

Investor Presentation

NEXT GEMs Conference 2020

November 4, 2020

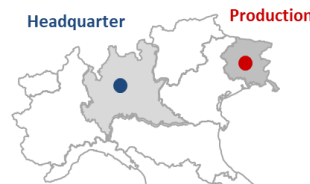


- **Company Overview**
- Market
- Achievements 1H2020
- Strategic Guidelines
- Financials 1H2020
- Appendix



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 (**BU VET**) and in the development of dossiers for generic drugs in the Human sector (**BU Human**).

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.



1H2020 FINANCIAL HIGHLIGHTS

Revenues
€7.5 million

Human €4.1 million
Vet €3.4 million

EBITDA
€0.03 million

EDBITDA
Margin
0.3%

NFP
€1.4 million

MAIN CLIENTS



Over the years, FC has increased its field of action by **developing a BU 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.

Plant (Vivaro) dedicated to the **production** of finished end semi-finished: **nutraceuticals** and **pharmaceutical** products (granules or powders) through the following production technologies:

- **Granulation:** A shield to guarantee the stability of the actives in stressed conditions
- **Micronization:** Micro means 100% bioavailability of the Actives in different finished product
- **Atomization:** The best process to obtain a soluble product

NUTRACEUTICALS

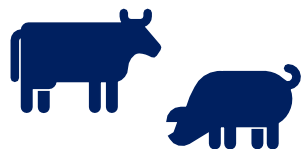
- Vitamins
- Minerals
- Probiotics

PHARMACEUTICAL

- Antibiotics
- Penicillins

End-products: 1) premix (granules sent to the client in bulk for refilling or further processing on-site), 2) soluble, 3) injectable

DEDICATED TO FARM ANIMALS



Plant dedicated to development and production as the result of previous **investments in R&D** specific systems (**FC-CUBES®** and **FC-BALLS®**) for the administration of drugs and products/supplements both for the health of **farm animals** and **pets**.

FC-BALLS® TECHNOLOGY

Applicable to all finished products using water as the excipient, diluent or carrier. Allows the distribution of active ingredients, although insoluble, in all concentrations:

- In the drinking water
- In the pour on formulations, avoiding leaching by rain
- Preparation of shampoos, lotions and similar
- Environmental protection

DEDICATED TO FARM ANIMALS & PETS



FC-CUBES® TECHNOLOGY

Developed a different manufacturing method to reach a chewable matrix with all the benefits presented for the drugs. Due to the high palatability showed FC-CUBES® could be used to prepare formulations that include:

- pharmaceutical ingredients: Antibiotics, Antiparasitic, Insecticide, Anti-inflammatory, Nutraceutical products: Additives, Vitamins, Minerals

DEDICATED TO PETS





Launched the new line of complementary feeds for dogs and cats, based on the Italian technology FC-CUBE® patented by Friulchem.

Suppleo comes in the form of highly palatable tablets formulated to preserve the organoleptic properties of the 100% natural ingredients. Each product of the Suppleo line is the result of specific research and constitutes a concentrated source of nutrients to support the good health of dogs and cats. Suppleo will initially include a line of products useful for strengthening the immune defenses, for hair and skin care, for the management of joint and muscle problems, for the improvement of difficulties related to digestion and for the management of stressful situations. Afterwards, products for dental hygiene, urinary tract, memory, sight and bones will be added.

The new Suppleo line will be on sale from November and exclusively through the online channel www.suppleo.life and Amazon.

