

Investor Presentation

November, 2019



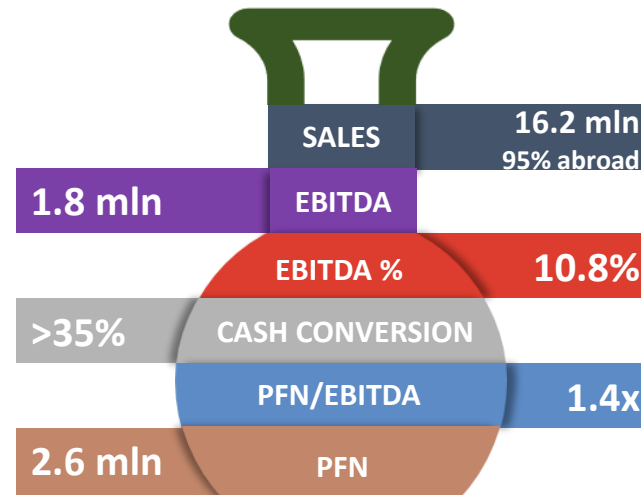
Agenda

- **Company Overview**
- Achievements
- Business Model
- Market
- Financials
- Strategic Guidelines
- Investment Highlights

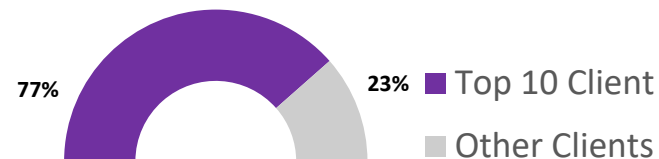


Friulchem is one of the main Italian **CDMOs** (Contract Development Manufacturing Organizations) operating internationally in healthcare thanks to the R&D activity and the production for third parties of semi-finished products and finished products. It is specialized in "**drug delivery enhancement**", the development of solid and/or soluble oral administration systems of active pharmaceutical ingredients and food supplements

FINANCIAL HIGHLIGHTS*

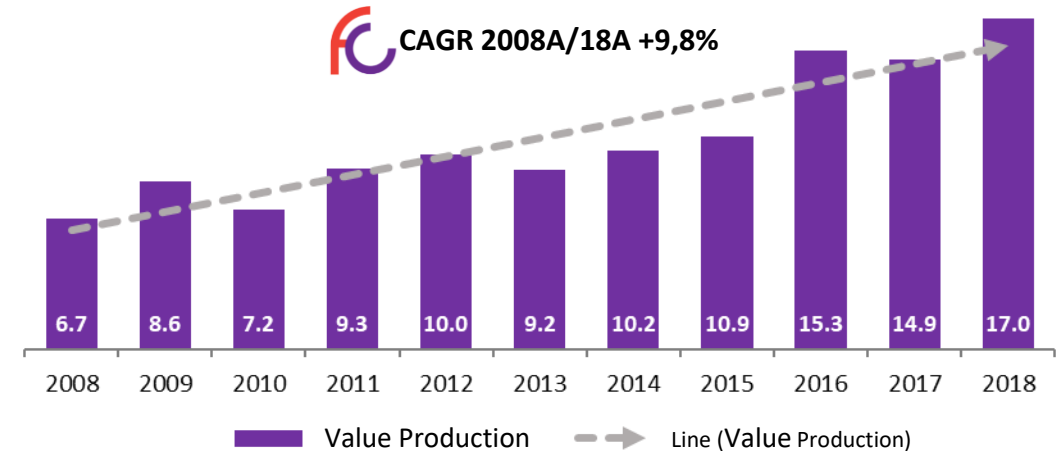


CLIENT CONCENTRATION



*FY 2018 Data

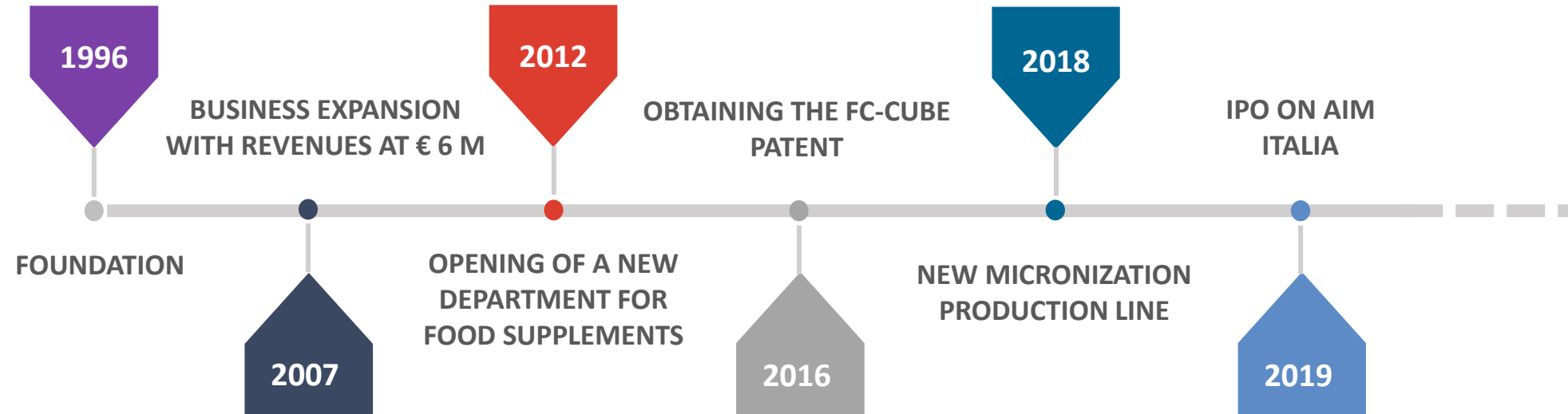
VALUE PRODUCTION



- Served over 50 clients internationally
- Top 10 customers represent almost 77% of the 2018 revenues, with an average churn rate (2016A-2018A) of approx. 20%

