

Investor Presentation

Financial FY 2019

April, 2020



Agenda

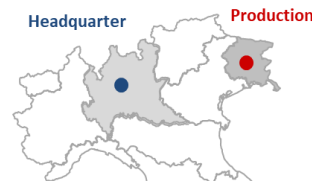
- **Company Overview**
- Business Model
- Market
- Achievements
- Financials
- Strategic Guidelines
- Investment Highlights



Friulchem a company **Listed at the AIM since July 2019**, leading Italian operators active at international level in R&D and in the production for third party accounts (CDMO -Contract Development Manufacturing Organizations) of semi-finished and finished products containing active pharmaceutical ingredients and food supplements, **specializing in drug delivery for the veterinary sector**.

The headquarter is in Milan, and the production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) **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.



FY2019 FINANCIAL HIGHLIGHTS

Revenues
€15.6 million

Human €3.7 million
Vet €11.9 million

EBITDA Adj*
€1.7 million

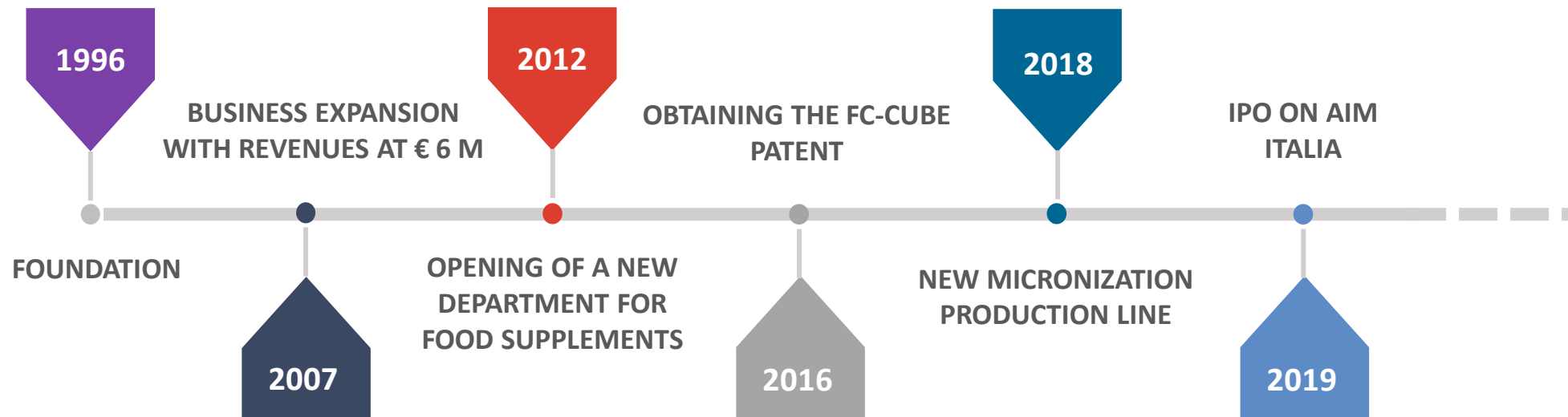
EDBITDA
Margin Adj
10.5%

Positive NFP
€1.1 million

(*) Taking into consideration the positive impact of the proceeds from the Tax Credit for IPO charges, equal to € 340.5 thousand

