



FARMAÈ S.P.A.
HALF-YEAR REPORT ON OPERATIONS
AT 30 JUNE 2021

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Corporate Governance

Board of Directors

Riccardo Iacometti	Chairman
Alberto Maglione	Vice Chairman
Giuseppe Cannarozzi	Director
Giovanni Bulckaen	Director
Dario Righetti	Independent Director

Board of Statutory Auditors

Sergio Marchese	Chairman
Alberto Colella	Statutory Auditor
Monica Barbara Baldini	Statutory Auditor
Fabio Panicucci	Alternate Auditor
Gian Luca Succi	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 Marco Polo 190, 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 6 July 2020 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.

The current Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting held on 30 April 2021 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

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

REPORT ON OPERATIONS 2021

Letter to Shareholders

Dear Shareholders,

at the end of the first half of 2021, I am pleased to present to you that Farmaè is solid, profitable and has an increasingly stronger leading position in the Health and Well-being sector in Italy.

Six months ago we hoped to emerge from the difficult socio-economic context, by strengthening our competitive advantage and leadership in a competitive market that tends to reward the most innovative and tenacious operators. I am proud to announce that our top objectives have duly been met. We have achieved this goal thanks to managerial effectiveness, a strategy that has proved to be successful even during difficult periods, but above all thanks to the attention paid to the service and first and foremost to the Customer. During the first six months of 2021 we have seen the consolidation of significant growth over a six-month period that had already recorded a substantial increase, due to the changed propensity to purchase and consume as a result of the pandemic emergency. I believe that the increase in the conversion rate, which has reached 4.1%, is extremely significant, demonstrating how customers experience e-commerce on www.farmae.it, www.beautye.it and www.sanort.com as a consolidated channel for their purchases.

After the listing on the Stock Exchange, which took place about two years ago, we have taken another big step on our future path, by working with a partner with whom we aim to grow both in Italy and abroad. In fact, we signed a binding framework agreement for the acquisition of Amicafarmacia S.r.l., the second e-commerce platform in Italy for the marketing of health and wellness products. The integration transaction will create the first group in Italy in the distribution of over-the-counter medicines and health and wellness products, based on an omni-channel approach, and with aggregate revenues exceeding Euro 93 million in 2020.

The Group, which was spawned by the fusion of our experiences and visions, aims to meet the needs of an increasingly large customer base, which today includes almost 60 million users, and is able to provide brands and companies with the most innovative platforms thanks to artificial intelligence and new digital technologies with the shared result of achieving unique sales opportunities. In the last three years we have grown, respectively, with a CAGR of 63% for Farmaè and 29% for Amicafarmacia: I am sure that, by joining forces, we will be able to further consolidate this process and be able to target even more ambitious common goals.

Our latest and most important investments in artificial intelligence, confirm that we hold a position of undisputed leadership and allow us to quickly and efficiently satisfy the many demands of our ever-increasing user base and to look to the future with great optimism.

It is therefore with great satisfaction that I submit to you the data relating to the first half of 2021, once again showing an increase compared to the results recorded in the same period of the previous year. Revenues, in fact, grew by 28% (Euro 40 million at 30 June 2021) compared to an already positive half-year in 2020 (Euro 31 million at 30 June 2020). EBITDA amounted to approximately Euro 1.3 million, while the adjusted EBITDA was Euro 1.5

million, with a net financial position at 30 June 2021 of Euro 4.3 million, an increase of approximately 30% compared to the end of the previous year.

So we are telling the story of Farmaè's success. We have committed ourselves with passion and determination to becoming number one in Italy, and today we can say with great pride that we have achieved this goal. Over the years we have succeeded in gaining the full trust of millions of customers who have grown with us. We are honoured to be leaders in the sector and, while fully aware that the leading position attained is only a starting point, we aim to grow further together with all of you.

In the second half of 2021, our efforts will focus primarily on the integration of Amicafarmacia, ensuring respect for the corporate ethos and the values that have always been our hallmark and that have determined the success of our journey. We will continue to monitor the market, constantly looking for new opportunities for expansion and consolidation in strategic areas. We will also devote ourselves to strengthening the company's processes and structures in order to make sure they are increasingly more in keeping with our current dimensions and those we intend to achieve in the near future. We will work passionately, all together, to continue to earn your trust and further bolster our credibility.

Company Description and Business Model

Company Overview

Farmaè S.p.A. is the first On-line Retailer of Health and Wellness products in Italy. The company was founded in Viareggio in 2014 and has been listed on Borsa Italiana's AIM Italia market since July 2019.

Farmaè S.p.A. operates mainly in e-Commerce through two web platforms, *Farmaè* www.farmae.it and *Beautyè* www.beautyè.it (in the first half of 2021 Farmaè S.p.A. recorded revenues of Euro 40.0 million, marking an overall increase of 28% compared to Euro 31.3 million recorded in the first half of 2020), and through 10 points of sale, divided into 9 Farmaè branded stores (*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 point of sale in Viareggio in Viale Marconi 84.

Farmaè S.p.A. currently markets, through the Farmaè and Beautyè brands, 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 on-line player Sanort www.sanort.com and has strengthened its commitment to digital and marketing by acquiring 100% of Valnan Communications www.valnan.it, an on-line communication and marketing agency.

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

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

- unique and successful business model that seizes the advantages offered by the omni-channel approach, created with the objective of generating value both for customers and the industry;
- a broad and integrated sales offer to be the unique reference point for customers in the Health and Well-being segment and a new and scalable approach based on cross-selling thanks to the entry into the Beauty segment with the Beautyè project and the entry into the heavy Orthopaedics segment with the acquisition of Sanort;
- consolidated partnerships with multinationals in the sector;
- management team with a wealth of experience in the reference sectors: Marketing, Tech, Digital Economy, Big Data and Logistics;
- constant attention to technological innovation both at company level and at the level of digital platforms in order to fully capitalise on advantages of technological evolution and the new logics of *Machine Learning* and *Artificial Intelligence*;
- strong customer focus thanks to the constant development of the two main service tools: 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 the first half of 2021.

In order to support the growth of its users, Farmaè S.p.A. plans to broaden the range of its products by expanding new product categories both in the brands already present on the market and by evaluating the opportunity to launch vertical projects. Special interest in this phase is focused on products for the care and well-being of pets, including new mass market products for personal "well-being" as well as products that are currently marketed in the luxury and professional channels with the Beautyè project, in which the company intends to notably increase the offering by the end of 2021 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 the offer, Farmaè S.p.A. is determined to consolidate its position 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) to address attractive and complementary markets.

Expansion in logistics capacity

With the need to consistently improve the service performance in terms of delivery, also in light of the business development objectives, Farmaè S.p.A. has launched an additional analysis programme in order to begin the process of building a second logistics hub, capable of further expanding the logistics and service capabilities of the company, positioning it in a geographical area for the benefit of and support for new marketing strategies (e.g.: further speeding up of deliveries in the areas of greatest interest for Farmaè S.p.A.).

Through this further increase in logistics capacity, it is possible to significantly expand goods storage capacities and make provision for further investments in terms of automated systems that can support the continuous and steady growth of the business. The feasibility study of the second logistics hub includes the first and ultimate goal of supporting the development of revenues up to Euro 300 million.

Technology Development

The objective for the next 3 years is to effectively and operationally enhance the company's technological capabilities, by continuing to focus on the end consumer's purchase experience and knowledge thanks to on-line platforms. An important process is in progress in this sense, aimed at the practical use of artificial intelligence and the *machine learning* logics aimed at promoting a whole series of automated activities capable of improving and expanding the tools relating to business management APIs and, consequently, the commercial contribution that these can make in increasing both customer base and retention rate.

With this in mind, in May 2021 an agreement was signed with Vedrai S.p.A, a company specialised in the design and implementation of solutions based on Artificial Intelligence, for the use of its proprietary platform to support the e-Commerce solutions of the brands of the Farmaè S.p.A. Group.

Vedrai S.p.A was the brainchild of the current President and CEO Michele Grazioli, a young entrepreneur in the field of Artificial Intelligence applications and considered among the top experts in the field. Vedrai S.p.A is an innovative start-up focused on developing platforms for improved decision-making, awarded in January 2021 as one of the Top 10 AI companies in Europe by CIO Applications.

Thanks to this agreement, Farmaè S.p.A will be able to use the proprietary solution of Vedrai S.p.A, a platform that processes historical data from e-Commerce and warehouse to transform them into summary indicators, representing a *performance-booster* for fully capitalising on today's market potential and laying the foundations for future success.

Vedrai S.p.A.'s platform will allow Farmaè Spa to respond in an immediate, rapid and pragmatic way to all its customers' needs, who have always been at the heart of the company's business. Specifically, the use of the artificial intelligence platform will make it possible to collect information about the customer, and optimise the internal search engine to allow customers to find an immediate match between their searches and the product offer of Farmaè S.p.A. brands. The ultimate goal is to achieve the *Dynamic Pricing and Search Optimisation* objectives, identified as fundamental for the innovative growth of the Group.

Opening of new sales points

Farmaè S.p.A.'s objective is to open additional sales points in Italy, including a new sales point able to accommodate, in a single concept store, the two different commercial branches 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 and Media launch

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 for both the Farmaè and Beautyè brands, as well as for any other relevant market project acquired and consolidated within the Group's strategies, and will also make use of the in-depth principles of relationships between the different project *intelligence* approaches that will come together in 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, the 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 S.p.A. group can benefit.

On 28 June 2021 Farmaè S.p.A announced to the market that it had signed a binding framework agreement for the acquisition of Amicafarmacia S.r.l. The transaction spawns the first leading Group in Italy in the distribution - according to an omni-channel approach - of over-the-counter medicines and health and wellness products, with aggregate revenues that exceeded Euro 93 million in 2020.

Over the years, AmicaFarmacia has recorded strong growth in turnover, which in 2020 amounted to Euro 27.8 million, up 24% compared to the previous year, ranking second, according to IQVIA, among the on-line Health & Well-being operators in Italy.

The transaction, which will be finalised on 29 September 2021, as per the M&A strategy presented to the market, is aimed at creating the leading group in Italy in the on-line distribution of over-the-counter medicines and health and wellness products, starting from the significant value of the effects that this integration may eventually determine:

- further consolidation of the on-line channel through a significant increase in the user base and expansion of the offer;
- the acceleration of the positioning of new commercial and marketing strategies;
- an expansion in logistics capacity;
- greater critical mass and the consequent consolidation of commercial relationships; with industrial partners that will allow a further improvement in purchasing conditions and related bonuses;
- release of new integrated technologies aimed at improving the purchase experience;
- integration of proximity service systems, both in relation to improving delivery times and to a proactive role of customer care.

Trend in the Reference Market And Legislation

Overview of the On-line market in Italy in 2021 (Osservatorio Politecnico)

During the 2020 lockdown, e-commerce was the main driver of consumer generation, making the crisis in the Retail sector less severe, which saw a sharp drop in purchases and the closure of more than 9,000 stores in 2020. An inevitable trajectory that has seen e-commerce and digital channels become central to the strategies of all players, even smaller ones. The year 2020 was characterised by higher investments, sales based on on-line/off-line integration and predominantly digital customer relationship methods with new tools and on new channels. These trends are creating, also in 2021, a new balance between on-line and off-line based on a reorganisation of the physical infrastructure, both on multi- and omni-channel models.

