
- iv. “R.I. no. 4/2021 - Expenses and Travel Regulations”, which sets out the company rules for all employees of the group of which the Company is the parent company (“Farmaè Group”) with reference to the so-called mission, i.e. work carried out temporarily in a municipality other than that of the employee's place of assignment, with particular reference to the reimbursement of expenses, travel and accommodation and participation in training initiatives;
- v. “R.I. no. 5/2021 - Ethical Code of Conduct”, addressed to the directors of the Farmaè Group, its control bodies, its management, all its employees and all those who work, directly or indirectly, permanently or temporarily, to pursue the objectives of the Farmaè Group, the observance of which is of paramount importance, defining the rules of conduct to be observed in the performance of professional activities and providing the rules of conduct to be followed in relations with shareholders, colleagues, customers, suppliers, partners, public institutions, political organisations, trade unions and all other stakeholders with whom the Farmaè Group relates, in order to ensure the efficiency, reliability and reputation of the Farmaè Group;
- vi. “R.I. no. 6/2021 - Selection, Hiring and Management of Personnel”, with the aim of defining the principles of conduct that the Company intends to observe, with reference to the various activities relating to the “selection, hiring and management of personnel” area, in compliance with current legislation and the principles of transparency, objectivity and truthfulness of information;
- vii. “R.I. no. 7/2021 - Code of Conduct for Suppliers”, which defines the fundamental principles that must underlie the activity of each supplier of the Farmaè Group, as well as the related requirements and contractual obligations towards the latter;
- viii. “R.I. no. 8/2021 - Company car for Mixed Use”, aimed at regulating the concession for the use of company vehicles by employees or collaborators of the Farmaè Group;
- ix. “R.I. no. 9/2021 - Health and Safety in the Workplace”, which specifies the responsibility of management, the worker and each company of the Farmaè Group with regard to the health, safety and well-being of its employees, customers and suppliers;

- x. “R.I. no. 10/2021 - Risk Management”, which identifies those responsible for the risk management policy and the related procedure (definition of risk, risk management and risk propensity, implementation of controls/risk management, reporting requirements);
- xi. “R.I. no. 11/2021 - Group Communication”, aimed at providing clear indications on communications within the Farmaè Group and, in particular, on approvals relating to public relations, internal communications, corporate brands, announcements, crisis management and website content;
- xii. “R.I. no. 12/2021 - Corporate Social Responsibility”, i.e. the set of policies, practices and conduct adopted by the Farmaè Group in favour of the community in which it operates as well as the company; a form of voluntary responsibility that the Farmaè Group assumes towards its social interlocutors (the so-called stakeholders);
- xiii. R.I. no. 13/2021 - Powers of Attorney and Proxies”, which specifies the notions of “powers of attorney” and “proxies” within the Farmaè Group, as well as the procedures for their attribution, the relative objectives/reasons and contents;
- xiv. “R.I. no. 14/2021 - Performance Assessment”, which identifies the procedure for assessing the performance of the Company's employees and, in particular, the annual performance evaluation system, the evaluation forms and goal setting.

Company training

In February 2021, the Company initiated a Corporate Training program for first and second tiers and certain high potentials. The program also includes the use of psycho-aptitude tests to aid in the personal and professional growth of each person involved.

Company training was entrusted to Prof. Andrea Frausin and his company Talenti Group. The courses focus on the following central themes:

- ⇒ management and self-organisation for results of excellence;
- ⇒ leadership and employee management (also remotely);
- ⇒ change management in VUCA contexts.

The psycho-aptitude tests are internationally validated and allow the assessment of 35 competencies for each person, divided into 5 areas.

Corporate Welfare

The company has decided to develop a Corporate Insurance Welfare program for its employees, which includes several areas such as: Medical Expense Reimbursement, Accidents and Long Term Care.

Specifically, in February 2021, the Company entered into a Gold health plan for personnel belonging to any level of the Company and a Platinum Plan for members of Top Management only.

Organisational Model pursuant to Legislative Decree 231/2001

Legislative Decree 231/2001 identifies the 231 Organisational and Management Model, correctly drawn up, adopted and updated, as the preferred instrument to exonerate a

company from its administrative liability for crime. An Organisational and Management Model pursuant to Legislative Decree 231/2001 is a set of protocols, which regulate and define the company structure and the management of its sensitive processes. The 231 Organisational Model, if correctly applied, reduces the risk of criminal offences being committed.

The typical protocols of a 231 Organisational Model are:

- 1) the Code of Ethics;
- 2) the disciplinary system;
- 3) the Supervisory Body (SB);
- 4) The set of specific procedures for areas sensitive to the risk of crime.

The company has positively assessed the need to implement the organisational model pursuant to Legislative Decree 231/2001 within its organisation and to this end, in February 2021, it commissioned an external firm to carry out the necessary analyses to create the model in question.

Merger by incorporation of Sanort S.r.l into Farmaè S.p.A

On 06 November 2020, the Company acquired 100% of the share capital of Sanort S.r.l. In order to reorganise the structure of the shareholding chain, allowing greater flexibility of internal processes and consequently optimising the management of resources and intercompany economic and financial flows, the two companies decided to proceed with the corporate integration of Sanort through merger by incorporation into Farmaè S.p.A. To this end, both the Board of Directors of Farmaè and the Board of Directors of Sanort will resolve on the relevant merger project on 30 March 2021.

Other events

On 16 February 2021, the Company entered into a lease agreement for a portion of a property intended for office use located in the municipality of Viareggio (LU). The property is intended for exclusive management use and to represent the Company's main and executive offices.

On 28 February 2021, the Company entered into a lease agreement for non-residential use for the management of a property located in the municipality of Vecchiano Frazione Migliarino Pisano. The property is intended for storage of goods.

Business outlook

The projections for the year 2021, which are based on assumptions relating to future events that by their very nature are subject to uncertainty and therefore cannot be controlled by the directors, take into account the current macroeconomic and health context in Europe, which remains highly uncertain although, as already noted and communicated in 2020, the nature of the business, the reference sector and the Company's business model have proved resilient to the effects of the COVID-19 pandemic.

In light of the above, the growth forecasts for 2021 are in any case positive. In fact, the Company intends to pursue its growth and development strategy, pursuing well-defined strategic lines:

1. Consolidate its presence in the online channel;
2. Expand the range of products in particular in the “pet” categories, professional lines for hairdressers and wellness and leading products in the Health and well-being sector;
3. Strengthen relations with strategic partners;
4. Further enhance the “Farmaè” brand;
5. Growth by external lines;
6. Pursue social sustainability goals;
7. Consolidate its presence in Italy and Europe.

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

The share capital as at 31 December 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.

Research & Development

During the year, the Company did not incur any costs in research and development activities.

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 associated with the operation of IT systems

The Company is exposed to the risk of malfunctioning or interruption of the IT systems it uses to carry out its business since the Company's operations are based on the e-commerce platform. The activity carried out is strictly related to the use of IT systems, which are exposed to multiple operational risks deriving from equipment failures, work or connectivity interruptions, programming errors, illegal conduct by third parties and/or events of an exceptional nature which, should they occur, could jeopardise the correct functioning of the systems and force the Company to suspend or interrupt its activities, with consequent significant negative effects on the economic, equity and financial position.

In addition, the Company is exposed to operational risks related to the use of the Internet, as any interruptions, disruptions, suspensions or failures of Internet lines may compromise the operation of the Company's IT systems.

There were no instances of malfunctioning of the Issuer's IT systems during the 2020 financial year. However, the occurrence of physical or technical risks to information systems could deteriorate the quality of the services rendered, even to the point of limiting or interrupting them, thus compromising the activity and the level of satisfaction of the users or

customers with respect to the Issuer, with possible significant negative effects on the Company's economic, equity and financial situation.

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.

Such attacks could entail the risk of inefficiencies or the loss of data and information contained in the Company's and/or its customers' databases, with possible reputational damage to the same, as well as the emergence of possible disputes and litigation by customers and/or third parties, with possible negative effects on the activities and prospects of the Issuer, as well as on those of its customers. Moreover,

despite the security measures implemented, the Company's computer systems and software could be exposed to the risk of viruses, unauthorised access, hacking and disruption of the computer network; some confidential information could be improperly acquired, stolen or used, intentionally or unintentionally, even by current or former employees, consultants or suppliers or by others who have had access to it.