History & Governance

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TOP MANAGEMENT



Disma Giovanni Mazzola
CEO

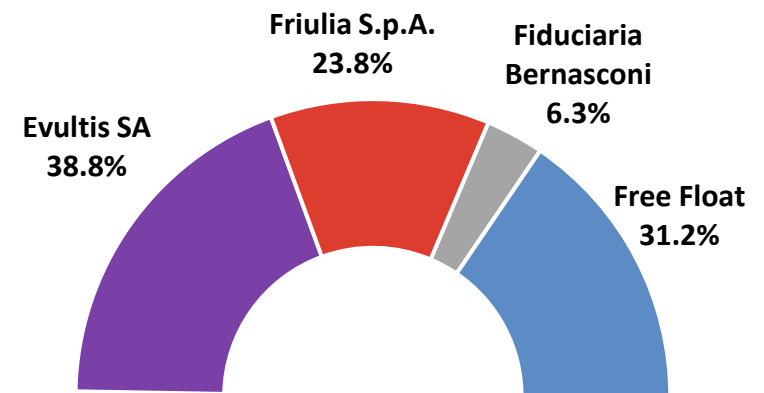


Alessandro Mazzola
Chairman



Carlo Marelli
CFO

SHAREHOLDERS



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Achievements during 1H 2019

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In June 2019, the Company obtained authorization from **the Japanese and Russian ministries** to sell its products relating to the Veterinary Business Unit;

Following the request made in 2016 to the **ministry of Vietnam**, Friulchem obtained, in April 2019, the marketing authorization for the Acarbose 50mg product in that country;

After the registration period of the **FC Cube patent** and related testing, Friulchem developed a first commercial supply of **the FC-Cube product in France**;

During May 2019, Friulchem with its partner Beker Produtos Fàrmaco Hospitalares LTDA, established HVP – LTDA a commercial branch for the America Latina market. HVP – LTDA, headquarter in San Paolo, will distribute only FC products in the South America market.

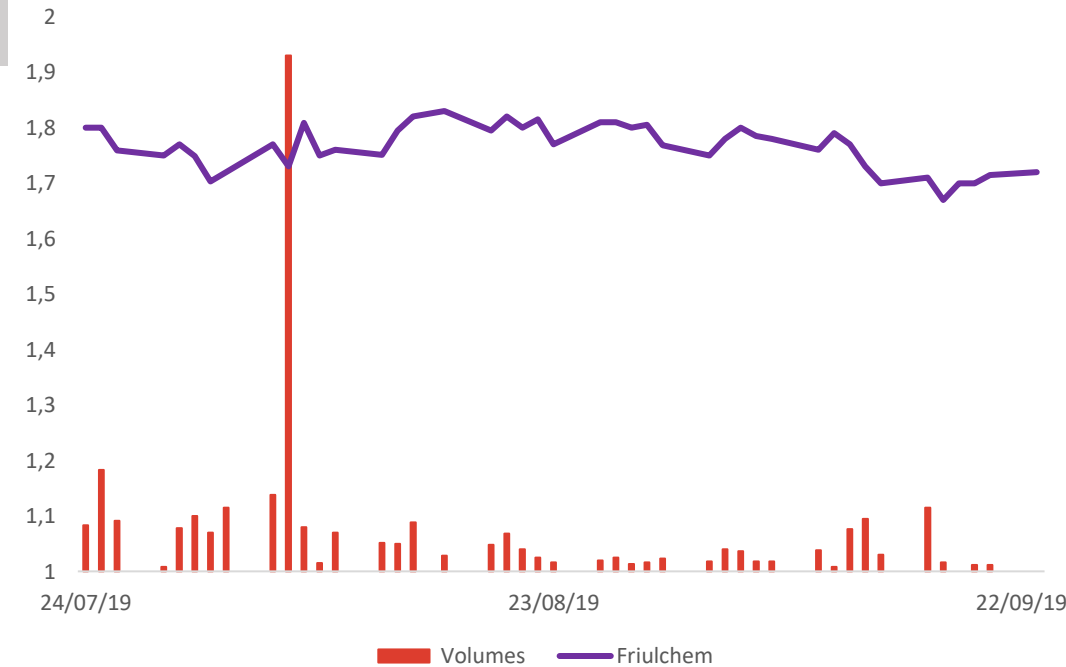
The Company has obtained new **contracts for the distribution of its products** in the following countries:

- Uzbekistan: three generic human products;
- Vietnam: a generic anti-inflammatory human product;
- China: Acarbose and Teicolplanine;
- Colombia: Teicolplanine;
- Chile: Teicolplanine.

