

FRIULCHEM: DRAFT FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 APPROVED
TOTAL REVENUES IN LINE WITH 2018
VETERINARY BU REVENUES UP
STRONG CAPITALISATION

Milan, 24 March 2020 – The Board of Directors of **Friulchem S.p.A. (AIM: FCM)**, innovative SME and one of the main Italian operators at international level in R&D and in the production on behalf of third parties (CDMO) of semi-finished and finished products containing pharmaceutical active ingredients, dietary supplements, specialising in particular in drug delivery for the veterinary sector, which met on today's date under the chairmanship of Alessandro Mazzola, approved the Draft Financial Statements as at 31 December 2019.

Disma Giovanni Mazzola, CEO of Friulchem, commented: *“We close 2019, the first financial statements post listing, with total revenues in line with the previous year, but with clear growth in the Veterinary BU which, as stated repeatedly, will increasingly become the cornerstone of our development strategy”* The performance in 2019 instils in me confidence as regards the work we are doing in terms of business and controlling costs. The positive, solid financial position, enabled us to carry out a major transaction in 2019 geared towards our expansion in the international veterinary sector, completed in the first few months of 2020, with the acquisition of 13% of Pharmabbie in the USA. This will allow us to further improve the turnover of the Veterinary BU, by using the Italian FC-CUBE® technology patented by Friulchem Without forgetting our interest in the oriental markets, where we have obtained, from the Ministry of Agriculture of the People's Republic of China, the registration of a veterinary supplement formulated by Friulchem and produced at the Vivaro plant, used for the re-hydration of livestock. Lastly, in once again expressing our solidarity with those impacted directly or indirectly by the COVID-19 Corona Virus, I would like to stress that Friulchem, having diversified its procurement sources for some time, does not have any problems as regards the restocking of materials and our activities are not being affected by slowdowns, which are continuing as normal in our Vivaro laboratories, with an increased focus on hygiene regulations and precautions for the health of our employees and their families”.

MAIN INCOME STATEMENT RESULTS AS AT 31 DECEMBER 2019

€m	2019	2018	Change %
Revenues of Veterinary BU	12.3	11.7	5.5%
Revenues of Human BU	3.7	4.4	-16.6%
Total Revenues	16.0	16.1	-0.6%
Value of production	16.0	17.0	-5.6%
Adj. EBITDA	1.7	1.8	-8.8%
EBITDA Margin	10.5%	10.8%	
EBITDA	1.3	1.6	-17.5%
EBIT	0.3	0.6	-47.1%
Profit for the year	0.1	0.2	-72%

The value of production as at 31 December 2019 amounted to roughly € 16.0 million compared to around € 17.0 million as at 31 December 2018. The decrease of 5.6% is attributable entirely to the Human BU. Specifically:

- The Veterinary BU reported turnover of € 12.3 million, compared to € 11.7 million in 2018, marking an increase of roughly 5.1%;

- The Human BU recorded turnover of € 3.7 million, compared to € 4.4 million in 2018, marking a decrease of around 16.7%, attributable primarily to the decrease in the milestones reached in the year and the deferral to 2019 of part of the revenues relating to the milestones of a pharmaceutical dossier.

Costs of production as at 31 December 2019 stood at around €14.4 million (compared to € €15.1 million in 2018), a drop of 5.2% resulting from the reduction in turnover.

EBITDA as at 31 December 2019 amounted to € 1.3 million (equal to € 1.6 million in 2018), with a *EBITDA Margin* of 8.3%. Taking into consideration the positive impact of income deriving from the Tax Credit for IPO expenses, amounting to € 340.5 thousand, **Adjusted EBITDA** in 2019 stands at € 1.7 million.

As at 31 December 2018, considering € 0.2 million in extraordinary income relating to previous years registered in 2018, **Adjusted EBITDA** stands at € 1.8 million.

EBIT came to € 0.3 million (corresponding to an EBIT Margin of approximately 3.8%) compared to 31 December 2018, equal to € 0.6 million.

Net profit for the year amounted to € 0.06 million (€ 0.2 million as at 31 December 2018).

MAIN BALANCE SHEET RESULTS AS AT 31 DECEMBER 2019

€m	2019	2018	Change %
Net Working Capital	875	1,062	-18%
Net fixed assets	9,675	8,675	12%
Net Invested Capital	9,576	8,814	9%
Net Financial Position	(1,148)	2,653	-143%
Equity	10,724	6,161	74%
Total sources and Shareholders' equity	9,576	8,814	9%

Net fixed assets rose in 2019 by around € 1.0 million, mainly due to the capitalisation of (i) Dossier research and development costs; (ii) expenses relating to the AIM listing process, for licence costs and the implementation of the new management software.

