



PRESS RELEASE

PIERREL S.P.A.

THE BOARD APPROVES THE INTERIM FINANCIAL REPORT OF THE PIERREL GROUP AT 30 JUNE 2022

- **Consolidated results at 30 June 2022:**

- **Revenues of about € 10.8 million** (in line with 30 June 2021).
- **EBITDA positive for about € 1.0 million**, showing a decrease compared to 30 June 2021, when it was positive for about € 1.9 million.
- **EBIT positive for about € 0.1 million**, showing a marked decrease compared to 30 June 2021, when it was positive for about € 1.1 million.
- **Consolidated net loss of about € 0.5 million**, in contrast to the trend of 30 June 2021, when the Pierrel Group recorded a consolidated net profit of about € 0.7 million.
- **Consolidated net financial debt of about € 16.5 million** (showing a worsening of some 25% compared to 31 December 2021, when it was about € 13.2 million).

- **The main economic and financial objectives for 2022 have been confirmed**

Capua (CE), 4 August 2022 – The Board of Directors of Pierrel S.p.A. ("**Pierrel**" or the "**Company**"), a global provider of services for the pharmaceutical industry whose shares are listed on the Euronext Milan organized and managed by Borsa Italiana S.p.A., (Ticker: PRL) examined and approved today the half-yearly financial report at 30 June 2022 of the group headed by Pierrel (the "**Pierrel Group**" or the "**Group**") which includes, in addition to the Company, also the 100% subsidiary Pierrel Pharma S.r.l. with sole shareholder ("**Pierrel Pharma**").

"The results achieved by the Pierrel Group at 30 June 2022 are in line with the forecasts formulated by the Company's management when preparing the annual budget which was done taking into account the higher energy costs and the main raw materials, as well as the effects of the well-known geopolitical situation and the ongoing health emergency " stated the Chief Executive Officer of the Company Mr Fulvio Citaredo. "The results of the Group at 30 June 2022 therefore demonstrate, once again, the Group's ability to set objectives, even challenging ones, and to be able to achieve them, despite the growing difficulties. In particular, despite the first half of 2022 was exceptionally characterized by a higher incidence of the turnover of products made on CMO than the "own" brand product when compared with the same period of the previous year, Pierrel Group was able to manage the complex variables through continuous monitoring of the main company indicators, promptly adopting the necessary corrective actions. By continuing to work and plan according to this directive, I am confident that the Pierrel Group will be able to process, by the end of 2022, the large volume of orders in its portfolio for its own brand which, together with the additional orders in the pipeline, will confirm the consistent prevalence of our products on the total production amount, allowing us to reach the goals set".

Below is a brief description of the Pierrel Group's results as at 30 June 2022, which includes the condensed consolidated half-year financial statements of Pierrel as at 30 June 2022.



Consolidated results at 30 June 2022

The Pierrel Group closed the first half of 2022 with **consolidated revenues** of about € 10.8 million, in line with the plan forecasts and with the revenues recorded in the corresponding period of 2021.

At 30 June 2022 the Pierrel Group recorded a **positive consolidated EBITDA (gross operating result)** of about € 1.0 million, in line with the plan's forecasts and slightly down compared to the corresponding period of the previous year, when it was positive for about € 1.9 million. Compared to the data recorded by the Pierrel Group at 30 June 2021, against a value of revenues in line with that recorded in the same period of the previous year, the reduction in EBITDA was mainly determined by the combined effect of the following factors, already considered for the purposes of preparing the 2022 budget: (i) a significant increase in energy costs and the main raw materials; and (ii) a different mix of turnover with a higher incidence of products manufactured on behalf of third parties compared to the "own" brand product which have a higher margin for the Group.

With reference to this last point, it is recalled that the Company is carrying out an important investment plan that will lead the Pierrel Group to significantly increase the production capacity of the Capua (CE) plant. Following the completion of these interventions, scheduled for 2023, the Pierrel Group will be able to meet the growing demands of products with its own brand, instead of that in CMO, without impacting the production of its own brand products.