«The arrival on the financial market represents a starting point for Friulchem and the beginning of a path that will lead the company to become a reality ready to take on new challenges, with the aim of becoming a leader in the international market for services to the veterinary industry . We have the desire to grow and we believe that the stock market represents the best solution for a company like ours to find the necessary capital and carry out our industrial project.» Disma G. Mazzola, CEO

IPO FIGURES

Number of shares pre-IPO	5,500,000
Shares newly issued	2,499,750
Warrant	2,499,750
Outstanding shares post-IPO	7,999,750
Free Float	2,499,750
Date IPO	July 25, 2019
Issue Price (€)	1.80
Market Cap (€) @ IPO	14,399,550





On September 23, 2019 -Friulchem presented on the market **Suppleo**, the new line of complementary feed for dogs and cats, based on the Italian technology FC-CUBE® patented by Friulchem that will be on sale through the online channel www.suppleo.life and Amazon.

On September 27, 2019 - Friulchem SpA creates the company **Friulchem USA Inc.**. The newco formed will be active in the marketing and distribution of *feed supplements* that are non-pharmaceutical products for the North American veterinary sector.
The share capital of Friulchem USA Inc., consisting of 1,500 shares with a value of \$ 0.01 and registered in Delaware, was underwritten for 67% by Friulchem S.p.A. and 33% by Serge Martinod, an important and recognized personality in the US veterinary world who will be the manager of Friulchem USA Inc.



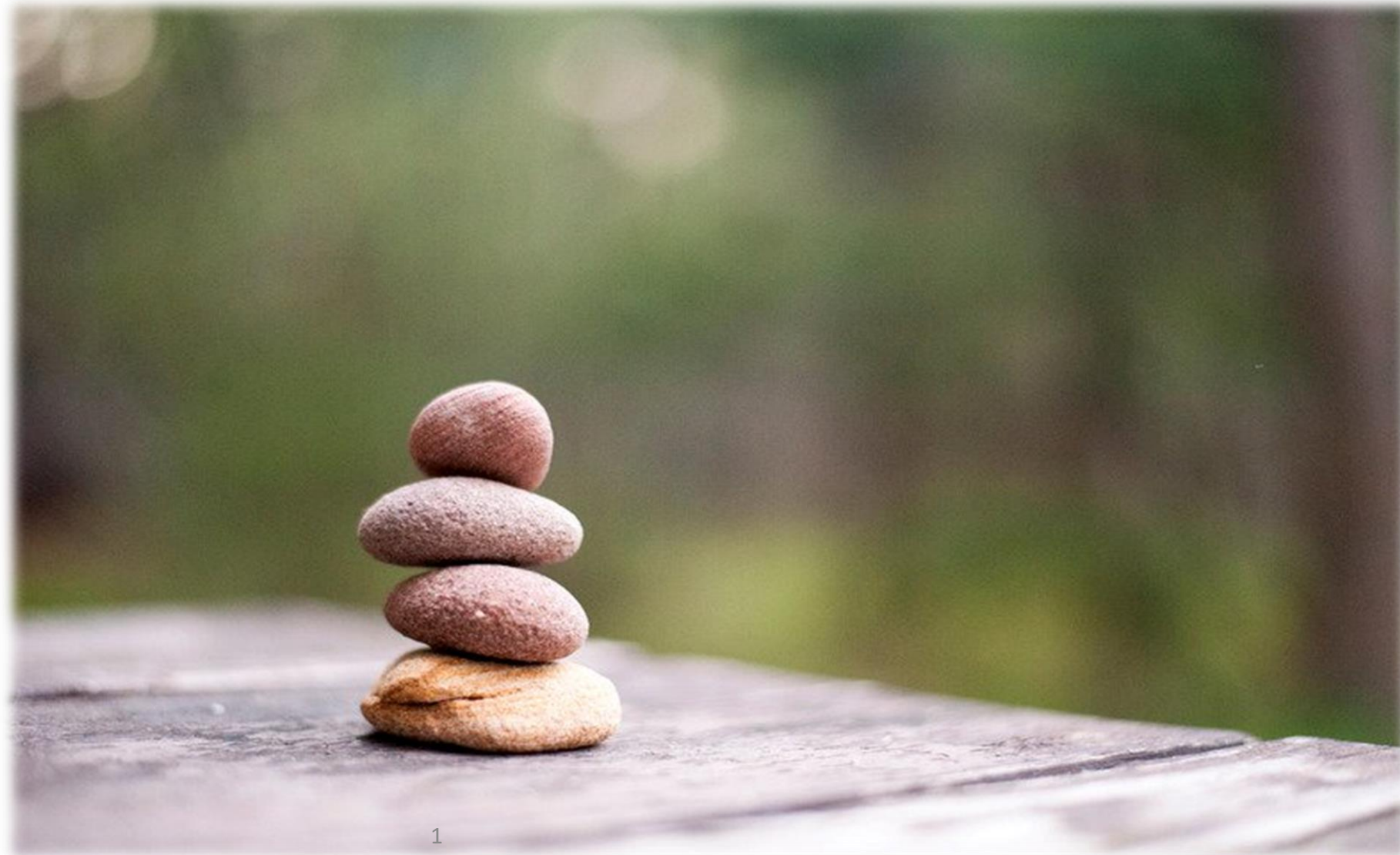
- **On October 1, 2019** - Friulchem S.p.A. strengthened the strategic agreement with the Japanese company Kyoritsu Seiyaku, the twelfth world veterinary reality in terms of revenues and leader in the Asian market.
- The new partnership agreement establish that Friulchem will become the only interlocutor for the Japanese company in the management of the entire supply chain of a veterinary antibiotic that Kyoritsu Seiyaku sill distributes only in Japan.