Any misappropriation, unlawful use of such information, loss of data or disclosure of confidential and/or proprietary information or tampering with such information could result, among other things, in a violation of data protection regulations by the Issuer. The Company could therefore incur liability, which could have a negative impact on its business, prospects and reputation, as well as on the Issuer's equity, economic and financial position.

We report that, at the date of incorporation of the Company, these risks have never happened given that the company has adopted the most sophisticated IT security systems to prevent these occurrences.

Risks connected with defective products sold by the Issuer

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

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

Without prejudice to the above, any claims and/or actions for damages would lead to an increase in the costs borne by the Company and could also result in reputational damage such as the loss of customers, greater difficulties in establishing new business relations and consequent negative repercussions on the Company's economic, equity and financial situation.

Credit risk in relation to business dealings with customers

The Company has a portfolio of customers of primary standing linked to co-marketing activities which, at the moment, does not raise concerns in terms of solvency, also given the type of business that envisages collection at the time of sale. Therefore, no specific commercial or insurance policies have been implemented to cover any 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

To hedge the risk of interest rate fluctuations, the Company used an IRS (Interest Rate Swap) hedge for a loan agreement.

It should be noted that on 28.07.2020, the Company signed an IRS with an initial date of 28.07.2020 and expiry date of 31.07.2025 with a notional value of Euro 1,500,000. The hedged item is represented by the interest rate risk on a loan payable of the same amount, the amortisation schedule of which provides for a monthly repayment starting from 28.07.2020 with the last instalment on 31.07.2025.

The transaction took place with Unicredit Bank and the market value (so-called mark to market) of the financial instrument at 31.12.2020 was negative and equal to Euro 13,033.

The Company does not hold derivative instruments for speculative purposes.

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), the subsidiary Valnan S.r.l. (Tax Code and VAT 01348440460) and the subsidiary Sanort S.r.l. (Tax Code and VAT 01277470454).

The following table shows the equity and economic transactions entered into with related parties/subsidiaries in the year ended as at 31 December 2020:

(In Euro)	Receivables	Payables	Costs	Revenues	Total purchased and capitalised in the year
RESTART S.r.l.	-	-	-	-	-
BEWOW S.r.l.	-	-	369	-	10,976
VALNAN S.r.l.	-	122,000	605,000	62	-
SANORT S.r.l.	-	-	-	-	-

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 carried out by the company Farmaè S.p.A.

Commercial transactions involving technical consultancy, for an amount of Euro 605,000, 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” in the notes. These transactions are regulated under market prices comparable with the prices applied by other operators to said company “Farmaè S.p.A.” in the current year.

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 notarised 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.

On 06 November 2020, Farmaè acquired all the shares in the share capital of Sanort S.r.l, by means of a notarised private deed. The acquisition price was Euro 85,000. The transaction was authorised by the Board of Directors of Farmaè on 25 September 2020. This transaction has not been classified as a significant transaction pursuant to article 12 of the AIM Regulation. It does not constitute a reverse takeover pursuant to article 14 of the AIM Regulation and, since it is not a particularly significant transaction, it is not considered price sensitive.

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. During the year, the Company entered into a single derivative financial instrument to hedge interest rate risk, as described in the section “Main risk factors to which the Company is exposed” of this Report.

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 - Branch offices

During the 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);
- Livorno (LI), Viale Ippolito Nievo 158/160 (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).

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

**FINANCIAL STATEMENTS
FOR YEAR ENDED AT 31/12/2020**

Amounts are expressed in Euro.

Balance Sheet	31/12/2020	31/12/2019
Assets		
A) Receivables from shareholders for unpaid contributions	-	-
B) Fixed assets		
I - Intangible fixed assets		
2) development costs	124,170	124,170
3) industrial patent and intellectual property rights	803,989	716,807
4) concessions, licenses, trademarks and similar rights	2,370,037	2,235,037
5) goodwill	77,116	42,116
7) others	3,220,209	2,609,230
I - Intangible fixed assets	6,595,521	5,727,360
II - Property, plant and equipment		
1) land and buildings	20,899	13,849
2) plants and machinery	968,790	339,465
3) industrial and commercial equipment	209,517	149,440
4) other assets	782,253	507,354
II - Property, plant and equipment	1,981,459	1,010,108
III - Financial fixed assets		
1) investments in		
a) subsidiaries	1,285,000	-
Total investments	1,285,000	-
2) receivables		
d) due from companies subject to the control of the parent companies		
due within one year	-	229,974
due beyond one year	-	445,729
Total receivables due from companies subject to the control of the parent companies	-	675,703
d-bis) others		
due within one year	-	76,200
due beyond one year	19,993	16,905
Total non-current receivables from others	19,993	93,105
Total receivables	19,993	768,808
Closing balance, book value, financial assets	1,304,993	768,808
Closing balance, book value, total fixed assets	9,881,973	7,506,276
C) Current assets		
I - Inventories		
4) finished goods and goods for resale	14,649,069	10,688,996
I - Inventories	14,649,069	10,688,996
II - Receivables		
1) trade receivables		
due within one year	1,897,220	1,517,187
Total receivables from customers recorded as current assets	1,897,220	1,517,187
5-bis) tax receivables		

due within one year	1,609,738	1,466,940
Total tax receivables recorded as current assets	1,609,738	1,466,940
Total deferred tax assets recorded as current assets	134,160	-
5-quarter) due from others		
due within one year	183,285	854,052
Total receivables from others recorded as current assets	183,285	854,052
Total receivables	3,824,402	3,838,179
III - Financial assets not held as fixed assets		
6) other securities	4,922,131	2,919,929
III - Financial assets not held as fixed assets	4,922,131	2,919,929
IV - Cash and cash equivalents		
1) bank and postal deposits	8,964,798	3,463,694
3) cash at bank and on hand	19,169	39,991
IV - Cash and cash equivalents	8,983,967	3,503,685
Total current assets (C)	32,379,570	20,950,789
D) Accruals and deferrals	808,826	254,731
Total assets	43,070,369	28,711,796
Liabilities		
A) Shareholders' equity		
I – Capital	2,867,000	2,867,000
II - Share premium reserve	9,338,000	9,338,000
III - Revaluation reserves	135,000	-
IV - Legal reserve	14,719	14,719
V - Statutory reserves	-	-
VI - Other reserves, indicated separately		
Capital contribution reserve	30,989	30,987
VI - Other reserves	30,989	30,987
VII - Reserve for hedging transactions of expected financial flows	-	-
VIII - Profits (losses) carried forward	(63,703)	-
IX - Profit (loss) for the period	(548,276)	(63,703)
Total shareholders' equity	11,773,729	12,187,003
B) Provisions for risks and charges		
2) taxes, including deferred	369,065	-
3) derivative financial instruments payable	13,033	-
B) Provisions for risks and charges	382,098	-
C) Employee severance indemnity (TFR)	298,689	187,972
D) Payables		
4) payables to banks		
due within one year	2,640,971	2,151,187
due beyond one year	7,901,770	2,101,115
Total payables to banks	10,542,741	4,252,302
5) payables to other lenders		
due within one year	5,083	-
due beyond one year	3,115	-
Total payables to other lenders	8,198	-
7) trade payables		
due within one year	19,529,036	11,814,086
Total trade payables	19,529,036	11,814,086
9) payables to subsidiaries		
due within one year	122,000	-
Total payables to subsidiaries	122,000	-
12) tax payables		

due within one year	108,352	54,965
Total tax payables	108,352	54,965
13) payables to pension and social security institutions		
due within one year	101,029	76,921
Total payables to pension and social security institutions	101,029	76,921
14) other payables		
due within one year	164,043	131,564
Other payables, closing balance	164,043	131,564
Total payables	30,575,399	16,329,838
E) Accruals and deferrals	40,454	6,983
Total liabilities	43,070,369	28,711,796