MAIN CLIENTS





TOP MANAGEMENT



Disma Giovanni Mazzola
CEO

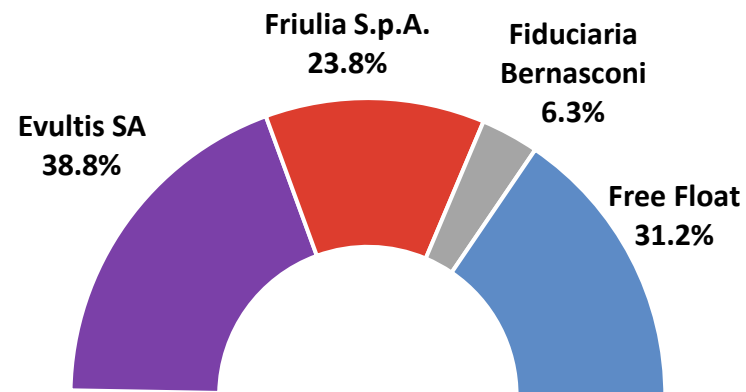


Alessandro Mazzola
Chairman



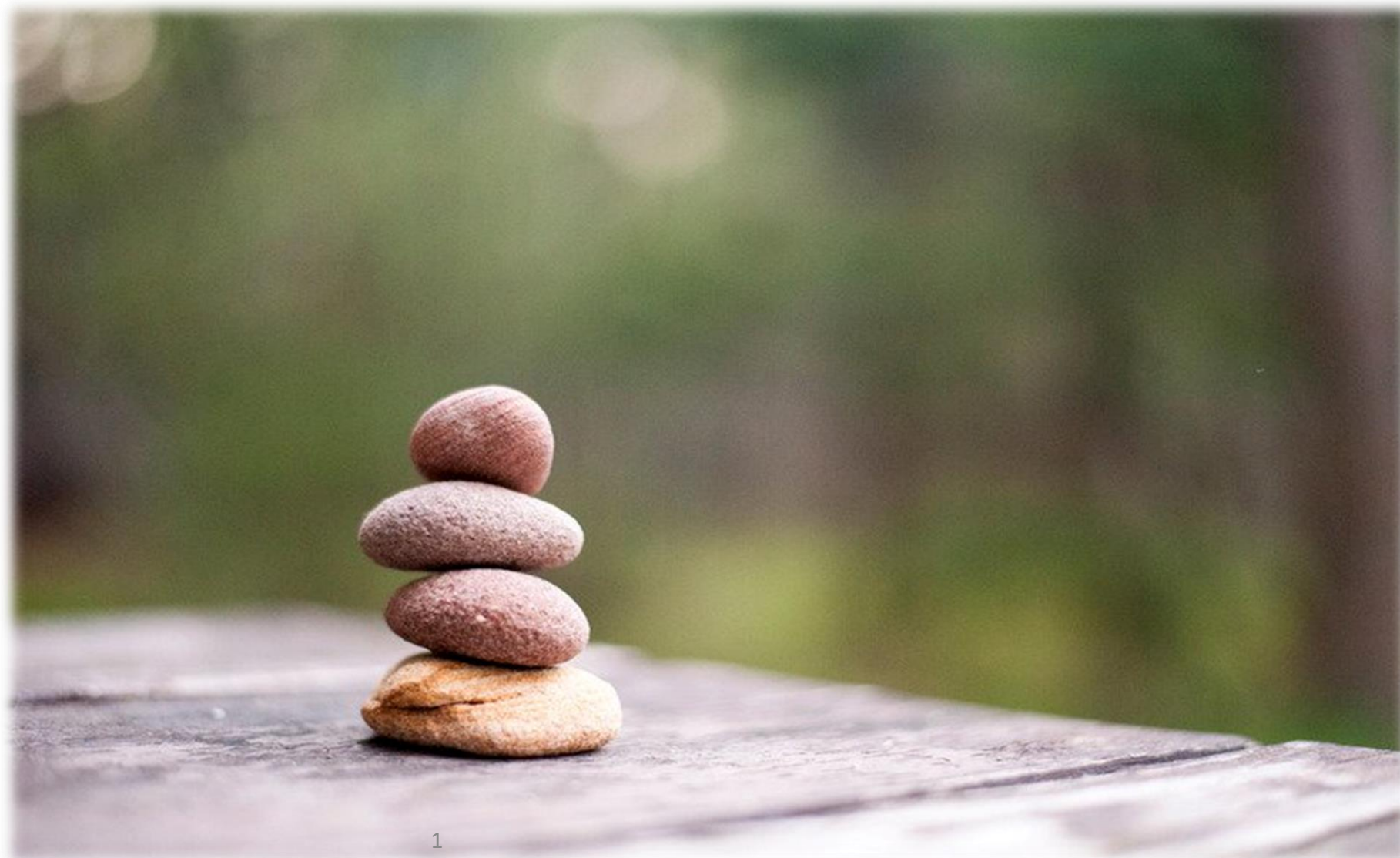
Carlo Marelli
CFO

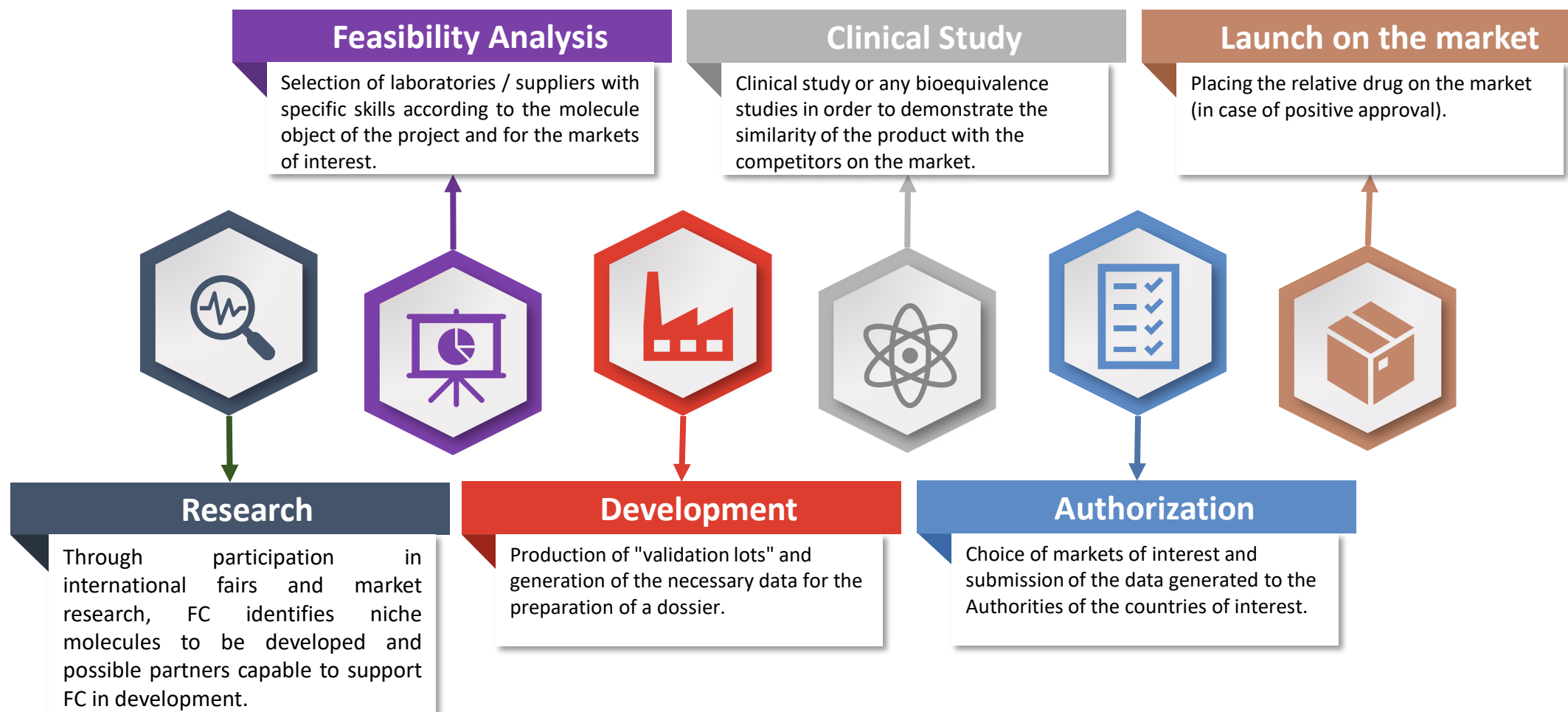
SHAREHOLDERS



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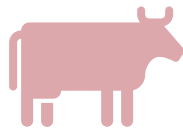




Friulchem is mainly a **B2B** enterprise, developing technologically advanced **Drug Delivery** solutions (delivery technology, typically grouped into injectables, capsules, granulates and aerosol sprays) directly for industrial groups in the veterinary and human sectors.



- 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** (i.e. K5 Cryolaser, cutaneous anti-brown lipogel distributed under the «Friulchem» brand), 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**

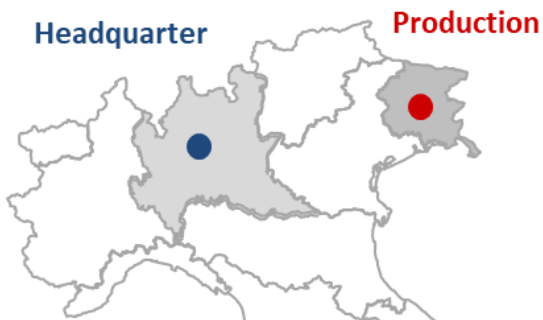


IN-HOUSE PROJECT: after completing the feasibility study, we proceed with the research for an investor who would supports the testing and clinical analysis, necessary to deposit the formulation to the competent authority. **At the end of the process, Friulchem's proprietary formulation can be given in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