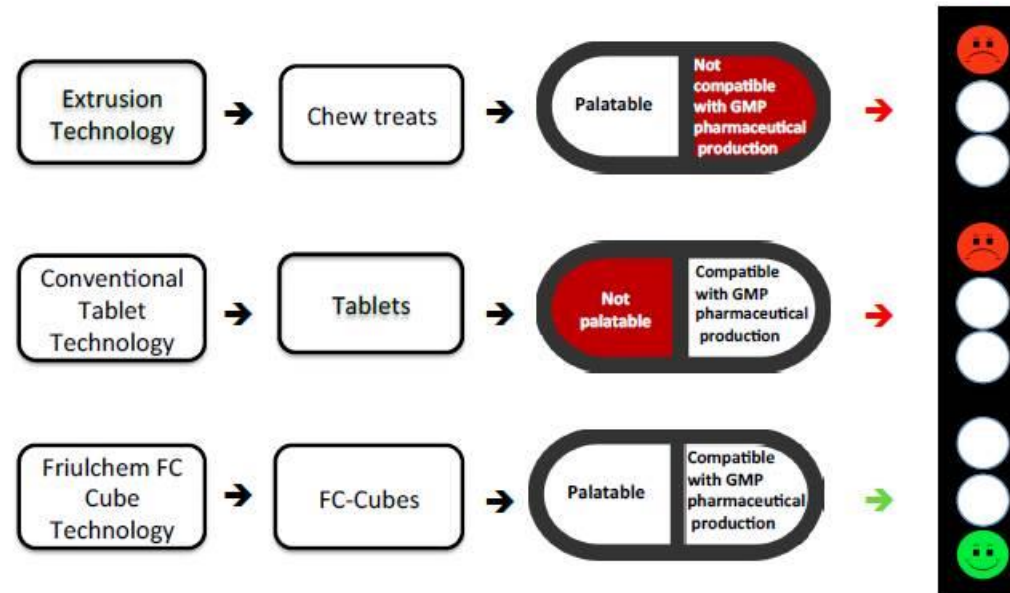
Friulchem has grown in the VET Market USA, thanks to the acquisition of 13% of **Pharmabbie inc**, an **American company** specialized in the development of veterinary drugs. Through Pharmabbie Friulchem will be able to validate the the **FC- technology. CUBE®** owned by Friulchem.

Pharmabbie Inc., with registered office in Delaware, was incorporated with the mission to develop drugs for the US veterinary market, and the international market, to be distributed through Friulchem S.p.A.'s FC-CUBE® technology.

Solving a major technical issue: palatability vs. pharmaceutical production

The solid oral dosage forms currently on the market are not convenient for dogs or cats neither for dosage strength nor palatability. In collaboration with Friulchem SpA, PharmAbbie has developed proprietary dosage strength, palatable, flavored compressed tablets.

PharmAbbie Inc.





- 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.

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.**

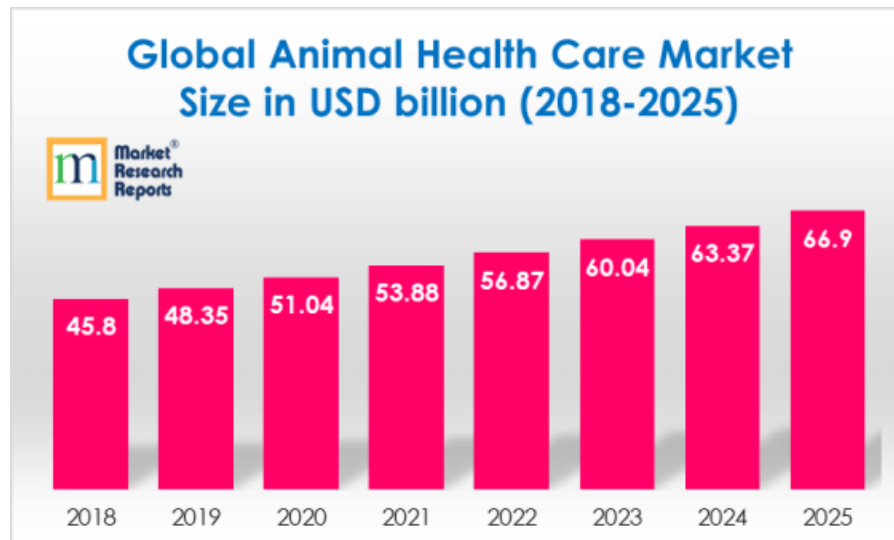
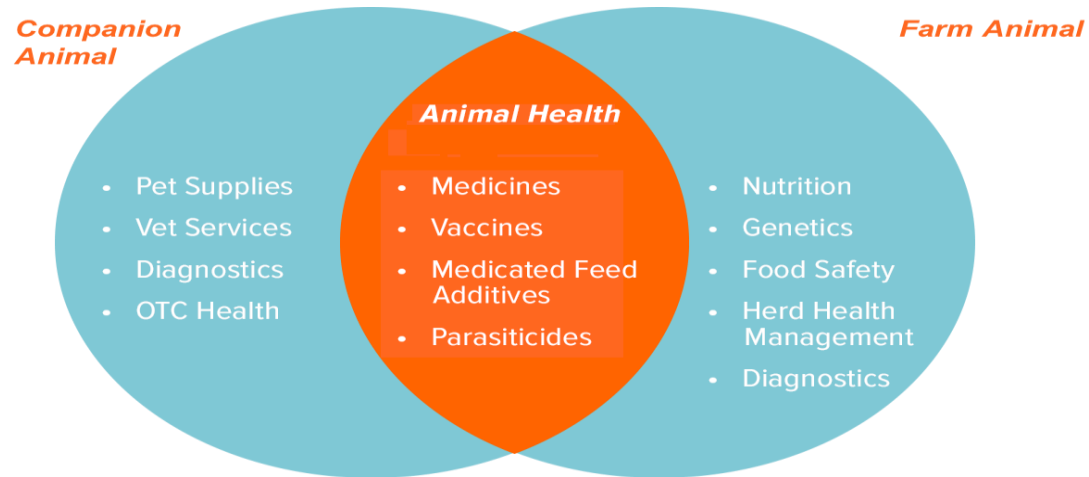
PROJECT FOR THE CLIENT