Income Statement

31/12/2020
31/12/2019

A) Production value

1) revenues from sales and services	65,401,954	37,408,345
2) change in inventories of work in progress, semi-finished and finished products	3,960,073	3,867,620
5) other revenues and income		
Other	99,404	226,378
Total other revenues and income	99,404	226,378
Total production value	69,461,431	41,502,343

B) Production costs

6) raw and ancillary materials, consumables and goods for resale	48,252,923	29,038,969
7) for services	16,409,023	8,326,255
8) for use of third-party assets	1,009,787	327,448
9) for personnel		
a) wages and salaries	1,882,106	1,354,248
b) social security charges	552,133	400,557
c) employee severance indemnity (TFR)	124,117	89,195
e) other costs	6,766	-
Total personnel costs	2,565,122	1,844,000
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	-	813,381
b) depreciation of property, plant and equipment	-	157,447
Total amortisation, depreciation and write-downs	-	970,828
14) sundry operating costs	266,433	177,416
Total production costs	68,503,288	40,684,916
Difference between production value and costs (A - B)	958,143	817,427

C) Financial income and expenses

16) other financial income		
c) from securities recorded as current assets not held as investments	250	900
d) other income		
Other	14,886	615
Total other income	14,886	615
Total other financial income	15,136	1,515
17) interest and other financial charges		
Other	1,248,444	862,733
Total interest and other financial charges	1,248,444	862,733
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	(1,233,308)	(861,218)

D) Value adjustments of financial assets and liabilities		
19) write-downs		
d) of derivative financial instruments	13,033	-
Total write-downs	13,033	-
D) Total value adjustments of financial assets and liabilities (18 - 19)	(13,033)	-
Pre-tax result (A - B + - C + - D)	(288,198)	(43,791)
20) Current income taxes and deferred tax assets and liabilities for the period		
current taxes	25,172	19,912
deferred tax liabilities and assets	234,906	-
Total income taxes for the period, current, deferred tax liabilities and assets	260,077	19,912
21) Profit (loss) for the period	(548,276)	(63,703)

Values are expressed in Euro

INDIRECT CASH FLOW STATEMENT

	31/12/2020	31/12/2019
Cash Flow Statement (indirect method)		
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	(548,276)	(63,703)
Income taxes	260,077	19,912
Interest expense/(income) and other financial expenses	1,233,308	861,218
(Gains)/Losses from disposal of assets	6,228	0
1) Profit (loss) for the period before taxes, interest, dividends and capital gains/losses from disposal	951,337	817,427
Adjustments for non-monetary elements that did not have a contra-item in net working capital		
Allocation to provisions	506,216	89,195
Amortisation/depreciation of fixed assets	-	970,828
Value adjustments of financial assets and financial liabilities of derivative financial instruments that do not involve monetary changes	13,033	-
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	454,106	1,060,023
2) Cash flow before changes in net working capital	1,405,194	1,877,450
Changes in net working capital		
Decrease/(Increase) in inventories	(3,960,073)	(3,782,358)
Decrease/(Increase) in trade receivables	(380,033)	(1,115,848)
Increase/(Decrease) in trade payables and payables to subsidiaries	7,836,950	3,910,880
Decrease/(Increase) in accrued income and prepaid expenses	(554,095)	(219,460)
Increase/(Decrease) in accrued expenses and deferred income	33,470	(3,542)
Other Decreases/(Other Increases) in net working capital	317,955	(1,610,880)
Total changes in net working capital	3,294,174	(2,821,208)
3) Cash flow after changes in net working capital	4,699,367	(943,758)
Other adjustments		
Interest and other financial expenses collected/(paid)	(1,233,308)	(861,218)
(Income taxes paid)	(11,947)	(173,370)
(Use of provisions)	(13,400)	(27,298)
Other collections/(payments)	-	-
Total other adjustments	(1,258,655)	(1,061,886)
Cash flows from operating activities (A)	3,440,713	(2,004,129)

B) Cash flows from investment activities		
Property, plant and equipment		
(Investments)	(971,351)	(713,424)
Disinvestments		
Intangible fixed assets		
(Investments)	(733,162)	(3,905,414)
Financial fixed assets		
(Investments)	(1,285,000)	-
Disinvestments	740,846	
Current financial assets		
(Investments)	(2,902,202)	(2,721,313)
Disinvestments	900,000	
Cash flow from investment activities (B)	(4,250,868)	(7,340,151)
C) Cash flows from financing activities		
Third party financing		
Increase/(Decrease) in short-term payables to banks	(318,346)	257,654
Obtainment of loans	8,750,000	4,350,000
(Loan repayment)	(2,141,215)	(2,042,482)
Own funds		
Paid share capital increase	-	10,005,000
Cash flow from financing activities (C)	6,290,439	12,570,172
Increase (decrease) in cash and cash equivalents (A ± B ± C)	5,480,283	3,225,892
Cash and cash equivalents - opening balance		
Bank and postal deposits	3,463,694	234,589
Cash at bank and on hand	39,991	43,204
Total cash and cash equivalents at start of year	3,503,685	277,793
Cash and cash equivalents - closing balance		
Bank and postal deposits	8,964,798	3,463,694
Cash at bank and on hand	19,169	39,991
Total cash and cash equivalents at end of year	8,983,968	3,503,685

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31/12/2020**

Explanatory Notes

Reference legislation, structure and content of the financial statements

Dear Shareholders,

The draft financial statements for the year ended as at 31 December 2020, submitted for your examination and approval, together with these explanatory notes, which constitute an integral part of them, posted a loss of Euro 548,276, compared to a loss of Euro 63,703 in the previous year. The loss reported was recorded, after the allocation of Employee severance indemnity of Euro 124,117, as well as after having recorded current taxes of Euro 25,172 and having allocated deferred tax liabilities of Euro 369,065 and deferred tax assets of Euro 134,160.

The annual 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 conformity 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 notes have the function of illustrating, analysing and supplementing the data in the financial statements and contain the information required by articles 2427 and 2427-bis of the Italian Civil Code together with the complementary information considered necessary to provide the reader with the most transparent and complete representation, even if not required by specific legal provisions.

It should be noted that these financial statements have been prepared in accordance with the statutory provisions in force at 31 December 2020. To supplement and interpret the provisions of the Italian Civil Code, the Directors have referred to the accounting principles and policies developed by the Italian Accounting Standards Setter (O.I.C.).

The financial statements have been prepared on a going concern basis, as there were no significant uncertainties in regard.

The financial statements for the year ended 31 December 2020 drafted in this way correspond to the results of the accounting records. The amounts are expressed in Euros.

Items not expressly reported in the Balance Sheet and Income Statement, set forth in articles 2424 and 2425 of the Italian Civil Code, are understood to have a zero balance. The right not to indicate these items is understood to apply solely in the event they have a zero balance in both the current year and the previous year.

Having said this, before providing the data and information accompanying the financial statements in accordance with current regulations, we believe it is appropriate to highlight that during the course of the current period bank commissions and collection fees connected with online collections were reclassified under financial charges. This classification is also consistent with the tax treatment of

these expenses, which are considered to all intents and purposes as financial, as required by the tax authorities. The reclassification was also made in the comparison year 31.12.2019 for comparative purposes. The value of these expenses amounted to Euro 1,136,814 as at 31.12.2020 and Euro 784,174 at 31.12.2019.

We also believe it is appropriate to inform you that, for the purposes of preparing these financial statements, the Directors have decided to avail themselves of the option provided by Decree Law no. 104/2020, art. 60, as converted by Law no. 126/2020, to suspend in full the depreciation and amortisation of all property, plant and equipment and intangible assets, and not recognise them in the income statement, as further described in the paragraph *“Exceptions as per article 2423, paragraph 5 of the Italian Civil Code - Suspension of depreciation/amortisation”* to which reference is made for further details.

The auditing of the financial statements is carried out by Deloitte & Touche S.p.A..

Activities performed

The Company, as described in greater detail in the section “Company Overview” in the report on operations, carries out retail sales of para-pharmaceuticals, over-the-counter medicines, cosmetics, supplements/dietetics, medical devices, beauty products and orthopaedic products, mainly through the e-commerce channel and secondarily through ten fixed points of sale, five of which are located in hospitals in Tuscany.

