PIERREL

PRESS RELEASE

PIERREL S.P.A. BOARD OF DIRECTORS MEETING

✓ **Approval of the Directors' explanatory report on the agenda items of the Extraordinary Shareholders' Meeting of the Company of 7 December 2016 pursuant to Article 2447 of the Italian Civil Code and Articles 72 and 74 of the Regulations adopted by CONSOB decision no. 11971 of 14 May 1999, as amended, as well as Article 125-b of Italian Legislative Decree no. 58 of 24 February 1998, as amended:**

- proposal to cover the losses accrued by the Company at 30 September 2016 by using the available reserves at that date and executing a share capital increase for a maximum of €35.0 million, of which €18.0 million not separable into tranches, to be offered as a rights issue to shareholders pursuant to Article 2441(1) of the Italian Civil Code, to be carried out by and no later than the deadline of 10 August 2017, subject to cancellation of the share capital increase in tranches approved by the Shareholders' Meeting on 30 May 2016 for a maximum of €20 million

✓ **Approval of the Interim Management Report of the Pierrel Group and Pierrel S.p.A. at 30 September 2016:**

- **Revenue of €9.6 million** (down by around 19% on 30 September 2015, when the figure was €11.8 million – restated net of the revenue for the TCRDO Division of €11.8 million, which has been reclassified under a separate item in the interim consolidated income statement);
- **EBITDA negative €1.4 million** (a deterioration compared to 30 September 2015, when the figure was negative by around €0.5 million – restated net of the negative EBITDA for the TCRDO Division of around €2.9 million, which has been reclassified under a separate item in the interim consolidated income statement);
- **EBIT negative €2.4 million, of which €0.9 million for amortisation/depreciation** (a deterioration compared to 30 September 2015, when the figure was a negative €2.1 million, of which €1.6 million for amortisation/depreciation for the period, restated net of the negative EBIT for the TCRDO Division of around €4.7 million, which has been reclassified under a separate item in the interim consolidated income statement);
- **Overall consolidated net profit of €5.2 million, including a net profit for the period from Discontinued Operations of €8.5 million, significantly influenced by the effects of the definitive deconsolidation of the RELIEF THERAPEUTICS group (formerly THERAMetrics)** (a significant improvement of around 160% on 30 September 2015 when the Group posted a consolidated net loss for the period of €8.6 million, of which €4.8 million consisting of a loss originating from the Swiss group);
- **Consolidated net financial debt at €21.5 million** (an improvement of around 4% on 30 June 2016, when the figure was €22.3 million, and around 21% on 31 December 2015, when the figure was €27.2 million solely for continuing operations);
- **Consolidated net banking debt at €12.6 million** (an improvement of around 6% on 30 June 2016, when the figure was €13.3 million, and around 13% compared to 31 December 2015, when the figure was €14.5 million solely for continuing operations);
- **Cash and cash equivalents of €1.3 million** (up around 7% on the figure of €1.2 million at 31 December 2015).

- ✓ **Sales of Orabloc® for the first nine months of 2016 in the US up 29% on the same period of 2015, with a market share of 15.2% in the second four-month period of the year. Orabloc® is the third largest brand in the dental anaesthetic sector in the US both in terms of sales revenue and items sold.**

- ✓ **Main financial and business targets updated for the years 2016 and 2017. The Group's Business Plan now envisages the following:**

  - for the year 2016, consolidated gross revenue forecast at around €14.7 million compared to €15.9 million previously estimated and announced to the market, and a negative aggregate EBITDA estimated at around €1.0 million, down on the previously forecast positive EBITDA of around €0.5 million;
  - for the year 2017, consolidated gross revenue forecast at around €15.6 million compared to around €18.2 million previously estimated and announced to the market, and a positive aggregate EBITDA estimated at around €0.5 million, down on the positive €1.3 million previously forecast.

- ✓ **Irrevocable commitment obtained from the major shareholders Fin Posillipo S.p.A. and Bootes S.r.l. to provide financial support to Pierrel S.p.A. by making payments for future share capital increases for a total of €3.0 million.**

- ✓ **Powers of investor relator granted to the Chief Executive Officer of the Company.**

Capua, 14 November 2016 – The Board of Directors of **Pierrel S.p.A.** ("**Pierrel**" or the "**Company**") meeting today has examined and approved the Directors' explanatory report on the items on the agenda for the extraordinary shareholders' meeting of the company of 7 December 2016 pursuant to Article 2447 of the Italian Civil Code and Articles 72 and 74 of the Regulations adopted by CONSOB decision no. 11971 of 14 May 1999, as amended, as well as Article 125-b of Italian Legislative Decree no. 58 of 24 February 1998, as amended, containing, among other things, a description of the measures pursuant to Article 2447 of the Italian Civil Code proposed by the Board of Directors to the shareholders of the Company, the conditions for which have already been verified by the Board of Directors of the Company, and also announced to the market, on 27 October this year (*see press release of 27 October 2016).*

Specifically, these measures consist of the proposal to cover the overall losses accumulated by the Company at 30 September 2016 in part by using the available reserves of the Company at 30 September 2016 (around €7.3 million) and, for the remainder, by executing a share capital increase (subject to cancellation of the share capital increase approved by the Shareholders' Meeting on 30 May 2016) to be offered as a rights issue to shareholders pursuant to Article 2441(1) of the Italian Civil Code, for a maximum amount of €35.0 million, including any share premium, of which €18.0 million not separable into tranches, to be carried out by and no later than the deadline of 10 August 2017.