An analysis of the business and operating results for 2022 of the Holding and Contract Manufacturing ("CMO") Divisions, controlled by the Company, and Pharma Division, of Pierrel Pharma, is provided below.

The **Holding Division** recorded a negative EBITDA of about € 0.9 million in the first half of 2022, in line with both the plan forecasts and the data recorded by the Division in the corresponding period of the previous year.

The **CMO Division** recorded in the first half of 2022 a total turnover, gross of intercompany eliminations, of about € 10.6 million, substantially in line with the plan forecasts and increasing (approximately 47%) compared to about € 7.2 million recorded in the corresponding period of 2021.

The EBITDA recorded by the CMO Division in the first half of 2022, again gross of intercompany eliminations, was positive for about € 0.4 million, substantially in line with the plan forecasts, but increasing compared to the final figure reported by the Division in the first half year 2021, when it was equal to about € 0.3 million. The increase in the EBITDA of the CMO Division at 30 June 2022 less than proportional to the increase in turnover in the same period is a consequence of the same factors highlighted above (different mix of turnover and increase in raw material costs).

The **Pharma Division** recorded in the first half of 2022 a total turnover, gross of intercompany eliminations, of about € 7.2 million, in line with the plan forecasts and down by approximately 17% compared to the figure recorded at 30 June 2021, when it was equal to about € 8.8 million.

The EBITDA recorded by the Pharma Division in the first half of 2022, again gross of intercompany eliminations, was positive for about € 1.0 million, in line with the plan forecasts and down by about 46% compared to the final figure in the first half of 2021, when it was positive for about € 1.8 million.

The reduction in revenues and, consequently, in the profitability of the Pharma Division in the first half of 2022 compared to the corresponding period of 2021 derives from the Group's decision to increase the activities destined for production on behalf of third parties compared to the sales of the branded articaine-based dental anesthetic Orabloc®.

The **EBIT (operating result)** of the Pierrel Group at 30 June 2022 was **positive for about € 0.1 million**, after depreciation of about € 0.9 million, a significant decrease compared to the corresponding figure at 30 June 2021, when it was positive for approximately € 1.1 million, after depreciation of about € 0.7 million. The EBIT figure at 30 June 2022 is influenced not only by the



significant reduction in margins, but also by the increase in depreciation as a result of the important investments made by the Pierrel Group during the first half of the current year in execution of the planned investment plan.

In addition, it should be noted that the Pierrel Group at 30 June 2022 recorded **net financial charges** of about € 0.6 million, an increase compared to the value recorded by the Group at 30 June 2021, when it was about € 0.3 million. This item also includes net financial charges from currency adjustments of about € 0.5 million, attributable to the debt (expressed in North American dollars) still owed by Pierrel to the American customer Dentsply International Inc. for a value at 30 June 2022 equal to, by way of interest and capital, to about € 6.0 million.

In light of all the above, at 30 June 2022 the Pierrel Group recorded a **consolidated net loss of about € 0.5 million**, in contrast to the trend at 30 June 2021, when the Pierrel Group recorded a consolidated net profit of about € 0.7 million.

The Group's **net financial debt** at 30 June 2022, which includes current financial debt of about € 2.5 million (about € 1.7 million at 31 December 2021), was about € 16.5 million, deteriorating of approximately 25% compared to 31 December 2021, when it was equal to about € 13.2 million. This increase is mainly attributable to the reduction in **consolidated liquidity** (equal, at 30 June 2022, to about € 5.4 million, a decrease compared to 31 December 2021, when it was equal to about € 7.7 million) and due to payments carried out in the first half of 2022 in execution of the planned investment plan.

At 30 June 2022 the companies of the Pierrel Group have not issued bonds.

At 30 June 2022, the Group's **overdue payables** to suppliers amounted to about € 3.2 million (about € 0.8 million at 31 December 2021), while the Group has no overdue financial, social security or tax debts, or payables past due to their employees.