The results of this process are clear: product e-commerce in Italy recorded growth of +45% in 2020, touching Euro 26 billion in business transactions and reached a penetration of total retail purchases of 9% (it was just over 6% in 2019). The growth was across the board in all product sectors and for some, due to the changing needs of consumers following the pandemic, it was particularly significant. Food&Grocery (+84%), Furniture and Home Living (+61%) and Beauty (+53%) stand out. The more digitally mature sectors grew very well, albeit below average: IT and Consumer Electronics recorded an increase of +38%, Publishing +29% and Clothing and Accessories +27%.

The positive trend in product e-commerce continues into 2021, albeit in a more measured fashion. The first estimates point to growth of +18% that will see products reach Euro 30.6 billion in terms of business transaction volumes. Compared to 2020, the rates in the individual product sectors changed: Food & Grocery remains the leading sector (+38%), followed by Clothing & Accessories (+26%) and Beauty (+20%).

Estimates of the B2C e-commerce market predict total revenues to be around Euro 38.6 billion (up 19% from 2020). Products will be worth 30.6 billion (+18%) and services will return to growth (+22%), although some way off pre-pandemic levels. More specifically, from 2021 we expect a recovery of the sectors most heavily affected by the lockdown like Tourism and Transport, and Cars and Spare Parts; on the other hand, the sectors which recorded an acceleration on the back of the pandemic, such as Furniture and Home Living or Publishing will see a slowdown. Lastly, Food & Grocery's growth has stabilised due to territorial coverage.

Covid-19 has had a double impact in our country, on the one hand, contrary to popular belief, it has slowed the growth of the total market that certainly would have been higher without the emergency, on the other hand, it has shifted the balance between on-line and off-line, forcing the offering to adapt to the changing consumption needs and to accelerate its process of digitalisation and prompting the consumer to use on-line channels.

In order to satisfy the increase in on-line demand and to support changing consumer needs, on-line market players in Italy have invested in technology, in optimising operating processes and in enabling and/or strengthening sales and interaction channels. In particular, Italian retailers in 2020 spent most of their digital innovation budget on e-commerce and omni-channel projects and back-end process improvement; only a minor portion was reserved for store digitalisation.

A detailed look at sales and interaction channels shows that merchants have focused on activating and strengthening relational channels, mainly on social and instant messaging platforms, and on expanding their sales channels, enabling new initiatives in particular on marketplaces and aggregator sites.

The change brought about by the health emergency has contributed to the spread of e-commerce also among small Italian companies that, compared to the past, have been encouraged to embrace digital and understand its potential. In many cases, the approach to e-commerce and the multichannel strategy has been rather from a “craft trade” perspective, based on on-line interaction modes and on order acquisition models through social and/or instant messaging platforms (not really e-commerce). The most advanced, in addition to investing in a direct site, have established a shop window on marketplaces. For Italian SMEs, we can’t yet talk about a widespread omni-channel strategy, but we are seeing the first steps towards a more fully informed on-line multichannel approach. In any case, for our country this is a sign of the central importance and greater degree of maturity of e-commerce, which suggests an increasingly stronger and more solid integration off-line and on-line.

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 on-line 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 on-line) amounted to approximately Euro 10.8 billion, (price to the public) while that distributed through the on-line 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 growth of the on-line market of 66% in value and 83% in terms of volumes.

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 on-line channel on the off-line 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 led to an acceleration of 2.5%.

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 on-line channel amounted to roughly 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 personal skin care products
- 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 off-line channel operators, like pharmacies, para-pharmacies, perfume shops, supermarkets and, on the other, by on-line 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 on-line channel will see double-digit growth, 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 commercial enterprises (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 of them carry out business as single operator, while only a small portion is organised into chains.

The Bersani Law established the technological, structural, organisational requirements that these commercial enterprises 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);
- it 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);
- it 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 medicine 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 a space 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 no. 6 July 1999 - approval of the guidelines on good practice regarding distribution of medicines for human use);
- foodstuffs must be handled using a system for the analysis of risks and control of critical points, with reference to the risk of contamination, of both a biological and chemical or physical nature (HACCP - Hazard Analysis and Critical Control Points).

Legislative Decree no. 17 of 19 February 2014, in implementation of directive 2011/62/EU which amends directive 2001/83/EC, containing an EU code relating to medicines for human use, in order to prevent the entry of counterfeit medicines into the legal supply chain, authorised the sale of medicines with no prescription obligation on the web under given terms and conditions, which were subsequently detailed in the circulars issued by the Ministry of Health in 2016. These circulars establish, in detail, the rules for the performance of this on-line 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 on-line seller is an entity qualified to sell medicines pursuant to the legislation in force.

Operating Performance

This section provides the company's economic and financial information for the first half of 2021 compared to the first half of 2020.

The report on operations of Farmaè S.p.A. at 30 June 2021 (the "Report") has been prepared in accordance with the provisions of the Italian Civil Code, and is consistent with the interim financial statements prepared in accordance with OIC 30 and in accordance with the Italian Accounting Standards formulated by the Italian Accounting Organisation (OIC).

The financial information below should be read together with the company's financial statements for the period ended as at 30 June 2021. These financial statements are included after this report on operations and are available to the public for consultation at the registered office of the company in Viareggio (LU), via Marco Polo no. 190, as well as on the company's website www.farmaegroup.it.

The report contains some alternative performance indicators, that the management employs to monitor and evaluate the company's performance.

Economic and financial information as at 30 June 2021

The company's income statement for the first half of 2021, reclassified on a value-added basis and compared to the income statement for the prior period, which we should point out, benefited from the effects of increased use of the on-line channel during the health pandemic, is as follows:

INCOME STATEMENT (Euro)	Six months ended 30 June 2021	Six months ended 30 June 2020	Change	Change %
Net sales revenues	40,007,335	31,309,826	8,697,509	28%
Change in inventory	(647,637)	2,564,326	(3,211,963)	(125%)
Other revenues and income	67,454	348,692	(281,239)	-81%
VALUE OF PRODUCTION	39,427,151	34,222,844	5,204,308	15%
Purchases of goods	27,036,800	23,235,411	3,801,389	16%
Service expenses	8,432,483	8,353,136	79,347	1%
Costs for use of third-party assets	564,279	471,473	92,807	20%
Sundry operating costs	221,339	94,046	127,293	135%
TOTAL EXTERNAL OPERATING COSTS	36,254,901	32,154,066	4,100,835	13%
V.A. ADDED VALUE	3,172,250	2,068,778	1,103,472	53%
Personnel expense	1,891,454	1,242,959	648,495	52%
GROSS OPERATING MARGIN (EBITDA) (1)	1,280,796	825,819	454,977	55%
Depreciation, amortisation and provisions	708,853	588,237	120,616	21%
OPER. INCOM. FROM ORDINARY OPERATIONS (EBIT) (2)	571,943	237,582	334,361	141%
Financial income	16,314	3,647	12,667	347%
Financial charges	658,424	627,690	30,734	5%
PRE-TAX RESULT (EBT) (3)	(70,166)	(386,461)	316,294	(82%)
Income taxes	(59,732)	92,528	(152,260)	(165%)
RESULT FOR THE YEAR	(129,898)	(293,933)	164,035	(56%)

(1) The gross operating margin (EBITDA) 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.

(2) Operating income from ordinary operations (EBIT) 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.

(3) *The pre-tax result indicates the result before taxes for the period. The pre-tax result 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 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 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 an understanding of the company's economic and financial performance, the main indicators are shown below:

(Euro)	Six months ended 30 June 2021	Six months ended 30 June 2020	Change %
Economic indicators			
Revenues from sales	40,007,335	31,309,826	28%
EBITDA	1,280,796	825,819	55%
EBITDA % on revenues	3.20%	2.64%	
ADJUSTED EBITDA	1,549,725	1,069,473	45%
ADJUSTED EBITDA % on revenues	3.87%	3.42%	
EBIT	571,943	237,582	141%
EBIT % on revenues	1.43%	0.76%	
EBT	(70,166)	(386,461)	(82%)
EBT % on revenues	(0.18%)	(1.23%)	
Net profit (loss)	(129,898)	(293,933)	(56%)
Net profit (loss) % on revenues	(0.32%)	(0.94%)	

Specifying that:

- i. these indicators are not indicative of the company's future performance;
- ii. these indicators are not required by Italian Accounting Standards and, although they are derived from the financial statements for the period ended 30 June 2021 and the financial statements for the period ended 30 June 2020, 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 the first half of 2021, the company continued its significant growth process initiated in previous years. Net sales revenues amounted to Euro 40 million, an increase of 28% compared to Euro 31.3 million achieved in the first half of 2020.

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

The on-line segment recorded turnover of Euro 36.5 million, marking an increase of +25% compared to the first half of 2020. The main drivers of this growth are attributable to:

- ✓ expansion of the range of products offered;
- ✓ growth of active customers;
- ✓ conversion rate growth.

Off-line sales came to Euro 1.96 million, an increase of 82% compared to the previous period.

The increase in volumes is linked to the improvement in the “Beauty” segment and the consolidation of the Like for Like performance of the stores. The main objective of these outlets is to increase the company’s visibility in the 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 in the first half of 2021 amounted to Euro 1,280,796, an increase of 55% compared to the first half of the previous year (at the end of the first half of 2020 it amounted to Euro 825,819).

The incidence of the gross operating margin on net sales revenues was 3.2%.

Adjusted Gross Operating Margin (Adjusted EBITDA) ⁽¹⁾

As is well known, in the previous year, the company strengthened its logistics structure with the acquisition of an operating property and a first automation system. Both investments were financed through the stipulation of financial lease contracts which, in the first half of 2021, affected the income statement and the “nominal” EBITDA with the recognition of lease fees and a maxi fee (“maxicanone”, initial larger lease instalment) for a total of Euro 268,929. The different technical form of obtaining financial resources, through the stipulation of a mortgage agreement, would have led to the recording in the income statement in the first half of 2021 of depreciation of Euro 107,490 (estimated useful life of the asset of 33 years instead of the duration of the leasing agreement of 10 years) and interest payable on mortgages estimated at Euro 33,234. Given the above, the adjusted EBITDA amounts to Euro 1,549,725, while the adjusted pre-tax result is a positive Euro 58,039.

EBITDA from value added IS	+ 1,280,796
Adjustments:	
Financial lease fees	+ 268,929
Adjusted EBITDA Result	+ 1,549,725

Pre-tax result	- 70,166
Adjustments:	
Financial lease fees	+ 268,929
Amortisation rates	- 107,490
Interest expenses on mortgages	- 33,234
Pre-tax result Adjusted	+ 58,039

- (1) *The adjusted gross operating margin (also defined as Adjusted EBITDA) indicates the result before financial expenses, taxes, amortisation/depreciation of fixed assets, provisions, write-downs of fixed assets and receivables recorded under current assets and finance lease payments. 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.*

Adjusted EBITDA for the year, net of bank commissions and collection fees associated with on-line collections (classified under financial charges), amounted to Euro 956,116.