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.**

- Company Overview
- **Market**
- Achievements 1H2020
- Strategic Guidelines
- Financials 1H2020
- Appendix



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.

GLOBAL PHARMACEUTICAL MARKET 2019*

The global pharmaceutical market reached a turnover of **€ 750 bn**. **North America (USA & Canada)** is confirmed as the leading market with a share of business volume of approx. **45.3%**. **Global pharma market is expected to be worth USD 1.57 trillion by 2023.**



* Source: <https://www.marketresearchreports.com/>

GLOBAL MARKET FOR GENERIC DRUGS**

Another reference market for the Company is the generic drugs market, 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 2014-2019 at a **CAGR of 5.7%**, reaching an amount of approx. **367 bn \$** in 2019
- ✓ The market is anticipated to reach a value of **497 bn \$ Billion by 2025**, growing at a **CAGR of 5.2%** during 2020-2025
- ✓ 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: <https://www.medgadget.com/>

- Company Overview
- Market
- **Achievements 1H2020**
- Strategic Guidelines
- Financials 1H2020
- Appendix





January 17, 2020 - Friulchem obtained the registration of a veterinary supplement formulated by itself 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.

FC-REHYDRATANT is an effervescent probiotic in powder form, easily dissolved in water, used in the rehydration of production livestock.



February 19, 2020 - Friulchem obtained the **marketing authorisation for two products**: i) 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; ii) 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.

The marketing was entrusted to leading companies in "generic" drug distribution and the launch and distribution will be carried out in both countries in the first half of 2020.



March 11, 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-CUBES® 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.

Through this transaction, 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.

Pharmabbie Inc., with registered office in Delaware, was incorporated with the mission to develop drugs for the US veterinary market, and the international market, to be distributed through Friulchem S.p.A.'s FC-CUBE® technology.

The drugs are targeted at the Pet market and are based on already existing formulations for humans, so as to reduce the technical risks and costs associated to developing them.



April 2, 2020 - Friulchem S.p.A. has strengthened the collaboration relationship with one of the largest multinationals in the veterinary sector for the marketing in Brazil, Chile and Colombia of a rehydrating complementary feed with a high electrolyte content. In particular, the agreement provides that the multinational will deal with the marketing and distribution of the same product also in Brazil already in the first half of 2020 and Chile and Colombia in 2020, as well as in European countries.



April 30, 2020 - The Board of Directors of Friulchem S.p.A. adopted a further framework resolution - compared to those already adopted on November 28, 2019 and February 25, 2020 - pursuant to art. 10 of the current procedure for transactions with related parties of the Company, and approved, as part of the framework resolution, the signing of a framework contract between the Company and Evultis S.A. ("Evultis"), concerning the supply to the Issuer, by Evultis - historical supplier of raw materials to the Issuer - of certain active and intermediate ingredients, for a maximum total amount on an annual basis of Euro 5,000,000 , 00 (plus VAT) and for a maximum number of orders, over a 12-month period, equal to 100 (the "Transaction").