The explanatory report prepared pursuant to Article 2447 of the Italian Civil Code and Articles 72 and 74 of the Regulations adopted by CONSOB decision no. 11971 of 14 May 1999, as amended, as well as Article 125-b of Italian Legislative Decree no. 58 of 24 February 1998, as amended, together with the remarks of the Board of Statutory Auditors pursuant to Article 2447 of the Italian Civil Code, shall be sent to CONSOB and made available to the public at the Company's registered office and on the company website www.pierrelgroup.com, in the section *Investor Relations/Corporate Governance/Shareholders Meeting Documents/Shareholders Meeting of 7 December 2016*, and at the Italian Stock Exchange, within the legally established deadlines.

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During the same meeting, the Board of Directors of the Company – after having verified the existence of the conditions for continuing the Company's operations on a going concern basis as a result, among other things, of the irrevocable commitment from the major shareholders of the Company to provide financial support to the company (more details and information regarding these commitments are provided above in this press release) – examine and approved the **Interim Management Report at 30 September 2016**, prepared in accordance with the IAS/IFRS.

The Pierrel Group ended the first nine months of 2016 with **consolidated revenue** of €9.6 million, down by 18.6% on the €11.8 million recorded for the same period of 2015, and a negative **consolidated EBITDA (gross operating loss)** of €1.4 million, a deterioration of around €1.0 million on 30 September 2015, when the figure was a negative €0.5 million.

You are reminded that, due to the independent strategic project initiated in December 2015 by RELIEF THERAPEUTICS Holding AG – formerly THERAMetrics holding AG – (below "**Relief**"), the sub-holding company of the Swiss group of the same name, which was also announced on several occasions to the market, that company has been reflected in the consolidated financial statements of the Pierrel Group as a discontinued operation, with effect from the end of the previous financial year 2015, in accordance with IFRS 5. Accordingly, the comparative earnings figures of the Interim Management Report at 30 September 2016 – and therefore the earnings figures for the first nine months of 2015 of the Tech-driven Contract Research & Development Organization ("TCRDO") Division of the Pierrel Group, which comes under the Swiss company – have been restated to show the earnings for the period of the Relief group, after tax, separately in a specific item of the consolidated income statement.

On 25 May 2016, following the expiry of the term of office of the board of directors, the shareholders' meeting of Relief appointed the new members of the board of directors who, in accordance with the provisions of Swiss law, will remain in office until the shareholders' meeting called for the approval of the financial statements at 31 December 2016 and who are no longer nominated by the Company. This circumstance, together with Pierrel's loss of the status as major shareholder of Relief, due to the progressive reduction of its investment held in the share capital of the company during the past financial years (the investment amounted to around 27.4% of the share capital of Relief at that date), meant that the conditions no longer applied of Pierrel's de facto control exercised over the Swiss company. Consequently, with effect from 25 May this year, Relief and the entire TCRDO Division – already reflected in the consolidated financial statements of the Group as a discontinued segment – were definitively removed from the Pierrel Group's scope of consolidation, also in line with the provisions of the 2016-2018 Business Plan, approved by the Board of Directors of the Company on 20 April 2016, which announced a progressive and further concentration of the Company's activities within the manufacturing and commercial core business consisting solely of the Contract Manufacturing Division ("**CMO**"), owned directly by the Company, and the Pharma Division, owned by the subsidiary single-shareholder company Pierrel Pharma S.r.l..

For completeness, we also note that on 18 July 2016, Relief completed the strategic project referred to above with the definitive implementation of the business combination between the former THERAMetrics holding AG and Relief Therapeutics S.A.. As a result of this transaction, the percentage investment held by Pierrel in the share capital of the company resulting from the business combination was diluted to 9.26%.

An analysis is provided below of the business and operating results of the Holding, CMO, and Pharma Divisions.

The **Holding Division** recorded a negative EBITDA for the first nine months of 2016 of around €1.6 million, a deterioration of around 7% on corresponding figure at 30 September 2015, when a negative figure of around €1.5 million was recorded.

The figures for this Division at 30 September 2016 were essentially in line with the forecasts approved by the Board of Directors of the Company on 20 April 2016.

The **CMO Division** recorded total sales for the first nine months of 2016, before intercompany eliminations, of around €9.0 million, an increase of around 22% on the €11.4 million recorded for the same period of 2015. The CMO Division at 30 September 2016 achieved a positive EBITDA, before intercompany eliminations, of €130 thousand, a deterioration on the same period of 2015 when it was a positive figure of around €1.0 million.
For this Division, the revenue posted for the first nine months of the year, as well as volumes and consequently the EBITDA, were lower than the forecasts due to delays in the receipt of orders mainly from third-party customers, in addition to the occurrence of several unforeseen and unforeseeable events during the third quarter 2016, including:

(i) production stoppages at the Capua Production Facility (in addition to the scheduled production stoppages to carry out planned "assessment and certification" work), as a result of malfunctions that were subsequently resolved; and
(ii) organisational inflexibility due to the production staff's unwillingness to work on shifts, already frequently used by the company for a number of years, and aimed at recovering the production not carried out by the Company during the first half of 2016, in addition to further delays accumulated during the third quarter 2016 due to the production stoppages described in point (i) above, in order to achieve the volumes and sales targets establish for the year 2016 in the 2016-2018 business plan approved by the Board of Directors of the Company on 20 April 2016.

The **Pharma Division** posted sales of €4.4 million for the first nine months of 2016, before intercompany eliminations, and a positive EBITDA of around €0.5 million, both in line with the corresponding figures at 30 September 2015.

With respect to the forecasts in the 2016-2018 business plan approved on 20 April 2016, for the same period, the Pharma Division posted lower revenue than forecast at 30 September 2016, mainly as a result of the delay in several orders due to the production delays, described above in relation to the figures for the CMO Division, while EBITDA remained in line with forecasts, due to the greater proportion of high-margin sales compared to those with low margins.