During the first half of 2022 the consolidation area of the Pierrel Group did not show changes compared to 31 December 2021. However, it should be noted that, as already communicated to the market (see, among others, the press releases published by the Company in date 15 June 2022 and 25 July 2022 and available on the company's website at www.pierrelgroup.com, section News & Press / Press Releases), the Board of Directors and the Shareholders' Meetings of Pierrel and Pierrel Pharma approved the project of the merger by incorporation of Pierrel Pharma into Pierrel pursuant to the simplified procedure pursuant to art. 2505 of the Italian Civil Code. In the absence of any objections from the corporate creditors, it is believed that the relevant deed of merger can be stipulated during the last quarter of the current year.

It is noted that the Group's operations are not influenced by a significant level of seasonality.

The consolidated balance sheet, the consolidated income statement and the consolidated cash flow statement of the Pierrel Group at 30 June 2022 are shown at the end of this press release. Pursuant to the CONSOB Communication DME/9081707 of 16 September 2009 these statements are included in the Half-Year Financial Report of the Pierrel Group at 30 June 2022 and have been subject to a limited audit by the company in charge of the legal audit of Pierrel's accounts.

Please note that, as already communicated to the market (see the press release published by the Company on 4 November 2021 and available on the Company's website at www.pierrelgroup.com, section News&Press/Press Releases), with a provision issued on 3 November 2021, CONSOB revoked the obligation imposed on the Company in May 2019 to communicate to the market, on the occasion of the publication of the annual and half-yearly financial reports and interim management reports, certain additional information relating to the Company and the Pierrel Group. Therefore,



unlike what happened in previous years, additional information previously requested in relation to the following are omitted in this press release: (a) the financial position of the Company and the Pierrel Group; (b) the overdue debt positions of the Company and the Pierrel Group; and (c) the main changes that occurred during the period in relations with related parties of the Company and the Pierrel Group.

Results of Pierrel at 30 June 2022

At 30 June 2022 **Pierrel** recorded revenues of about € 10.8 million, an increase of approximately 49% compared to the value of the revenues achieved by the Company in the corresponding period of 2021, when they were equal to about € 7.2 million, and a negative **EBITDA** of about € 0.1 million, an improvement compared to 30 June 2021, when it was negative for about € 0.3 million.

In the first half of 2022, the increase in the Company's turnover compared to the corresponding period of 2021 (due, as previously reported in this press release, to the increase in sales to third-party customers), is not reflected proportionally on the figure for EBITDA achieved by the Company in the same period due, on the one hand, to the reduction in sales to the subsidiary Pierrel (which have a higher margin) and, on the other, to the increase in raw material costs, including the electric energy.

At 30 June 2022, the Company recorded a **net loss of about € 1.4 million**, after having recognized depreciation of about € 0.8 million and net financial charges of about € 0.6 million, a worsening compared to the net loss equal to about € 1.1 million recorded by the Company at 30 June 2022, after having recognized depreciation of about € 0.7 million and net financial charges of about € 0.3 million. The worsening of the result at 30 June 2022 compared to that recorded in the first half of 2021 despite the improvement in EBITDA revenues is exclusively attributable to the increase of about € 0.5 million in net financial charges from currency adjustments attributable to the debt accrued by Pierrel to Dentsply International Inc. (for further information, please refer to the contents of this press release commenting on the results achieved at the consolidated level).

The **net financial position** of the Company at 30 June 2022 was negative by about € 16.9 million, a worsening by approximately 33% compared to the figure recorded at 31 December 2021, when it was equal to about € 12.3 million. As previously illustrated, this worsening is due to the reduction in available liquidity following the payments made by the Company in the first half of 2022 in execution of the planned investment plan.

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Based on the results achieved by the Pierrel Group at 30 June 2022 and described in this press release and on the data in the possession of the Company, including the outlook for the next few months, during the same meeting the Company's Board of Directors confirmed the main objectives financial statements of the Pierrel Group for the year 2022 which, as previously communicated to the market (see press release of 27 April 2022 published on the Company's website and available at www.pierrelgroup.com, section News & Press / Press Stampa), envisage: (a) consolidated gross revenues of about € 25.2 million; and (b) a positive consolidated EBITDA of about € 4.2 million.