July 6, 2020 - Friulchem S.p.A. has received the authorization for a new patent filed in France, concerning chewable tablets, and will soon be extended to other European and non-European countries.

The patent is an extension of the FC-CUBES® technology and is dedicated to probiotics useful for ensuring the normal well-being of the intestine and the microbial balance of animals. The formulation proposed by Friulchem has shown that it reflects all the criteria necessary for their conservation, confirming the constant commitment of the Company in the research and development of solutions capable of responding to market needs.

September 9, 2020 - Friulchem S.p.A. has entered into a licensing and marketing agreement with Apta Medica Internacional d.o.o., an important company operating in the Balkans and Eastern Europe, for an injectable antibiotic for human use for the treatment of skin and soft tissues. The countries where the drug will be marketed are: Slovenia, Austria, Croatia, Hungary, Slovakia, Czech Republic, Poland, Romania, Bulgaria, Cyprus, Malta, Bosnia and Serbia. The agreement, lasting 5 years, concerns the license of the registration dossier and will allow the partner company to market the product on the basis of the dossier developed by Friulchem.

- Company Overview
- Market
- Achievements 1H2020
- **Strategic Guidelines**
- Financials 1H2020
- Appendix



ORGANIC GROWTH



BU VET

Significant growth



Geographic expansion

- USA
- South America
- South East Asia
- Australia & New Zealand

Development of new drug delivery technologies



BU HUMAN

Consolidation of the existing market and increasing market share in new markets



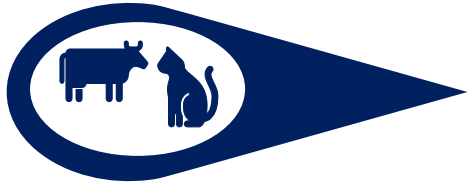
Carry out in an opportunistic way to maximize the existing investments

EXTERNAL GROWTH

Growth by external lines
M&A - Vertical integration

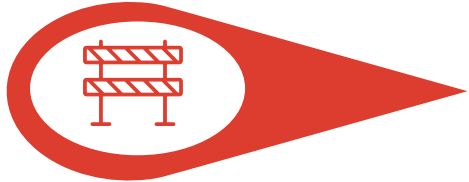


Acquisitions of synergic realities in Italy and abroad that can allow downstream integration (towards the finished product), expand of the range of molecules and the number of customers.

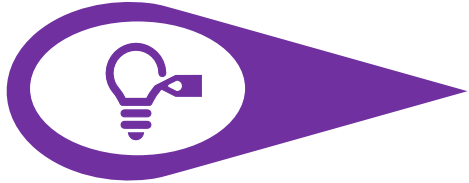


Global vet market size:

- fast growing **Pet economy**
- **Farm animals** market needs continuous and daily care



Market with **high entry barriers** due to huge investments in technology, equipment, laboratories and R&D activity

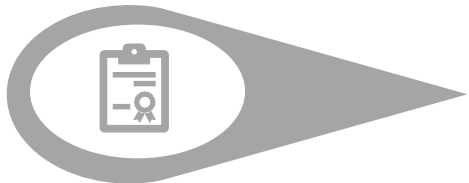


Friulchem R&D, process quality and the use of cutting-edge technologies

Friulchem's semi-finished products incorporate a **high level of innovation** that is difficult to replicate



Friulchem is one of the few companies in Europe **focused on the treatment of penicillin** for animal health in a dedicated manufacturing area.