As can be seen at the date of these financial statements, the national and international scenario of the year 2020 was characterised by the spread of the global pandemic COVID-19 (acronym of the Coronavirus) and the resulting restrictive measures for its containment. In order to minimise the impact and spread of the virus, the public authorities of all the countries involved have imposed long lockdown periods and the consequent closure of many commercial and production activities. In this context and with a view to dealing with the emergency, the management of Farmaè has activated a series of interventions and controls aimed at guaranteeing constant monitoring of the evolution of the effects of the pandemic, seeking the solutions considered most suitable for the management of the related problems. In particular, the Company has put in place useful actions to inform employees, suppliers, customers and all stakeholders on the initiatives undertaken to minimise the risk of contagion and the management of any situations of risk or occurrence of infection. Furthermore, the Company has taken the necessary precautionary measures, also in terms of the safety and health protection of workers, in compliance with the provisions of the Decrees of the President of the Council of Ministers, ministerial circulars, the orders of the Civil Protection, as well as the indications issued by other Authorities in the area following the progressive spread of the virus.

The risks identified by management that the Company has faced and continues to face with respect to the Covid-19 Pandemic and its continuation into 2021 relate to:

- v. operational risks, linked to 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;
- vi. market risks, linked to the possible contraction of the economy;

- vii. risk of deterioration in the solvency of commercial counterparties with reference to promotional services to suppliers;
- viii. risk of supply of raw materials if measures restricting the movement of persons and the transport of non-perishable/urgent goods are reintroduced.

Given that the Company's business was included among those authorised to continue operations pursuant to the emergency regulations issued and that the Company promptly activated the described healthcare protocols during 2020, no problems were encountered with the organisation of work in the various organisational units.

The results achieved in the year, despite the lockdown and the critical period due to the pandemic, which caused a sharp slowdown in all economic activities worldwide, were however positive. During this period, the Company 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 and/or slowed product deliveries or made them more onerous from a logistical point of view.

Given the nature of the Company's business, which involves marketing para-pharmaceuticals, over-the-counter medicines, orthopaedic products and beauty products mainly through the e-commerce channel and secondarily through ten retail outlets, the Covid-19 pandemic did not have a negative impact on sales through the online channel.

On the other hand, the impact of Covid-19 was felt in the retail channel, where the para-pharmacies located near the hospitals suffered a reduction in turnover due to the lower number of visits made daily to the hospitals for safety reasons and the lower number of visits allowed to loved ones. The management of Farmaè has therefore opted to reduce the opening hours of each single point of sale located at the hospital.

No less important was the impact of Covid-19 on the "*Beautyè*" store, which was penalised by the first lockdown that determined its total closure from March until May 2020 and then underwent partial closures in accordance with national and regional directives in force at the time.

The particular health emergency situation also resulted in the incurrence of non-recurring costs that would not have arisen had the pandemic not occurred. Among the main and most relevant are:

- xi. transport costs due to deliveries not carried out following sudden and unforeseeable closures in "red" areas;
- xii. costs for damaged goods and regulations that are no longer resalable returned from the above areas;
- xiii. costs arising from the organisation of work in March and April on three daily shifts;
- xiv. daily sanitation costs (at the end of each work shift);
- xv. expenditure on the purchase of personal protective equipment;
- xvi. expenditure on the purchase of detergents and disinfectants;
- xvii. expenditure on the purchase of security and safety equipment to ensure people's safety distance;
- xviii. expenditure on technical and IT equipment for personnel to promote smart working;
- xix. expenditure on swabs taken;
- xx. expenditure on the stipulation of a Covid-19 policy for all personnel.

The emergency situation also had further negative repercussions in economic terms due to the higher incurrence of Google advertising costs as a result of increased competition in the e-commerce channel and the upgrading of the server and Internet cloud services.

All of the above, even if partially neutralised by the benefit deriving from the tax credit provided for by the regulations on the subject, which in any case was not significant, contributed to the economic result for the year.

The legislative provisions enacted to deal with the COVID-19 epidemic did not therefore have a significant impact on the Company's overall operations, which continued as normal and there was no reduction in the services provided to its customers. As things stand at present, therefore, the

Company believes that there are no reasons to believe that the prospects for the going-concern assumption will be significantly affected by the impact of the COVID-19 epidemic.

Management also conducts continuous monitoring of the Company's financial, business and organisational situation, planning and evaluating all possible solutions to minimise the effects of the pandemic and does not believe that the impact of the pandemic will hinder the future programs and strategy that the Company intends to pursue.

Significant events during the year

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. In a following sequence, the above property was equipped with a system for the preparation and automatic execution of orders, which was definitively installed in the first half of the year. In September 2020, this plant was upgraded and improved, allowing to halve the time of processing and order management, to reduce the processing error, to make personnel work in larger spaces and to increase the products in the list, easily managing more than 40,000 references.

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 notarised 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, which it was contractually envisaged and guaranteed to be payable in six-monthly instalments, the last of which was due on 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.

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 purchase of a business unit with Pharma Sangiorgio S.r.l.

On 11 September 2020, the Sanort trademark was registered at the Italian Patent and Trademark Office in Lucca. The registration of the trademark allowed its subsequent recognition in the financial statements, following the revaluation carried out on the basis of the value identified by a special appraisal drafted by an independent expert. The revaluation was made possible by the legislation contained in Decree Law 104/2020 and was performed solely for statutory purposes, without providing for the payment of substitute tax or the release of the Revaluation Reserve for tax purposes.

On 26 October 2020, the opening of a new sales point in the Municipality of Livorno was completed; the opening of the sales point in Livorno and the consequent closure of the store in Cecina, which took place in early October 2020, is strategic to the dissemination of the brand and better positioning on the market.

On 06 November 2020, Farmaè acquired all the shares in the share capital of Sanort S.r.l., by means of a notarised private deed. The acquisition price was Euro 85,000. The transaction was authorised by the Board of Directors of Farmaè on 25 September 2020. This transaction has not been classified as a significant transaction pursuant to article 12 of the AIM Regulation. It does not constitute a reverse takeover pursuant to article 14 of the AIM Regulation and, since it is not a particularly significant transaction, it is not considered price sensitive.

Drafting principles

The financial statements for the year ended 31 December 2020, of which these notes form an integral part pursuant to article 2423, first paragraph of the Italian Civil Code, correspond to the accounting records held regularly and are prepared in accordance with articles 2423, 2423-bis, 2423-ter, 2424, 2424-bis, 2425, 2425-bis, 2425-ter of the Civil Code and observing the measurement criteria pursuant to article 2426 of the Civil Code, as explained for each individual item in the following Notes. In compliance with the provisions of article 2423-bis of the Civil Code, the following drafting criteria were respected:

- items were measured according to the principle of prudence and based on the going-concern assumption as there were no significant uncertainties in regard;
- 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 year were considered even if known after the closing;
- profits were included only if they were actually realised by the end of the year on an accruals basis, with the exception of any unrealised exchange gains, in respect of which the appropriate reserve was recognised;
- for each item in the balance sheet and income statement the amount of the item from the previous year was included, in accordance with the provisions of 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 annual financial statements at 31 December 2020 in compliance with article 2426 of the Italian Civil Code and the OIC accounting standards.

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

Exceptions as per article 2423, paragraph 5 of the Italian Civil Code - Suspension of depreciation and amortisation

It should be noted that the Directors, in preparing the financial statements for the year ended 31 December 2020, referred to the derogation governed by Decree Law 104/2020, converted into Law 126/2020, regarding the suspension of the process for depreciation of property, plant and equipment and amortisation of intangible assets for 2020.

This option, in accordance with the aforementioned law, was exercised as an exception to article 2426, first paragraph, no. 2, of the Italian Civil Code, pursuant to which the cost of property, plant and equipment and intangible assets, the use of which is limited in time, must be systematically depreciated and amortised in each financial year in relation to their residual possibility of use.