Operating income from ordinary operations (EBIT)

EBIT for the first half of 2021 amounted to Euro 571,943, an increase of 141% compared to the first half of the previous year.

Net profit (loss)

After recognising current taxes of Euro 59,732, net income for the first half of 2021 amounted to Euro (129,898).

Statement of financial position

The balance sheet reclassified using the financial criterion, compared with that at the close of the previous year, is as follows:

BALANCE SHEET	30/06/2021	31/12/2020	CHANGE	CHANGE %
Liquid assets	8,696,836	8,983,967	(287,131)	(3%)
Deferred assets	11,655,331	9,555,360	2,099,971	22%
Inventories	14,001,432	14,649,069	(647,637)	(4%)
CURRENT ASSETS (C)	34,353,599	33,188,396	1,165,203	4%
Property, plant and equipment	1,999,013	1,981,459	17,554	1%
Intangible fixed assets	6,677,150	6,595,521	81,629	1%
Financial fixed assets	1,316,962	1,304,993	11,969	1%
NON-CURRENT ASSETS	9,993,125	9,881,973	111,152	1%
TOTAL ASSETS - USES (K)	44,346,724	43,070,369	1,276,355	3%
CURRENT LIABILITIES (P)	25,150,002	22,710,968	2,439,034	11%
NON-CURRENT LIABILITIES	7,552,891	8,585,672	(1,032,781)	(12%)
SHAREHOLDERS' EQUITY (N)	11,643,831	11,773,729	(129,898)	(1%)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY - SOURCES	44,346,724	43,070,369	1,276,355	3%

Current assets, amounting to Euro 34,353,599, were 4% higher than the current assets recorded at 31 December 2020. The increase is mainly due to the rise in deferred liquidity, in particular the item "Receivables from customers". It should be noted that receivables outstanding at 30 June 2021 were in the advanced stages of collection at the date of preparation of this report.

Fixed assets (non-current) of Euro 9,993,125 did not increase significantly compared to 31 December 2020.

Current liabilities, amounting to Euro 25,150,002, recorded an increase of Euro 2,439,034, mainly due to the increase in the item "Trade payables" linked to the development of the business and the continuous growth of volumes purchased for subsequent resale and the lengthening of the average payment terms renegotiated with suppliers.

Non-current liabilities, amounting to Euro 7,552,891, decreased by Euro 1,032,781, mainly due to the repayment of loans/mortgages taken out by the company in previous years.

The reclassified statement of financial position by sources and uses at 30 June 2021 and 31 December 2020 is provided below:

USES	30/06/2021	31/12/2020	CHANGE	CHANGE %
Non-current assets	9,993,125	9,881,973	111,152	1%
Net working capital	(1,872,944)	(782,616)	(1,090,328)	139%
Non-current liabilities	(766,026)	(680,787)	(85,239)	13%
NET INVESTED CAPITAL (*)	7,354,155	8,418,570	(1,064,415)	(13%)
SOURCES				
Shareholders' equity	11,643,831	11,773,729	(129,898)	(1%)
Net financial debt	(4,289,676)	(3,355,159)	(934,517)	28%
TOTAL SOURCES OF FUNDING	7,354,155	8,418,570	(1,064,415)	(13%)

(*) 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, non-current assets and non-current liabilities, and the financial part. 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 balance sheet indicators identified can be summarised as follows:

(Euro)	30/06/2021	31/12/2020	Change %
Balance sheet indicators			
Net Working Capital	(1,872,944)	(782,616)	139%
Net Invested Capital	7,354,155	8,418,570	(13%)
Net financial position	(4,289,676)	(3,355,159)	28%

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) sale of short-term assets. It is obtained as the difference between current assets and current liabilities, excluding financial assets and liabilities.

The composition of net working capital at 30 June 2021 and 31 December 2020 is detailed in the table below:

(Amounts in Euro)	30/06/2021	31/12/2020	CHANGE	CHANGE %
Inventories	14,001,432	14,649,069	(647,637)	(4%)
Trade receivables	4,158,695	1,897,220	2,261,475	119%
Other receivables (tax receivables, deferred tax assets and others)	1,102,602	1,927,182	(824,580)	(43%)
Accrued income and prepaid expenses	959,450	808,826	150,624	19%
Current assets (excluding financial assets)	20,222,179	19,282,297	939.882	5%
Trade payables	21,309,639	19,651,036	1,658,603	8%
Other payables (tax, social security and other payables)	711,230	373,423	337,807	90%
Accrued expenses and deferred income	74,254	40,454	33,800	84%
Current liabilities (excluding financial liabilities)	22,095,123	20,064,913	2,030,210	10%
NET WORKING CAPITAL	(1,872,944)	(782,616)	(1,090,328)	139%

Net Invested Capital

USES	30/06/2021	31/12/2020	CHANGE	CHANGE %
Non-current assets	9,993,125	9,881,973	141,074	1%
Net working capital	(1,872,944)	(782,616)	(1,120,523)	143%
Non-current liabilities	(766,026)	(680,787)	(85,239)	13%
NET INVESTED CAPITAL (*)	7,354,155	8,418,570	(1,064,415)	(13%)

(*) 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 that 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 classified as current assets given short-term investments, easily convertible into known amounts of money and subject to an insignificant risk of change in value.

We note the continuous improvement of the net financial position which was positive at the end of the first half of 2021 for Euro 4,290 thousand, an increase of 28% compared to Euro 3,355 thousand at 31 December 2020.

The company's total cash and cash equivalents (including financial assets classified as current assets) at 30 June 2021 amounted to Euro 14.1 million, a slight increase compared to the cash and cash equivalents at 31 December 2020.

(Amounts in Euro)	30/06/2021	31/12/2020
A. Cash and cash equivalents	8,696,836	8,983,967
B. Other cash and cash equivalents		
C. Securities held for trading	5,434,584	4,922,131
D. Liquidity A + B + C	14,131,420	13,906,098
E. Current financial receivables		
F. Current bank debt		
G. Current portion of non-current debt	3,054,878	2,646,054
H. Other current financial payables		
I. Current financial debt F + G + H	3,054,878	2,646,054
J. Net current financial debt I – E – D	(11,076,542)	(11,260,044)
K. Non-current bank payables	6,786,866	7,904,885
L. Bonds issued		
M. Other non-current financial payables		
N. Non-current financial debt K + L + M	6,786,866	7,904,885
O. Net financial debt J + N	(4,289,676)	(3,355,159)

Significant events in the period

Acquisition of the company “Amicafarmacia S.r.l.”

On 28 June 2021, the company signed a binding framework agreement concerning the acquisition of Amicafarmacia S.r.l, the second e-commerce platform in Italy for the sale of health and wellness products. The transaction will create the first leading Group in Italy in the distribution - according to an omni-channel approach - of over-the-counter medicines and health products, with aggregate revenues that in 2020 exceeded Euro 93 million. The integration of AmicaFarmacia in Farmaè is aimed at creating the leading group in Italy in the on-line distribution of over-the-counter medicines and products for health and wellness able to satisfy the new needs of the consumer and benefit from:

- (i) further consolidation of the on-line channel through a significant increase in the user base and expansion of the product range;
- (ii) the acceleration of the positioning of new commercial and marketing strategies aimed, thanks also to the use of artificial intelligence, at promoting an offer aimed at satisfying the individual needs of the consumer (from today) also in real time;
- (iii) an expansion of the logistics capacity, rising to 12,000 sqm divided into 2 operating units;
- (iv) a greater critical mass and the consequent consolidation of commercial relations with industrial partners, which will allow a further improvement in purchasing conditions and related bonuses and with whom to implement marketing and communication actions, in order to benefit in terms of economic results (co-marketing revenues) and market visibility, thanks to further enhancement of a single Group Media Platform;
- (v) the release of new integrated technologies aimed at improving the shopping experience on on-line platforms in conjunction with the omni-channel approaches, including the Group’s first “physical” pharmacy, the “Madonna della Neve” pharmacy;
- (vi) integration of proximity service systems, both in relation to improved delivery times (Farmaè Speed) and a Pro-Active role of customer care with targeted advice from on-line pharmacists.

Artificial Intelligence

On 17 May 2021 an agreement was signed with Vedrai S.p.A., a company specialised in the design and implementation of solutions based on Artificial Intelligence, for the use of their proprietary platform to support Farmaè’s e-commerce solutions. Vedrai S.p.A.’s platform will allow Farmaè to respond immediately, quickly and pragmatically to every need of its customers, always at the heart of the company’s business. Specifically, the use of the artificial intelligence platform will make it possible to collect information about the customer, and optimise the internal search engine to allow customers to find an immediate match between their searches and Farmaè’s product offering. The ultimate goal is to achieve the objectives of “Dynamic Pricing” and “Search Optimisation”, identified as fundamental for the innovative growth of Farmaè.

Change of Board of Statutory Auditors

On 30 April 2021, the Shareholders' Meeting appointed the Board of Statutory Auditors for the financial years 2021-2023. Based on the two lists submitted, one by the reference shareholder Riccardo Iacometti and the other jointly by the shareholders Indaco Venture Partners SGR S.p.A. and Equilybra S.p.A., the Board of Statutory Auditors appointed by the Shareholders' Meeting is composed as follows:

Standing Auditors

1. Sergio Marchese (Chairman of the Board of Statutory Auditors)
2. Alberto Colella
3. Monica Barbara Baldini

Alternate Auditors

1. Fabio Panicucci
2. Gian Luca Succi

The Chairman of the Board of Statutory Auditors is a representative of minority shareholders, as provided for in the current Articles of Association.

Corporate Social Responsibility

In December 2020, the company created the internal Corporate Social Responsibility Function and appointed an internal contact person. 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 corporate stakeholders.

Between September and November 2020, the Farmaè Group had engaged the services of Deloitte to carry out a Sustainability Assessment. Deloitte then met with various Function Managers to assess the company's positioning with respect to possible sustainability reporting. The information gathered during the meetings with Farmaè's business areas enabled an as-is assessment of the company's positioning with respect to sustainability reporting. The assessment of the company's positioning in the area of sustainability was carried out with regard to the identification of best practices and the level of adoption by Farmaè. A total of 9 business areas were involved, 22 KPIs were identified, 30 Best Practices and related areas for improvement divided by relevance and adoption

Following the Assessment, during the last few months of 2020, a cultural analysis of the company was carried out, the Mission, Vision and Values were redefined, the Swot Analysis was completed, all the Group Organisational Charts were defined, almost all the functions were strengthened with Middle and Senior Management joining, new Functions were set up (CSR, Mergers & Acquisitions, Public Affairs & Communication, etc.), 14 Regulations were created and Process Flow Charts are being created, which will be followed by the subsequent drafting of the Procedures. The Farmaè Group's CSR is also aligned with the Organisational Model "Risk Management 231/2001", which will soon be introduced in the company, and discussions will be held periodically with the relevant Supervisory Body. CSR

is also inspired by the Code of Ethical Conduct, which contains social and moral rules defined as “ethical-social responsibilities” to those operating inside and outside of the company.

