PIERREL

PRESS RELEASE

- **Approval of the Draft Separate Financial Statements and the Consolidated Financial Statements at 31 December 2015**

  Consolidated financial results at 31 December 2015:

  - **Consolidated Net Revenue of €16.1 million** (up by around 7% on 31 December 2014, when the figure was €15.1 million – restated net of the revenue for the TCRDO Division of €17.5 million, which has been reclassified under a separate item in the consolidated income statement);
  - **EBITDA negative €0.5 million, of which around €0.1 million of non-recurring costs** (an improvement of around 44% on 31 December 2014, when the figure was a negative €1.0 million – restated net of the EBITDA for the TCRDO Division of around €4.9 million, which has been reclassified under a separate item in the consolidated income statement – and included non-recurring costs of around €0.7 million;
  - **EBIT negative €2.6 million, of which €2.0 million of amortisation/depreciation, plus €0.1 million of non-recurring write-downs** (an improvement of around 29% on 31 December 2014, when the figure was a negative €3.7 million – restated net of the EBIT for the TCRDO Division of around €11.1 million, which has been reclassified under a separate item in the consolidated income statement – after amortisation/depreciation of €2.7 million and without having been affected by non-recurring write-downs;
  - **Net Consolidated Loss of €13.5 million, of which a loss of around €7.7 million, shown in a specific item, representing the result generated by THERAMetrics holding AG and its directly controlled companies** (an improvement of around 25% on 31 December 2014, when the figure was a loss of €18.1 million, of which a loss of €11.2 million as the 2014 net result for the THERAMetrics group, including non-recurring items totalling €5.0 million);
  - **Consolidated Net Financial Debt amounting to €27.2 million**, after having separately reclassified the net financial debt of the THERAMetrics group amounting to €3.3 million in the consolidated balance sheet (down slightly by around 1% compared to 31 December 2014, when the figure stood at €27.4 million)
  - **Consolidated Net Banking Debt amounting to €14.5 million**, after having separately reclassified the net banking debt of the THERAMetrics group amounting to €1.3 million in the consolidated balance sheet (down by around 12% compared to 31 December 2014, when the figure stood at €16.5 million)

- **Verification of the continued existence of the conditions contemplated in Article 2446 of the Italian Civil Code. Approval of the statement of financial position at 31 March 2016 prepared solely for the purposes of Article 2446 of the Italian Civil Code. Proposal for partial coverage of the losses using available reserves and the reduction of the share capital**

- **Approval of the main financial and business targets for the year 2016, which reflect the expected deconsolidation of THERAMetrics holding AG**

    - **Consolidated gross revenue of around €15.9 million** compared to €36.8 million previously estimated and announced to the market, and positive consolidated EBITDA of around €0.5 million, compared to positive consolidated EBITDA of around €0.6 million forecast in the business plan previously approved on 28 August 2015.

- **Approval of the new business plan targets for the years 2017 and 2018, in view of the deconsolidation of THERAMetrics holding AG**

    - **For the year 2017, consolidated gross revenue is forecast at around €18.2 million** compared to €47.5 million previously estimated and announced to the market, with a **positive consolidated EBITDA estimated at around €1.3 million**, down on the €6.7 million previously forecast.
    - **For the year 2018, consolidated gross revenue is forecast at around €22.8 million, with a positive consolidated EBITDA of around €3.9 million.**

- **Proposal to amend the 2014/2022 Stock Option Plan**

- **Proposal to increase the share capital by a maximum amount of €20 million, including share premium, to be offered as a rights issue to shareholders pursuant to Article 2441, first paragraph, of the Italian Civil Code**

- **Proposal to grant the Board of Directors an authority to increase the share capital pursuant to Article 2443 of the Italian Civil Code, subject to revocation of the previous authority granted by the Shareholders' Meeting of 12 November 2011**

- **Approval of the calling of the shareholders' meeting of Pierrel S.p.A. for 30 May 2016, in a single call, in ordinary session, to resolve on (a) the approval of the separate financial statements of Pierrel S.p.A. at 31 December 2015, (b) the approval of the first section of the Remuneration Report of Pierrel S.p.A. for the year 2015, (c) the proposal to amend the 2014/2022 Stock Option Plan; and, in extraordinary session, to resolve on (a) the adoption of the measures pursuant to Article 2446 of the Italian Civil Code, b) the proposal for a share capital increase by rights issue pursuant to Article 2441, first paragraph, of the Italian Civil Code, and (c) the granting of an authority to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, upon revocation of the previous authority granted**

Capua, 20 April 2016 – The Board of Directors of Pierrel S.p.A. ("**Pierrel**" or the "**Company**") meeting today, examined and approved the **Draft Separate Financial Statements for the Company** for the year ending 31 December 2015, and approved the **Consolidated Financial Statements for the Pierrel Group** for the year ending 31 December 2015.