The Directors have applied the derogation - suspending entirely the application of the depreciation of property, plant and equipment and amortisation of intangible assets - in order to contain the actual loss for the year. As described earlier in these notes, despite the strong increase in revenues recorded during the year, the Company incurred a series of costs and effects related to the Covid-19 pandemic both with reference to online sales and sales from physical stores, in particular the "Beautyè" store which, in addition to suffering from the drop in customers due to the limitations imposed by the lockdown, was also subject to total closure from March until May 2020 and further partial closures in accordance with national and regional directives in force from time to time.

If the Company had depreciated and amortised in line with the normal depreciation and amortisation schedule, the value of the fixed assets would have been Euro 1,280,587 lower, the pre-tax loss would have been Euro 1,568,785, the post-tax loss would have been Euro 1,459,798 and shareholders' equity would have been Euro 10,862,207.

In line with the provisions of article 60 of Law 126/2020, the Company, since it does not currently have any available reserves (the share premium reserve is in fact available only when the legal reserve reaches at least 20% of the share capital), declares that it will not distribute profits to shareholders in future years until it has set up, with future year profits, an unavailable reserve for an amount equivalent to the depreciation and amortisation not recorded in the income statement for the 2020 financial year equal to Euro 1,280,587.

Intangible fixed assets and amortisation

As indicated above, in order not to incur an operating loss also recorded as a result of the COVID-19 pandemic, the Company decided to take advantage of the option to suspend depreciation and amortisation of all property, plant and equipment and intangible assets in full as provided by article 60 of Decree Law no. 104 of 14 August 2020, converted with amendments by Law no. 126 of 13 October 2020.

Intangible fixed assets are stated at purchase cost, including any accessory costs, and are systematically amortised, net of the derogation described above for 2020, 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 reflect the useful life of the fixed assets.

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. The "Sanort" brand has been valued at the appraisal value determined by the independent expert and has been amortised on the basis of its estimated useful life of 10 years.

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	124,170
Industrial patents and intellectual property rights		5 years	803,989
Concessions, licenses, trademarks and similar rights		10 and 20 years	2,370,037
Goodwill		5 years	77,116
Other intangible fixed assets	Costs incurred for listing	5 years	1,221,080
	Improvements to third-party assets	lease term (between 5 and 10 years)	1,409,411
	Other intangible fixed assets	5 years/duration of the lease for "key money"	589,718

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at purchase cost, inclusive of any accessory charges net of accumulated depreciation. As described above, also with reference to property, plant and equipment, the Company made use of the possibility to suspend depreciation for the entire year.

No property, plant and equipment 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:

- 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 estimates the recoverable value of the fixed asset and carries out a write-down in the event in which the latter is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

Financial fixed assets

Equity investments in financial assets, represented by shares in unlisted companies and which constitute lasting investments instrumental to the company business, 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, maximum up to the original cost.

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

Closing cash and cash equivalents are valued at the nominal value.

Accruals and deferrals

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

Provisions for risks and charges

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

Derivative financial instruments

Derivative financial instruments are recorded at the fair value corresponding to the market value, if any, or to the value resulting from valuation models and techniques to ensure a reasonable approximation to the market value.

The current value is shown on the asset side of the balance sheet, under the specific item of financial fixed assets or current assets, in compliance with the provisions of OIC 32 paragraph 28, or under liabilities in the specific item included in the provisions for risks and charges.

The Company only enters into derivative contracts for hedging purposes. However, it does not apply hedge accounting and therefore debits or credits the fair value of the derivative financial instrument directly to the income statement under item D18, letter d), in the case of write-downs, and under item D19, letter d), in the case of revaluations.

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 from the sale of goods are recognised when control over the asset is transferred to the customer which, with reference to online sales, generally corresponds to the moment when the goods are delivered to the third-party courier while, with reference to sales in physical stores, at the moment when the goods are delivered to the customer.

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

Financial income and charges

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

Income taxes

Income taxes for the 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.

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

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 annual 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 in addition to the provision for the write-down of receivables and the provision for risks.

With reference to credit notes to be received for year-end bonuses and invoices to be issued for co-marketing activities, although these are contractually defined amounts, the precise definition of the calculation in agreement with the counterparty as well as any related additional negotiations, which are usually concluded after the end of the financial year and the approval of the financial statements, could lead to values that differ from those estimated at the reporting date.

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 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.

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 and is therefore considered not significant.

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

At the reporting date, intangible assets totalled Euro 6,595,521 (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 year						
Increases for acquisitions	-	87,182	135,000	35,000	610,979	868,161
Amortisation in the year	-	-	-	-	-	-
Total changes	-	87,182	135,000	35,000	610,979	868,161
Closing balance						
Book value	124,170	803,989	2,370,037	77,116	3,220,209	6,595,521

Intangible fixed assets break down as follows:

- Development costs of Euro 124,170, relating to costs with long-term utility.
- Industrial patent and intellectual property rights amounting to Euro 803,989, whose amount mainly relates to the costs incurred for the creation, development and promotion of new sections of the e-commerce website and for the new management software.
- Costs for licences and trademarks of Euro 2,370,037, corresponding to the net value as they relate to intangible fixed assets, amortisation is carried out on account, of which Euro 2,168,451 is the result of the contribution made on 29 November 2018 which augments the previous contribution (amounting to Euro 180,000).
- Goodwill, amounting to Euro 77,116 refers for Euro 42,116 to the net residual value from amortisation relating to the purchase of a functioning business unit relating to the sale of para-pharmaceutical products and over-the-counter drugs also through e-commerce, by Smart Source Srl, a company which is part of a co-founder of Farmaè no longer part of the shareholding structure, which took place in 2016; the amount corresponds to the net book value, deriving from the amortisation on account carried out over 5 years.
- Other intangible fixed assets, amounting to Euro 3,220,209, are determined for an amount consisting of costs incurred by the company for the listing on the AIM Italia stock market for Euro 1,221,080, of long-term costs deriving from indemnities paid, for the acquisition under a lease of the Beautyè sales point for Euro 300,000 (so-called Key Money) amortised in the shorter period between the economic-technical life and the duration of the associated leases,

for the residual part primarily expenses for extraordinary maintenance conducted on third-party assets.

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) for Euro 610,979. Among the main improvements, we point out the upgrading of the heating system and of the connected electrical system of the warehouse and of the new store in Livorno;
- goodwill, amounting to Euro 35,000, relating to the purchase of a business unit from Pharma Sangiorgio S.r.l., a point of sale in Sarzana operating in the sale of para-pharmaceutical products and over-the-counter medicines;
- concessions, licenses and trademarks, amounting to Euro 135,000, referring to the value of the Sanort trademark. The revaluation was made possible by the regulatory provision contained in Decree Law 104/2020 and was carried out for statutory purposes only.

It should be noted that, in the absence of indicators of potential impairment, the recoverable value was not determined.

Property, plant and equipment

At the reporting date, property, plant and equipment amounted to Euro 1,981,459 (Euro 1,010,108 as at the end of the previous year).

The breakdown and changes in the individual items are shown in the table 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 year					
Increases for acquisitions	7,050	629,325	60,077	281,127	977,579
Depreciation for the period	-	-	-	-	-
Other changes	-	-	-	(6,228)	(6,228)
Total changes	7,050	629,325	60,077	274,899	971,351
Closing balance					
Book value	20,899	968,790	209,517	782,253	1,981,459

It is specified that item B) II) 4) “*Other property, plant and equipment*”, amounting to Euro 782,253, 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 245,742;
- Vehicles/Cars, whose net book value amounts to Euro 12,103;
- Furnishings, whose net book value amounts to Euro 487,254;
- Other assets, whose net book value amounts to Euro 37,154

The changes in property, plant and equipment are mainly linked to:

- Plant and machinery for Euro 629,325. The main increase, amounting to Euro 570,000, is due to the strengthening and improvement of the order preparation and processing plant in the Migliarino Pisano logistics centre. The changes made have allowed halving order processing and management times, reducing processing errors, allowing the staff in charge to move in larger spaces and increasing the number of products in the price list, easily managing over 40,000 references.
- Other property, plant and equipment for Euro 274,899. We would like to point out the furnishing of the new sales points in Sarzana and Livorno and the refurbishment of the store in Viareggio and the sales point at the Versilia Hospital;

It should be noted that, in the absence of indicators of potential impairment, the recoverable value was not determined.