The Farmaè Group has drawn up a set of company regulations, marked with the number 12, for the correct development of all issues related to Corporate Social Responsibility.

Within the Regulations, 4 strategic areas of activity have been identified, subdivided as follows:

- Community
- Environment
- Market
- Workplace

Annual targets have been identified for each of these 4 strategic areas, communicated to Directors in March 2021, and data collection sheets with relevant GRI-compliant KPIs delivered. The identification, through materiality analysis, of issues that reflect significant economic, environmental and social impacts for the company and that substantially influence the assessments and decisions of relevant stakeholders is under way. The process for the definition of the material aspects will be developed with reference to the main international standards, in the following phases:

- 1 Stakeholder mapping and prioritisation;
- 2 Mapping and assessment of relevant issues;
- 3 Materiality Matrix.

For the mapping and assessment of material sustainability issues, plans are in place to implement a gradual process of extending stakeholder engagement activities/initiatives, involving interaction and dialogue with internal and external stakeholders, in order to gather their expectations and organise an activity to involve the Group’s Top Management in assessing the relevance of material issues from the Group’s point of view.

The next step is the Sustainability Report and Reporting Package that will allow, on the basis of the topics identified as material for the organisation and for the reference stakeholders through the materiality analysis, to identify an initial hypothesis of the contents of the Sustainability Report, in terms of qualitative and quantitative information (KPIs). The reporting package, i.e., the set of final data collection forms, is essential for collecting the information to be reported in the financial statements, and will lead to the preparation of the Sustainability Report in accordance with GRI Standard reporting procedures.

Medium/long-term projects related to sustainability and ESG parameters are in the budget analysis phase. These projects cover human resources, social and environmental issues.

Corporate training

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

Company training, entrusted to Andrea Frausin and his company Talenti Group, focuses on the following central themes:

- ⇒ management and self-organisation for excellent results;
- ⇒ leadership and employee management (including remote);
- ⇒ change management in VUCA contexts.

Corporate Welfare

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

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

On 30 March 2021, respectively, both the Board of Directors of Farmaè and the Board of Directors of Sanort and, subsequently, on 6 May 2021, the Shareholders' Meeting resolved favourably on the plan for the merger by incorporation of Sanort Srl into Farmaè S.p.A. The operation was necessary in order to reorganise the structure of the investment chain, allowing greater flexibility of internal processes and consequently optimising the management of resources and intercompany economic and financial flows.

Other events

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

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

Significant events after the end of the half-year

On 21 July 2021, Farmaè and Sanort S.r.l., in execution of their respective Board and Shareholders' Meeting resolutions passed on 6 May 2021 and no opposition having been filed pursuant to article 2503 of the Italian Civil Code, executed the notarial deed of merger by incorporation of Sanort S.r.l. into Farmaè. The merger by incorporation resulted in the extinction of Sanort S.r.l. and therefore the cancellation of its shareholdings and share capital. The share capital of Farmaè, on the other hand, remained unchanged with respect to that existing at today's date, as did the ownership structure and the stakes held by the shareholders in the share capital of Farmaè. The accounting and tax effects of the Merger will take effect from 1 January 2021.

Business outlook

The transaction involving the acquisition of the on-line business unit of Amicafarmacia S.r.l. will be a significant feature of the second half of 2021. This will take concrete shape with effect from 1 October 2021, based on a decision by the Shareholders' Meeting of 29 September 2021. The acquisition will be carried out through the contribution of a business unit with a simultaneous increase in the share capital of Farmaè S.p.A. from Euro 2,867,000 to Euro 3,423,135. This event will have a positive impact on the company's income statement and balance sheet and on its corporate and management organisation. Therefore, the company's priority in the second half of 2021 will be to continue the process of integrating the Amicafarmacia business into all administrative, commercial, logistics and communication functions.

The above move is evidence of the company's intention to pursue its strategy of growth and development through well-defined strategic lines:

1. Consolidating its presence in the on-line channel;
2. Expanding the range of products, especially in the "pet" categories, professional lines for hairdressers and wellness and leading products in the Health and Well-being sector
3. Strengthening of relations with strategic partners
4. Further enhancing the "Farmaè" brand
5. External growth;
6. Pursuing social sustainability goals;
7. Consolidating its presence in Italy and Europe.

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

The share capital as at 30 June 2021 was fully subscribed and paid-up and represented by 5,734,000 ordinary shares with no nominal value.

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

Research & Development

During the period under review, 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 activities 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 that, should they occur, could jeopardise the correct functioning of the systems themselves and force the company to suspend or interrupt its activities, with consequent significant negative effects on the economic, equity and financial situation.

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.

During the first half of 2021, there were no instances of malfunctioning of the Issuer's IT systems. However, the verification of physical or technical risks in the information systems could impair the quality of the services rendered, including to the point of limiting or interrupting them, thus compromising the activities and the level of satisfaction of users or customers with 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 databases of the company and/or its customers, 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 adverse effects on the activities and prospects of the Issuer itself, as well as on those of its customers. In addition,

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

Risks connected with defective products sold by the Issuer

The company sells a vast range of products for health and well-being. As the distributor of the aforementioned products, Farmaè S.p.A. is exposed to the risk of claims for liability actions for compensation for damages caused by defective products, pursuant to articles 114 et seq. of Legislative Decree no. 206/2005 ("Consumer Code") by buyers of the products bought and sold, although pursuant to the Consumer Code, as supplier of products which are potentially defective, it may be liable solely where the producer and, in the case of non-EU production, the importer of said products have not been identified. To this end, an insurance policy was signed with the insurance company Generali Italia S.p.A. on 7 March 2018.

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

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 which 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 July 2020, the company signed an IRS with initial date 28 July 2020 and expiry date 31 July 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, whose amortisation schedule provides for a monthly repayment starting from 28 July 2020 with the last instalment on 31 July 2025.

The transaction took place with Banca Unicredit and the market value (the so-called “mark-to-market value”) of the financial instrument as at 30 June 2021 was Euro 8,532.82.

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: Bewow S.r.l. (Tax Code and VAT no. 02324350467), the subsidiary Valnan S.r.l. (Tax Code and VAT no. 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 period ended 30 June 2021:

(In Euro)	Receivables	Payables	Costs	Revenues	Total purchased and capitalised in the year
BEWOW S.r.l.	-	63,141	-	-	98,031
VALNAN S.r.l.	-	96,624	248,000	-	12,000
SANORT S.r.l.	30,196	-	-	1,935	-

Commercial transactions involving technical consultancy, for an amount of Euro 248,000, were entered into with the subsidiary “Valnan S.r.l.” (with a sole shareholder) during the period. 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.

Sales of goods involving modest amounts were entered into with the subsidiary company “Sanort S.r.l.”.

Finally, Bewow S.r.l. carries out exclusive and core business totally unrelated to that carried out by Farmaè S.p.A. During the period under review, the company “Bewow S.r.l.” purchased furnishings for the new headquarters.

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. In the previous 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 or change in cash flows is envisaged.

Local units - Branch offices

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 (PT), 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);
- Viareggio (LU), Via Aurelia Nord 141 (store);
- Vecchiano (PI), Via Traversagna 26-29 (warehouse);
- Vecchiano (PI), Via Traversagna 26-29 (store);
- Vecchiano (PI), Via Del Feo snc (warehouse)
- Viareggio (LU), Viale Marconi 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 hereunder.

**FINANCIAL STATEMENTS
FOR YEAR ENDED AT 30/06/2021**

Amounts are expressed in Euro.

Balance Sheet	30/06/2021	31/12/2020
Assets		
A) Receivables from shareholders for unpaid contributions		
Part recalled	-	-
Part to recall	-	-
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and expansion costs	-	-
2) development costs	110,487	124,170
3) industrial patent and intellectual property rights	780,427	803,989
4) concessions, licenses, trademarks and similar rights	2,305,010	2,370,037
5) goodwill	52,760	77,116
6) assets under construction and advances	307,561	
7) others	3,120,905	3,220,209
I - Intangible fixed assets	6,677,150	6,595,521
II - Property, plant and equipment		
1) land and buildings	36,608	20,899
2) plants and machinery	909,025	968,790
3) industrial and commercial equipment	223,723	209,517
4) other assets	829,657	782,253
II - Property, plant and equipment	1,999,013	1,981,459
III - Financial fixed assets		
1) investments in		
a) subsidiaries	1,285,000	1,285,000
Total investments	1,285,000	1,285,000
2) receivables		
d-bis) others		
due within one year	-	-
due beyond one year	31,962	19,993
Total non-current receivables from others	31,962	19,993
Total receivables		
Closing balance, book value, III financial fixed assets	1,316,962	1,304,993
Closing balance, book value, total fixed assets	9,993,125	9,881,973
C) Current assets		
I - Inventories		
4) finished goods and goods for resale	14,001,432	14,649,069
I - Inventories	14,001,432	14,649,069
II - Receivables		
1) due from customers		
due within one year	4,128,499	1,897,220
Total receivables from customers recorded as current assets	4,128,499	1,897,220
2) due from subsidiaries	30,196	-
Total receivables from subsidiaries recorded as current assets	30,196	-
5-bis) tax receivables		
due within one year	634,252	1,609,738
Total tax receivables recorded as current assets	634,252	1,609,738
5-ter) deferred tax assets recorded as current assets	134,160	134,160
5-quater) due from others		
due within one year	334,190	183,285
Total receivables from others recorded as current assets	334,190	183,285
Total receivables	5,261,297	3,824,403
III - Financial assets not held as fixed assets		
6) other securities	5,434,584	4,922,131

III - Financial assets not held as fixed assets	5,434,584	4,922,131
IV - Cash and cash equivalents		
1) bank and post office deposits	8,646,591	8,964,798
3) cash at bank and on hand	50,245	19,169
IV - Cash and cash equivalents	8,696,836	8,983,967
Total current assets (C)	33,394,149	32,379,570
D) Accruals and deferrals	959,450	808,826
Total assets	44,346,724	43,070,369
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	135,000
IV - Legal reserve	14,719	14,719
VI - Other reserves, indicated separately		
Shareholders' equity, miscellaneous other reserves, closing balance	30,989	30,989
VI - Other reserves	30,989	30,989
VIII - Profits (losses) carried forward	(611,979)	(63,703)
IX - Profit (loss) for the period	(129,898)	(548,276)
Total shareholders' equity	11,643,831	11,773,729
B) Provisions for risks and charges		
2) for taxes, including deferred taxes	369,065	369,065
3) derivative liabilities	8,533	13,033
C) Employee severance indemnity (TFR)	388,428	298,689
D) Payables		
4) payables to banks		
due within one year	3,048,504	2,640,971
due beyond one year	6,786,414	7,901,770
Total payables to banks	9,834,918	10,542,741
5) payables to other lenders		
due within one year	6,374	5,083
due beyond one year	452	3,115
Total payables to other lenders	6,826	8,198
7) trade payables		
due within one year	21,213,015	19,529,036
Total trade payables	21,213,015	19,529,036
9) payables to subsidiaries		
due within one year	96,624	122,000
Total payables to subsidiaries	96,624	122,000
12) tax payables		
due within one year	176,251	108,352
Total tax payables	176,251	108,352
13) payables to pension and social security institutions		
due within one year	147,411	101,029
Total payables to pension and social security institutions	147,411	101,029
14) other payables		
due within one year	387,568	164,043
Other payables, closing balance	387,568	164,043
Total payables	31,862,613	30,575,399
E) Accruals and deferrals	74,254	40,454
Total liabilities	44,346,724	43,070,369