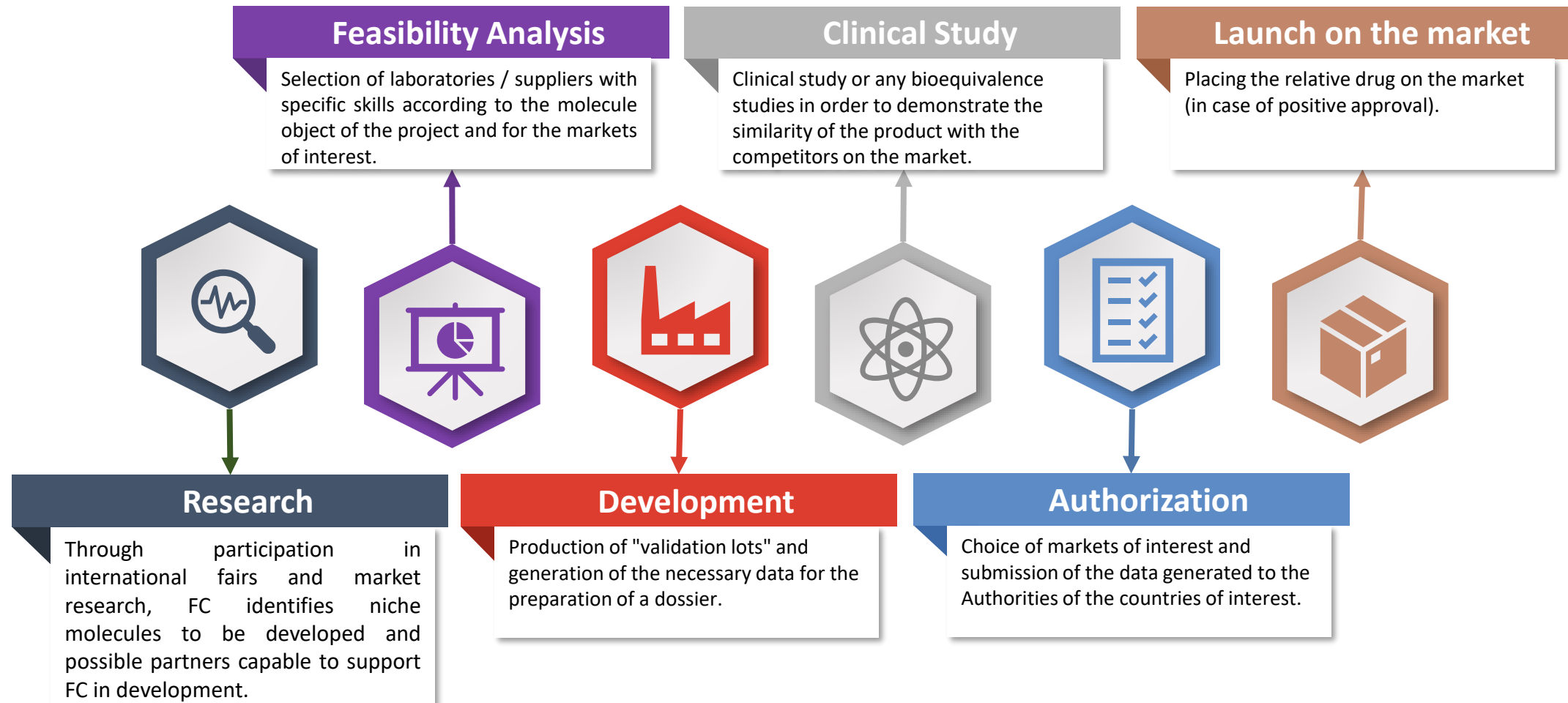
On October 15, 2019 - Friulchem S.p.A. obtains the authorization for the sale in South Africa of an antibiotic for human use with wide range of action for serious infections. Friulchem starts a multi-annual agreement for distribution exclusively with a primary multinational pharmaceutical. The launch and distribution of the product in South Africa will start from the end of the first half of 2020, with a revenues contribution on annual basis of about € 2 million and with a marginality between 9-10%.

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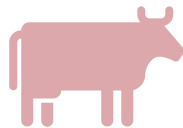




Friulchem is mainly a **B2B** enterprise, developing technologically advanced **Drug Delivery** solutions (delivery technology, typically grouped into injectables, capsules, granulates and aerosol sprays) directly for industrial groups in the veterinary and human sectors.



- BU dedicated to the production of **semi-finished products (granules or powders)** through the following **production technologies**:
 - ✓ **Granulation**
 - ✓ **Micronization**
 - ✓ **Atomization**
- End-products: **1) premix** (granules sent to the client in bulk for refilling or further processing on-site), **2) soluble**, **3) injectable**
- Over the years, FC has increased its field of action by **developing veterinary medicinal products and animal feeds / supplements**, also thanks to the strengthening of the internal R&D laboratory. The Company complies with the GMP (European Good Manufacturing Standards) EU since 2007



More than 95% of BU Vet's revenues are related to products or services destined to farming animals.



In the future it is prospected a steady **growth of the veterinary BU**, as the result of previous **investments in R&D**, which are based on the development of specific systems (FC Cubes and FC Balls) for the administration of drugs and products/supplements both for the health of farm animals and **pets**, in order to expand the range of products.