In terms of sales, in the first nine months of the year the dental anaesthetic Orabloc®, the Pierrel-branded articaine marketed by the Pharma Division, achieved a **29% increase in quantities sold in the US** by distributors to end customers, compared to the same period of 2015. With regard to market share, calculated on the official figures of the US distributors, at the end of the second four-month period of 2016 (January-August) Orabloc® had gained **15.2% of market share (by volume) of all the Articaines in the US** (in the first four months the figure was 14.5%, as announced to the market on 28 June 2016).
Orabloc® has therefore continued its success in the US, and, at the end of August 2016, little under 5 years from its launch, it had reached third place among the best-selling dental anaesthetics in the US market (both in terms of sales revenue and items), with a total of over 15 brands present across the country.

The Pierrel Group recorded an **operating loss** (**EBIT**) at 30 September 2016 of €2.4 million, after amortisation/depreciation of around €0.9 million, representing a deterioration on the corresponding figure at 30 September 2015, which was a negative €2.1 million, after amortisation/depreciation of around €1.6 million.

In addition, we note that the Pierrel Group at 30 September 2016 recorded **net financial expenses** of **€1.0 million** (net financial expenses of €1.8 million at 30 September 2015), including **net notional financial expenses** from discounting and currency adjustments, totalling around **€9 thousand** (net notional financial expenses of €0.9 million at 30 September 2015), linked to the payable still due from Pierrel to Dentsply of around €7.6 million, originally stated in US dollars.

In light of all the above, at 30 September 2016 the Pierrel Group posted a **consolidated net profit** of **€5.2 million** (of which €8.5 million originating from the TCRDO Division and recognised separately under the item "Net Profit/(Loss) for the period from discontinued operations"), a significant improvement compared to 30 September 2015 when the Group posted a consolidated net loss of €8.6 million (of which €4.8 million consisting of the loss for the period from "Discontinued operations").

You are reminded, in particular, that the earnings for the period were significantly influenced by the gain on disposal of €10.2 million, recognised as a result of the deconsolidation of Relief and the entire TCRDO Division by the Pierrel Group at the end of May this year. Specifically, the definitive removal of Relief from the scope of the Group resulted, on one hand, in the recognition in the consolidated balance sheet assets of the fair value at that date of the investment held in the share capital of the Swiss company (around €8.1 million) and, on the other hand, the elimination of all the assets and liabilities of the TCRDO Division (respectively amounting to around €27.8 million and €12.1 million), of the negative shareholders' equity attributable to the Group (around €2.1 million), and of the positive shareholders' equity attributable to non-controlling interests (around €17.5 million).

With regard to this investment, we also note that, at the beginning of October 2016 the Company identified the need to make a significant write-down of the carrying amount of the investment held in the share capital of Relief. In accordance with IAS 39, the investment held in the share capital of Relief, amounting to 9.26%, comes under the category "Available-for-sale financial assets" for which the applicable measurement criterion is fair value with changes in carrying amount recognised in other comprehensive income. Consequently, the investment held in Relief, which is a listed company recognised at fair value, must be adjusted to the stock exchange price recorded by the investee at the closing date of each reporting period. Although the market price of the Relief shares mainly fluctuated between CHF 0.50 and CHF 0.40 per share during the third quarter 2016, on 30 September 2016 the Relief shares closed with a stock exchange price of CHF 0.30 per share, resulting in the need for the Company to make a write-down of around €3.2 million, recognised directly in shareholders' equity as an item of other comprehensive income.

The **net financial debt** of the Group amounted to €21.5 million at 30 September 2016, an improvement compared to 31 December 2015, when, solely for continuing operations, it amounted to €27.2 million, and included a current financial debt of around €15.7 million (€8.1 million at 31 December 2015). This significant improvement in net financial debt was essentially attributable to (i) the payment, on the due dates, of several repayment instalments for the outstanding loans, (ii) the announcements received by the Company on 31 March 2016 from the shareholders Fin Posillipo S.p.A. and Bootes S.r.l., in which they formally waived the right, definitively and unconditionally, to the repayment in cash of the short-term interest-bearing loans granted by them for a total of €4.1 million, including interest accrued to 31 March 2016, authorising the Company to immediately allocate those amounts to capital, to be designated, in the event of share capital increases approved by 31 December 2017, to offset the payable resulting from the subscription, each for their respective portion, of new Pierrel shares issued under those share capital increases, and (iii) the additional payments for future capital increases totalling €1.2 million made by the shareholders Fin Posillipo

S.p.A., on 26 May 2016, 29 June 2016, and 12 September 2016, and Bootes S.r.l., on 29 June 2016 and 12 September 2016, for €2,850 thousand and €350 thousand respectively.

However, it should be noted that the consolidated balance sheet at 30 September 2016 also shows a significant increase in current financial debt, compared to the end of the previous year, accompanied by a reduction in non-current financial debt and a consequent increase in the excess of current liabilities over current assets. These results derived from the reclassification to short-term liabilities of the overall outstanding debt due beyond 12 months of Pierrel and Pierrel Pharma S.r.l. owing to the Unicredit S.p.A., Banca Nazionale del Lavoro S.p.A. and Banca Popolare di Milano S.c.ar.l. (jointly the "**Lending Banks**") amounting to around €11.6 million at 30 September 2016, out of a total remaining debt of around €12.9 million. This reclassification was required due to the occurrence for the Company of the conditions contemplated by Article 2447 of the Italian Civil Code constituting a "significant event" – pursuant to and for the purposes of the loan agreement signed on 26 March 2007 between the Company, as the borrower, and Unicredit Banca S.p.A., and the debt rescheduling agreements signed, among others, by the Lending Banks, on one hand, and Pierrel and Pierrel Pharma S.r.l. on the other hand – which gives the Lending Banks the right to request immediate and full repayment of the debts due to them from the companies of the Pierrel Group.