Financial fixed assets

Financial assets amounted to Euro 1,304,993 (Euro 768,808 at the end of the previous year).

Equity investments included in financial assets as at 31 December 2020 amounted to Euro 1,285,000, with no equity investments as at the end of 2019.

	Equity investments in subsidiaries	Total equity investments
Opening book value	0	0
Changes in the year	1,285,000	1,285,000
Closing book value	1,285,000	1,285,000

The item "Equity investments in subsidiaries", which amounted to Euro 1,285,000, includes Euro 1,200,000 for 100% of the share capital of Valnan S.r.l. and Euro 85,000 for 100% of the share capital of Sanort S.r.l. The investments are recorded at purchase cost. For further details, please refer to the paragraph "Significant events during the year".

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

Company Name	City, if in Italy, or foreign	Tax code (for Italian companies)	Share capital in	Net profit (loss) for last	Shareholders' equity in Euro (excluding the year	Share capital held in	Portion held in %	Book value or corresponding receivable
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	country		Euro	year in Euro	result)	Euro		
VALNAN SRL	VIAREGGIO (LU)	01348440460	60,000	10,381	104,273	60,000	100.00	1,200,000
SANORT SRL	CARRARA (MS)	01277470454	20,000	(9,785)	20,448	20,000	100.00	85,000
Total								1,285,000

The gains arising from the comparison with equity are attributable for the subsidiary Valnan S.r.l. to the value of the customer base developed over the years and the consequent ability to generate positive operating results.

With regard to the equity investments 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 activities carried out by the subsidiaries 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 year".
- 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.

Financial fixed assets at 31.12.2020 include other security deposits of Euro 19,993.

Current assets

Inventories

Inventories included under current assets amounted to Euro 14,649,069 (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	3,960,073	-	3,960,073
Closing balance	14,649,069	-	14,649,069

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

At the reporting date, receivables included under current assets amounted to Euro 3,824,403 (Euro 3,838,179 as at the end of the previous year).

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

	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 year	380,033	142,798	134,160	(670,767)	(13,776)
Closing balance	1,897,220	1,609,738	134,160	183,285	3,824,403
Portion due within 12 months	1,897,220	1,609,738	134,160	183,285	3,824,403

The breakdown of receivables by geographic area is not significant for the Company given that almost all sales are made to Italian counterparties located throughout Italy.

The Company does not have any receivables due beyond 12 months and beyond 5 years.

Trade receivables recorded as current assets

Given the Company carries out predominantly retail activities, which entails the collection of payments early or on delivery, the receivables from customers at the reporting date relate mostly to co-marketing and promotional services to counterparties of prime standing.

They include invoices to be issued for the amount of Euro 279,335. The risk of insolvency has therefore been estimated by management as limited, as the counterparties are mostly characterised by high standing, so that 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 1,609,738 mainly refer to the VAT credit outstanding as at 31 December 2020 for Euro 1,450,347, the IRES credit for Euro 114,219, the IRAP credit for Euro 11,019 and various tax credits for Euro 30,295.

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 134,160 refer to the receivable for deferred tax assets recognised in the financial statements following the tax loss for IRES purposes recognised in the current year.

Receivables from others recorded as current assets

Receivables from others totalled Euro 183,285 and mainly refer for Euro 90,228 to a temporary receivable for cash on delivery to be received from the companies appointed to collect the cash on delivery, for Euro 63,275 to 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 4,922,131 (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 and time deposits. It should be noted that the securities that are not held as fixed assets are composed, for Euro 2,307,831 of bank-issued securities, for Euro 2,086,427 of insurance policies with guaranteed return and for Euro 527,873 of 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 year	2,002,202	2,002,202
Closing balance	4,922,131	4,922,131

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 8,983,967 (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 postal 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 year	5,501,104	(20,822)	5,480,282
Closing balance	8,964,798	19,169	8,983,967

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 808,826 (Euro 254,731 as at the end of the previous year).

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

	Prepaid expenses	Accrued income	Total accrued income and prepaid expenses
Opening balance	254,731	-	254,731
Change in the year	553,505	590	554,095
Closing balance	808,235	590	808,826

Prepaid expenses mainly refer to the following items:

- Lease “maxicanone” (initial larger lease instalment) Euro 459,483;
- Registration tax on the leased property in Migliarino Euro 142,207;
- Software licences Euro 55,954;
- Consultancy Euro 48,874;
- Insurance costs Euro 17,226;
- Update costs Euro 33,000;
- Other prepaid expenses Euro 84,492.

The item Lease “maxicanone” 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/lease fees, Internet 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 11,773,729 at the close of the year (Euro 12,187,003 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	Revaluation reserve	Legal reserve	Miscellaneous other reserves	Profits (losses) carried forward	Profit/(loss) for the period	Total shareholders' equity
Value as at 31.12.2018	2,200,000	-	-	14,719	138,451	(371,533)	264,072	2,245,709
Allocation of profit for the previous year						264,072	(264,072)	-
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)
Value as at 31.12.2019	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							(548,276)	(548,276)
Other changes		-	135,000		2			135,002
Closing balance	2,867,000	9,338,000	135,000	14,719	30,989	(63,703)	(548,276)	11,773,729

The share capital as at the end of 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 30,989 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 Farmaè trademark in 2018; as at 31 December 2020, it had a residual amount of Euro 30,989 due to the use of this reserve to partially cover losses of previous years.

The item "Revaluation reserve", amounting to Euro 135,000, is attributable to the revaluation of the Sanort trademark, already commented on earlier in these notes. The trademark was recorded in the financial statements following its registration with the Italian Patent and Trademark Office in Lucca on 11.09.2020. The revaluation was made on the basis of the value identified by a special appraisal drawn up by an independent expert and was made possible by the regulatory provision contained in Decree Law 104/2020. It is recalled that the revaluation was performed solely for statutory purposes,

without providing for the payment of substitute tax or the release of the Revaluation Reserve for tax purposes.

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	
Share premium reserve	9,338,000	*
Revaluation reserve	135,000	A,B
Legal reserve	14,719	B
Other reserves		
Capital contribution reserve	30,989	A,B
Total other reserves	30,989	
Losses carried forward	(63,703)	
Total	12,322,005	

KEY / NOTES:

A = for share capital increases

B = to cover losses

C = for distribution to shareholders

D = for other statutory restrictions

E = other

* The share premium reserve, until the legal reserve reaches at least 20% of the share capital, is totally unavailable. That is, it cannot be used either to increase nominal share capital or to cover losses or for distribution to shareholders.

Provisions for risks and charges

Provided below, pursuant to the provisions of article 2427, paragraph 1, number 4 of the Italian Civil Code, is the information regarding changes in provisions for risks and charges:

	Provision for pensions and similar obligations	Provisions for taxes, including deferred	Derivative financial instruments payable	Other provisions	Total provisions for risks and charges
Opening balance		-	-		-
Allocation in the year		369,065	13,033		382,098
Use in the year		-	-		-
Total changes		369,065	13,033		382,098
Closing balance		369,065	13,033		382,098

The Provision for taxes, also deferred, includes deferred tax liabilities of Euro 369,065. Deferred tax liabilities have been allocated against the decision to suspend in the income statement the entire depreciation and amortisation of all tangible and intangible assets for a total of Euro 1,280,587. For further information, reference should be made to the paragraph below “Income taxes for the period, current, deferred tax liabilities and assets” of these notes.

The item “Derivative financial instruments payable” includes the market value (the so-called mark to market) at 31.12.2020 of the interest rate swap (IRS) derivative financial instrument entered into by the Company on 28.07.2020. For further information, reference should be made to the next paragraph “Information related to derivative financial instruments pursuant to article 2427-bis of the Italian Civil Code” of these notes.