- BU dedicated to **research and development of generic drugs or that should become generic**, which the formulation presents a **high degree of production and development complexity**
- The **production is outsourced** to partner companies with appropriate certifications of their plants, while the **ownership of the formulation remains to Friulchem**
- FC has developed a line dedicated to the production of **cosmeceuticals** which in 2018 represented approximately **1% of revenues** (i.e. K5 Cryolaser, cutaneous anti-brown lipogel distributed under the «Friulchem» brand), but with **a large growth potential**, especially on the Asian markets.



PROJECT FOR THE CLIENT: the activities to be carried out are shared with the client, with an invoice at **Milestone** (production, verification of stability, market authorization). Activities include assistance with filing the file to the competent authorities. **At the end of the project the client is the owner of the formula/file deposited**

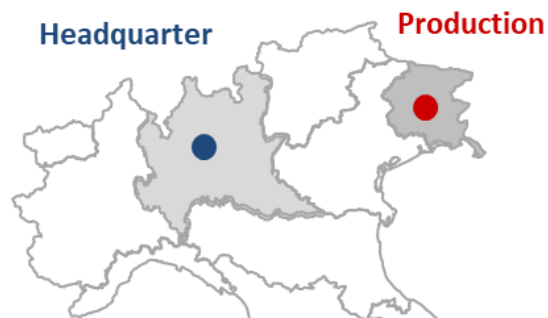


IN-HOUSE PROJECT: after completing the feasibility study, we proceed with the research for an investor who would support the testing and clinical analysis, necessary to deposit the formulation to the competent authority. **At the end of the process, Friulchem's proprietary formulation can be given in license or sold to industrial player.**



THE PLANT

- The production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) on a total area of 18,000 square meters with a covered structure of 3,000 square meters (possibility of expanding for a further 18,000 square meters)
- The plant is **authorized by the Ministry of Health** and conforms to the EU GMPs to treat the class of **Penicillins G** (mainly amoxicillin) and sulfonamides
- The production process includes granulation, micronization and atomization activities. **The laboratory, which also runs the function of quality control both inbound and outbound, is equipped with modern and suitable equipment for the production needs of FC**



Granulation



Micronization



Mixing



Storage



MAIN CLIENTS

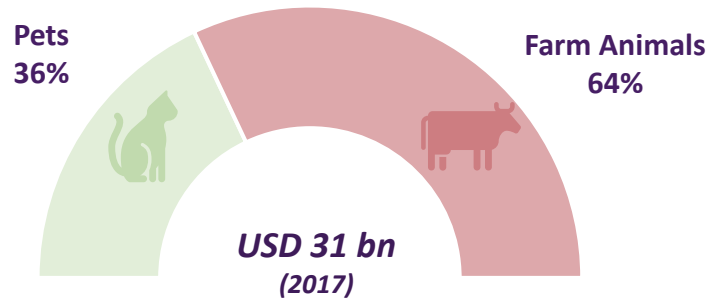


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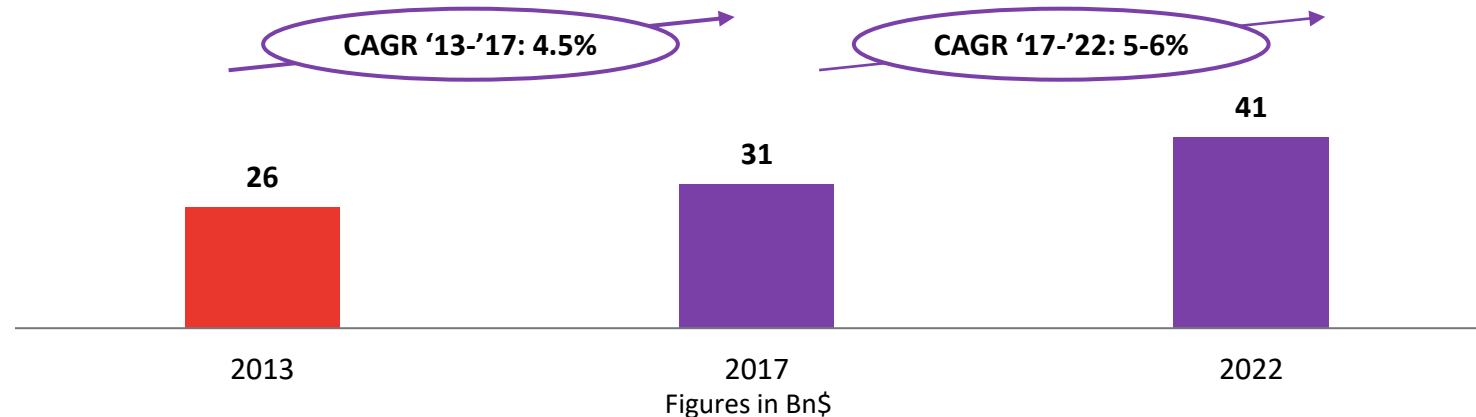
Vet Market Breakdown



MAIN DRIVERS

- Increasing of the animal infections, globally .
- Raising interest in animals' welfare and care, **especially pets**.
- Boost in the spending attitude for the aesthetic and physical care of pets.
- Regard to the farming animals, there is an incrementing demand for animal-based food products, driven by developing countries.