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For a description of the main events occurred in the first half of 2022, please refer to the section "*Significant events in the first half of 2022*" of the Management Report included in the half-year consolidated condensed financial statements at 30 June 2022 of the Pierrel Group which will be made available to the public in the manner and terms provided for by law.

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The half-year financial report of the Pierrel Group as at 30 June 2022 approved by the Board of Directors of Pierrel today and which includes the condensed consolidated half-year financial statements of Pierrel as at 30 June 2022, the certification referred to in art. 154-bis, paragraph 5 of Legislative Decree 24 February 1998, n. 58, as subsequently amended and supplemented, together with the report of the auditing firm on the half-year financial report of the Pierrel Group at 30 June 2022, will be available to the public at the Company's registered office in Capua (CE), Strada Statale Appia 7-bis , no. 46/48 and at the headquarters of Borsa Italiana S.p.A., as well as on the Company's website at www.pierrelgroup.com, Investor Relations / Financial Documents section, and at the authorized storage mechanism Nis-Storage (www.emarketstorage.com) within the terms of the law.

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The executive responsible for the preparation of corporate accounting documents of Pierrel S.p.A., Mr Francesco Pepe, declares– pursuant to Article 154a, paragraph 2 of Legislative Decree 24 February 1998 no. 58, as subsequently amended and supplemented, that the accounting information related to the condensed consolidated half-year financial statements of Pierrel at 30 June 2022, as reported in this press release, corresponds to the documented results, accounting records and accounting entries of the company.

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In addition to the conventional financial indicators required by the IFRS, in order to allow a better assessment of the economic management and financial position of the Pierrel Group, this document contains some alternative performance indicators relating to data at 30 June 2022. These indicators are presented in the other annual financial reports and interim reports of the Company and the Pierrel Group, but should not be considered as replacements for the conventional indicators recommended by the IFRS.

According to CESR/05-178b of 3 November 2005, below is a brief description of the alternative performance indicators, as well as their composition, mentioned in this press release:

- **“EBITDA” or “gross operating result”** indicates the difference between sales revenues and costs related to the consumption of materials, cost of services, labor costs and the net balance of operating income and write-downs and represents the operating result before amortization, depreciation and provisions , financial management and taxation;
- **“EBIT” or “operating result”** indicates the difference between the gross operating result and the value of amortization, write-downs and provisions and represents the operating result prior to financial management and taxation;
- **“Net financial debt”** is an indicator of the financial structure of the Pierrel Group. It is calculated as the result of short and long-term financial payables and related derivative instruments, net of cash and cash equivalents and financial assets.

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The consolidated financial position, the separate consolidated income statement and the consolidated cash flow statement of the Pierrel Group as at 30 June 2022 are shown below.

Assets

(€ thousands)	30 June 2022		31 December 2021	
		<i>related parties</i>		<i>related parties</i>
Intangible assets	5.717		3.946	
Tangible assets	27.901		23.373	
Tangible assets leased assets	556		275	
Financial fixed assets	10		10	
Receivables and other non-current assets	14		14	
Active deferred taxes	5.262		5.275	
Non-current assets	39.460		32.893	
Inventories	5.234		4.066	
Trade receivables	1.580		2.649	
Tax receivables	547		777	
Other current assets and sundry receivables	2.181		1.654	
Cash and cash equivalents	5.364		7.661	
Current assets	14.906		16.807	
TOTAL ASSETS	54.366		49.700	

Equity and liabilities

(€ thousands)	30 June 2022		31 December 2021	
		<i>vs. related parties</i>		<i>vs. related parties</i>
Share capital	3.716		3.716	
Reserves and retained earnings/(losses)	14.701		11.705	
Loss for the year	- 461		2.940	
Consolidated equity	17.956		18.361	
Employee benefits	250		291	
Non-current financial liabilities	19.315	4.692	19.164	3.754
Other current liabilities and sundry payables	3.214		2.229	
Non-current liabilities	22.779		21.684	
Trade payables	6.866	1	4.425	40
Current financial liabilities	2.544		1.656	938
Current tax payables	37		141	
Other current liabilities and sundry payables	4.184	30	3.433	30
Current liabilities	13.631		9.655	
TOTAL LIABILITIES	36.410		31.339	
TOTAL EQUITY AND LIABILITIES	54.366		49.700	