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 298,689 (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
Allocation in the year	124,117
Use in the year	(13,400)
Total changes	110,717
Closing balance	298,689

Payables

Changes and expiry of payables

Payables are recognised under liabilities for a total of Euro 30,575,399 (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	6,290,439	8,198	7,714,950	122,000	53,387	24,108	32,479	14,245,561
Closing balance	10,542,741	8,198	19,529,036	122,000	108,352	101,029	164,043	30,575,399
Portion due within 12 months	2,640,971	5,083	19,529,036	122,000	108,352	101,029	164,043	22,670,514
Portion due beyond 12 months	7,901,770	3,115	-	-	-	-	-	7,904,885

Payables to banks amounted to Euro 10,542,741 and relate to various loans stipulated in order to consolidate company activities for Euro 10,527,718 and Euro 15,023 for current account overdrafts. The payable for loans is due within 12 months for Euro 2,625,948 and Euro 7,901,770 beyond 12 months. Payables to banks are not subject to guarantees and respect for financial covenants.

Payables to banks with maturity of more than 5 years are as follows:

Bank	Mortgage no.	Amount as at 31/12/2020	Portion due beyond 5 years
BPM	4751171	1,000,000	118,972
CREVAL	62245	500,000	86,843
INTESA SANPAOLO	10614667	972,927	142,054
MPS	4102146	945,220	101,240

Payables to other lenders amounted to Euro 8,198 and relate to a loan for the purchase of a vehicle/truck.

Payables to suppliers amounting to Euro 19,529,036 relate to commercial transactions with normal payment terms and all due within the 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 122,000 relate to commercial consultancy relations with Valnan S.r.l. with normal payment terms, all due within one year.

Tax payables of Euro 108,352 refer to withholding taxes to be paid on income from employment and self-employment, and other payables of a residual amount.

Payables to welfare and social security institutions, amounting to Euro 101,029, refer to contributions and include supplementary pension funds.

Other payables amounting to Euro 164,043 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 annual financial statements as at 31.12.2020.

Payables relating to repurchase transactions

It should be noted that there are no payables deriving from transactions involving the obligation of forward relegation for the purchaser, pursuant to article 2427, paragraph 1, number 6-ter of the Italian Civil Code.

Shareholder loans

Pursuant to article 2427, paragraph 1, number 19-bis of the Italian Civil Code, it should be noted that no loans have been made to the Company by Shareholders.

Accrued expenses and deferred income

Accrued expenses and deferred income amounted to Euro 40,454 (Euro 6,983 as at the end of the previous year) and mainly refer to accrued expenses recorded for consultancy invoices.

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. Roughly 99% of revenues for the year 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 1,970,310, revenues for co-marketing and promotional services for leading counterparties.

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

Description	31 December 2020	31 December 2019	Change
1) revenues from sales and services	65,401,954	37,408,345	27,993,609
2) change in inventories of work in progress, semi-finished and finished products	3,960,073	3,867,620	92,453
5) Other revenues and income	99,404	226,378	(126,974)
Total	69,461,431	41,502,343	27,959,088

Revenues from the sale of goods and provision of services amounted to Euro 65,401,954.

The item "Change in inventories of work in progress, semi-finished and finished products", amounting to Euro 3,960,073 (Euro 3,867,620 as at 31 December 2019) includes the change in the quantity of closing inventories as at 31 December 2020 compared to the opening inventories at 31 December 2019.

The item “other revenues and income” includes operating grants deriving from the tax credit for expenses incurred for sanitisation, the Industria 4.0 tax credit and the tax credit for advertising investments, as well as other non-recurring revenues.

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 year are outlined below:

Costs for raw materials, consumables and goods for resale

Costs of raw materials, consumables and goods for resale, net of returns, rebates and discounts totalled Euro 48,252,923 (Euro 29,038,969 in the previous year).

Costs for services

Costs for services are recognised as part of costs of production in the income statement for a total amount of Euro 16,409,023 (Euro 8,326,255 in the previous year).

Description	31 December 2020	31 December 2019	Change
Transport costs	6,046,484	3,550,758	2,495,726
Web advertising and promotion expenses	4,260,535	1,740,270	2,520,265
Logistics costs	2,337,855	1,095,567	1,242,288
Professional and operational consultancy	2,289,408	1,046,945	1,242,463
Software fees and licences	487,685	166,093	321,592
Cleaning services / waste disposal / miscellaneous	344,274	73,025	271,249
Directors’ fees plus social security contributions	275,998	199,133	76,865
Telephone costs	100,976	125,553	(24,577)
Insurance services	74,214	50,284	23,930
Electricity	61,724	43,296	18,428
Maintenance and repairs	31,770	20,432	11,338

Hotels, restaurants, travel and transfers	17,489	48,069	(30,580)
Entertainment expenses	12,871	12,909	(38)
Joint venture fees	9,256	18,493	(9,237)
Water	7,887	673	7,214
Other	50,597	134,755	(84,158)
TOTAL	16,409,023	8,326,255	8,082,768

Transportation costs refer to the costs incurred by the Company for free shipping to the customer.

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.

Logistics costs refer to expenses incurred for the logistical management of orders, for the handling of goods in and out of the logistics hub of Migliarino and for the storage of goods in special warehouses.

It should be noted that the item professional and operational consultancy includes both the recurring part of financial consultancy relating to the AIM market, amounting to Euro 380,581, general consultancy for Euro 607,827 and operational for Euro 1,301,000, which are largely related to costs for communication services and IT material, of which Euro 605,000 paid to the subsidiary Valnan S.r.l. and the remainder to the company High Technologies and Telecommunications Consulting S.r.l.

As previously mentioned, financial collection charges and bank fees, starting from the current period, are classified under item C.17 "Interest and financial charges" below. The figure for the previous period was reclassified for comparative purposes.

Costs for the use of third-party assets

Costs for use of third-party assets are booked under costs of production in the income statement for a total of Euro 1,009,787 (Euro 327,448 in the previous year).

The individual items are broken down as follows:

Description	31 December 2020	31 December 2019	Change
Rental expenses	269,232	223,026	46,206
Rental fees	136,400	104,422	31,978

Lease fees and "maxicanone"	502,236	-	502,236
Other costs for use of third-party assets	101,918	-	101,918
TOTAL	1,009,787	327,448	682,339

This item mainly refers 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 2,565,123 (Euro 1,844,000 as at 31 December 2019) includes the costs incurred in the year for employees.

Description	31 December 2020	31 December 2019	Change
a) wages and salaries	1,882,106	1,354,248	527,858
b) social security charges	552,133	400,557	151,576
c) employee severance indemnity (TFR)	124,117	89,195	34,922
e) other costs	6,766	0	6,766
TOTAL	2,565,123	1,844,000	721,123

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 are as follows:

	White collar	Total
Start of year	58	58
Hires	36	36
Outgoing	10	10

End of year	84	84
Average number	71	71

Depreciation/amortisation and write-downs

As outlined in the section on “Measurement criteria applied”, it is considered appropriate to inform that the Directors, for the purposes of preparing these financial statements, have availed themselves of the possibility of suspending in full the annual depreciation and amortisation of all property, plant and equipment and intangible fixed assets provided for by article 60 of Law no. 126 of 13 October 2020 converting with amendments Decree Law no. 104 of 14 August 2020.

As a result, the item “Depreciation, amortisation and write-downs” does not include the depreciation and amortisation for 2020.

For the sole purpose of presentation and comparison with the previous year, it should be noted that depreciation and amortisation for 2020 would have amounted to Euro 1,280,587 (Euro 970,828 in the previous year).

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 costs of production in the income statement for a total of Euro 266,433 (Euro 177,416 in the previous year).

The individual items are broken down as follows:

Description	31 December 2020	31 December 2019	Change
Duties and taxes other than on income	67,343	18,946	48,397
Fines and penalties (non-deductible)	6,790	19,914	(13,124)
Contingent liabilities	112,276	62,550	49,726
Ordinary capital losses	6,228	3,067	3,161
Gifts to customers	-	11,565	(11,565)
Losses on receivables	67,449	20,077	47,372
Other	6,347	41,297	(34,950)
TOTAL	266,433	177,416	89,017

Losses on receivables refer to an amount that was written off following an extraordinary event.

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) of the Income Statement amounted to Euro 1,248,443. This item mainly consists of:

- bank fees and financial charges incurred by the Company through the “Incasso sicuro” financial platforms, including Pay-Pal and Braintree, for Euro 1,136,814;
- interest expense on loans for Euro 111,629.