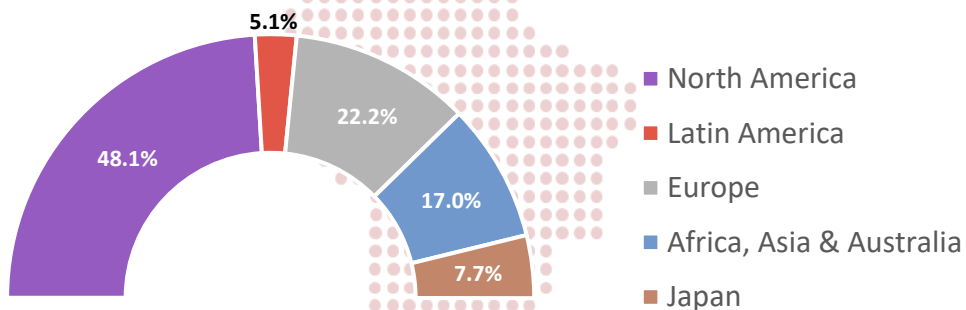
The market for animal antibiotics is expected to grow with a CAGR '17-'22 of 5%-6%



GLOBAL PHARMACEUTICAL MARKET 2017*

- The global pharmaceutical market reached a turnover of Euro **754.5 bn** (\$ 852.6 bn)
- **North America (USA & Canada)** is confirmed as the leading market with a share of business volume of approx. **48.1%**

Global Pharmaceutical Market



* Source: EFPI KEY DATA 2018

GLOBAL MARKET FOR GENERIC DRUGS**

Another reference market for the Company is that of generic drugs, which consist in reproducing an original product without patent protection and launch on the market without a defined brand.

This market has the following characteristics:

- ✓ Strong growth in the period 2010-2017 at a **CAGR of 8%**, reaching an amount of approx. **244.5 bn \$** in 2017
- ✓ It is forecasted to reach an estimated volume of **380.6 bn \$ in 2021**
- ✓ Dominated by few leading companies, mainly distributed in Europe (world leader), USA and Japan
- ✓ **Stability**, maintaining a stable fluctuation of demand rates over the years
- ✓ Made up of strong **economies of scale and scope**, with important **entry barriers** for new entrants

**Source: Zion Market Research 2018 and Business Wire 2018

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Income Statement 1H 2019

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(€/000)	1H2019	1H2018	Chg %
<i>Business Unit Vet</i>	5,575	6,056	-8%
<i>Business Unit Human</i>	1,520	2,005	-24%
Revenues from sales and services	7,095	8,061	-12%
Other characteristic revenues	215	73	195%
Change in inventories of work in progress, semi-finished and finished products	(362)	101	-458%
Increase in fixed assets for internal works	124	86	45%
Other revenues	20	0	n.a.
TOTAL REVENUES	7,093	8,321	-15%
Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products	(3,966)	(4,989)	-21%
Costs for services	(1,383)	(1,452)	-5%
Costs for use of third-party assets	(70)	(92)	-24%
Personnel costs	(786)	(754)	4%
Other charges	(194)	(132)	47%
PRODUCTION COSTS	6,399	7,420	-14%
EBITDA	694	901	-23%
<i>EBITDA Margin (%)</i>	<i>9.8%</i>	<i>10.8%</i>	<i>-10%</i>
Immaterial amortization	(206)	(204)	1%
Material depreciation	(207)	(227)	-8%
Write-downs of fixed assets and receivables	0	0	n.a.
EBIT	281	471	-40%
<i>EBIT Margin (%)</i>	<i>4.0%</i>	<i>5.7%</i>	<i>-30%</i>
Financial income/(charges)	(142)	(173)	-18%
EBT	139	297	-53%
Income taxes for the year	(64)	0	n.a.
Profit (loss)	75	297	-75%

Net Revenues at June 30, 2019 amounted to approximately € 7.1 million, compared to around € 8.0 million at 30 June 2018 (unaudited figures). The difference is attributable to both BUs and in particular:

Veterinary BU: in the first half of 2019 the revenues' decrease is only related to the activity of marketing of API, characterized by an extraordinary request for greater quantities of Active Principles by a customer;

Human BU: in the first half of 2019 the revenues of this BU was influenced by the postponement in the second half of 2019 of part of the revenues related to the milestones of a pharmaceutical file.

Production costs at June 30, 2019 amounted to about € 6.4 million (vs. € 7.4 million in the previous half - unaudited data), down 14% due to the reduction in marketing activities for Active Principles of the Veterinary Business Unit referred to above.

EBITDA stands at € 0.7 million compared to € 0.9 million at June 30, 2018 (unaudited data), corresponding to an EBITDA margin of 9.8% (10.8% at June 30, 2018). The change is influenced by the postponement in the second half of 2019 of the revenues for milestones related to the Human BU that impact directly on EBITDA.

The **EBIT** is € 0.3 million (€ 0.4 million at June 30, 2018).

The **Net Profit** for the first half of 2019 is € 0.07 million.

Balance Sheet 1H 2019

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(€/000)	1H2019	FY 2018
Inventories	1,867	2,357
Trade receivables	2,811	3,250
Trade payables	(3,546)	(4,129)
Deposits	(28)	(28)
COMMERCIAL WORKING CAPITAL	1,104	1,449
Other receivables and non-fixed assets	655	216
Other debts	(746)	(632)
Prepayments and accrued income	0	29
Prepayments and accrued expenses	0	0
NET WORKING CAPITAL	1,012	1,062
Intangible assets	7,006	6,545
Tangible fixed assets	2,056	2,124
Financial fixed assets	6	6
NET FIXED ASSETS	9,069	8,675
GROSS INVESTED CAPITAL	10,081	9,737
Payables for severance indemnity	(548)	(530)
Risks and Charges Fund	(392)	(392)
NET INVESTED CAPITAL	9,141	8,814
Banks debts	2,008	1,987
Financial debts m/l term	1,775	2,121
Short term debts to other financing creditors	0	223
Total Financial Debts	3,782	4,332
Cash and cash equivalents	(877)	(1,679)
NET FINANCIAL POSITION	2,905	2,653
Share Capital	5,500	5,500
Reserves	661	436
Profit (loss) of the period	75	225
EQUITY	6,236	6,161
TOTAL SOURCES	9,141	8,814

Net fixed assets increased in the first six months of 2019 for an amount of € 0.4 million mainly due to the capitalization (i) of R&D costs of Dossier; (ii) expenses related to the Listing process incurred in the first half of 2019.