The decrease in **inventories** in 2019 of approximately € 0.6 million is connected with the sale of some products of the Human BU (primarily *Acarbose and Iloprost*) recorded under the company's inventories as at 3 December 2018 due to the delay in the associated sale straddling the two financial years.

Shareholders' equity in 2019 recorded an increase of roughly € 5.0 million relating mainly to the resources collected at the time of the IPO.

The net financial position as at 31 December 2019 was a positive € 1.1 million compared to a negative € 2.7 million as at 31 December 2018, thanks to the resources collected from the listing.

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

The Board of Directors resolved to propose that the Shareholders' Meeting allocate 5% of the profit for the year to the Legal reserve and the remainder to the Extraordinary reserve.

MAIN SIGNIFICANT EVENTS IN 2019

1. In June, Friulchem obtained authorisation from the Japanese and Russian ministries to sell its products relating to the Veterinary Business Unit;
2. following the application made in 2016 to the Ministry of Vietnam, Friulchem obtained the marketing authorisation in April 2019 for the product Acarbose 50mg in said country;
3. after the registration period of the patent FC Cube and the associated experimentation, Friulchem developed its first commercial supply of the product FC-Cube in France;
4. the Company obtained new contracts for the distribution of its products in the countries listed below:
 - ✓ Uzbekistan: three generic human products;
 - ✓ Vietnam: a generic human anti-inflammatory product;
 - ✓ China: the products Acarbose and Teicolplanin;
 - ✓ Colombia: the product Teicolplanin;
 - ✓ Chile: the product Teicolplanin.

Friulchem was successfully listed on the AIM Italia market on **25 July 2019**. The admission was completed following the placement of a total of **2,499,750 ordinary shares cum warrants**, targeted primarily at institutional, professional and retail investors, which generated investor demand **1.23 times higher than the funding**.

The **total value** of the offer, at the placement price of **€ 1.80 per share**, was approximately **€ 4.5 million**, entirely in the form of share capital increase.

The transaction made provision for the assignment of 1 warrant for every share subscribed as part of the share capital increase. The windows of exercise of the warrants are envisaged in 2020, 2021 and 2022 where, for each 10 warrants exercised shareholders are entitled to 1 conversion share.

The Company's share capital, post-share capital increase, is composed of a total of **7,999,750 ordinary shares** with no par value. The **free float** of the transaction post-share capital increase is equal to **31.2%** of the Company's share capital.

Friulchem also assigned the engagement of Specialist and Nomad to Integrae SIM S.p.A..

On **23 September 2019** - Friulchem presented **Suppleo** to the market, the new line of complementary feeds for dogs and cats, based on Italian **FC-CUBE® technology patented by Friulchem** which will be on sale from next November and exclusively through the on-line channels **www.suppleo.life and Amazon**.

Each Suppleo line product is the result of specific research and constitutes a concentrated source of nutrients to support strong dog and cat health. **Suppleo** will initially include a line of products for strengthening immune defence, care for fur and skin, the treatment of joint and muscular problems, improvement in digestion issues and stress management. Products for dental hygiene, urinary tracts, memory, sight and bones will be added later.

27 September 2019 - Friulchem establishes Friulchem USA Inc. for the marketing and distribution of feed supplements, i.e. non-pharmaceutical products for the North American veterinary sector.

Friulchem USA Inc.'s share capital, composed of 1,500 shares with a value of \$ 0.01 and registered in Delaware, was subscribed by Friulchem S.p.A. (67%) and Serge Martinod (33%), an important and recognised personality in the US veterinary world who holds the position of manager at Friulchem USA Inc.

1 October 2019 - Friulchem S.p.A. strengthens the strategic agreement with the Japanese company **Kyoritsu Seiyaku**, the twelfth world veterinary company in terms of turnover and a leader in the Far East Asian market. The new partnership agreement sets out that Friulchem will become the **sole representative** for the Japanese company in the management of the entire supply chain of an injectable veterinary beta-lactamic antibiotic

which Kyoritsu Seiyaku only distributes in Japan today. More specifically, the agreement requires Friulchem, **from October 2019**, to supply the Japanese company with bottles of finished products and no longer with “semi-finished products” as in the past.