At 30 September 2016, the Pierrel Group held **consolidated cash resources** of €1.3 million, an increase on the figure of €1.2 million at 31 December 2015, mainly due to the recent payments made by the major shareholders for future share capital increases.

At 30 September 2016, no companies of the Pierrel Group had issued any bonds.

At 30 September 2016, the Group's **overdue debts** to suppliers amounted to around €4.1 million (around €3.6 million at 31 December 2015), those to social security institutions amounted to around €1.2 million (around €1.2 million at 31 December 2015), and those to the tax authorities amounted to around €0.8 million (around €1.2 million at 31 December 2015).

With regard to the scope of consolidation we note that, apart from that stated above regarding the definitive removal of Relief and its subsidiaries from the Group with effect from 25 May 2016, there were no other changes to report with respect to the end of the previous year.

Results of Pierrel S.p.A.

At 30 September 2015, the **Parent Company Pierrel S.p.A.** posted **revenue** of around €9.0 million, a decrease on the €11.5 million achieved for the same period of 2015, and a negative **EBITDA** of €1.5 million, representing a deterioration on the negative figure of around €0.5 thousand at 30 September 2015. The decrease in revenue, and consequently in EBITDA, compared to the same period of the previous year were essentially due to the expected reduction in manufacturing for third parties.

The **net financial position** of the Company at 30 September 2016 was a debt of €16.5 million, an improvement on the debt figure of €21.7 million at 31 December 2015. This significant change was essentially attributable, as described in more detail in the comment on the net financial debt of the Group, to (i) the payment, on the due dates, of several repayment instalments for the outstanding loans, (ii) the announcements received on 31 March 2016 from the shareholders Fin Posillipo S.p.A. and Bootes S.r.l., consisting of the formal waiver of the right, definitively and unconditionally, to the repayment in cash of the short-term interest-bearing loans granted by them for a total of €4.1 million, with consequent and simultaneous allocation of those amounts to capital, and (iii) the additional payments for future share capital increases made in May, June and September 2016 by the shareholders Fin Posillipo S.p.A. and Bootes S.r.l., for a total amount of €3.2 million.

As detailed in the comments to the changes for the Group, the current financial debt of the Company showed a significant increase at 30 September 2016, from €7.5 million at 31 December 2015 to €10.7 million at the reporting date for this press release, due to the reclassification under current financial liabilities of the amounts due over 12 months of the loans outstanding with Unicredit S.p.A. and Banca Nazionale del Lavoro S.p.A., already rescheduled in June 2015. This reclassification was made due to the occurrence of the conditions contemplated in Article 2447 of the Italian Civil Code, which constitute a "significant event" – pursuant to the loan agreement signed with Unicredit S.p.A. on 26 March 2007 and the debt rescheduling agreement signed on 25 June 2015 – which gives the Lending Banks the right to ask for the immediate and full repayment of the debts due to them from the companies of the Pierrel Group.

The net financial position of the Company at 30 September 2016 also included other non-current financial liabilities totalling €6.8 million, entirely attributable to the discounting of the portion of medium-long term financial debt due to Dentsply, originally amounting to $16.5 million, assumed by Pierrel in 2006 to finance the acquisition of a production site in Elk Grove, subsequently disposed of in 2009. Under the provisions of the related contract, this liability will be repaid through the supplies of pharmaceutical products from Pierrel to Dentsply and its remaining duration is estimated at around 5 years. At 30 September 2016, the short-term portion of this liability was estimated at around €750 thousand and was recognised under other current financial liabilities.

As already described in this press release, at 30 September 2016 the Company made a significant write-down of the carrying amount of the investment held in Relief. In accordance with IAS 39, that investment, amounting to 9.26% of the share capital, comes under the category "Available-for-sale financial assets" for which the applicable measurement criterion is fair value with changes in carrying amounts recognised in other comprehensive income. As a consequence, the investments held in Relief, which is a listed company recognised at fair value, must be adjusted to the stock exchange price recorded by the investee at the closing date of each reporting period. On 30 September 2016, the Relief shares closed with a market price of CHF 0.30 per share, resulting in the need for the Company to make a write-down of around €3.2 million, on the remaining carrying amount of the investment held in Relief.

As a result of the above, the overall net loss accrued by the Company in the first nine months of 2016 was €6.0 million (around €5.8 million at 30 September 2015), including the items of other comprehensive income recognised directly in shareholders' equity of around €3.1 million, mainly resulting from the above-mentioned write-down of the remaining carrying amount of the investment held in Relief of €3.2 million as a fair value adjustment.

As already announced to the market (see the Company's press release published on 27 October 2016) that loss for the period, plus the losses accumulated by the Company at 31 December 2015, and not covered (amounting to around €2.7 million), less the total net reserves allocated by the Company and available at 30 September 2016 (amounting to around €7.3 million), resulted in the occurrence of the conditions contemplated in Article 2447 of the Italian Civil Code. Consequently, on 4 November 2016 a Shareholders' Meeting was called for 7 December 2016, in single call, to resolve on the adoption of the measures pursuant to Article 2447 of the Italian Civil Code. A description of the measures proposed to the shareholders pursuant to and for the purposes of Article 2447 of the Italian Civil Code is provided above.