TEVA PHARMACEUTICALS LTD

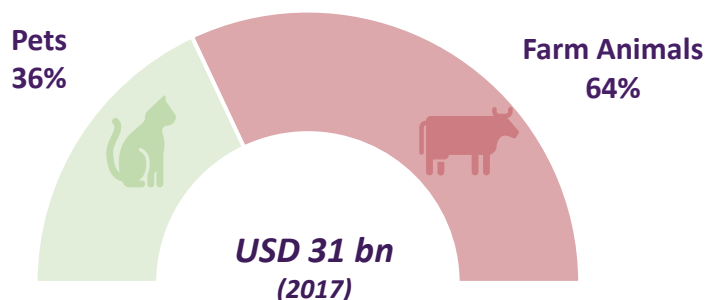


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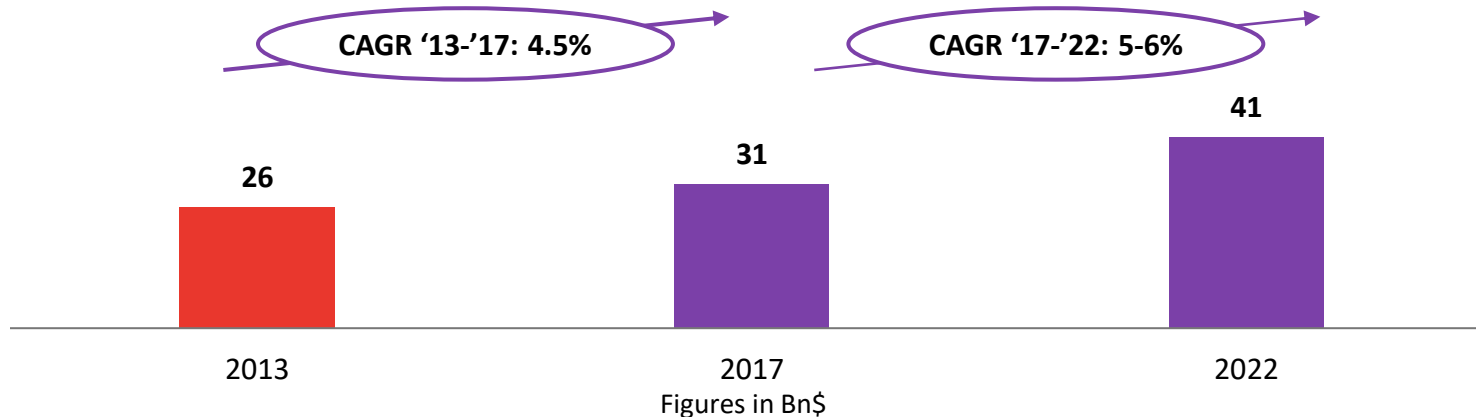
Vet Market Breakdown



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.

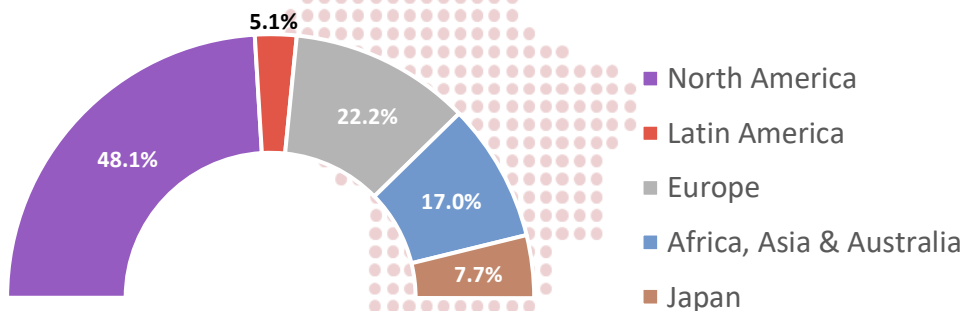
The market for animal antibiotics is expected to grow with a CAGR '17-'22 of 5%-6%



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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Achievements first months 2020



January 17th 2020, the Company obtained the registration of a veterinary supplement formulated by Friulchem and produced at its Vivaro factory has been obtained from the Ministry of Agriculture of the People's **Republic of China**. **FC-REHYDRATANT** is an effervescent probiotic in powder form, easily dissolved in water, used in the rehydration of production livestock.