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 year.

Taxes	31 December 2020	31 December 2019	Change
Current taxes:	25,172	19,912	5,260
IRES	-	-	-
IRAP	25,172	19,912	5,260
Deferred tax liabilities (assets)	234,905	-	234,905
Advance IRES	(134,160)	-	(134,160)
Deferred IRES	307,341	-	307,341
Deferred IRAP	61,724	-	61,724
TOTAL	260,077	19,912	240,165

Deferred tax assets have been recorded because there is a reasonable certainty of the existence, in the years in which the deductible temporary differences, against which the deferred tax assets have been recorded, will be reversed, of a taxable income not less than the amount of the differences that will be cancelled. Deferred tax assets were recorded against the estimated tax loss for IRES purposes for the year.

Deferred tax liabilities have been allocated against the decision to suspend in the income statement the entire depreciation and amortisation of all tangible and intangible assets for a total of Euro 1,280,587. The provision for deferred taxes was necessary due to the effect of the decrease in the calculation of the exact IRES taxable income for the year, which will result in the payment in future years, at the end of each depreciation and amortisation process, of IRES tax not paid due to specific regulatory provisions for the year 2020.

Reconciliation of the tax charge in the financial statements and the theoretical charge

Calculation of taxable income for IRES purposes

Description	Value	Taxes
Pre-tax result	(288,198)	
Theoretical tax expense		-
Temporary differences taxable in subsequent years	(1,280,587)	
Temporary differences deductible in subsequent years	-	
Reversal of temporary differences from previous years	-	
Permanent differences that will not be reversed in subsequent years	1,009,786	
Taxable income	(558,999)	
Current IRES on income for the year		-

Calculation of taxable income for IRAP purposes

Description	Value	Taxes
Production value	2,160,461	
Permanent differences that will not be reversed in subsequent years	394,795	
Deduction of payroll costs	(2,033,016)	
Taxable income	522,240	
Current IRAP on income for the year		25,172

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 reporting year, the Company incurred costs for directors' fees totalling Euro 257,838, of which Euro 229,119 for fees expense reimbursements and Euro 28,719 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 18,160. No advances were made to directors and statutory auditors.

Independent Auditors' fees

The independent audit of the annual financial statements and legally-required audit of the accounts are entrusted to the independent auditors Deloitte & Touche S.p.A..

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 year, the Company's residual commitment, against the two contracts mentioned above, amounted to Euro 3,282,012 and Euro 420,467 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:

Leasing companies	Alba Leasing
Contract no.	1142710
Description	Two-storey building for industrial use with two small accessory buildings and exclusive appurtenant area
	Amount
Current value of instalments not past due + purchase option	3,282,012
Interest expense pertaining to the year	56,037
Historical cost	3,916,000
Amortisation in the year	58,740
Book value	3,857,260

Leasing companies	Fraer Leasing
Contract no.	SI 82058
Description	Pisa warehouse automation and handling lines and systems
	Amount
Current value of instalments not past due + purchase option	420,467
Interest expense pertaining to the year	11,317
Historical cost	650,000
Amortisation in the year	48,750
Book value	601,250

As regards contingent liabilities, it should be noted that Centro Distribuzione del Farmaco S.p.A. obtained an injunction against the Company for a receivable it had from Pharma Sangiorgio S.r.l. in liquidation (from which Farmaè acquired a business unit during the financial year) for an amount of Euro 26,182. The Company believes that it is not responsible for this liability, having circumstantiated the assets to liabilities transferred as part of the business unit acquisition transaction.

Information on the 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), the subsidiary Valnan S.r.l. (Tax Code and VAT 01348440460) and the subsidiary Sanort S.r.l. (Tax Code and VAT 01277470454).

The following table shows the equity and economic transactions entered into with related parties/subsidiaries in the year ended as at 31 December 2020:

(In Euro)	Receivables	Payables	Costs	Revenues	Total purchased and capitalised in the year
RESTART S.r.l.	-	-	-	-	-
BEWOW S.r.l.	-	-	369	-	10,976
VALNAN S.r.l.	-	122,000	605,000	62	-
SANORT S.r.l.	-	-	-	-	-

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 those carried out by the company Farmaè S.p.A.

Commercial transactions involving technical consultancy, for an amount of Euro 605,000, were entered into 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 year.

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 notarised 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.

On 06 November 2020, Farmaè acquired all the shares in the share capital of Sanort S.r.l, by means of a notarised private deed. The acquisition price was Euro 85,000. The transaction was authorised by the Board of Directors of Farmaè on 25 September 2020. This transaction has not been classified as a significant transaction pursuant to article 12 of the AIM Regulation. It does not constitute a reverse takeover pursuant to article 14 of the AIM Regulation and, since it is not a particularly significant transaction, it is not considered price sensitive.

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);
- Livorno (LI), Viale Ippolito Nievo 158/160 (point of sale 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, at the end of the year, there were no agreements (or other deeds, including related to one another) that expose the Company to significant risks whose effects are not recorded in the balance sheet, and knowledge of which could be useful for an evaluation of the Company's financial position and economic result.

Information on companies or entities exercising management and coordination activities - Article 2497 bis of the Italian Civil Code

The Company is not subject to management or coordination by companies or entities.

Fulfilment of the obligations of transparency and publicity of contributions received from public administrations or subjects treated as such

With reference to the regulations in terms of transparency of public disbursements provided for by Law no. 124 of 4 August 2017 - article 1, paragraphs 125-129, it is noted that the Company did not receive any non-repayable public contributions (greater than Euro 10,000) in the 2020 financial year.

Information on significant events after the close of the year

Pursuant to article 2423 bis, paragraph 1, no. 4 of the Italian Civil Code, the significant events subsequent to the close of the year under review are outlined below.

On 06 November 2020, the Company acquired 100% of the share capital of Sanort S.r.l. In order to reorganise the structure of the shareholding chain, allowing greater flexibility of internal processes and consequently optimising the management of resources and intercompany economic and

financial flows, the two companies decided to proceed with the corporate integration of Sanort through merger by incorporation into Farmaè S.p.A. To this end, both the Board of Directors of Farmaè and the Board of Directors of Sanort will resolve on the relevant merger project on 30 March 2021.

On 29 January 2021, the Board of Directors identified the beneficiaries of the first grant cycle of the incentive plan based on the award of phantom stock options, which was approved by the Shareholders' Meeting of 27 April 2020.

Finally, the situation of discomfort at a national and international level due to the state of health emergency caused by COVID-19 persists, which, however, did not find the Company unprepared.

Management conducts continuous monitoring of the Company's financial, business and organisational situation, planning and evaluating all possible solutions to minimise the effects of the pandemic and does not believe that the impact of the pandemic will hinder the future programs and strategy that the Company intends to pursue.

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 should be noted that on 28.07.2020, the Company signed an Interest Rate Swap (IRS) with an initial date of 28.07.2020 and expiry date of 31.07.2025 with an initial notional value of Euro 1,500,000. The hedged item is represented by the interest rate risk on a loan payable of the same amount, the amortisation schedule of which provides for a monthly repayment starting from 28.07.2020 with the last instalment on 31.07.2025.

The transaction took place with Unicredit Bank and the market value (so-called mark to market) of the financial instrument at 31.12.2020 was negative and equal to Euro 13,033.

Proposal to allocate profits or cover losses

We propose that you approve the financial statements for the year ended 31.12.2020 and carry forward the loss for the year of Euro 548,276.

Notes - Final Part

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

Authorisation for dissemination

The annual financial statements as at 31 December 2020 of Farmaè S.p.A. were approved by the Board of Directors on 30 March 2021, which authorised their publication in the press release of the same date containing the main elements of the financial statements.

Statement of compliance

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

Statement of compliance

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

The BOARD OF DIRECTORS

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

RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D. LGS. 27 GENNAIO 2010, N. 39

**Agli Azionisti di
Farmaè S.p.A.**

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO D'ESERCIZIO

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Farmaè S.p.A. (la "Società") costituito dallo stato patrimoniale al 31 dicembre 2020, dal conto economico, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità alle norme italiane che ne disciplinano i criteri di redazione.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

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

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