Outlook for the current year and for 2017

Despite the positive performance of sales of the dental anaesthetic Orabloc®, the Board of Directors of the Company, having taken note of the results reported at 30 September 2016 by the individual divisions and the forecasts for the current year, reduced the main consolidated business and financial targets for the entire Pierrel Group for the years 2016 to 2017 contained in the 2016-2018 business plan approved on 20 April 2016, and also announced the main targets to the market. These objectives are now:

- for the year 2016, consolidated gross revenue forecast at around €14.7 million compared to €15.9 million previously estimated and announced to the market, and an estimated positive consolidated EBITDA of around €1.0 million, down on the positive aggregate EBITDA of around €0.5 million previously forecast.

- for the year 2017, consolidated gross revenue forecast at around €15.6 million compared to around €18.2 million previously estimated and announced to the market, and an estimated positive aggregate EBITDA of around €0.5 million, down on the positive €1.3 million previously forecast.

Significant events of the third quarter of 2016

All the significant events and transactions of the third quarter of the year 2016, together with the significant subsequent events, have been reported in specific disclosures published on the Company's website. In this regard, the following is noted:

On **14 July 2016**, the collection agency Equitalia S.p.A. notified the Company of the acceptance of the application to make payment by instalments submitted by Pierrel on 6 June 2016 regarding the payment of 72 monthly instalments, starting from 24 July 2016, of the social security contributions due and not paid during the period from May 2015 to August 2015 for a total amount of €398 thousand, including expenses and interest.

On **18 July 2016**, THERAMetrics holding AG announced to the market that it had completed the merger with Relief Therapeutics SA, following the subscription of the share capital increase restricted to shareholders of that company to service the merger, and, at the same time, that it had changed its company name to "RELIEF THERAPEUTICS Holding AG" (the Combined Entity) and had transferred its registered office from Stans to Zürich. As a result of this transaction, the original shareholders of Relief Therapeutics SA now have an absolute majority stake in the share capital of the Combined Entity, while the investment held by Pierrel has been diluted to 9.26% of its share capital.

On **20 July 2016**, within the dispute under way with Kedrion S.p.A., a creditor of the former Chair of the Board of Directors of the Company, Mr. Canio Giovanni Mazzaro, a notice of third party seizure was served on Pierrel for a total amount of around €560 thousand (corresponding to the amount of around €372 thousand from the enforcement order for the credit claim of Kedrion S.p.A., increased by half pursuant to Article 546, first paragraph, Italian Code of Civil Procedure), withheld on the same date on the Company's bank current accounts. Following the service and execution of the enforcement order, the Company, through its legal counsel, submitted an appeal against the third-party seizure notice in opposition to the enforcement actions, asking for suspension of the order on an urgent basis, for the reasons set out above, relating to the problem issues connected to the credit claim by the claimant Kedrion, which have always been fully contested by Pierrel. With respect to the appeals submitted, the hearing to discuss the appeal against the notice was set for 3 October 2016, and the hearing to discuss the appeal against the enforcement actions was set for 11 October 2016, both before the Court of Santa Maria Capua Vetere, as the forum for the enforcement process.

The Court of Santa Maria Capua Vetere subsequently rejected the appeal against the enforcement actions, whilst also indirectly recognising some grounds of the Company's defence arguments, and in any event deferring the hearing for the assignment of the sums seized to 10 March 2017. The period granted by the Court of Santa Maria Capua Vetere for initiating proceedings on the merits following the appeal against the enforcement actions referred to above has not yet expired.

On **12 September 2016**, the shareholders Fin Posillipo S.p.A. and Bootes S.r.l. made additional payments for future capital increases in favour of the Company, of €1.8 million and €0.2 million respectively, for the share capital increase against payment for a maximum amount of €20 million, to be offered as a rights issue to shareholders pursuant to Article 2441(1) of the Italian Civil Code, and to be subscribed by 31 March 2017, approved by the Extraordinary Shareholders' Meeting of the Company on 30 May this year, and whose cancellation the Shareholders' Meeting called for 7 December this year will be required to resolve on. These payments, which were additional to those previously made by the same shareholders Fin Posillipo S.p.A. and Bootes S.r.l., also through the waiver of the credit claims held against the Company under the previous loan agreements, amounted to a total of €6.4 million and €0.9 million, respectively.

Significant events after 30 September 2016

On **27 October 2016**, the Board of Directors of the Company approved the balance sheet at 30 September 2016, prepared solely for the purposes of Article 2447 of the Italian Civil Code, showing a negative shareholders' equity of the Company of around €1.5 million, thereby giving rise to the situation referred to in Article 2447 of the Italian Civil Code.
That situation constitutes a "significant event" – pursuant to and for the purposes of the loan agreement signed on 26 March 2007 between the Company, as the borrower, and Unicredit Banca S.p.A., and the debt rescheduling agreement signed, among others, by Unicredit Banca S.p.A., Banca Nazionale del Lavoro S.p.A. and Banca Popolare di Milano S.c.ar.l., on one hand (jointly the "Lending Banks"), and Pierrel and Pierrel Pharma S.r.l. on the other hand (for more details see the press release published by the Company on 26 June 2015) – which gives the Lending Banks the right to request immediate and full repayment of the debts due to them from the companies of the Pierrel Group. As a result, in accordance with the applicable accounting standards, the overall outstanding debt due beyond twelve months of Pierrel and Pierrel Pharma S.r.l. owing to the Lending Banks (amounting to around €11.6 million as at 30 September 2016, out of a total remaining debt of around €12.9 million at consolidated level) has been reclassified to short-term financial liabilities.