On 21 December 2015, THERAMetrics holding AG ("**THERAMetrics**") – a Swiss company active in pharmaceutical research, specialising in new applications for existing pharmaceuticals to treat rare diseases, whose shares are listed on the SIX Swiss Exchange – announced that it had initiated a major strategic project involving several extraordinary transactions aimed at expanding and strengthening its business. If those transactions are successfully completed, Pierrel's shareholding in THERAMetrics will be diluted by around 10% of the share capital of THERAMetrics, in favour of third parties who will acquire the majority shareholding and control. In accordance with IFRS 5, the entire Tech-driven Contract Research & Development Organization ("TCRDO") Division of the Pierrel Group – which is part of the Swiss company THERAMetrics – has therefore been classified in the Consolidated Financial Statements at 31 December 2015 as a discontinued operation. As a result, all the assets, liabilities and earnings at 31 December 2015 originating from that Division have been shown separately in the Consolidated Financial Statements of the Pierrel Group in specific items of the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement and the consolidated cash flow statements, and all the assets and liabilities attributable to it have been measured, at the reporting date, at the lower of their carrying amount and their fair value, net of costs to sell.

Consequently, in accordance with IFRS 5, the comparative income statement figures of the Consolidated Financial Statements at 31 December 2015 – and, therefore, the figures of the consolidated income statement and the consolidated comprehensive income statement at 31 December 2014 – originating from the TCRDO Division have been restated and shown separately in a specific item presenting the operating earnings of the THERAMetrics group, after tax. Likewise, the net cash flows attributable to the operating, investing and financing activities of the THERAMetrics group have been highlighted in the consolidated cash flow statement at 31 December 2014.

In light of the above, the Pierrel Group ended the year 2015 with **consolidated revenue** of €16.1 million, up by 6.9% on the €15.1 million recorded for the previous year, and a **gross operating loss (negative EBITDA)** of €0.5 million (of which €0.1 million relating to non-recurring costs), an improvement on the corresponding figure for 31 December 2014, which was a negative €1.0 million and included non-recurring costs of around €0.7 million.

An analysis is provided below of the business and the operating results of the Holding and Contract Manufacturing ("**CMO**") Divisions, which are part of the Company, of the Pharma Division, linked to the subsidiary Pierrel Pharma S.r.l., and of the TCRDO Division, as a "Discontinued operation" at 31 December 2015.

The **Holding Division** recorded a negative EBITDA for 2015, before intercompany eliminations, of around €2.0 million, an improvement on the corresponding figure for 31 December 2014, when it was negative by around €2.3 million. This change was substantially attributable to the Company management's continued focus on containing Pierrel's corporate costs; in addition, the figure at 31 December 2014 also included non-recurring costs of around €0.2 million, mainly resulting from advisory services requested for extraordinary operations.

This Division's results for the year were in line with forecasts.

The **CMO Division** posted total sales of around €15.7 million for 2015, before intercompany eliminations, an increase of 8% on the €14.5 million posted in 2014, and a positive EBITDA of around €1.4 million (9.2% of gross operating revenues), before intercompany eliminations, representing a decrease on the previous year, which recorded a positive EBITDA of around €1.7 million (11.2% of gross revenue). The rise in the Division's sales for the year was mainly attributable to the supplies of the product Orabloc® for the Pharma Division, whereas the change in EBITDA posted by the CMO Division mainly reflected the write-downs of several items in 2015 for a total of around €0.5 million.

The **Pharma Division** posted sales of €6.5 million for 2015, before intercompany eliminations, up by €1.3 million on 2014 (+25.6%), when sales, before intercompany eliminations, came to €5.2 million. This change was essentially attributable to the increase in sales volumes of the dental anaesthetic Orabloc® in the United States, achieved thanks to the strengthening of the promotional and marketing campaigns accompanying the sale of the product in the North American market and in Russia, in addition to the additional commercial expansion initiated in Europe. The EBITDA of the Pharma Division for 2015, before intercompany eliminations, was a positive €0.7 million, a significant improvement on the figure for the year 2014, which was a negative €67 thousand and included non-recurring write-downs of €0.4 million. The significant improvement in the EBITDA for this Division, compared to the previous year, was attributable to the significant increase in sales of Orabloc® as described above.

The **TCRDO Division**, whose earnings figures for 31 December 2015 have been shown separately in a specific item designated to present the operating earnings of the "Discontinued operations", posted total sales of €9.8 million at 31 December 2015, before intercompany eliminations and after pass through costs (€15.3 million before pass through costs), representing a decrease of around 21% on the €12.3 million recorded for 2014, before intercompany eliminations and after pass through costs (€17.5 million before pass through costs), and a gross operating loss (EBITDA) of €5.5 million (35.8% of gross revenue), representing a deterioration of 11.2% on the negative figure of €4.9 million for the previous year.