The decrease in **inventories** in the first half of 2019 for an amount of € 0.5 million is essentially linked to the sale of some products of the Human BU (mainly Acarbose and Iloprost) recorded in the Company's inventories at 31.12.2018 due to the delay in the relative sale between the two fiscal years.

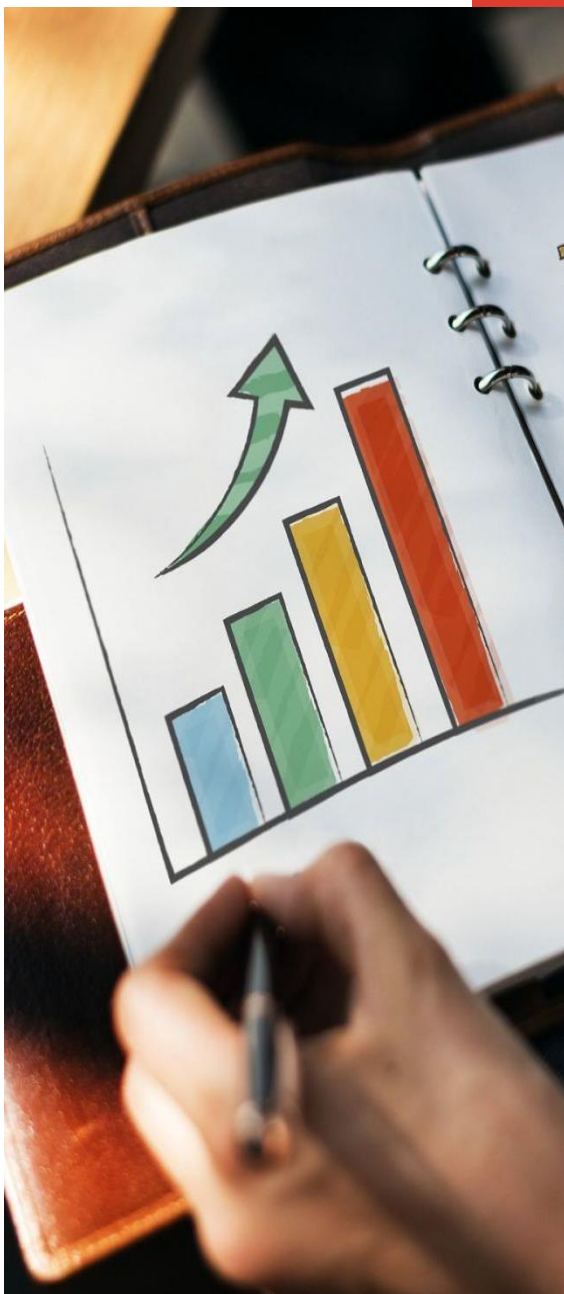
Shareholders' equity recorded an increase of € 0.07 million in the first half of 2019 relating to the profit achieved in the half year and amounted to € 6.2 million.

The **net financial position** of Friulchem SpA at June 30, 2019 amounts to € 2.9 million compared to € 2.6 million at December 31, 2018.

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INTERNAL GROWTH



Development of
dossiers on proprietary
technologies

Obtaining new
Marketing
Authorization



- ✓ Preparation of protocols and studies in order to register products directly, thus strengthening its market position, relying on its own files on R&D activities
- ✓ Marketing Authorization in order to distribute new products in different geographical areas (Europe and Japan), through the identification of one or more distribution partners. The contracts are based on royalties related to volumes and a minimum fee guaranteed.

EXTERNAL GROWTH

Growth by external lines
M&A - Vertical integration

Acquisitions of synergic realities in Italy and abroad that can allow downstream integration (towards the finished product), expand of the range of molecules and the number of customers.