In a letter of **28 October 2016** the Company asked the Lending banks, also in the name and on behalf of the subsidiary Pierrel Pharma S.r.l., (i) not to exercise of the above-mentioned option and any contractual right or remedy (including the application of default interest) assigned to them under the loan agreement signed with Unicredit Banca S.p.A. and the debt rescheduling agreement of 25 June 2015, as a result of the occurrence of the conditions contemplated in Article 2447 of the Italian Civil Code, and (ii) to grant a moratorium for the repayment of the principal and interest accrued and accruing, established by the loan agreements in place, which will be due from 31 December 2016 until the end of the second half of 2017. At the date of this press release, the Company is awaiting a reply from the Lending Banks.

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During today's meeting the Board of Directors also obtained the irrevocable commitment from Fin Posillipo S.p.A., the controlling shareholder of the Company with a holding of around 36.36% of its share capital, and Bootes S.r.l., A significant shareholder of the Company with a holding of around 5.10% of its share capital, to make one or more capital contributions by and no later than 30 June 2017 for a total amount of €3.0 million, made up of €2.6 million and €0.4 million respectively. The acquisition of those commitments ensured that the Company had the means available and financial resources required to continue its operations on a going concern basis, and in any case until the date by which the share capital increase must be executed, in accordance with the proposal by the directors and subject to approval by the Shareholders' Meeting and the granting of the necessary authorisations by the Regulatory Authorities, for a maximum of €35.0 million proposed by the Board of Directors pursuant to Article 2447 of the Italian Civil Code.

The Company will promptly inform the market of the payments for future share capital increases that will be made by Fin Posillipo S.p.A. and Bootes S.r.l. in execution of those commitments.

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The Interim Management Report of the Pierrel Group and the Parent Company Pierrel S.p.A. at 30 September 2016 has been filed, and is available to the public on request, at the registered office of the Company in Capua (CE), Strada Statale Appia 7 bis 46/48 and at Borsa Italiana S.p.A., and will also available in the *Investor Relations/Financial Documents* section of the Company's website, www.pierrelgroup.com and the authorised storage mechanism for regulatory information Nis -Storage (www.emarketstorage.com).

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The executive responsible for the preparation of corporate accounting documents of Pierrel S.p.A., Ms. Maria Teresa Ciccone, declares – pursuant to Article 154-a(2) of Italian Legislative Decree 58/1998 – that the accounting information contained in this press release and relative to the Interim Management Report at 30 September 2016 corresponds to the documented results, ledgers and accounting entries of the company.

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This press release comprises the Interim Management Report at 30 September 2016 required by Article 154-b of Italian Legislative Decree 58/1998 and is available in the section Investor Relations/Financial Documents *section of the web site of the Company: www.pierrelgroup.com.*

* * *

Attached below are the income statements and balance sheets of the Pierrel Group and Pierrel S.p.A. at 30 September 2016, which have not been independently audited.

FINANCIAL STATEMENTS OF THE PIERREL GROUP

Consolidated income statement

(€ thousands)	30 September 2016	30 September 2015 Restated (*)
Revenue	**9,596**	**11,792**
of which non-recurring		***79***
Raw materials and consumables used	(3,347)	(4,060)
Sundry services and leases and rentals	(2,669)	(2,805)
of which non-recurring	***(10)***	***(117)***
Personnel costs	(3,940)	(4,167)
of which non-recurring		
Other provisions and costs	(1,084)	(1,236)
of which non-recurring		
Earnings Before Interest, Tax, Depreciation and Amortisation	**(1,444)**	**(476)**
Amortisation, depreciation and write-downs	(917)	(1,657)
of which non-recurring	***(3)***	***(54)***
Operating profit/(loss)	**(2,361)**	**(2,133)**
Financial expenses	(969)	(1,758)
Financial income	7	5
Profit/(loss) before tax	**(3,323)**	**(3,885)**
Income tax		54
Net profit/(loss) for the period from continuing operations	**(3,323)**	**(3,831)**
Discontinued operations:		
Net profit/(loss) for the period from discontinued operations	8,547	(4,770)
of which non-recurring	*10,231*	
Net profit/(loss) for the period	**5,224**	**(8,601)**
of which Net loss attributable to non-controlling interests	*(1,223)*	*(3,673)*
of which Net Profit/(Loss) attributable to Pierrel shareholders	*6,447*	*(4,928)*

(*) Comparison figures restated following the reclassification of the TCRDO Division to “Discontinued operations” and “Liabilities directly related to discontinued operations”

Consolidated statement of comprehensive income

(€ thousands)	30 September 2016	30 September 2015 Restated (*)
Net consolidated profit/(loss) for the period	**5,224**	**(8,601)**
Other items of comprehensive income, net of tax		
Other items of comprehensive income that will subsequently be reclassified to profit/loss for the period		
Differences from translation of foreign financial statements	140	1,158
	140	**1,158**
Net gain/(loss) from cash flow hedges	71	5
	71	**5**
Write-down of Available-for-sale financial assets (AFS)	(3,173)	-
	(3,173)	**-**
Total other items of comprehensive income that will subsequently be reclassified to profit/(loss) for the period, net of tax	***(2,962)***	***1,163***
Other items of comprehensive income that will not subsequently be reclassified to profit/loss for the period:		
Gain/(Loss) from revaluation of defined benefit plans	(4)	34
	(4)	**34**
Total other items of comprehensive income that will not subsequently be reclassified to profit/loss for the period, net of tax	***(4)***	**34**
Total other items of comprehensive income, net of tax	**(2,966)**	**1,197**
Total comprehensive income/(loss), net of tax	**2,258**	**(7,404)**
of which comprehensive income/(loss) from continuing operations	*(6,429)*	*(3,811)*
of which comprehensive income/(loss) from discontinued operations	*8,687*	*(3,593)*
of which net profit/(loss) attributable to non-controlling interests	*(1,223)*	*(3,673)*
of which net profit/(loss) attributable to Pierrel shareholders	*3,481*	*(3,731)*