The Pierrel Group recorded an operating loss (**EBIT**) at 31 December 2015 of €2.6 million, **after amortisation/depreciation charges €2.0 million, plus around €0.1 million of non-recurring write-downs**, an improvement on the loss recorded for the previous year of €3.7 million, after amortisation/depreciation of €2.7 million.

In addition, it is noted that the Pierrel Group, at 31 December 2015, recorded **notional financial expenses**, relating to discounting and foreign exchange costs, totalling **€1.2 million**, mainly linked to the remaining payable, denominated in US dollars, due from Pierrel to Dentsply for an equivalent amount of around €8.0 million. The reimbursement of this payable, to be made in relation to the quantity of the product manufactured by the Company and supplied to Dentsply, is estimated to be completed in full in approximately 6 years.

In light of the above, **and also considering the negative effect from the sum of the above-mentioned non-recurring items and notional financial expenses, totalling €1.5 million**, at 31 December 2015 the Pierrel Group posted a **consolidated net loss** of €13.5 million, of which €7.7 million originating from the TCRDO Division and recognised separately under the item "Net operating loss from discontinued operations". This is an improvement on the €18.1 million for 31 December 2014, of which €11.2 million consisted of the loss of the "Discontinued operations", which included €5 million of non-recurring items recognised as a result of the impairment testing conducted during the previous year on the amount of the goodwill resulting from the business combination carried out by THERAMetrics.

The **net financial debt** of the Group at 31 December 2015 – which includes the remaining payable due from the Company to Dentsply described above and does not include the net financial debt originating from the "Discontinued operations" of €3.3 million – amounted to **€27.2 million**, a slight improvement of €0.2 million on 31 December 2014, when the figure was around €27.4 million and included current financial debt of around €8.1 million.

Net banking debt at 31 December 2015, which does not include the net banking debt originating from the TCRDO Division of €1.3 million, amounted to **€14.5 million**, an improvement of around 12% on the total figure of **€16.5 million** recorded at 31 December 2014.

At 31 December 2015, the Pierrel Group held **cash resources** of €1.2 million, down by around €3.2 million (-72.7%) from 31 December 2014. This change included €1.1 million attributable to the cash and cash equivalents of the TCRDO Division, reclassified at the reporting date under the item "Discontinued operations".

Results of the Parent Company Pierrel S.p.A.

At 31 December 2015, the **Parent Company Pierrel S.p.A.** reported **revenue** of €15.9 million, **up by 9%** compared to the €14.6 million achieved for the year 2014, and a negative **EBITDA** of around €0.5 million, of which €0.1 million of non-recurring costs, **an improvement of around 13%** compared to 31 December 2014, when it was a negative €0.6 million, including €0.3 million of non-recurring costs.

The **net financial position** of the Parent Company at 31 December 2015 was a debt of €21.7 million, **an improvement of around €0.7 million** compared to 31 December 2014 when it was a debt of €22.5 million.

During the year 2015, the Company made a **non-recurring write-down totalling €3.1 million** on the value of the equity interest in THERAMetrics, following the results of the impairment test conducted at the reporting date and the subsequent measurement of that equity interest at the lower of its carrying amount and fair value, after costs to sell, carried out in accordance with IFRS 5, which resulted in the recognition of the residual value of the equity interest under "Non-current assets held for sale". The Company also recognised **non-recurring losses of around €2.3 million,** mainly originating from the performance of the agreements signed as part of the business combination between the former Research Division of the Pierrel Group and THERAMetrics, plus **notional financial expenses of around €1.2 million**, in relation to the remaining payable due to Dentsply, as described above.

In light of the above, **and, in particular, considering the negative effect from the sum of the write-downs, the non-recurring losses, and the notional financial expenses, totalling € 6.6 million** described above, at 31 December 2015 **the net loss** of Pierrel S.p.A. was **€10.5 million**. This is a deterioration compared to the €7.5 million recorded at 31 December 2014, which included a non-recurring write-down of €1.8 million and notional financial expenses of around €1.4 million.

This operating loss, together with the previous losses not covered, resulted in an overall loss of €27,258,797, which, net of available reserves of the Company amounting to €12,978,083, generated a net loss of €14,280,714. As a result of these losses, the share capital of Pierrel at 31 December 2015 was below the minimum legal limit, resulting in the conditions contemplated in Article 2447 of the Italian Civil Code. However, the amount of the non-recurring items, which significantly influenced the extent of the operating loss, was only definitively established in March 2016 during the preparations for the finalisation of the Company's financial statement figures. At that time the conditions contemplated in Article 2447 of the Italian Civil Code no longer existed because the Company had already received confirmation from the major shareholders Fin Posillipo S.p.A. and Bootes S.r.l. (which, respectively, have shareholdings of 36.36% and 5.63% in the Company) of their willingness to definitively waive the loans due to them from the Company for a total of €4.1 million, and authorising the Company designate that amount as a payment for future share capital increases of the Company approved by 31 December 2017, and, in any event, as a capital contribution to the Company if no share capital increase was approved by that date. These commitments were later irrevocably formalised by Fin Posillipo S.p.A. and Bootes S.r.l. through the notifications of 31 March 2016, disclosed to the market on the same date.