Income Statement	Six months ended 30 June 2021	Six months ended 30 June 2020
A) Production value		
1) revenues from sales and services	40,007,335	31,309,826
2) Change in inventories of work in progress, semi-finished and finished products	(647,637)	2,564,326
5) other revenues and income		
others	67,453	348,692
Total other revenues and income	67,453	348,692
Total production value	39,427,151	34,222,844
B) Production costs		
6) raw and ancillary materials, consumables and goods	27,036,800	23,235,411
7) for services	8,432,483	8,353,136
8) for use of third-party assets	564,279	471,473
9) personnel		
a) wages and salaries	1,371,162	894,352
b) social security charges	411,834	265,546
c) employee severance indemnity (TFR)	93,408	59,404
e) other costs	15,050	23,657
Total personnel costs	1,891,454	1,242,959
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	530,045	483,166
b) depreciation of property, plant and equipment	178,808	105,071
Total amortisation, depreciation and write-downs	708,853	588,237
14) sundry operating costs	221,339	94,046
Total production costs	38,855,208	33,985,262
Difference between production value and costs (A - B)	571,943	237,582
C) Financial income and expenses		
16) other financial income		
c) from securities recorded as current assets not held as investments	10,713	250
d) other income		
others		3,397
Total other income		3,397
Total other financial income	10,713	3,647
17) interest and other financial charges		
Other	658,424	627,690
Bis) foreign exchange gains and losses	1,100	-
Total interest and other financial charges	657,324	627,690
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	(646,611)	(624,043)
D) Value adjustments of financial assets and liabilities		
18) revaluation of derivative financial instruments	4,501	
Pre-tax result (A - B + - C + - D)	(70,166)	(386,461)
20) Current income taxes and deferred tax assets and liabilities for the period		
current taxes	59,732	16,147
deferred tax liabilities and assets		(108,675)
Total income taxes for the period, current, deferred tax liabilities and assets	59,732	(92,528)
21) Profit (loss) for the period	(129,898)	(293,933)

INDIRECT CASH FLOW STATEMENT

Cash Flow Statement (indirect method)	30/06/2021	30/06/2020
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the period	(129,898)	(293,933)
Income taxes	59,732	(92,528)
Interest expense/(income)	647,711	624,043
(Gains)/Losses from disposal of assets		2,984
1) Profit (loss) for the period before taxes, interest, dividends and capital gains/losses from disposal	577,545	240,566
Adjustments for non-monetary elements that did not have a contra-item in net working capital		
Allocations to the provision for severance indemnity (TFR)	93,408	59,404
Amortisation/depreciation of fixed assets	708,853	588,237
Other increase/(decrease) adjustments for non-monetary elements	(4,501)	(65,143)
Total adjustments for non-monetary elements that did not have a contra-item in net working capital	797,760	582,498
2) Cash flow before changes in net working capital	1,375,305	823,064
Variations in net working capital		
Decrease/(Increase) in inventories	647,637	(2,564,326)
Decrease/(Increase) in trade receivables	(2,231,279)	41,779
Increase/(Decrease) in trade payables and payables to subsidiaries	1,683,979	4,602,837
Decrease/(Increase) in accrued income and prepaid expenses	(150,624)	(731,628)
Increase/(Decrease) in accrued expenses and deferred income	33,800	55,848
Other Decreases/(Other Increases) in net working capital	1,047,083	3,824
Total changes in net working capital	1,030,596	1,408,334
3) Cash flow after changes in net working capital	2,405,901	2,231,418
Other adjustments		
Interest collected/(paid)	(647,711)	(624,043)
(Income taxes paid)		
(Use of provisions)	(3,669)	
Other collections/(payments)		(9,438)
Total other adjustments	(651,380)	(633,481)
Cash flows from operating activities (A)	1,754,521	1,597,937
B) Cash flows from investment activities		
Property, plant and equipment		
(Investments)	(196,362)	(200,013)
Divestments		15,810
Intangible fixed assets		
Divestments (Investments)	(611,674)	(518,875)
Financial fixed assets		
(Investments)	(11,969)	(1,200,000)
Divestments		740,846
Current financial assets		
(Investments)	(512,453)	(913,468)
Cash flow from investment activities (B)	(1,332,458)	(2,075,700)
C) Cash flows from financing activities		
Third party financing		
Increase/(Decrease) in short-term payables to banks	(15,806)	(276,691)
Obtainment of loans	1,000,000	2,200,000
(Loan repayment)	(1,693,389)	(1,851,966)
Own funds		-
Cash flow from financing activities (C)	(709,195)	71,343
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(287,132)	(406,420)
Cash and cash equivalents - opening balance		
Bank and post office deposits	8,964,798	3,463,694
Cash at bank and on hand	19,169	39,991
Total cash and cash equivalents - opening balance	8,983,968	3,503,685
Cash and cash equivalents - closing balance		
Bank and post office deposits	8,646,591	3,075,245
Cash at bank and on hand	50,245	22,020
Total cash and cash equivalents - closing balance	8,696,836	3,097,265

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/2021**

Explanatory Notes

Reference legislation, structure and content of the financial statements

Dear Shareholders,

these interim financial statements as at 30 June 2021 (hereinafter also referred to as the interim financial statements), submitted for your examination and approval, together with these explanatory notes, which form an integral part of them, show a loss for the period of Euro 129,898, compared to Euro 293,933 for the previous half-year.

The loss was recorded, after the allocation of amortisation/depreciation charges of Euro 708,853, Employee severance indemnity of Euro 93,408, as well as after having recorded current taxes of Euro 59,732 in the income statement.

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

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

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

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

The interim financial statements ended 30 June 2021 drafted in this way correspond to the results of the accounting records. The amounts are stated in Euro.

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

It should be noted that in preparing the financial statements for the year ended 31 December 2020, the Directors made use of the exemption governed by Decree Law 104/2020, converted into Law 126/2020, regarding the suspension of the depreciation process for all tangible and intangible assets for the year 2020. In contrast, in the interim financial statements for the six months ended 30 June 2020, depreciation of fixed assets had been regularly calculated and charged to the income statement for the period.

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

Activities performed

The company, as described in greater detail in the section “Company Overview” in the directors’ report on operations, carries out retail sales 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 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.

The early months of 2021 were marked by the resurgence of the Covid-19 pandemic, fuelled by the different and insidious variants. The countries most affected at this stage were the United Kingdom, France, the United States and Brazil. Italy, which had managed to contain the virus until February, saw a significant increase in cases in March. The various regulatory measures, aimed at containing this fresh wave of the pandemic, have led to the closure, from March 10 to April 15 of our beauty salon Beautyè in Viareggio.

Significant events during the period

Acquisition of the company “Amicafarmacia S.r.l.”

On 28 June 2021, the company signed a binding framework agreement concerning the acquisition of AmicaFarmacia S.r.l., the second e-commerce platform in Italy for the sale of health and wellness products. The transaction will create the first leading Group in Italy in the distribution - according to an omni-channel approach - of over-the-counter medicines and health products, with aggregate revenues that in 2020 exceeded Euro 93 million. The integration of AmicaFarmacia in Farmaè is aimed at creating the leading group in Italy in the

on-line distribution of over-the-counter medicines and products for health and wellness able to satisfy the new needs of the consumer and benefit from:

- (vii) further consolidation of the on-line channel through a significant increase in the user base and expansion of the product range;
- (viii) the acceleration of the positioning of new commercial and marketing strategies aimed, thanks also to the use of artificial intelligence, at promoting an offer aimed at satisfying the individual needs of the consumer (from today) also in real time;
- (ix) an expansion of the logistics capacity, rising to 12,000 sqm divided into 2 operating units;
- (x) a greater critical mass and the consequent consolidation of commercial relations with industrial partners, which will allow a further improvement in purchasing conditions and related bonuses and with whom to implement marketing and communication actions, in order to benefit in terms of economic results (co-marketing revenues) and market visibility, thanks to further enhancement of a single Group Media Platform;
- (xi) the release of new integrated technologies aimed at improving the shopping experience on on-line platforms in conjunction with the omni-channel approaches, including the Group's first "physical" pharmacy, the "Madonna della Neve" pharmacy;
- (xii) integration of proximity service systems, both in relation to improved delivery times (Farmaè Speed) and a Pro-Active role of customer care with targeted advice from on-line pharmacists.

Artificial Intelligence

On 17 May 2021 an agreement was signed with Vedrai S.p.A., a company specialised in the design and implementation of solutions based on Artificial Intelligence, for the use of their proprietary platform to support Farmaè's e-commerce solutions. Vedrai S.p.A.'s platform will allow Farmaè to respond immediately, quickly and pragmatically to every need of its customers, always at the heart of the company's business. Specifically, the use of the artificial intelligence platform will make it possible to collect information about the customer, and optimise the internal search engine to allow customers to find an immediate match between their searches and Farmaè's product offering. The ultimate goal is to achieve the objectives of "Dynamic Pricing" and "Search Optimisation", identified as fundamental for the innovative growth of Farmaè.

Change of Board of Statutory Auditors

On 30 April 2021, the Shareholders' Meeting appointed the Board of Statutory Auditors for the financial years 2021-2023. Based on the two lists submitted, one by the reference shareholder Riccardo Iacometti and the other jointly by the shareholders Indaco Venture Partners SGR S.p.A. and Equilybra S.p.A., the Board of Statutory Auditors appointed by the Shareholders' Meeting is composed as follows:

Standing Auditors

4. Sergio Marchese (Chairman of the Board of Statutory Auditors)
5. Alberto Colella
6. Monica Barbara Baldini

Alternate Auditors

3. Fabio Panicucci
4. Gian Luca Succi

The Chairman of the Board of Statutory Auditors is a representative of minority shareholders, as provided for in the current Articles of Association.

Corporate Social Responsibility

In December 2020, the company created the internal Corporate Social Responsibility Function and appointed an internal contact person. 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 corporate stakeholders.