February 19th 2020 - Friulchem obtained authorization for the marketing of two products: in **Vietnam**, for an oral antidiabetic agent, distributed by a leading company in the supply of "generics" of European import; in **Switzerland**, for an antibiotic to treat acute uncomplicated lower urinary tract infections, marketed by a major multinational active in all major European countries. The agreements, have both a 5 years duration.

March 11th 2020, Friulchem grows in the USA, and it continues on its path of internationalization with the acquisition of 13% of **Pharmabbie inc, an American company** specialized in the development of veterinary drugs to be administered with Friulchem's fc-cube® technology, through the reserved capital increase of \$ 1.92 per share against the subscription of 781,250 shares for a total transaction value of \$ 1.5 million. The operation saw the use of part of the proceeds collected during the IPO.

Friulchem **i)** will obtain the financial benefits directly linked to the its participation in shareholders capital of Pharmabbie Inc; **ii)** will achieve the revenues directly connected to future sales of the products as Friulchem will be indicated in the Dossiers - to be deposited with the 'FDA - as their exclusive supplier; **iii)** will collect directly from Pharmabbie Inc. the milestones related to the development of the products as required by the license agreement currently in force and lasting 10 years from the date of marketing; **iv)** will have access to any documentation created during the product registration process which will facilitate any other product registration in areas other than those licensed to Pharmabbie Inc. Finally, the approval of the products listed above will validate the FC- technology. CUBE® owned by Friulchem.



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.



September 23, 2019 - Friulchem has introduced **Suppleo**, the new complementary feed line for dogs and cats, based on the Italian **FC-CUBE® technology patented by Friulchem**, which will be on sale starting next November and exclusively through the online channel www.suppleo.life and Amazon.

September 27, 2019 - Friulchem establishes Friulchem USA Inc. for the marketing and distribution of feed supplements or non-pharmaceutical products for the North American veterinary sector. The share capital of Friulchem USA Inc., consisting of 1,500 shares worth \$ 0.01 and registered in Delaware, was 67% subscribed by Friulchem S.p.A. and 33% by Serge Martinod, an important and recognized personality in the US veterinary world who will fill the role of manager within Friulchem USA Inc.

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.

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%.



November 28, 2019 - As part of a framework resolution pursuant to art. 10 of the Procedure for transactions with Related Parties, Friulchem has signed a framework contract between the Company and Evultis S.A. ("Evultis"), concerning the supply by Evultis - historical supplier of raw materials of the Issuer - of certain active and intermediate ingredients, for a maximum total consideration on an annual basis of Euro 1,500,000.00 (over VAT) and for a maximum number of orders within 12 months equal to 50 (the "Operation").

December 6, 2019 - Friulchem has obtained, since November 1, 2019, the first patent for the "FC-Balls" technology, valid in France, and soon extended to other European and non-European countries.
"FC-Balls" - an innovative technology based on electrically charged "microspheres" containing the active ingredient, the natural product or the complementary feed - is to be used by means of a spray directly on the fur of the animals, or in water in the case of aquaculture. It is precisely this electric charge that allows the "microspheres" to adhere to the surface with the opposite charge, avoiding their dispersion in the environment.

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

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Friulchem S.p.A.			
INCOME STATEMENT	31.12.2018	31.12.2019	Change %
€/000			
<i>Business Unit Vet</i>	11.659	11.946	2,5%
<i>Business Unit Human</i>	4.436	3.696	-16,7%
Revenues from sales and services	16.095	15.642	-2,8%
Other characteristic revenues	76	62	-17,8%
Change in inventories of work in progress, semi-finished and finished products	565	(350)	-161,9%
Increase in fixed assets for internal works	249	298	19,5%
Other revenues	117	47	
PRODUCTION VALUE	17.102	15.699	-8,2%
Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products	(10.313)	(8.833)	-14,4%
Costs for services	(2.963)	(3.384)	14,2%
Costs for use of third-party assets	(122)	(114)	-6,5%
Personnel costs	(1.556)	(1.696)	9,0%
Other charges	(527)	(336)	-36,2%
PRODUCTION COSTS	15.482	14.363	-7,2%
EBITDA	1.620	1.336	-17,5%
<i>EBITDA Margin (%)</i>	9,5%	8,5%	-10,2%
Immaterial amortization	(479)	(553)	15,3%
Material depreciation	(421)	(424)	0,5%
Write-downs of fixed assets and receivables	(71)	(17)	-76,0%
EBIT	648	343	-47,1%
<i>EBIT Margin (%)</i>	3,8%	2,2%	-42,4%
Financial income/(charges)	(295)	(267)	-9,6%
EBT	353	76	-78,4%
Income taxes for the year	(128)	(13)	-89,7%
Profit (loss)	225	63	-72,0%