Ability to **offer tailor made solutions**. Important attitude to gain the **customers loyalty** and to be considered a **reliable partner**



Management important track record from about 30 year

- Company Overview
- Market
- Achievements 1H2020
- Strategic Guidelines
- **Financials 1H2020**
- Appendix



Income Statement 1H 2020

(€/000)	1H2019	1H2020
<i>Business Unit Vet</i>	5,575	3,378
<i>Business Unit Human</i>	1,520	4,084
Revenues from sales and services	7,095	7,462
Other characteristic revenues	215	106
Change in inventories of work in progress, semi-finished and finished products	(362)	623
Increase in fixed assets for internal works	124	171
Other revenues	20	151
PRODUCTION VALUE	7,093	8,513
Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products	(3,966)	(6,263)
Of which change in raw materials	128	323
Costs for services	(1,383)	(1,199)
Costs for use of third-party assets	(70)	(73)
Personnel costs	(786)	(905)
Other charges	(194)	(45)
PRODUCTION COSTS	(6,399)	(8,486)
EBITDA	694	28
<i>VDP Margin (%)</i>	<i>9.8%</i>	<i>0.3%</i>
Immaterial amortization	(206)	(246)
Material depreciation	(207)	(186)
Write-downs of fixed assets and receivables	0	0
EBIT	281	(404)
<i>VDP Margin (%)</i>	<i>4.0%</i>	<i>-4.7%</i>
Financial income/(charges)	(142)	(36)
EBT	139	(440)
Income taxes for the year	(64)	0
Profit (loss)	75	(440)

Net Revenues at 30 June 2020 amounts to approximately € 7.5 million compared to approximately € 7.1 million at 30 June 2019 with an increase of 5.17% due to the contribution of the Human BU which recorded an increase of € 2,6 million partially offset by the decrease in the turnover of the Veterinary BU equal to € 2.2 million. In particular:

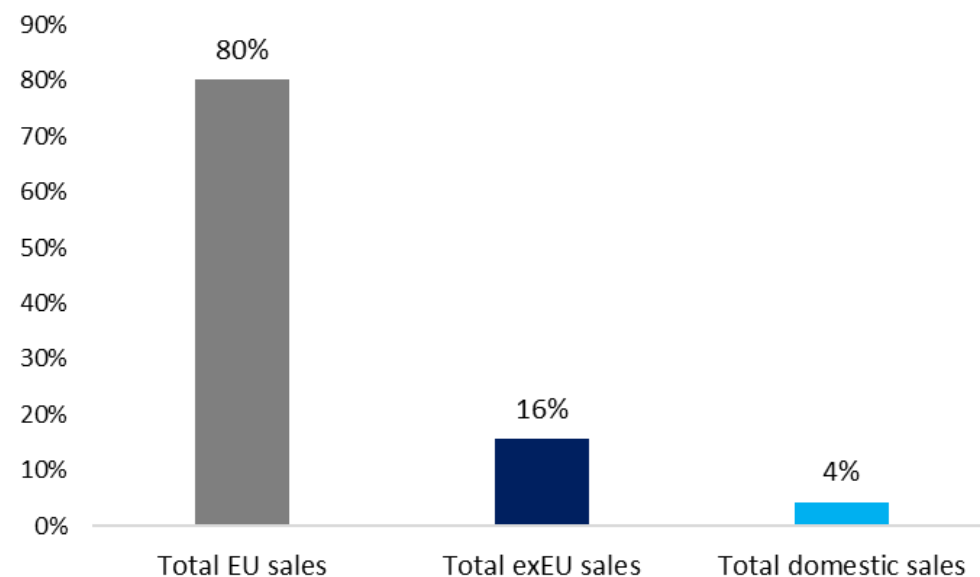
- **Veterinary BU:** the decrease of approximately € 2.2 million is mainly due to factors related to the COVID-19 health emergency: for approximately € 0.4 million for non-processing of veterinary pharmaceutical products at the Vivaro plant for the English business partner due to delays in deliveries of its active ingredients; for an additional € 0.5 million for the failure to invoice veterinary products to European partners due to the closures of their warehouses and delays in transport
- **Human BU:** the increase in sales of € 2.6 million is due for approximately € 1.1 million to the Fosfomicina product, and by higher revenues from sales of the new Prednisolone product for approximately € 1.7 million partially balanced for approximately € 0 , 2 million, for delays in the delivery of subcontractor accounts due to COVID-19.

The value of production at 30 June 2020 amounts to € 8.5 million compared to € 7.1 million at 30 June 2019.