15 October 2019 - Friulchem S.p.A. obtains, after a “registration process” lasting more than 5 years, the authorisation for the sale in South Africa of a broad-spectrum antibiotic for human use (injectable beta-lactamic belonging to the class of carbapenems for the treatment of serious infections) and launches an agreement with a leading pharmaceutical multinational - a global leader in the distribution of generic drugs - for the exclusive distribution in South Africa, for an overall duration of 5 years, with the planned launch and distribution of the product in South Africa in May 2020, with a Friulchem turnover contribution on an annual basis of about € 2 million and with a profit margin of between around 9% and 10%

28 November 2019 - As part of a framework resolution pursuant to art. 10 of the Procedure for Transactions with Related Parties, Friulchem signed a framework agreement between the company and Evultis S.A. (“Evultis”), regarding the supply by Evultis - a long-standing supplier of raw materials of the Issuer - of given active ingredients and intermediates, for a maximum total consideration on an annual basis of € 1,500,000.00 (plus VAT) and for a maximum number of orders over 12 months of 50 (the “Transaction”).

6 December 2019 - Friulchem obtained, on 1 November 2019, the first patent for the “FC-Balls” technology, valid in France, and will be extended to the other European and Non-European countries in the near future. “FC-Balls” - an innovative technology based on electrically charged “micro-spheres” containing the active ingredient, natural product or complementary feed - is to be used in spray form directly on animal fur, or in water in the case of aquaculture. It is indeed this electric charge that enables the “micro-spheres” to stick to the surface with an opposite charge, avoiding dispersion into the environment.

13 December 2019 - Friulchem asked Evultis SA to supply Prednisolone Metasulfobenzoate Steroid for a total amount of € 551,000.00 (plus VAT), through a single order for the total amount.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

17 January 2020 - Friulchem obtained, from the Ministry of Agriculture of the People’s Republic of China, the registration of a veterinary supplement formulated by Friulchem and produced at the Vivaro plant. FC-REHYDRATANT is an effervescent probiotic in powder form which is easily dissolvable in water and is used for the re-hydration of livestock.

19 February 2020 - Friulchem obtained the marketing authorisation for two products: in Vietnam, for an anti-diabetic drug in oral form, for the initial phase of the illness, distributed by a leading company in the supply of “generic drugs” imported to Europe; in Switzerland, for an antibiotic for treating uncomplicated acute infections of the lower urinary tracts, sold by a major multinational operating in all the main European countries, with whom Friulchem has been selling the same product in Germany for many years. The agreements, both with a duration of 5 years, concern the licence for use of drugs by the leading companies in the distribution of generic drugs and whose ownership will remain with Friulchem.

25 February 2020 – Friulchem approved, as part of a framework resolution with Related Parties, the signing of a framework agreement between the Company and Evultis S.A. regarding the supply by Evultis - a long-standing supplier of raw materials of the Issuer - of given active ingredients and intermediates (Prednisolone Metasulfobenzoate Steroid), for a maximum total consideration on an annual basis of € 3,500,000.00 (plus VAT) and for an indicative number of orders up to 31 December 2020 of roughly 20.

11 March 2020 – Friulchem acquired 13% of the share capital of Pharmabbie Inc, an American company specialising in the development of veterinary drugs to be distributed in the US market through Friulchem's proprietary FC-CUBE® technology, by subscribing the reserved share capital increase issued by said US company for 781,250 shares, equal to 13% of Pharmabbie Inc's share capital, with a payment of \$1.5 million thanks to the use of part of the proceeds of the IPO carried out on 25 July 2019.

As a result of the share capital increase, the Pharmabbie Inc. shareholding structure includes the following major shareholders: George Murphy and Serge Martinod both holding 13.5%, Friulchem with 13% as well as with 3.8% Elanco US Inc, a multinational pharmaceutical company specialised in the veterinary market, plus other important US industrial and financial investors. Pharmabbie's governance structure incorporates a Board of Directors composed of 4 members, one of whom is represented by Disma Giovanni Mazzola (CEO of Friulchem).

BUSINESS OUTLOOK AND COVID -19

In compliance with the provisions of the Decree of the President of the Council of Ministers of 11 March 2020 regarding the containment and handling of the COVID-19 epidemiological emergency, of the directives received from the Public Health Authorities as well as Legislative Decree 81 of 2008 regarding the workplace health and safety of workers, the company Friulchem SPA fully adopted all the necessary precautions to protect its employees from the risk of contagion and all the measures relating to the Covid-19 health emergency.

Friulchem, by focussing, as a matter of priority, on the workplace health and safety of its workers, has managed to ensure production continuity, in spite of the restrictions in force. Maximum use of the agile way of working (smart-working) was actioned, incentives were offered for paid holidays and leave, anti-contagion safety protocols were adopted, employee movements within sites were limited and quotas were set on access to common areas, while waiting to see how the health emergency develops.