The value of production at December 31, 2019 amounts to approximately € 16.0 million compared to approximately € 17.0 million at December 31, 2018. The 5.6% decrease is entirely attributable to the Human BU. In particular:

- Veterinary BU reported revenues of € 12.3 million compared to € 11.7 million in 2018 with an increase of approximately 2.5%;
- Human BU reported a turnover of € 3.7 million compared to € 4.4 million in 2018, showing a decrease of approximately 16.7%, mainly attributable to the decrease in the milestones collected during the year and the postponement to 2019 of part revenues relating to the milestones of a pharmaceutical dossier.

EBITDA at 31 December 2019 amounted to € 1.3 million (equal to € 1.6 million in 2018), with an **EBITDA Margin** of 8.5%.

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

The **Net Profit** for the year was € 0.06 million (equal to € 0.2 million at December 31, 2018).

Income Statement FY 2019: Details

Friulchem S.p.A.		
EBITDA ADJUSTED	31.12.2018	31.12.2019
€/000		
EBITDA	1.620	1.336
Margin (%) on Production Value	9,5%	8,3%
Net income/(expenses) relating to previous years	218	0
Tax credit not yet approved	0	340
EBITDA Adjusted	1.839	1.677
Margin (%) on Production Value	10,8%	10,5%

Taking into account the positive impact of the proceeds from the Tax Credit for IPO charges, equal to € 340.5 thousand, the **Adjusted EBITDA** for the year 2019 is equal to € 1.7 million, and the **Adj EBITDA Margin 10.5%**

At 31 December 2018, considering € 0.2 million of extraordinary income relating to previous years recorded in 2018, Adjusted EBITDA stood at € 1.8 million

Adjusted EBIT is € 0.7 million (corresponding to an EBIT Margin of approximately 4.3%), an **improvement of approximately 5.4%** compared to 2018.

Adjusted operating profit for the year was € 0.4 million (€ 0.2 million at December 31, 2018), an **improvement of approximately 79%** compared to 2018.

Friulchem S.p.A.			
STATO PATRIMONIALE (Dati in Euro/000)	31.12.2018	31.12.2019	31.12.2019 vs 31.12.2018
Inventories	2,357	1,736	(621)
Trade receivables	3,250	3,465	215
Trade payables	(4,129)	(4,334)	(205)
Deposits	(28)	(28)	(0)
COMMERCIAL WORKING CAPITAL	1,449	838	(611)
Other receivables and non-fixed assets	216	593	377
Other debts	(632)	(562)	71
Prepayments and accrued income	29	21	(7)
Prepayments and accrued expenses	0	(12)	(12)
NET WORKING CAPITAL	1,062	880	(182)
Intangible assets	6,545	7,740	1,195
Tangible fixed assets	2,124	1,908	(216)
Financial fixed assets	6	21	15
NET FIXED ASSETS	8,675	9,670	995
GROSS INVESTED CAPITAL	9,737	10,549	813
Employee termination indemnity	(530)	(581)	(51)
Risks and Charges Fund	(392)	(392)	(0)
NET INVESTED CAPITAL	8,814	9,576	762
Financial debts to banks s.t.	1,987	1,629	(359)
Financial debts to banks and other s./m.t.	2,121	1,816	(305)
Short term debts to other financing creditors s.t.	223	112	(111)
Total Financial Debts	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
Profit (loss) of the period	225	63	(162)
EQUITY	6,161	10,724	4,563
TOTAL SOURCES	8,814	9,576	762

Net fixed assets increased in 2019 by an amount of approximately € 1.0 million mainly due to the capitalization (i) of the research and development costs of Dossier; (ii) expenses relating to the AIM Listing process, for license costs and implementation of the new management software.

The decrease in **inventories** in 2019 for an amount of approximately € 0.6 million is linked to the sale of some products of the Human BU (mainly Acarbose and Iloprost) recorded in the Company's inventories at December 3, 2018 due to the delay in the related sale to crotch between the two exercises.