Between September and November 2020, the Farmaè Group had engaged the services of Deloitte to carry out a Sustainability Assessment. Deloitte then met with various Function Managers to assess the company's positioning with respect to possible sustainability reporting. The information gathered during the meetings with Farmaè's business areas enabled an as-is assessment of the company's positioning with respect to sustainability reporting. The assessment of the company's positioning in the area of sustainability was carried out with regard to the identification of best practices and the level of adoption by Farmaè. A total of 9 business areas were involved, 22 KPIs were identified, 30 Best Practices and related areas for improvement divided by relevance and adoption

Following the Assessment, during the last few months of 2020, a cultural analysis of the company was carried out, the Mission, Vision and Values were redefined, the Swot Analysis was completed, all the Group Organisational Charts were defined, almost all the functions were strengthened with Middle and Senior Management joining, new Functions were set up (CSR, Mergers & Acquisitions, Public Affairs & Communication, etc.), 14 Regulations were created and Process Flow Charts are being created, which will be followed by the subsequent drafting of the Procedures. The Farmaè Group's CSR is also aligned with the Organisational Model "Risk Management 231/2001", which will soon be introduced in the company, and discussions will be held periodically with the relevant Supervisory Body. CSR is also inspired by the Code of Ethical Conduct, which contains social and moral rules defined as "ethical-social responsibilities" to those operating inside and outside of the company.

The Farmaè Group has drawn up a set of company regulations, marked with the number 12, for the correct development of all issues related to Corporate Social Responsibility.

Within the Regulations, 4 strategic areas of activity have been identified, subdivided as follows:

- Community
- Environment
- Market
- Workplace

Annual targets have been identified for each of these 4 strategic areas, communicated to Directors in March 2021, and data collection sheets with relevant GRI-compliant KPIs delivered. The identification, through materiality analysis, of issues that reflect significant economic, environmental and social impacts for the company and that substantially influence the assessments and decisions of relevant stakeholders is under way. The process for the definition of the material aspects will be developed with reference to the main international standards, in the following phases:

- 1 Stakeholder mapping and prioritisation;
- 2 Mapping and assessment of relevant issues;
- 3 Materiality Matrix.

For the mapping and assessment of material sustainability issues, plans are in place to implement a gradual process of extending stakeholder engagement activities/initiatives, involving interaction and dialogue with internal and external stakeholders, in order to gather their expectations and organise an activity to involve the Group's Top Management in assessing the relevance of material issues from the Group's point of view.

The next step is the Sustainability Report and Reporting Package that will allow, on the basis of the topics identified as material for the organisation and for the reference stakeholders through the materiality analysis, to identify an initial hypothesis of the contents of the Sustainability Report, in terms of qualitative and quantitative information (KPIs). The reporting package, i.e., the set of final data collection forms, is essential for collecting the information to be reported in the financial statements, and will lead to the preparation of the Sustainability Report in accordance with GRI Standard reporting procedures.

Medium/long-term projects related to sustainability and ESG parameters are in the budget analysis phase. These projects cover human resources, social and environmental issues.

Corporate training

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

Company training, entrusted to Andrea Frausin and his company Talenti Group, focuses on the following central themes:

- ⇒ management and self-organisation for excellent results;
- ⇒ leadership and employee management (including remote);
- ⇒ change management in VUCA contexts.

Corporate Welfare

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

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

On 30 March 2021, respectively, both the Board of Directors of Farmaè and the Board of Directors of Sanort and, subsequently, on 6 May 2021, the shareholders' meeting resolved favourably on the plan for the merger by incorporation of Sanort Srl into Farmaè S.p.A. The operation was necessary in order to reorganise the structure of the investment chain, allowing greater flexibility of internal processes and consequently optimising the management of resources and intercompany economic and financial flows.

Other events

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

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

Authorisation for dissemination

The interim financial statements as at 30 June 2021 of Farmaè S.p.A. were approved by the Board of Directors on 24 September 2021, which authorised their publication in the press release of the same date containing the main elements of the financial statements.

Drafting principles

These interim financial statements as at 30 June 2021 were drafted in accordance with accounting standard OIC 30. These interim financial statements were also drafted in compliance with the general clause set forth in article 2423 of the Italian Civil Code and the measurement criteria established for the individual items set out in article 2426 of the Italian Civil Code and clarified for each individual item later in these Explanatory Notes. Moreover, in compliance with the provisions of article 2423-bis of the Italian Civil Code, the following drafting criteria were respected:

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

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

Measurement criteria applied

Outlined below are the most significant measurement criteria adopted for drafting these interim financial statements as at 30 June 2021 in compliance with article 2426 of the Italian Civil Code and the OIC accounting standards.

The measurement criteria adopted for the drafting of the interim financial statements, in line with the provisions of article 2423-bis of the Italian Civil Code, do not differ from those used for the drafting of the financial statements as at 31 December 2020.

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

Intangible fixed assets and amortisation

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

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

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

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

Goodwill includes the sums paid in this manner in relation to acquisitions of companies or other corporate transactions and is amortised according to its useful life. The useful life was estimated at the time of the initial recognition of goodwill at 5 years and will not be modified in subsequent years. For the purpose of calculating the useful life of goodwill, the company has taken into consideration the information available to estimate the period within which it is likely that the economic benefits associated with goodwill will materialise.

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

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

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

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

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

Intangible asset	Sub-class	Period	Net book value
Development costs		5 years	110,487
Industrial patents and intellectual property rights		5 years	780,427
Concessions, licenses, trademarks and similar rights		20 years	2,305,010
Goodwill		5 years	52,760
Other intangible fixed assets	Costs incurred for listing	5 years	1,069,699
	Improvements to third-party assets	lease term (between 5 and 10 years)	976,005
	Other intangible fixed assets	5 years/duration of the lease for “key money”	1,075,201

For the purposes of the interim financial statements, amortisation rates were compared to the reference period of 30 June 2021.

Property, plant and equipment and depreciation

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

No fixed asset has ever been subject to monetary revaluation.

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

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

The following rates were applied, which reflect the result of the technical depreciation plans, confirmed by the companies and halved in the case of acquisitions in the current period, given considered representative of the actual wear and tear: These rates were also adjusted to the time period to which these notes refer (half-year):

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

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

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

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

Write-downs due to impairment

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

Financial fixed assets

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

Inventories

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

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

Receivables

Receivables are booked to the financial statements according to the amortised cost method, taking into account the time factor and the presumed realisable value. The amortised cost criterion is not applied when the effects are irrelevant, i.e. when transaction costs, commissions paid between the parties and any other difference between the initial value and the due date value are of little importance or if the receivables are short-term (i.e. with due date of less than 12 months).

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

Financial assets not held as fixed assets

The item “Financial assets not held as fixed assets” includes securities and savings plans intended, based on the decision of the Directors, not to be permanently invested in the company. They are booked at the lower of the specific cost and the market value.

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

Cash and cash equivalents

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

Accruals and deferrals

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

Provisions for risks and charges

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

Derivative financial instruments

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

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

The company subscribes exclusively derivative contracts for hedging purposes, however, it does not apply hedge accounting and therefore debits or credits the fair value of the derivative instrument directly to the income statement under item D18, letter d), in the event of write-downs and under item D19), letter d), in the event 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 of the goods is transferred to the customer which, with reference to on-line sales, generally corresponds to the time when the goods are delivered to the third party courier while, with reference to sales in physical stores, 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.

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

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

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

Use of estimates

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

The most significant financial statement items affected by estimates and assumptions are the credit notes to be received for year-end premiums and invoices to be issued for co-marketing activities, the provision for the write-down of receivables, the provision for risks and bonuses allocated to employees.

With reference to credit notes to be received for year-end premiums 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 balance sheet date. More specifically, with reference to premiums from suppliers in the half-year financial statements, we proceeded on the basis of all available information (in particular, historical trends and purchase forecasts) to estimate, in the best possible way, the premium percentage that is expected to accrue at the end of the year and apply it to the purchase volumes of the interim period.

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 currently 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 insignificant.

Lastly, with reference to employee bonuses under the *2021-2025 phantom stock option* plan approved by the Shareholders' Meeting on 27 April 2020, the Directors assess any related liability on the basis of estimates of the achievement of annual targets for each employee, recognising the liability if the conditions are met, an event that did not occur at the date of the interim financial statements.

Detailed information on the Balance Sheet

Explanatory Notes- Assets

Fixed assets

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

Intangible fixed assets

As at the date of these interim financial statements, intangible fixed assets totalled Euro 6,677,150 (Euro 6,595,521 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	Assets under construction and advances	Other intangible fixed assets	Total intangible fixed assets
Opening balance	124,170	803,989	2,370,037	77,116	-	3,220,209	6,595,521
Book value	124,170	803,989	2,370,037	77,116		3,220,209	6,595,521
Changes in the period							
Increases for acquisitions	-	71,735	-	-	307,561	232,378	611,674
Amortisation for the period	(13,683)	(95,297)	(65,027)	(24,356)	-	(331,682)	(530,045)
Total changes	(13,683)	(23,562)	(65,027)	(24,356)	307,561	(99,304)	81,629
Interim book value	110,487	780,427	2,305,010	52,760	307,561	3,120,905	6,677,150

Intangible assets break down as follows:

- Development costs amounting to Euro 110,487, relating to projects of multi-year utility.
- Industrial patent and intellectual property rights totalling Euro 780,427, 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 2,305,010, 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 52,760, includes Euro 31,529 for the net book value of the acquisition of the business unit of a functioning retail outlet in Sarzana that sells parapharmaceutical products and over-the-counter medicines, which took place in 2020. The remaining amount relates to the acquisition of a functioning business unit related to the sale of parapharmaceutical products and over-the-counter medicines including through on-line commerce, which took place in fiscal year 2016. These amounts were amortised on account over 5 years.
- Other intangible fixed assets, amounting to Euro 3,120,905, 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, for long-term costs deriving from indemnities paid and 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 and, for the residual part, primarily expenses for extraordinary maintenance carried out on third-party assets (improvements).

The changes in intangible fixed assets are mainly linked to:

- Assets under construction and advances relate to advances incurred for the creation, development and promotion of new sections of the e-commerce website and for the artificial intelligence platform.
- capitalisations of costs for extraordinary maintenance to third-party assets (classified under other intangible fixed assets);
- normal amortisation process.

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

Property, plant and equipment

As at the date of these interim financial statements, property, plant and equipment amounted to Euro 1,999,013 (Euro 1,981,459 as at the end of the previous year).

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

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other property, plant and equipment	Total property, plant and equipment
Opening balance	20,899	968,790	209,517	782,253	1,981,459
Book value	20,899	968,790	209,517	782,253	1,981,459
Changes in the period					
Increases for acquisitions	17,767	2,870	34,783	140,942	196,362
Depreciation for the period	(2,058)	(62,635)	(20,577)	(93,538)	(178,808)
Other changes					
Total changes	15,709	(59,765)	14,206	47,404	9,023
Closing balance	36,608	909,025	223,723	829,657	1,999,013
Interim book value	36,608	909,025	223,723	829,657	1,999,013

It is specified that item B) II) 4) “Other property, plant and equipment”, amounting to Euro 829,657, 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 220,477;
- Vehicles/Cars, whose net book value amounts to Euro 10,818;
- Furnishings, whose net book value amounts to Euro 568,485;
- Other assets, whose net book value amounts to Euro 29,876

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

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

It should be noted that in preparing the financial statements for the year ended 31 December 2020, the Directors made use of the exemption governed by Decree Law 104/2020, converted into Law 126/2020, regarding the suspension of the depreciation process for all tangible and intangible assets

for the year 2020. The depreciation/amortisation process is resumed in the period covered by these interim financial statements.