Based on the provisional data prepared for 2020, growth in the volume of sales and a positive economic result are expected. The results of the first few months of 2020 confirm these forecasts, however, Friulchem reserves the right to update the outlook if the " Coronavirus crisis (or Covid-19)" should have material impacts on the Issuer's economic and financial indicators.

Friulchem (AIM:FCM), a company that has been operating in this sector for over 20 years, is today one of Italy's leading CDMOs (*Contract Development Manufacturing Organisations*) operating internationally in the healthcare sector. It offers third-party research, development and manufacturing services for semi-finished and finished products containing both active pharmaceutical ingredients and food supplements. It primarily specialises in drug delivery systems for the veterinary sector, providing Friulchem's trademark excellence, as well as in the development of dossiers for generic medicines for human use. Friulchem is an innovative SME and B2B company which prides itself on its end-customer focus, and has deep Italian roots, thanks to its manufacturing facilities in Vivaro (Pordenone) and administrative headquarters in Milan. The Company is strongly oriented towards R&D activities and boasts established relationships with leading multinational companies in the pharmaceutical sector.

Common Shares ISIN: IT0005378457 - Friulchem Warrant ISIN: 2019-2022 IT0005378366

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The main accounting tables of Friulchem S.p.A. relating to 31 December 2019 are reported below, compared with the corresponding comparative values as at 31 December 2018 (values in Euro/000) and, more specifically:

- income statement;
- balance sheet;
- statement of cash flows.

INCOME STATEMENT AT 31 DECEMBER 2019

INCOME STATEMENT (Data in Euro/000)	31.12.2018 <i>Final balance</i>	31.12.2019 <i>Final balance</i>	31.12.2019 vs 31.12.2018	% Change
Veterinary BU	11,659	12,295	636	5.5%
Human BU	4,436	3,696	(740)	-16.7%
Revenue from sales and services	16,095	15,991	(104)	-0.6%
Other ordinary revenues	76	56	(20)	-26.4%
Change in inventories of work in progress, semi-finished and finished products	565	(350)	(915)	-161.9%
Own work capitalised	249	298	49	19.5%
Other revenues	0	42	42	
VALUE OF PRODUCTION	16,985	16,037	(948)	-5.6%
Consumption of raw materials and change in inventories of raw materials and semi-finished products	(10,313)	(8,519)	1,794	-17.4%
Costs for services	(2,963)	(3,663)	(700)	23.6%
Costs for use of third-party assets	(122)	(114)	8	-6.5%
Personnel costs	(1,556)	(1,702)	(145)	9.3%
Sundry operating charges	(191)	(362)	(171)	89.2%
COSTS OF PRODUCTION	15,146	14,360	(786)	-5.2%
adjusted EBITDA (*)	1,839	1,677	(162)	-8.8%
<i>Margin on VoP (%)</i>	<i>10.8%</i>	<i>10.5%</i>	<i>-0.4%</i>	<i>-3.4%</i>
Net income/(expenses) relating to previous years	(218)	0	218	-100.0%
Tax credit from IPO	0	(340)	(340)	
EBITDA	1,620	1,336	(284)	-17.5%
<i>Margin on VoP (%)</i>	<i>9.5%</i>	<i>8.3%</i>	<i>-1.2%</i>	<i>-12.7%</i>
Amortisation of intangible assets	(479)	(553)	(73)	15.3%
Depreciation of property, plant and equipment	(421)	(424)	(2)	0.5%
Write-down of fixed assets and receivables	(71)	(17)	54	-76.0%
EBIT	648	343	(305)	-47.1%
<i>Margin on VoP (%)</i>	<i>3.8%</i>	<i>2.1%</i>	<i>-1.7%</i>	<i>-44.0%</i>
Financial income/(expenses)	(295)	(267)	28	-9.6%
Earnings before tax	353	76	(277)	-78.4%
Income taxes for the year	(128)	(13)	115	-89.7%
Profit (Loss) for the year	225	63	(162)	-72.0%