Consolidated balance sheet

ASSETS	30 September 2016	31 December 2015
Intangible assets	1,369	1,496
Tangible assets	10,540	10,969
Financial fixed assets	260	180
Receivables and other non-current assets	4	28
Prepaid tax	5,412	5,396
Non-current assets	**17,585**	**18,069**
Inventories	2,709	2,195
Trade receivables	1,706	3,250
Tax receivables	72	1,079
Other current assets and sundry receivables	1,720	802
Cash and cash equivalents	1,301	1,218
Available-for-sale financial assets (AFS)	4,948	-
Discontinued operations	-	28,199
Current assets	**12,456**	**36,743**
Total Assets	**30,041**	**54,812**

EQUITY AND LIABILITIES	30 September 2016	31 December 2015
Share capital	50	11,599
Reserves	(13,100)	(21,411)
Group profit/(loss) for the period	6,447	(7,580)
Group equity	**(6,603)**	**(17,392)**
Non-controlling interests in share capital and reserves	-	24,254
Non-controlling interests in profit/(loss) for the year	-	(5,953)
Consolidated equity	**(6,603)**	**909**
Employee benefits	345	342
Deferred tax liabilities	55	55
Non-current financial liabilities	7,039	20,343
Other current liabilities and sundry payables	-	-
Non-current liabilities	**7,439**	**20,740**
Trade payables	6,243	5,618
Current financial liabilities	15,736	8,113
Tax payables	1,162	1,613
Other current liabilities and sundry payables	6,064	6,278
Liabilities directly related to discontinued operations	-	11,542
Total current liabilities	**29,205**	**33,164**
Total liabilities	**36,644**	**53,904**
Total Equity and Liabilities	**30,041**	**54,812**

Net Financial Position

(€ thousands)	30 September 2016	31 December 2015 R (*)
A. Cash	2	1
B. Cash equivalents	1,299	1,217
C. Securities held for trading	-	-
D. Cash resources (A)+(B)+(C)	**1,301**	**1,218**
E. Current financial liabilities	**17**	
F. Current bank debt	(13,533)	(2,132)
G. Current amount of non-current debt	(123)	(607)
H. Other current financial liabilities	(2,080)	(5,374)
I. Current financial debt (F)+(G)+(H)	**(15,736)**	**(8,113)**
J. Net current financial debt (I)+(E)+(D)	**(14,418)**	**(6,895)**
K. Non-current bank debt	(200)	(12,958)
L. Bonds issued	-	-
M. Other non-current debt	(6,839)	(7,385)
N. Non-current financial debt (K)+(L)+(M)	**(7,039)**	**(20,343)**
O. Net Financial Debt (N) + (J)	**(21,457)**	**(27,238)**

(*) Comparison figures at 31 December 2015 restated due to the reclassification of €470 thousand from the item "Current bank debt" to the item "Current amount of non-current debt" of the amount due beyond the following 12 months of the loan outstanding with the subsidiary Pierrel Pharma and Banca Popolare di Milano S.c.a.r.l., in order to ensure correct comparability of the figures.

FINANCIAL STATEMENTS OF THE PARENT COMPANY PIERREL S.P.A.

Separate income statement

(€ thousands)	**30 September 2016**	**30 September 2015**
Revenue	**8,964**	**11,522**
of which non-recurring	*-*	*103*
Raw materials and consumables used	(3,203)	(4,072)
Sundry services and leases and rentals	(2,126)	(2,276)
of which non-recurring	*(10)*	*(99)*
Personnel costs	(3,917)	(4,161)
Other provisions and costs	(1,170)	(1,489)
Earnings before interest, tax, depreciation and amortisation	**(1,452)**	**(476)**
Amortisation, depreciation and write-downs	(763)	(1,403)
of which non-recurring	*-*	*(54)*
Operating profit/(loss)	**(2,215)**	**(1,879)**
Financial expenses	(789)	(3,865)
Financial income	65	70
Profit/(loss) before tax	**(2,939)**	**(5,674)**
Income tax	-	54
Profit/(loss) for the period	**(2,939)**	**(5,620)**

Statement of comprehensive income

(€ thousands)	30 September 2016	30 September 2015
Net profit/(loss) for the period	**(2,939)**	**(5,620)**
Other items of comprehensive income, net of tax		
Other items of comprehensive income that will subsequently be reclassified to profit/loss for the period		
Net gain/(loss) from cash flow hedges	71	5
	71	**5**
Write-down of Available-for-sale financial assets (AFS)	**(3,172)**	**-**
	(3,172)	**-**
Total other items of comprehensive income that will subsequently be reclassified to profit/loss for the period, net of tax	***(3,101)***	***5***
Other items of comprehensive income that will not subsequently be reclassified to profit/loss for the period		
Gain/(Loss) from IFRS 3 Reserve		(174)
		(174)
Gain/(Loss) from revaluation of defined benefit plans	(4)	15
	(4)	**15**
Total other items of comprehensive income that will not subsequently be reclassified to profit/(loss) for the period, net of tax	***(4)***	**(159)**
Total other items of comprehensive income, net of tax	**(3,105)**	**(154)**
Total comprehensive income/(loss), net of tax	**(6,044)**	**(5,774)**

Balance Sheet

ASSETS	30 September 2016	31 December 2015
(€ thousands)		
Intangible assets	266	313
Tangible assets	10,539	10,967
Investments	4,574	4,574
Receivables and other non-current assets	4,300	4,325
Prepaid tax	5,412	5,396
Non-current assets	**25,091**	**25,575**
Inventories	2,696	2,038
Trade receivables	1,701	2,880
Tax receivables	62	137
Other current assets and sundry receivables	683	712
Cash and cash equivalents	1,193	1,173
Available-for-sale financial assets (AFS)	**4,948**	-
Non-current assets held for sale	-	**8,299**
Current assets	**11,283**	**15,239**
Total Assets	**36,374**	**40,814**