EBITDA at 30 June 2020 amounts to € 0.03 million, with an **EBITDA Margin** of 0.3%.

Income 1H 2020: Breakdown by BU & Geographic

(€/000)	1H2020
Vet products	2,846
Trading	354
Milestones Vet	178
Business Unit Vet	3,378
(€/000)	1H2020
Human products	2,192
Trading	1,892
Milestones Vet	-
Business Unit Human	4,084
Total Revenues	7,462



Balance Sheet 1H 2020

(€/000)	FY2019	1H2020
Inventories	1,736	2,681
Trade receivables	3,465	3,462
Trade payables	(4,334)	(4,560)
Deposits	(28)	(28)
COMMERCIAL WORKING CAPITAL	838	1,555
Other receivables and non-fixed assets	593	1,006
Other debts	(561)	(637)
Prepayments and accrued income	21	34
Prepayments and accrued expenses	(12)	(479)
NET WORKING CAPITAL	880	1,480
Intangible assets	7,740	8,049
Tangible fixed assets	1,908	1,782
Financial fixed assets	21	1,422
NET FIXED ASSETS	9,670	11,253
GROSS INVESTED CAPITAL	10,549	12,732
Employee termination indemnity	(581)	(611)
Risks and Charges Fund	(392)	(392)
NET INVESTED CAPITAL	9,576	11,729
Short term debts to banks	1,629	1,434
Financial debts to banks and other m/l financing creditors	1,816	2,542
Short term debts to other financing creditors	112	0
Total Financial Debts	3,557	3,977
Cash and cash equivalents	(4,705)	(2,531)
NET FINANCIAL POSITION	(1,148)	1,446
Share Capital	6,000	6,000
Reserves	4,661	4,724
Profit (loss) of the period	63	(440)
EQUITY	10,724	10,283
TOTAL SOURCES	9,576	11,729

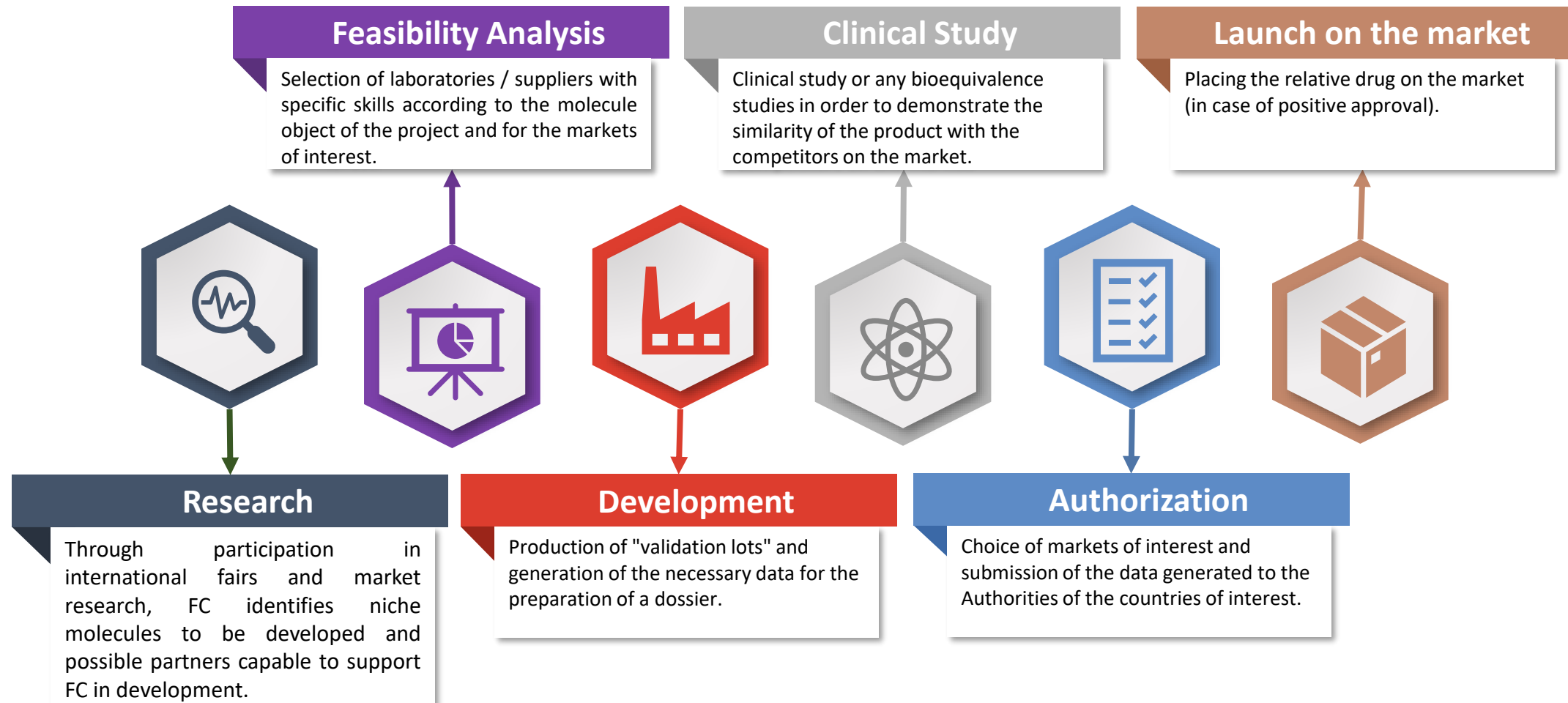
Net working capital of € 1.5 million shows a difference of approximately € 0.6 million mainly due to the increase in inventories for the same amount, as the company has decided to increase stocks of raw materials due to problems of supply due to COVID-19.