Interim consolidated income statement

(€ thousands)	First half of 2022	First half of 2021	
		related parties	related parties
Revenue	10.815	10.817	
<i>of which non-recurring</i>	361	151	
Raw materials and consumables used	(3.497)	(3.629)	(58)
Sundry services	(2.307)	(1.534)	
<i>of which non-recurring</i>	(10)		
Third-party goods	(52)	(79)	
Personnel costs	(3.473)	(30)	(2.945) (30)
Other provisions and costs	(521)	(3)	(755) (20)
<i>of which non-recurring</i>	(32)	(3)	
Earnings Before Interest, Tax, Depreciation and Amortisation	965	1.875	
Amortisation, depreciation and write-downs	(870)	(743)	
<i>of which non-recurring</i>	-	(1)	
Operating profit/(loss)	95	1.132	
Financial expenses	(565)	(78)	(318) (100)
Financial income	-	-	
Profit/(loss) before tax	(470)	814	
Income tax	9	(108)	
<i>of which non-recurring</i>	57		
NET PROFIT/(LOSS) FOR THE PERIOD	(461)	706	

(*) of which about € 510 thousand relating to exchange rate adjustment losses on the Dentsply debt (exchange rate adjustment losses on the Dentsply debt equal to about € 179 thousand at 30 June 2021)

Interim consolidated cash flow statement

(€ thousands)	First half of 2022	First half of 2021
Net profit/(Loss) for the financial year	(461)	706
Amortisation and depreciation	810	714
Amortisation of leased assets	60	29
Provisions and write-downs	(68)	214
Other (gain)/Loss on assets	-	2
Movement in taxes	(9)	108
Change net financial expenses	565	317
Movement in inventories	(1.100)	180
Movement in trade receivables	1.069	2.696
Movement in trade payables	2.440	1.016
Net movement in other current assets and liabilities	291	(1.155)
Net movement in other non-current assets and liabilities	1.068	-
Movement in employee benefits	9	3
Cash flow used in operating activities	4.674	4.830
Outflow for the acquisition of tangible assets	(5.111)	(2.489)
Outflow for the acquisition of tangible leased assets	(340)	(34)
Outflow for the acquisition of intangible assets	(1.998)	(623)
Net cash flow used in investment activities	(7.449)	(3.146)
Increase medium/long-term loans	245	10.021
Increase short-term loans	866	278
Repayment of short-term loans	(581)	(1.018)
Paid net financial expenses	(148)	(112)
Cash flow from financing activities	382	9.169
TOTAL CASH FLOW FOR THE YEAR	(2.393)	10.853
Net cash and cash equivalents at the start of the year	7.661	3.886
Total cash flow for the year	(2.393)	10.853
Exchange effect	96	6
Net cash and cash equivalents at the end of the year	5.364	14.745

(*) of which about € 510 thousand relating to exchange rate adjustment losses on the Dentsply debt (exchange rate adjustment losses on the Dentsply debt equal to about € 179 thousand at 30 June 2021)

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Pierrel S.p.A. is a pharmaceutical industry provider specializing in the development, production, registration and licensing of synthetic drugs - regional local anesthetics - and medical devices for the oral care sector. Based in Capua (CE), listed on the Euronext Milan market organized and managed by Borsa Italiana, Pierrel is authorized by EMA ("European Medicines Agency") and FDA ("Food and Drug Administration") for the aseptic production of injectable drugs. After over seventy years of experience, Pierrel is one of the world's leading manufacturers of own-brand dental anesthetics, including Orabloc® marketed in most of the world markets, such as *North America, Russia and Europe* and with a significant market share in the USA.



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