Financial fixed assets

Financial fixed assets amounted to Euro 1,316,962 (Euro 1,304,993 at the end of the previous year) and consisted of “Investments in subsidiaries”, amounting to Euro 1,285,000, and guarantee deposits of Euro 31,962.

The item “Investments in subsidiaries”, which amounted to Euro 1,285,000, includes Euro 1,200,000 for the 100% interest in Valnan S.r.l. and Euro 85,000 for the 100% interest in Sanort S.r.l. The shareholdings are recorded at purchase cost.

In accordance with the requirements of article 2427 of the Italian Civil Code, the figures relating to the subsidiary were provided for the last financial year available (31/12/2020, the last approved financial statements available as at the date of drafting of these interim financial statements):

	Company Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital in Euro	Net profit (loss) for last year in Euro	Shareholders' equity in Euro	Portion held in Euro	Portion held in %	Book value or corresponding receivable
	VALNAN SRL	VIAREGGIO (LU)	01348440460	60,000	78,353	182,629	60,000	100.00	1,200,000
	SANORT SRL	CARRARA (MS)	01277470454	20,000	(24,162)	(3,716)	20,000	100.00	85,000
Total									1,285,000

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

Current assets

Inventories

Inventories included under current assets amounted to Euro 14,001,432 (Euro 14,649,069 as at the end of the previous year).

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

	Prodotti finiti e merci	Totale rimanenze
Valore di	14,649,069	14,649,069
Variazione nel periodo	(647,637)	(647,637)
Valore di	14,001,432	14,001,432

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

Current assets: Receivables

As at 30 June 2021 receivables included under current assets amounted to Euro 5,261,297 (Euro 3,824,403 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	Receivables from subsidiaries	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	1,897,220	0	1,609,738	134,160	183,285	3,824,403
Change in the period	2,231,279	30,196	(975,486)	-	150,905	1,436,894
Closing balance	4,128,499	30,196	634,252	134,160	334,190	5,261,297
Portion due within 12 months	4,128,499	30,196	634,252	134,160	334,190	5,261,297

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

The company does not have any receivables due in more than 12 months or more than 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, trade receivables as at the date of this report relate mostly to co-marketing and promotional services to counterparties of prime standing.

They include invoices to be issued for the amount of Euro 1,302,095. The risk of insolvency has therefore been estimated by management as limited, as it was not deemed necessary to recognise any provisions for the write-down of receivables.

Receivables from subsidiaries recorded as current assets

Receivables amounting to Euro 30,196 are due from the subsidiary Sanort s.r.l.

Tax receivables recorded under current assets

Tax receivables amounting to Euro 634,252 (Euro 1,609,738 at the end of the previous year) mainly refer to the VAT tax credit and direct tax credits. It is specified that the company is in VAT credit, owing to the type of business it performs. Purchases of services are mainly subject to VAT at a rate of 22% while sales are carried out through the application of the rates of 4%- 5%-10%-22% (consistently with the VAT on purchases of goods).

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 recognised for IRES purposes in the previous year.

The directors consider this receivable to be recoverable, notwithstanding the result for the period, due to the 2021-2025 business plan which predicts significant growth for the company and a return to positive financial results.

Receivables from others recorded as current assets

Receivables from others amounting to a total of Euro 334,190 mainly refer to temporary receivables for collections to be received or awaiting credit from couriers for cash on delivery.

Current assets: financial assets not held as fixed assets

Financial assets not held as fixed assets amounted to Euro 5,434,584 (Euro 4,922,131 as at the end of the previous year).

They are represented by securities and notes issued by banks as well as investment of

excess liquidity in mutual investment funds. It should be noted that the securities that are not held as fixed assets are composed, for Euro 1,421,807 from bank-issued securities, bonds and BTP (multi-year treasury bonds), for Euro 1,200,276 by coupons and time deposits, for Euro 2,132,965 by insurance policies with guaranteed return and for Euro 679,536 by listed investment funds, all with Investment Grade risk. Securities are measured at the lower of the specific cost and the market value.

	Other current securities	Total financial assets not held as fixed assets
Opening balance	4,922,131	4,922,131
Changes in the period	512,453	512,453
Closing balance	5,434,584	5,434,584

Cash and cash equivalents

Cash and cash equivalents included in current assets amounted to Euro 8,696,836 (Euro 8,983,967 as at the end of the previous year), and include credit balances in current accounts and cash.

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

	Bank and post office deposits	Cash at bank and on hand	Total cash and cash equivalents
Opening balance	8,964,798	19,169	8,983,967
Change in the period	(318,207)	31,076	(287,131)
Closing balance	8,646,591	50,245	8,696,836

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 959,450 (Euro 808,826 as at the end of the previous year).

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

	Prepaid expenses	Total accrued income and prepaid expenses
Opening balance	808,826	808,826
Change in the period	150,624	150,624
Closing balance	959,450	959,450

Prepaid expenses mainly refer to the following items:

- Lease maxi fee ("maxicanone", initial larger lease instalment) Euro 427,121;
- Registration tax Euro 134,559;
- Software licences Euro 28,773;
- Consultancy Euro 31,175;

The item lease maxi fee refers to advances paid on lease contracts signed for the purchase of the new warehouse and its automation. The remaining portion includes rental fees, software fees paid in advance 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 11,643,831 as at 30 June 2021 (Euro 11,773,729 as at the end of the previous year).

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

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Miscellaneous other reserves	Profits (losses) carried forward	Profit/(loss) for the period	Total shareholders' equity
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	0
Result for the period							(548.276)	(548.276)
Other changes		-	135.000		2			135.002
Value as at 31.12.2020	2.867.000	9.338.000	135.000	14.719	30.989	(63.703)	(548.276)	11.773.729
Allocation of profit for the previous year						(548.276)	548.276	0
Result of the period								0
Other changes		-						
Closing balance	2.867.000	9.338.000	135.000	14.719	30.989	(611.979)		11.773.729

The share capital as at 30 June 2021 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 December 2019.

The item “Revaluation reserve”, amounting to Euro 135,000, is attributable to the revaluation of the Sanort brand, 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 September 2020. The revaluation took place 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 should be remembered that the revaluation was carried out solely for statutory purposes, and did not provide for the payment of substitute tax or the release of the Revaluation Reserve for tax purposes.

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 Trademark in 2018; as at 30 June 2021, it had a residual amount of Euro 30,989 due to the use of this reserve to partially cover losses of previous years.

Available funds and use of shareholders’ equity

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

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

	Amount	Possibility of use
Share capital	2,867,000	B
Share premium reserve	9,338,000	*
Legal reserve	14,719	A,B
Revaluation reserve	135,000	A,B
Other reserves		
Miscellaneous other reserves	30,989	A,B
Total other reserves	30,989	
Losses carried forward	(611,979)	
Total	11,773,729	

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 is totally unavailable until the legal reserve reaches at least 20% of the share capital. 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

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

	Provision for taxes, including deferred taxes	Derivative liabilities	Total provisions for risks and charges
Opening balance	369,065	13,033	382,098
Provision for the year	-	-	-
Use in the year	-	(4,500)	(4,500)
Total changes	-	(4,500)	(4,500)
Closing balance	369,065	8,533	377,598

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

The item “Derivative liabilities” shows the market value (i.e. “mark to market” value) at 30 June 2021 of the interest rate swap (IRS) derivative financial instrument entered into by the company on 28 July 2020. For further information, reference should be made to the next paragraph “Information on 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 388,428 (Euro 298,689 as at the end of 2020).

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

	Employee severance indemnity
Opening balance	298,689
Allocation in the year	93,408
Use in the year	(3,669)
Total changes	89,739
Closing balance	388,428

Payables

Changes and expiry of payables

Payables are recognised under liabilities for a total of Euro 31,862,613 (Euro 30,575,399 as at the end of 2020).

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	10,542,741	8,198	19,529,036	122,000	108,352	101,029	164,043	30,575,399
Change in the period	(707,823)	(1,372)	1,683,979	(25,376)	67,899	46,382	223,525	1,287,214
Closing balance	9,834,918	6,826	21,213,015	96,624	176,251	147,411	387,568	31,862,613
Portion due within 12 months	3,048,504	6,374	21,213,015	96,624	176,251	147,411	387,568	25,075,747
Portion due beyond 12 months	6,786,414	452						6,786,866

Payables to banks amounted to Euro 9,834,918 and relate to various loans stipulated in order to consolidate company activities. The payable for loans is due within 12 months for Euro 3,048,504 and Euro 6,786,414 beyond 12 months. Payables to banks are not subject to guarantees or respect for covenants.

Trade payables amounting to Euro 21,213,015 relate to commercial transactions under the normal payment terms, all due within one year.

The breakdown of payables by geographic area is not significant for the company given that almost all purchases are made from Italian counterparties located throughout Italy.

Payables to subsidiaries amounting to Euro 96,624 relate to commercial consultancy relations with Valnan S.r.l., under the normal payment terms, all due within one year.

Tax payables of Euro 176,251 refer to withholding taxes to be paid on income from employment and self-employment, direct taxes payable, some of which are estimated in relation to the current half-year, and other payables of a residual amount.

Payables to welfare and social security institutions, amounting to Euro 147,411, refer to contributions and include supplementary pension funds.

Other payables amounting to Euro 387,568 include current payables due to employees for wages and salaries, monthly pay and holidays not taken and other payables.

Payables secured by collateral on company assets

No payables secured by collateral on company assets are recorded in the interim financial statements as at 30 June 2021.

Payables relating to repurchase transactions

There are no payables relating to repurchase transactions pursuant to article 2427, paragraph 1, number 6-ter of the Italian Civil Code

Loans from shareholders

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

Accrued expenses and deferred income

Accrued expenses and deferred income amounted to Euro 74,254 (Euro 40,454 as at the end of the previous year) and mainly refer to accrued expenses recorded for consultancy invoices.

Receivables and payables with a duration of more than five years

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

Explanatory Notes - Income statement

Production value

Pursuant to the provisions of article 2427, point 10 of the Italian Civil Code, it is specified that the revenues relate mainly to the retail sale of 'parafarmaci' (unregulated, i.e. not on any list compiled by the Ministry of Health, OTC drugs that can be bought in pharmacies), over-the-counter drugs and orthopaedic products, especially through the e-commerce channel. As represented in the table below, in the first half of 2021, roughly 99% of revenues were generated in the domestic market and approximately 1% in the foreign markets (EEC countries/non-EEC countries).

The production value also includes, for an amount of Euro 1,579,250, revenues for co-marketing and promotional services for leading counterparties.

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

Description	Half-year as at 30 June 2021	Half-year as at 30 June 2020	Changes
1) Revenues from sales and services	40,007,335	31,309,826	8,697,509
2) Change in inventories of work in progress, semi-finished and finished products	(647,637)	2,564,326	(3,211,963)
5) Other revenue and income	67,453	348,692	(281,239)
Total	39,427,151	34,222,844	5,204,307

Revenues from the sale of goods and provision of services amounted to Euro 39,427,151 (Euro 34,222,844 in the first half of 2020).