Accordingly, as a result of these events, the Company, solely for the purposes of Article 2446 of the Italian Civil Code, prepared a statement of financial position of the Company updated to 31 March 2016, approved during today's Board of Directors meeting, which showed a loss for period of around €0.9 million. In particular, the statement of financial position of the Company at 31 March 2016 shows that, at that date:

(i) the total losses accrued by the Company amounted to €28,175,686 and were made up as follows:
- net losses accumulated by the Company at 31 December 2015, not covered, of €27,258,797, of which €10,510,679 accrued during the year 2015;
- losses accrued by the Company during the months of January, February and March 2016, totalling €916,889;

(ii) total net reserves allocated by the Company of €17,049,297, which, minus the total losses indicated above (of €28,175,686), resulted in net losses at 31 March 2016 of €11,126,389;
(iii) share capital amounting to €11,598,506.75;
(iv) equity of the Company, minus losses and net of reserves, amounting to €472,118.

The above situation, therefore, resulted in the continued existence of the conditions contemplated in Article 2446 of the Italian Civil Code, as the share capital of Pierrel at 31 March 2016 was still below a third due to those losses. The Board of Directors therefore approved the calling of a Shareholders' Meeting of the Company for 30 May 2016, in single call, to resolve, among other things, on the measures pursuant to Article 2446 of the Italian Civil Code. Since the conditions contemplated in Article 2446 of the Italian Civil Code had already occurred in 2014 and the Shareholders' Meeting of 5 June 2015 had resolved to postpone any measures in this regard to the Shareholders' Meeting called for the approval of the 31 December 2015 financial statements, the Company is required to adopt suitable measures to reduce the losses to within the legal limits.

To that end, the Board of Directors intends to submit a proposal to the Shareholders' Meeting being called to cover part of the overall losses of the Company (amounting, as mentioned, to €28,175,686), and, specifically, the amount of €24,526,590, as follows: (a) an amount of €12,978,083 using the available reserves of the Company for a corresponding amount and, (b) an amount of €11,548,506.75 through a reduction in the share capital, pursuant to Article 2446 of the Italian Civil Code, which will therefore be reduced to €50,000.00.

Even though the measures set out in letters (a) and (b) above are considered by the Company's management to be sufficient to remove the conditions contemplated by Article 2446 of the Italian Civil Code, the Board of Directors also intends to submit a proposal to the Shareholders' Meeting for the approval of share capital increase against payment for a total of €20 million, to be offered as a rights issue to shareholders, pursuant to Article 2441, first paragraph, of the Italian Civil Code, whose terms and conditions are detailed below in this press release.

For completeness it is noted that, on the basis of the forecasts contained in the 2016 budget approved by the Board of Directors on today's date, it is possible that the Company may accumulate further losses over the coming months of the current year that, when added to those accrued as of 31 March 2016, may result in a reduction of the Company's share capital to below the minimum legal limit set in Article 2327 of the Italian Civil Code, thereby giving rise to the conditions contemplated in Article 2447 of the Italian Civil Code.

It is noted, however, that the measures the Board of Directors intends to propose to the Shareholders' Meeting (using available reserves, reduction of the share capital and simultaneous share capital increase) would in any case be sufficient to also remedy the situation just described if it occurred.

The Company shall continue to monitor the progress of its financial position, and shall promptly inform the market where necessary.

The explanatory report prepared pursuant to Article 2446 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 (the "**Issuer Regulations**"), as well as Article 125b of Italian Legislative Decree no. 58 of 24 February 1998, as amended (the "**Italian Consolidated Finance Act**"), together with the remarks of the Board of Statutory Auditors pursuant to Article 2446 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 30 May 2016*, and at the Italian Stock Exchange, within the legally established deadlines.

Significant events after the end of the year 2015

An analysis is provided below of the major events that occurred after the end of the year 2015.

In **January 2016**, the subsidiary Pierrel Pharma S.r.l. obtained the authorisation from the Italian Medicines Agency ("AIFA") for the marketing in Italy of the entire line of dental anaesthetics with the "Pierrel" brand, which will also be sold in disposable injector format.

On **1 February 2016**, the Parent Company Pierrel S.p.A. signed an agreement pursuant to Article 14 of Italian Legislative Decree 148/2015 with the local Trade Unions (and in particular with Femca Cisl, Filctem Cgil and Uiltec Uil) involving the option to use the Cassa Integrazione Guadagni Ordinaria - "CIGO" (ordinary government redundancy fund) – for thirteen weeks, starting from mid-February, and for the 87 people employed, with suspension and/or reduction of working hours – to manage the fluctuations in production expected in the subsequent weeks, pending the approval of the annual plan. The Company started to use the C.I.G.O. from the second week of March.