BALANCE SHEET AT 31 DECEMBER 2019

BALANCE SHEET	31.12.2018	31.12.2019	31.12.2019
(Data in Euro/000)	Final balance	Final balance	vs
			31.12.2018
Inventories	2,357	1,736	(621)
Receivables due from customers	3,250	3,410	160
Trade Payables	(4,129)	(4,296)	(166)
Payments on account	(28)	0	28
TRADE WORKING CAPITAL	1,449	850	(599)
Other receivables and current assets	216	503	287
Other payables	(632)	(488)	145
Accrued income and prepaid expenses	29	21	(7)
Accrued expenses and deferred income	0	(12)	(12)
NET WORKING CAPITAL	1,062	875	(187)
Intangible fixed assets	6,545	7,740	1,195
Tangible fixed assets	2,124	1,908	(216)
Financial fixed assets	6	26	20
NET FIXED ASSETS	8,675	9,675	1,000
GROSS INVESTED CAPITAL	9,737	10,549	813
Employee severance indemnity	(530)	(581)	(51)
Provision for risks and charges	(392)	(392)	(0)
NET INVESTED CAPITAL	8,814	9,576	762
Short-term payables due to banks	1,987	1,741	(246)
Medium/long-term payables due to banks and other lenders	2,121	1,816	(305)
Short-term payables due to other lenders	223	0	(223)
Total financial payables	4,332	3,557	(775)
Cash and cash equivalents	(1,679)	(4,705)	(3,026)
NET FINANCIAL POSITION	2,653	(1,148)	(3,801)
Share capital	5,500	6,000	500
Reserves	436	4,661	4,225
Result for the year	225	63	(162)
SHAREHOLDERS' EQUITY	6,161	10,724	4,563
TOTAL SOURCES AND SHAREHOLDERS' EQUITY	8,814	9,576	762

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019

STATEMENT OF CASH FLOWS - DIRECT METHOD	31.12.2018	31.12.2019
A) Cash flows from operating activities (indirect method)		
Profit/(loss) for the year	225	63
Income taxes	128	13
Interest expenses/(income)	320	267
1) Profit (loss) for the year before taxes, interest, dividends and capital gains/losses from	673	343
Adjustments for non-monetary elements that did not have a contra-item in net working capital	-	-
Allocations to provisions	60	51
Depreciation of fixed assets	901	976
Write-downs due to impairment	71	17
Total adjustments for non-monetary elements that did not have a contra-item in net working capital	1,032	1,044
2) Cash flow before changes in net working capital	1,705	1,387
Decrease /(increase) in inventories	(461)	621
Decrease/(increase) in receivables due from customers	1,531	(160)
Increase/(decrease) in trade payables	10	166
Decrease/ (increase) in accrued income and prepaid expenses	102	7
Increase/(decrease) in accrued expenses and deferred income	(199)	12
Other decreases/(other increases) in net working capital	(171)	(476)
Total changes in net working capital	812	170
3) Cash flow after changes in net working capital	2,518	1,557
Other adjustments		
Interest collected /(paid)	(320)	(267)
(Income taxes paid)	(73)	(13)
Other collections/(payments)	(43)	-
Total other adjustments	(436)	(280)
Cash flows from operating activities (A)	2,082	1,277
B) Cash flows from investment activities Property, plant and equipment		
(Investments) / Disinvestments	(123)	(208)
Intangible fixed assets		
(Investments) / Disinvestments	(742)	(1,748)
Financial fixed assets		
(Investments) / Disinvestments	(71)	(20)
Current financial assets		
(Investments) / Disinvestments	10	-
Cash flow from investment activities (B)	(927)	(1,976)
C) Cash flows from financing activities		
Third party financing		
Increases/(Decrease) in short-term payables to banks	(1,657)	(470)
Obtainment of loans	0	700
(Repayment of loans)	(230)	(1,005)
Equity	1,900	4,500
(Reimbursement of capital)		
Cash flow from financing activities (C)	14	3,724
Increase (decrease) in cash and cash equivalents (A ± B ± C)	1,169	3,026
Opening cash and cash equivalents	510	1,679
Closing cash and cash equivalents	1,679	4,705

NET FINANCIAL INDEBTEDNESS AS AT 31 DECEMBER 2019

Net Financial Indebtedness	31.12.2018	31.12.2019
<i>(Data in Euro/000)</i>	<i>Final balance</i>	<i>Final balance</i>
A. Cash	3	-
B. Other cash and cash equivalents	1,677	(4,705)
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	1,679	(4,705)
E. Current financial receivables	-	-
F. Current bank payables	1,987	1,741
G. Current portion of non-current indebtedness	-	-
H. Other current financial payables	223	-
I. Current financial indebtedness (F)+(G)+(H)	2,211	1,741
J. Net current financial indebtedness (I) - (E) - (D)	532	(2,964)
K. Non-current bank payables	2,121	1,816
L. Bonds issued	-	-
M. Other non-current payables	-	-
N. Non-current financial indebtedness (K) + (L) + (M)	2,121	1,816
O. Net financial indebtedness (J) + (N)	2,653	(1,148)