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

Production costs

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

Costs for raw materials, consumables and goods for resale

Costs of raw materials, consumables and goods for resale, net of returns, rebates and discounts amounted to Euro 27,036,800 (Euro 23,235,411 in the first half of 2020).

Costs for services

Costs for services are recognised as part of production costs in the income statement for Euro 8,432,483 (Euro 8,353,136 in the first half of 2020).

Description	Half-year as at 30 June 2021	Half-year as at 30 June 2020	Changes
Transport costs	3,400,864	2,781,712	619,152
Advertising expenses	2,133,495	2,272,988	(139,493)
Professional and operational consultancy	977,251	1,143,156	(165,905)
Logistics costs	1,157,820	1,034,132	123,688
Electricity	62,361	40,027	22,334
Water	3,332	4,981	(1,649)
Maintenance and repairs	22,457	7,028	15,429
Insurance services	52,523	33,924	18,599
Directors' fees plus social security contributions	171,571	111,411	60,160
Software fees and licences	201,570	232,967	(31,397)
Joint venture fees	23,889	4,628	19,261
Covid costs	37,596	232,135	(194,539)
Telephone costs	33,854	68,623	(34,769)
Entertainment expenses	951	433	518
Hotels, restaurants, travel and transfers	6,810	2,560	4,250
Other	146,139	382,431	(236,292)
TOTAL	8,432,483	8,353,136	79,347

Transport expenses refer to the costs incurred by the company for free shipping for customers; logistics costs relate to the costs of goods handling in the storage depots. The increase in the two items is connected with the expansion in the sales volumes achieved in the first half of 2021.

Advertising expenses are mainly attributable to costs incurred for advertising campaigns on the various search engines and social networks.

The item professional and operating consultancy includes both the part relating to the Stock Exchange, amounting to Euro 166,460, general consultancy for Euro 323,191 and operating consultancy for Euro 487,600. The reduction in this item is linked to the renegotiation of the commercial agreements for operating consulting services. The costs for communication services and IT materials, of which the costs incurred with the subsidiary Valnan S.r.l. amounted to Euro 248,000, and the remainder with the company High Technologies and Telecommunications Consulting S.r.l.

Covid costs for the first half of 2021 are attributable to room sanitation expenses.

Costs for the use of third-party assets

Costs for use of third-party assets are booked under production costs in the income statement for a total of Euro 564,279 (Euro 471,473 in the first half of 2020).

The individual items are broken down as follows:

Description	Half-year as at 30 June 2021	Half-year as at 30 June 2020	Change
Rental expenses	163,290	128,251	35,039
Rental fees	89,167	65,786	23,381
Lease fees and maxi fee (maxicanone)	268,929	243,654	25,275
Other costs for use of third-party assets	42,894	33,781	9,113
TOTAL	564,279	471,473	92,808

This item refers mainly to lease fees incurred for the use of commercial properties where the physical sales points operate. Lease fees refer to the real estate lease stipulated for the acquisition of the

property used for the storage and shipment of goods and the instrumental lease stipulated for the acquisition of an initial automation system for the goods shipment line.

Personnel costs

The item “Personnel costs”, amounting to Euro 1,891,454 (Euro 1,242,959 in the first half of 2020) includes the costs incurred in the period for employees.

Description	Half-year as at 30 June 2021	Half-year as at 30 June 2020	Change
a) wages and salaries	1,371,162	894,352	476,810
b) social security charges	411,834	265,546	146,288
c) employee severance indemnity (TFR)	93,408	59,404	34,004
d) other costs	15,050	23,657	(8,607)
TOTAL	1,891,454	1,242,959	648,495

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

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

	White collar	Total
Beginning of period	84	84
Hires/promotions	17	17
Exits/promotions	6	6
End of period	95	95
Average number	87	87

Depreciation/amortisation and write-downs

The item “depreciation/amortisation and write-downs” amounting to Euro 708,853 (Euro 588,237 in the first half of 2020) includes the amortisation of intangible fixed assets for Euro 530,045 and depreciation of property, plant and equipment for Euro 178,808.

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.

It should be noted that in preparing the financial statements for the year ended 31 December 2020, the Directors made use of the exemption governed by Decree Law 104/2020, converted into Law 126/2020, regarding the suspension of the amortisation/depreciation process for all tangible and intangible assets for the year 2020. In contrast, in the interim financial statements for the six months ended 30 June 2020, depreciation of fixed assets had been regularly calculated and charged to the income statement for the period.

Sundry operating costs

Sundry operating costs are recognised as part of production costs in the income statement for a total of Euro 221,339 (Euro 94,046 in the first half of 2020).

The individual items are broken down as follows:

Description	Half-year as at 30 June 2021	Half-year as at 30 June 2020	Change
Duties and taxes other than on income	16,314	17,722	(1,408)
Fines and penalties (non-deductible)	-	2,361	(2,361)
Contingent liabilities	167,301	43,161	124,140
Losses on receivables	-	30,770	(30,770)
Other	37,724	32	37,692
TOTAL	221,339	94,046	127,293

Financial income and charges

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

It is noted that item C) 17) e) of the Income Statement amounted to Euro 658,424 (Euro 627,690 in the first half of 2020). The item mainly consists of the collection fees incurred by the company for on-line collections through the financial platforms “Incasso sicuro” (Safe Collection), Pay-Pal and Braintree.

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 cost elements were recognised that, in terms of value or size, can be considered as having an exceptional impact.

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

Taxes are allocated on the basis of the forecast expense pertaining to the period ended 30 June 2021.

IRES (corporate income tax)	Euro	9,334
IRAP (regional business tax)	Euro	50,398
Total	Euro	59,732

Notes - Other Information

Fees and advances of directors and statutory auditors

Pursuant to article 2427, point 16 of the Italian Civil Code, it is specified that in the first half of 2021, the company incurred costs for directors' fees totalling Euro 157,904, of which Euro 135,901 for compensation and expense reimbursements and Euro 22,003 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 13,667.

Independent Auditors' fees

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

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

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

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

In accordance with the provisions of article 2427, first paragraph, no. 9) of the Italian Civil Code, we inform you that the company is a user of two finance lease agreements, the first signed for the acquisition of the instrumental property located in Migliarino Pisano (PI) and the second signed for the acquisition of the automation system of a WMS machine, lines and automation and handling systems for picking and order preparation complete with accessories and equipment. The financial commitment made initially amounted to Euro 4,276,696 and Euro 681,515, respectively. As at the end of the period, the company's residual commitment, against the two contracts mentioned above, amounted to Euro 3,139,249 and Euro 369,749 respectively.

The effects on the interim financial statements that would have been obtained by accounting for these transactions 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 attached and exclusive appurtenant area
	Amount
Present value of instalments not past due + purchase option	3,139,249
Interest expense pertaining to the year	28,526
Historical cost	3,916,000
Depreciation in the year	58,740
Book value	3,798,520

Leasing companies	Fraer Leasing
Contract No.	SI 82058
Description	Pisa warehouse automation and handling lines and systems
	Amount
Present value of instalments not past due + purchase option	369,749
Interest expense pertaining to the year	4,708
Historical cost	650,000
Depreciation in the year	48,750
Book value	552,500

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

Information on financial instruments issued by the company

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

Information on assets and loans allocated for a specific business project

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

Information on transactions with related parties and subsidiaries

Pursuant to article 2427, point 22/bis of the Italian Civil Code, it is specified below that the following are identified as related parties: Bewow S.r.l. (Tax Code and VAT no. 02324350467), the subsidiary Valnan S.r.l. (Tax Code and VAT no. 01348440460) and the subsidiary Sanort (Tax Code and VAT no. 01277470454).

The following table shows the equity and economic transactions entered into with related parties/subsidiaries in the period ended 30 June 2021:

(In Euro)	Receivables	Payables	Costs	Capitalised costs	Revenues
BEWOW S.r.l.		63,141		98,031	
VALNAN S.r.l.		96,624	248,000	12,000	
SANORT s.r.l.	30,196				1,926

Commercial transactions involving technical consultancy, for an amount of Euro 248,000, were entered into in the period with the subsidiary “Valnan S.r.l.” (with a sole shareholder), as outlined in the paragraph relating to “costs for services”. These transactions are regulated under market prices comparable with the prices applied by other operators to said company “Farmaè S.p.A.” in the current period.

The company "Bewow S.r.l." purchased furnishings for the new headquarters.

Local units

In the first half of 2021, 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 (PT), 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 84 PT and P1 (store and hair and beauty salon);
- Sarzana (SP), Piazza S. Giorgio 2 (store).

Information on off-balance sheet agreements

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

Information on companies or entities exercising management and coordination activities - article 2427 bis of the Italian Civil Code

The company is not subject to management and coordination by any company or entity

Fulfilment of the obligations of transparency and disclosure of contributions received from public administrations or equivalent entities

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 hereby notified that the company has not received any non-repayable public contributions (greater than Euro 10,000) in the first half of 2021.

Information on significant events after period-end

Pursuant to article 2423 bis, paragraph 1, no. 4 of the Italian Civil Code, the significant events subsequent to the end of the period under review are reported below.

On 21 July 2021, Farmaè and Sanort S.r.l., in execution of their respective Board and Shareholders' Meeting resolutions passed on 6 May 2021 and, no opposition having been filed pursuant to Article 2503 of the Italian Civil Code, executed the notarial deed of merger by incorporation of Sanort S.r.l. into Farmaè. The merger by incorporation resulted in the extinction of Sanort S.r.l. and therefore the cancellation of its shareholdings and share capital. The share capital of Farmaè, on the other hand, remained unchanged with respect to that existing at today's date, as did the ownership structure and the stakes held by the shareholders in the share capital of Farmaè. The accounting and tax effects of the Merger will take effect from 1 January 2021.

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

In compliance with the provisions of art. 2427 bis of the Italian Civil Code, it should be noted that on 28 July 2020 the company signed an Interest Rate Swap (IRS) with an initial date of 28 July 2020 and expiry date of 31 July 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, whose amortisation schedule provides for a monthly repayment starting from 28 July 2020 with the last instalment on 31 July 2025. The transaction took place with Banca Unicredit and the market value (so-called "mark to market" value) of the financial instrument at 30 June 2020 is negative and equal to Euro 8,533.

Notes - Final Part

These Explanatory Notes constitute an inseparable part of the half-year financial statements as at 30 June 2021 and the accounting information contained therein corresponds to the accounting records of the company kept in compliance with the regulations in force; in addition, subsequent to 30 June 2021 and up until today, no events have occurred as such to make the current financial position essentially different from the one reported in the balance sheet and income statement or to require additional adjustments or supplementary notes to the interim financial statements.

Statement of compliance

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

The BOARD OF DIRECTORS

Riccardo Iacometti President and CEO

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim financial statements of Farmaè S.p.A. (the “Company”), which comprise the balance sheet as of June 30, 2021, the income statement and cash flow statement for the six-month period then ended and the explanatory notes. The Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with the Italian Accounting Standard OIC 30. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Company as at June 30, 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with the Italian Accounting Standard OIC 30.

DELOITTE & TOUCHE S.p.A.

Signed by
Daide Bertonia
Partner

Milan, Italy
September 27, 2021

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

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