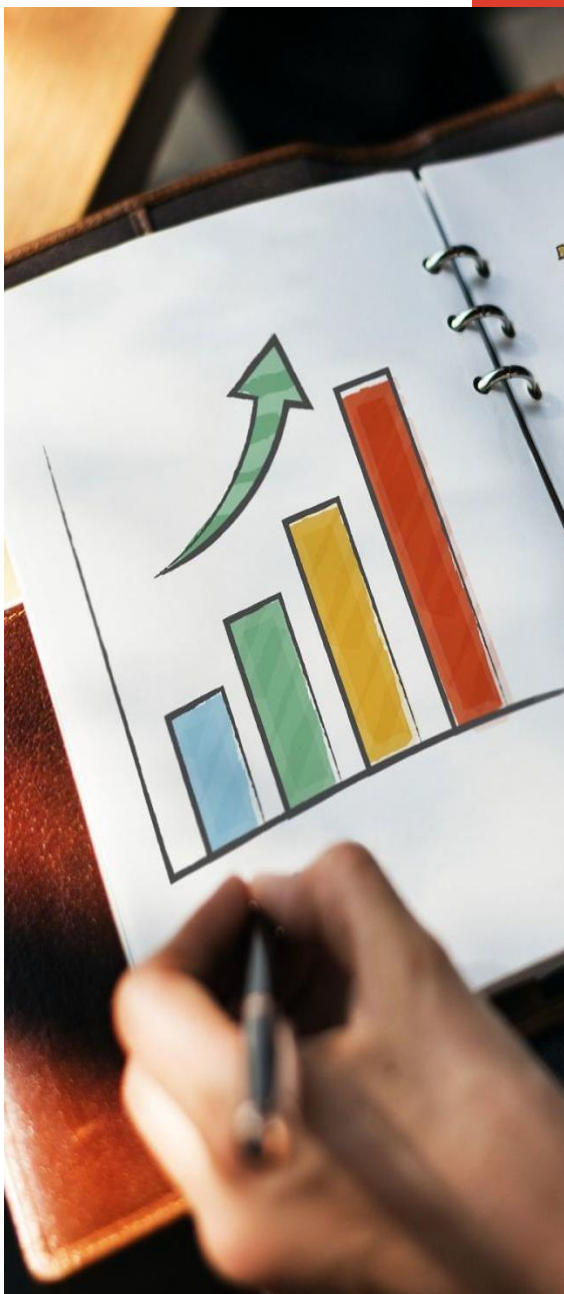
Shareholders' equity recorded an increase of approximately € 5.0 million in 2019 mainly relating to the resources raised during the IPO.

The net financial position at December 31, 2019 is cash positive for € 1.1 million compared to a negative financial position of € 2.7 million at December 31, 2018, thanks to the resources collected with the listing operation.

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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.