In **Fixed Assets**, the most significant difference is attributable to financial fixed assets, which include the new Friulchem stake equal to 13% in the share capital of the American company Pharmabbie for a value of USD \$ 1,500,000.

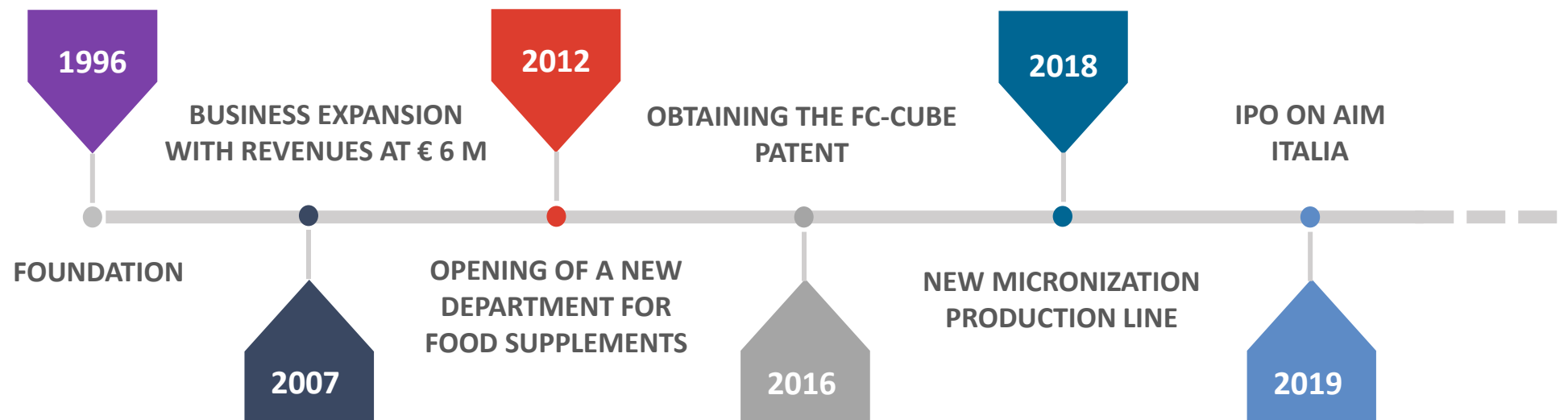
The **Net Financial Position** of € 1.1 million compared to a positive net financial position of € 1.4 million at 31 December 2019 shows an increase of € 2.6 million mainly due to the disbursement of \$ 1.5 million 'purchase of Pharmabbie shares, and approximately € 0.7 million for disbursements to commercial suppliers for the increase in inventory. Long-term debt increased by approximately € 0.8 million due to the taking out of a new loan in the half year with Intesa Sanpaolo bank using the concessions for COVID-19..