EQUITY AND LIABILITIES	30 September 2016	31 December 2015
Share capital	50	11,598
Reserves	1,433	(3,770)
Profit/(loss) for the period	(2,939)	(10,510)
Equity	**(1,456)**	**(2,682)**
Employee benefits	345	342
Deferred tax liabilities	55	55
Non-current financial liabilities	7,039	15,512
Other current liabilities and sundry payables	6,598	7,069
Non-current liabilities	**14,037**	**22,978**
Trade payables	5,951	5,426
Current financial liabilities	10,730	7,495
Tax payables	1,161	1,604
Short-term provisions for liabilities	268	138
Other current liabilities and sundry payables	5,684	5,855
Current liabilities	**23,794**	**20,518**
Total Liabilities	**37,830**	**43,496**
Total Equity and Liabilities	**36,374**	**40,814**

Statement of changes in shareholders' equity

(€ thousands)	Share capital	Share premium	Treasury shares	Other reserves	Retained losses	IAS 19R Reserves	AFS reserve	CFH reserve	Total
Figure at 1 January 2016	**11,598**	**14,115**	**(995)**	**-**	**(27,259)**	**(26)**		**(116)**	**(2,683)**
Profit/(Loss) for the period					*(2,939)*				***(2,939)***
Statement of comprehensive income						*(4)*	*(3,172)*	*71*	***(3,105)***
Comprehensive loss for the period	**-**	**-**	**-**		**(2,939)**	**(4)**	**(3,172)**	**71**	**(6,044)**
Payments for future Share Capital Increase (Including Shareholders' waiver of credit claims)				7,271					**7,271**
To cover losses	(11,549)	(12,978)			24,527				**-**
Share capital increase net of transaction costs									**-**
Figure at 30 September 2016	**49**	**1,137**	**(995)**	**7,271**	**(5,671)**	**(30)**	**(3,172)**	**(45)**	**(1,456)**

Net Financial Position of the Parent Company Pierrel S.p.A.

(€ thousands)	**30 September 2016**	**31 December 2015**
A. Cash	2	1
B. Cash equivalents	1,191	1,172
C. Securities held for trading		
D. Cash resources (A) + (B) + (C)	**1,193**	**1,173**
E. Current financial liabilities	**82**	**86**
F. Current bank debt	(8,527)	(1,984)
G. Current amount of non-current debt	(123)	(137)
H. Other current financial liabilities	(2,080)	(5,374)
I. Current financial debt (F)+(G)+(H)	**(10,730)**	**(7,495)**
J. Net current financial debt (I)+(D)+(E)	**(9,455)**	**(6,236)**
K. Non-current bank debt	(200)	(8,127)
L. Bonds issued		
M. Other non-current debt	(6,839)	(7,385)
N. Non-current financial debt (k)+(L)+(M)	**(7,039)**	**(15,512)**
O. Net financial debt (J)+(N)	**(16,494)**	**(21,748)**

* * *

In addition to the standard financial indicators established by the IAS/IFRS (below IFRS), this press release contains some alternate performance indicators for the figures at 30 September 2016, to provide a better evaluation of the operating performance and financial position of the Pierrel Group. These measurements are also included in the other annual and interim statements, but they should not be considered as substitutes for the standard indicators established by IFRS.

A brief description is provided below of the alternate performance indicators and of their composition, used in this press release:

- **EBITDA**: Earnings before amortisation/depreciation, capital gains/ (losses) and write-backs/(write-downs) to the value of non-current assets and non-recurring costs.
- **EBIT**: operating profit/(loss) before financial management and tax defined as the difference between the gross operating profit/loss and the amortisation, depreciation and write-downs.
- **Net financial debt**: sum of cash, current financial assets, current financial debt and non-current financial debt.

By way of information, it is noted that the Group's operations are not influenced by a significant level of seasonality.

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The Company also announces that on today's date the relevant bodies granted the authority for the exercise of the powers of investor relator to the Chief Executive Officer of the Company, Mr Fulvio Citaredo, whose CV is available on the Company's website at www.pierrelgroup.com, *Investor Relations/Corporate Governance* section.

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Pierrel S.p.A. is a global supplier to the pharmaceutical industry, specialising in the manufacture of pharmaceutical specialty products (*Contract Manufacturing Division*) and the development, registration and licensing of new drugs and medical devices (*Pharma Division*).
The Pierrel Group is listed on the MTA exchange organised and managed by Borsa Italiana, and has over 60 years' experience in the pharmaceutical sector, as one of Europe's leading producers of local and dental anaesthetics.
Pierrel owns a production unit in Capua, near Naples, Italy, which has been authorised by the European Medicines Agency (EMA) and the Food and Drug Administration (FDA) for the aseptic production of injectable medicines.
The subsidiary Pierrel Pharma S.r.l. has registered and distributes the Orabloc® dental anaesthetic in Canada, the US, Russia and Europe. The registered office of Pierrel S.p.A. is in Capua (CE), Italy.

For further information:

Pierrel S.p.A.
Investor Relations
Mr. Fulvio Citaredo
E-mail: investor.relations@pierrelgroup.com
tel. +39 0823 626 111
fax +39 0823 626 228

Global Consult s.r.l.
Media Relations
Rossana Del Forno
E-mail: areacomunicazione@globalconsultsrl.com
tel. +39 333 6178665