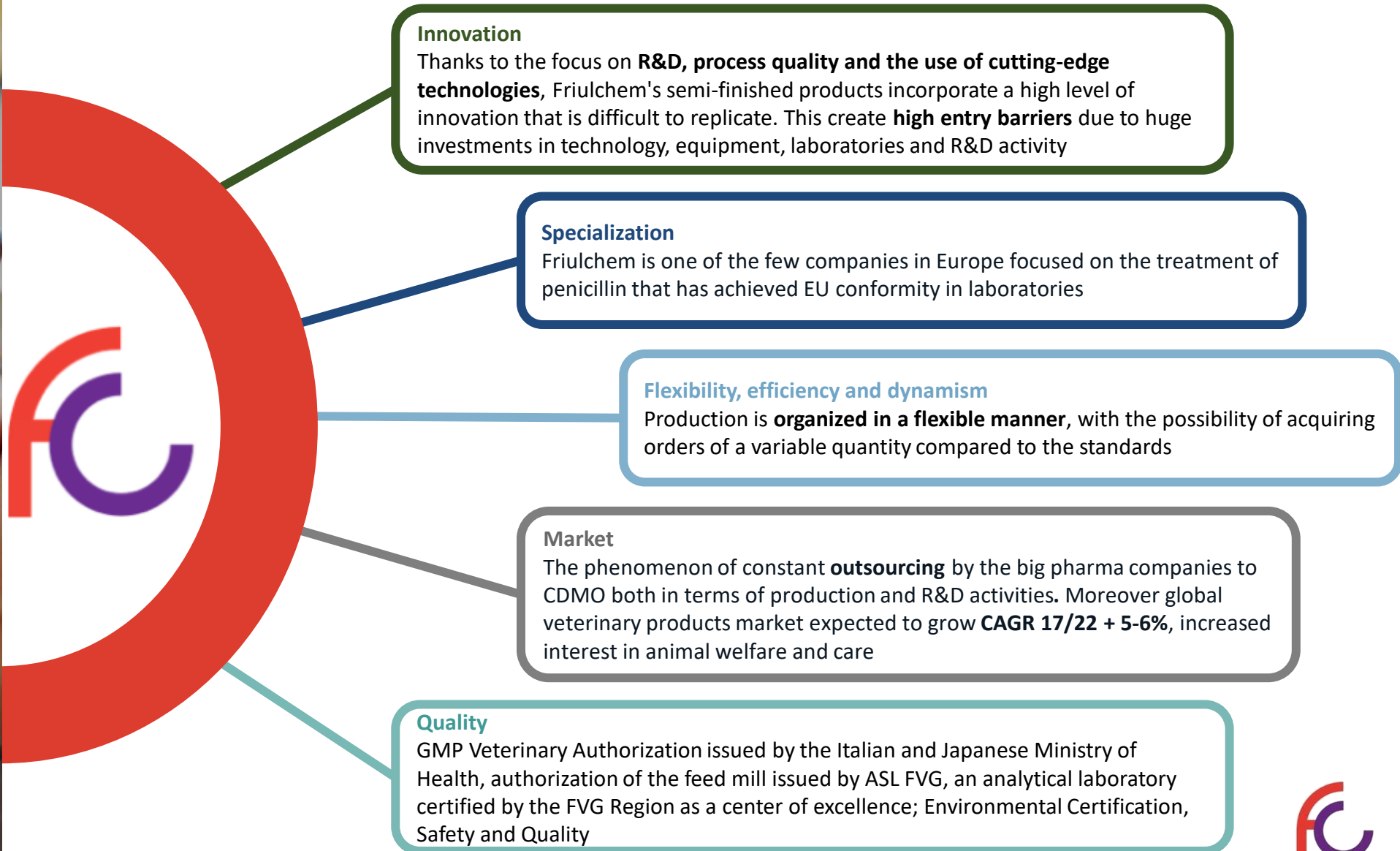
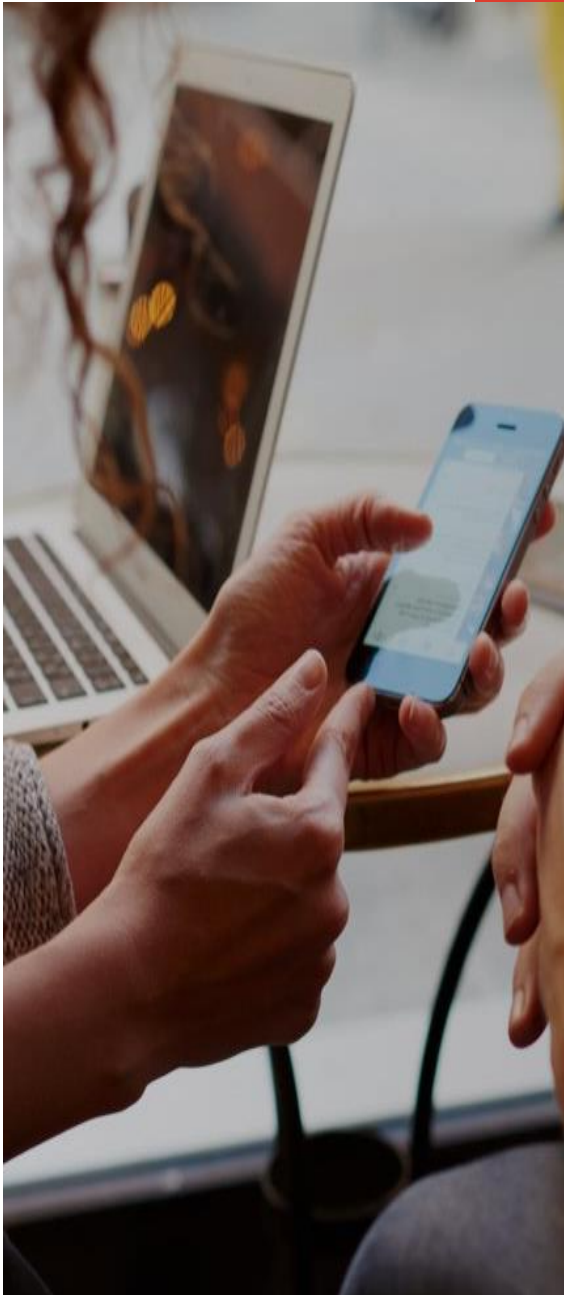
EXTERNAL GROWTH

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.

Investments Highlights

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Contacts



Today Speakers



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