On **31 March 2016**, the shareholders Fin Posillipo S.p.A. and Bootes S.r.l. formally waived the right, definitively and unconditionally, to the repayment in cash of the of the short-term interest-bearing loans granted by them, including interest accrued to 31 March 2016, amounting to a total of €3,561 thousand and €510 thousand respectively, and immediately authorising the Company to use those amounts to offset the payable resulting from the subscription – each for their respective portion – of the shares issued under any future share capital increases that may be approved by the Shareholders' Meeting of Pierrel up to the date of 31 December 2017. Without prejudice to the above, if the Company does not approve a share capital increase by that date, both shareholders have henceforth authorised the Company to definitively and unconditionally allocate the loans granted to it as capital contributions to the Company.

On **1 April 2016**, the Swiss company THERAMetrics announced that it had postponed the date of conversion of the convertible bond approved on 15 October 2015, subscribed by the shareholders Fin Posillipo S.p.A. and Bootes S.r.l.. More specifically, the original date of March 2016 set for the conversion was extended to 30 June 2016 in order to align it to the forecast for the completion of the share capital increase to service the business combination to be carried out with the Swiss company Relief.

On **4 April 2016**, the subsidiary Pierrel Pharma announced to the market that it had initiated the trial phase, together with the company Smile Biotech S.r.l., of the SMILE prototype, the clinical test for detecting caries composed of a biomarker based on the identification of the “Cd14” protein contained in human saliva. After this trial phase, which is due to be completed by the end of 2016, it will be possible to start the procedure for its registration and pre-industrialisation, first in Europe and then in the United States.

On **15 April 2016**, the Italian Medicines Agency (“AIFA”) completed its periodic inspection involving the usual verification of compliance with Good Manufacturing Practice (“GMP”) and the applicable regulations. Based on the results of the inspection, Pierrel’s production unit was found to be in overall compliance with the GMP, in terms of its technical and organisational structure; however, the Company has to remove the non-conformities identified within the required subsequent 30 days.

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The Board of Directors has updated the main financial and business targets for the year 2016, which now forecast consolidated gross revenue of around €15.9 million and a positive consolidated EBITDA of around €0.5 million. These figures differ from the forecasts made by the Company in the business plan for the three-year period 2015-2017, as updated by the Board of Directors on 28 August 2015 and announced to the market on that date, which forecast consolidated gross revenue of around €36.8 million and a positive consolidated EBITDA of around €0.6 million for the year 2016.

In this regard, it is noted that the business plan produced by the Company for the three-year period 2016-2018, and approved today by the Board of Directors, only contains the forecasts from the CMO and Holding Divisions, both part of Pierrel, and the Pharma Division, linked to Pierrel Pharma S.r.l., a wholly owned subsidiary of Pierrel, whereas it does not include the forecast figures for the **TCRDO** Division, which is part of the Swiss company THERAMetrics. In fact, as already announced to the market on 21 December 2015, THERAMetrics has initiated several extraordinary transactions, already at an advanced stage of execution, which may be completed during the first half of the year underway and which, if they are successfully completed, may result in the exit of the TCRDO Division from the Pierrel Group.

In view of the above, the forecasts in the 2016-2018 business plan approved in today’s board meeting are based, among others, on the assumption that the THERAMetrics strategic transactions may be successfully completed, resulting in the deconsolidation of the TCRDO Division and the Company focusing on its core manufacturing business through a more extensive programme of investments and commercial development in the pharmaceutical sector.

With regard to the CMO and Pharma Divisions, the overall estimates for the year 2016 forecast a reduction in total revenue (around 24%) and consolidated EBITDA (around 70%) compared to the forecasts previously made by the Company in the 2015-2017 business plan. These divergences are mainly attributable to the expected reduction in volumes to be produced on behalf of third parties by the CMO Division, due to a reselection of the customer portfolio. This is partly aimed at favouring and planning production with higher with margins for the Group, including primarily the lead product Orabloc® and new pharmaceutical specialty products, some of which have been approved and others are in the process of developed and/or authorised.

The same operational and strategic considerations formed the basis for the preparation new business objectives in the Business Plan for the years 2017 and 2018 (the "**Plan**"), which the Board of Directors also examined and approved today.