- Company Overview
- Market
- Achievements 1H2020
- Strategic Guidelines
- Financials 1H2020
- **Appendix**





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.



TOP MANAGEMENT



Disma Giovanni Mazzola
CEO

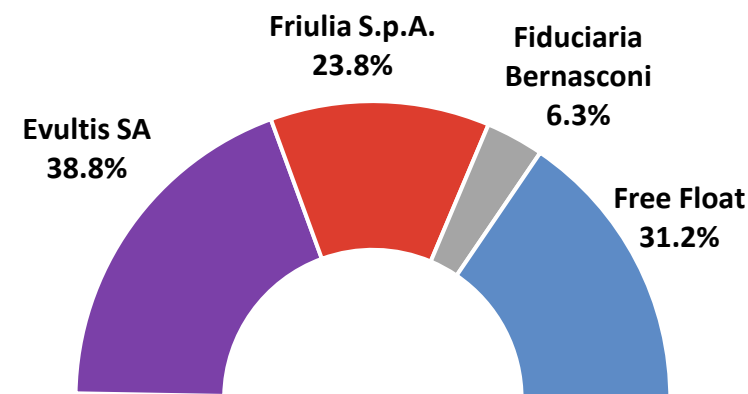


Alessandro Mazzola
Chairman



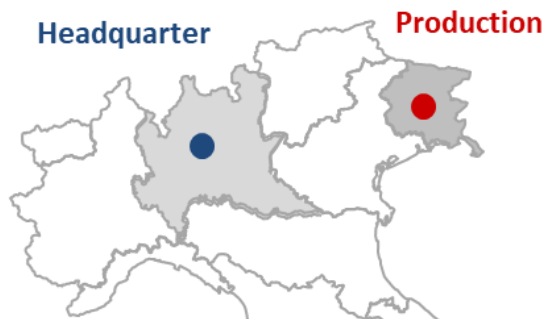
Carlo Marelli
CFO

SHAREHOLDERS



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



Today Speakers



CEO & Investor Relations
Friulchem S.p.A.
Disma Giovanni Mazzola



CFO
Friulchem S.p.A.
Carlo Marelli

Follow us:



Investor e Media Relations Consultant:

CDR Communication

Silvia di Rosa

silvia.dirosa@cdr-communication.it

Claudia Gabriella Messina

claudia.messina@cdr-communication.it

Marianna Tremolada

marianna.Tremolada@cdr-communication.it



This document has been prepared by Friulchem S.p.A. (the "Company") for use during meetings with investors and financial analysts and is solely for information purposes. The information set out herein has not been verified by an independent audit company.

Neither the Company nor any of its subsidiaries, affiliates, branches, representative offices (the "Group"), as well as any of their directors, officers, employees, advisers or agents (the "Group Representatives") accepts any responsibility for/or makes any representation or warranty, express or implied, as to the accuracy, timeliness or completeness of the information set out herein or any other related information regarding the Group, whether written, oral or in visual or electronic form, transmitted or made available.

This document may contain forward-looking statements about the Company and/or the Group based on current expectations and opinions developed by the Company, as well as based on current plans, estimates, projections and projects of the Group. These forward-looking statements are subject to significant risks and uncertainties (many of which are outside the control of the Company and/or the Group) which could cause a material difference between forward-looking information and actual future results.

The information set out in this document is provided as of the date indicated herein. Except as required by applicable laws and regulations, the Company assumes no obligation to provide updates of any of the aforesaid forward-looking statements.

Under no circumstances shall the Group and/or any of the Group Representatives be held liable (for negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise in connection with the document or the aforesaid forward-looking statements.

This document does not constitute an offer to sell or a solicitation to buy or subscribe to Company shares and neither this entire document or a portion of it may constitute a recommendation to effect any transaction or to conclude any legal act of any kind whatsoever.

This document may not be reproduced or distributed, in whole or in part, by any person other than the Company.

By viewing and/or accepting a copy of this document, you agree to be bound by the foregoing limitations.