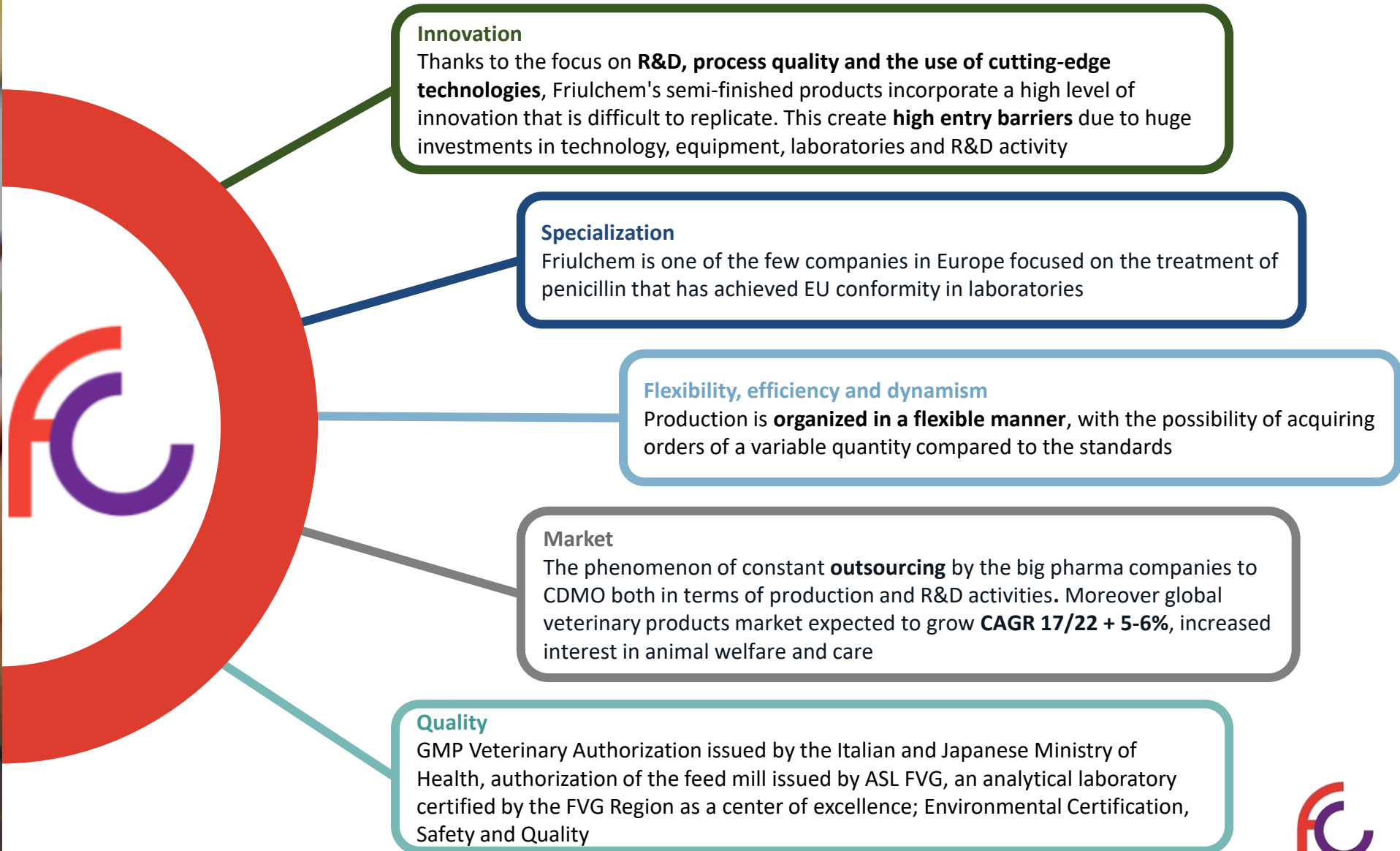
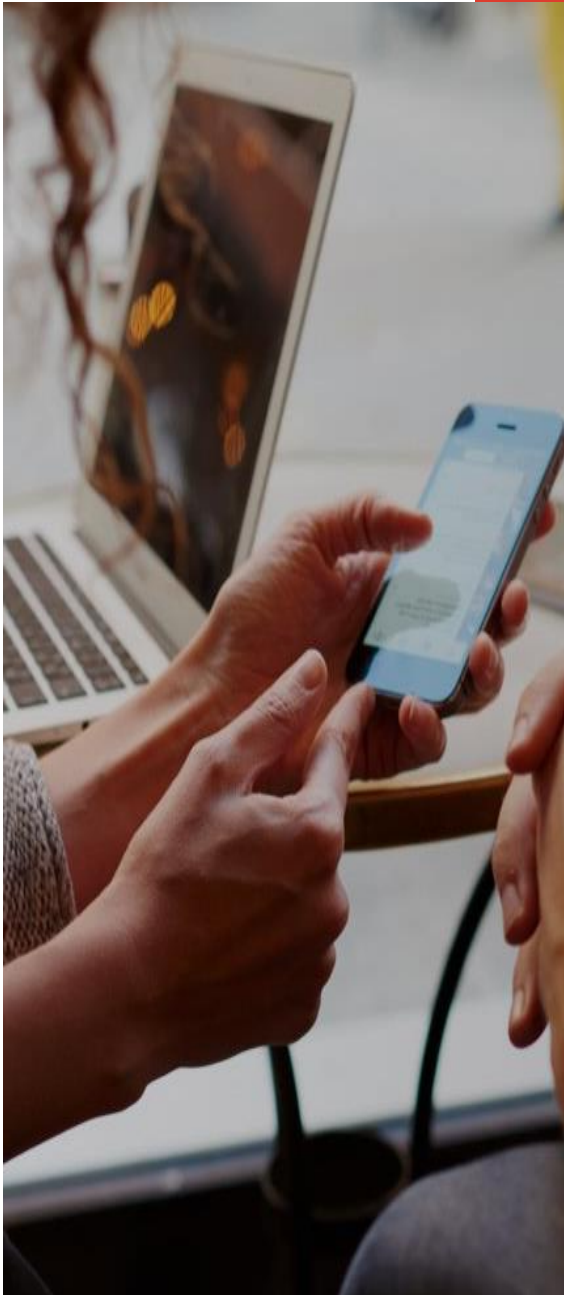
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Investments Highlights

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Contacts



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