The Pierrel Group confirms its intention to strengthen its position as a provider in the pharmaceutical sector, focusing on growth in the revenue and earnings of its strategic business Divisions – CMO and Pharma – through growth in volumes of vials and new pharmaceutical specialty products to be produced in the facility in Capua, Italy. This will also support the expansion of the Pharma Division, mainly in the North American market – thanks to the agreements signed with the largest global dental care distributors in the US (Patterson Dental, Henry Schein Dental, Benco Dental, Dental Health Products, DC Dental, Safco Dental Supply, NDC and Darby Dental) and in Canada (Patterson Dental, Henry Schein Dental and Sinclair Dental) – in addition to Europe and new markets (Africa and the Middle East) where registrations have been obtained (Kosovo, Serbia, Iran and Iraq) and initiated (Saudi Arabia, Jordan, Algeria, Egypt, Sudan, Taiwan and other minor countries) for the marketing of the dental anaesthetic Orabloc®. The major communications campaign already launched in previous years will also be further strengthened over the three-year period.

In summary, the Plan envisages:

- for the CMO Division, an increase in sales mainly attributable to higher volumes to the Pharma Division and, to a lesser extent, the increase in volumes to third-party customers in the portfolio;
- for the Pharma Division, growing revenue from distribution agreements for the sale of the specialty product Orabloc®, mainly in the North American market (USA and Canada) as described above, as well as the expected sales in the European market and other emerging countries, following the new registrations obtained and completion of the authorisation procedures underway. For the Pharma Division, the Plan also takes account of revenue, prudentially assumed to be a minimum contractual levels, from the licensing of medical devices owned by the subsidiary;
- for the Holding Division, a further reduction in operating costs, by an overall amount of around 2% of EBITDA on an annual basis.

Based on the above, the Pierrel Group expects to achieve the following targets over the period 2016-2018:

(in € thousands)	2016	2017	2018
Consolidated gross revenue	15,931	18,207	22,827
Consolidated EBITDA	496	1,275	3,868

The Plan envisages an average growth rate in terms of consolidated gross revenue of around 20% and a more than proportional growth in consolidated EBITDA.

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During the same meeting, the **Board of Directors of the Company** also approved the submission of a proposal to the Shareholders' Meeting of the Company to be called, in single call, for 30 May 2016, for an increase in share capital against payment and in tranches, through the issue of new ordinary shares without par value, to be offered to shareholders as a rights issue, pursuant to Article 2441, first paragraph, of the Italian Civil Code, up to a maximum of €20.0 million including any share premium ("the **Share Capital Increase**"). The Share Capital Increase does not form part of the measures pursuant to Article 2446 of the Italian Civil Code – because the coverage transactions indicated above are considered sufficient to remove the conditions contemplated in Article 2446 of the Italian Civil Code – but is aimed at strengthening the capital of the Company and procuring the financial resources from the market needed to sustain the Company's investments and development plan.

More detailed information is provided below on the Share Capital Increase proposal that the Board of Directors intends to submit for approval to the Extraordinary Shareholders' Meeting of the Company. For more information see the report on the matters on the agenda for the Shareholders' Meeting prepared by the Board of Directors pursuant to Article 125b, first paragraph of the Italian Consolidated Finance Act, which shall be made available to Shareholders and the public according to the timing and in the manner required by the applicable regulations, pursuant to and for the purposes of Article 125b , first paragraph, of the Italian Consolidated Finance Act and Article 84b of the Issuer Regulations.

(a) Share capital increase

A proposal will be made to the Extraordinary Shareholders' Meeting for a Share Capital Increase against payment, in tranches, for a maximum amount of €20,000,000, including any share premium, to be executed by 31 March 2017, also taking account of the duration of the procedure required to obtain approval from the competent Authorities for the publication of the related information prospectus.

The Share Capital Increase must be executed through the issue of Pierrel ordinary shares without par value, to be offered as a rights issue to shareholders pursuant to Article 2441, first paragraph, of the Italian Civil Code, with full rights.

The Board will also propose that it be granted the broadest powers to establish, within the limits specified above, (a) the unit issue price of the shares offered, including any share premium; (b) the number of shares to be issued under the offer and their allotment ratio; (c) the exact amount of the Share Capital Increase; as well as (d) the initial date for the subscription of the newly-issued shares offered, and the end date for subscription, which cannot be after 31 March 2017.

In order to facilitate the successful outcome of the Share Capital Increase and, consequently, to enable the Company to obtain the maximum amount of financial resources, the Board of Directors will also submit a proposal to the Shareholders' Meeting for it to grant the Board the broadest powers to place any remaining shares with third parties, including non-shareholders, who may also subscribe them by offsetting any receivables due to them from the Company, that have not been taken up after the exercise of the option rights and the offer on the stock exchange of the unexercised option rights pursuant to Article 2441, third paragraph, of the Italian Civil Code. This placement must be completed in any event within the maximum period of 60 days after the end date of the offer on the stock exchange of the unexercised rights.

(b) Reasons for and allocation of the share capital increase

The Share Capital Increase is aimed at strengthening the capital structure of the Group and providing the Company sufficient resources to enable it to meet its current and future operational needs, based on current forecasts.

In particular, the cash resources from the Share Capital Increase will be primarily allocated to support the development of the Company's business. Specifically, the net cash proceeds from the Share Capital Increase are expected to be allocated primarily to support the investments envisaged in the budget for the year 2016 and the business plan for the years 2017 and 2018 approved by the Board of Directors today.

(c) Period envisage for the execution of the transaction

Subject to the issue of the necessary authorisations by the competent Authorities, it is estimated that the offer of the newly-issued ordinary shares as a rights issue to shareholders may be executed during the second half of the current year. In any event, the start and end date for the subscription of newly-issued shares shall be set by the Board of Directors during a meeting to be held shortly before the launch of the rights issue.

(d) Guarantee and/or placement consortium

The establishment of guarantee and/or placement consortiums in relation to the Share Capital Increase is not envisaged as of the date of this press release.

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During the same meeting, the **Board of Directors of the Company** also approved the **Annual Report on corporate governance and ownership structure and the Remuneration Report for the year 2015**. These reports will be made available to the public at the registered office of the Company and on the company website, www.pierrelgroup.com, under the section *Investor Relations/Financial Documents/Financial statements and Reports*, as well as at the Italian Stock Exchange, in the terms and conditions provided by applicable law.

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The **Board of Directors of the Company** also approved the submission of a request to the Shareholders' Meeting for the granting, pursuant to Articles 2441 and 2443 of the Italian Civil Code, of the power to increase the share capital, on one or more occasions, also in tranches, and, if the resolution is approved by the majorities required by law, with the power to exclude the option right pursuant to Article 2441, paragraphs four, five and six of the Italian Civil Code, within the maximum period of five years from the date of the resolution, for a maximum amount of €10,000,000.00, plus any share premium, to be carried out through the issue of ordinary shares without par value. The share capital increases may also be used to service a convertible bond to be issued, on one or more occasions, also granting the directors the power to establish all its conditions, including its duration, interest rate, and conversion timing and ratio, all subject to revocation, for the part not executed, of the previous authority granted on 12 November 2011.

The explanatory report prepared pursuant to Article 125b of the Italian Consolidated Finance Act and Article 72 of the Issuer Regulations, 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 30 May 2016*, and at the Italian Stock Exchange, within the legally established deadlines.

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The **Board of Directors of the Company** also approved, upon positive recommendation of the Board of Statutory Auditors, pursuant to Article 2389 of the Italian Civil Code, the submission of a proposal to the Shareholders' Meeting to amend the stock option plan reserved for directors and executives of the Company, approved by the Pierrel Shareholders' Meeting on the 19 June 2015, as subsequently amended on 5 June 2015 (the "**2014-2022 Stock Option Plan**"). In particular, the amendment proposal envisages granting the Board of Directors of the Company a new term, already previously extended from 31 December 2014 to 31 December 2015, of the date of approval of the annual financial statements at 31 December 2018, for identifying the beneficiaries of the plan and setting the number of options to be allocated to them and their exercise price. All the other terms and conditions of the Plan, including the vesting period for the options, will remain unchanged.

For more information, see the report on the matters on the agenda for the Shareholders' Meeting prepared by the Board of Directors pursuant to Article 125b, first paragraph of the Italian Consolidated Finance Act and the information document relating to the proposal for amendment of the 2014/2022 Stock Option Plan, which shall be made available to Shareholders and the public according to the timing and in the manner required by the applicable regulations, pursuant to and for the purposes of Articles 114a and 125b, first paragraph, of the Italian Consolidated Finance Act and Articles 84a and 84b of the Issuer Regulations.

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Lastly, the Board of Directors of the Company has approved the calling of the Shareholders' Meeting for 30 May 2016, in a single call, in ordinary session, to resolve on (a) the approval of the separate financial statements of Pierrel S.p.A. at 31 December 2015, (b) the approval of the first section of the Remuneration Report of Pierrel S.p.A. for the year 2015, (c) the proposal to amend the 2014/2022 Stock Option Plan; and, in extraordinary session, to resolve on (a) the adoption of the measures pursuant to Article 2446 of the Italian Civil Code, (b) the proposal for a share capital increase by rights issue pursuant to Article 2441, first paragraph, of the Italian Civil Code, and (c) the granting of an authority to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code.

Pursuant to Article 125a of the Italian Consolidated Finance Act and the Issuer Regulations, the Company announces that the notice of the meeting will be published in accordance with Italian law and by-laws.

The Board also approved the explanatory reports on the matters on the agenda for the Extraordinary Shareholders' Meeting being called. These reports, together with all the documentation relating to the items on the agenda, 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 30 May 2016*, and at the Italian Stock Exchange, within the legally established deadlines.

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The Draft Separate Financial Statements at 31 December 2015 of Pierrel S.p.A., the Consolidated Financial Statements of Pierrel S.p.A. at 31 December 2015, the Directors' report on operations, the Report of the Board of Statutory Auditors and the Report of the Statutory Auditors will be made available to the public at the Company's registered office and at Borsa Italian S.p.A., as well as on the Company's website, www.pierrelgroup.com in the section *Investor Relations/Corporate Governance/Shareholders Meeting Documents/Shareholders Meeting of 30 May 2016*, according to the terms and conditions of the law.

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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 154a, paragraph 2 of Italian Consolidated Finance Act – that the accounting information from the draft financial statement at 31 December 2015 contained in the present press release corresponds to the documented results, accounting records and accounting entries of the company.

* * *

In addition to the standard financial indicators established by IFRS, this press release contains some alternate performance indicators for the figures at 31 December 2015, 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.

- Net financial debt: sum of cash, current financial assets, current financial debt and non-current financial debt.

* * *

Pierrel S.p.A. is a global supplier to the pharmaceutical, biopharmaceutical and life science industries, specialising in the discovery of medicinal product candidates and the repositioning of existing drugs for new therapeutic indications and clinical research (TCRDO Division), pharmaceutical production (Contract Manufacturing Division) and the development, registration and licensing of new drugs and medical devices (Pharma Division).
Pierrel Group is listed on the MTA exchange which is organised and managed by Borsa Italiana and boasts over 60 years' experience in the pharmaceutical sector, being one of Europe's leading producers of local and dental anaesthetics. The TCRDO Division, working across Europe and the US, is

recognised internationally for its research and development into tech based clinical research innovations with its Drug Repositioning and Repurposing System ("DRR2.0)" and Integrated Clinical Development Services ("ICDS") for the pharmaceutical, biotechnology and biomedical industries. The parent company of the TCRDO Division (**THERAMetrics holding AG**, listed in the Swiss stock exchange) holds the innovative interactive **DRR2.0** platform, which runs on a database of 24 million scientific publications (being virtually all of those available in the field of biomedical literature), of over 4,900 drugs and of 9,400 illnesses. With this data, never before collected in one place and stored in the cloud, the Search and Match algorithm can show a researcher not only the candidate drug but also a detailed road map with indications of possible second medical uses. The database can be accessed by molecule or by illness.

Pierrel also has a production unit in Capua, close to Naples, Italy, that 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, US, Russia and Europe. The registered office of Pierrel S.p.A. is in Capua (CE), Italy.

For further information:

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Attached below are the balance sheet, income statement and cash flow statement of the Pierrel Group and Pierrel S.p.A. at 31 December 2015.

Consolidated balance sheet, Consolidated separate income statement and Consolidated cash flow statement of the Pierrel Group at 31 December 2015

Assets

(€ thousands)	31 December 2015	31 December 2014
Goodwill		19,116
Intangible assets	1,496	5,494
Tangible assets	10,969	14,445
Financial fixed assets	180	-
Receivables and other non-current assets	28	66
Prepaid tax	5,396	6,432
Non-current assets	**18,069**	**45,553**
Inventories	2,195	3,148
Work in progress		460
Trade receivables	3,250	6,205
Tax receivables	1,079	1,653
Other current assets and sundry receivables	802	1,976
Cash and cash equivalents	1,218	4,461
Discontinued operations	**28,199**	
Current assets	**36,743**	**17,903**
TOTAL ASSETS	**54,812**	**63,456**

Equity and liabilities

(€ thousands)	31 December 2015	31 December 2014
Share capital	11,599	11,353
Reserves and retained earnings/(losses)	(21,411)	(12,917)
Loss for the year	(7,580)	(13,643)
Group equity	**(17,392)**	**(15,207)**
Non-controlling interests in share capital and reserves	24,254	26,991
Non-controlling interests in profit/(loss) for the year	(5,953)	(4,479)
Consolidated equity	**909**	**7,305**
Employee benefits	342	1,673
Deferred tax liabilities	55	1,550
Non-current financial liabilities	20,343	9,183
Other non-current liabilities and payables		47
Non-current liabilities	**20,740**	**12,453**
Trade payables	5,617	10,420
Current financial liabilities	8,113	22,712
Tax payables	1,613	2,088
Other current liabilities and sundry payables	6,278	8,478
Liabilities directly related to non-current assets held for sale	**11,542**	
Current liabilities	**33,163**	**43,698**
TOTAL LIABILITIES	**53,903**	**56,151**
TOTAL EQUITY AND LIABILITIES	**54,812**	**63,456**

Consolidated separate income statement

(€ thousands)	31 December 2015	31 December 2014 Restated (*)
OPERATING ACTIVITIES		
Revenue	16,149	15,106
Raw materials and consumables used	(5,599)	(5,159)
Sundry services	(3,548)	(3,373)
Third-party goods	(119)	(100)
Personnel costs	(5,776)	(5,751)
Other provisions and costs	(1,646)	(1,687)
Earnings Before Interest, Tax, Depreciation and Amortisation	**(540)**	**(965)**
Amortisation, depreciation and write-downs	(2,081)	(2,713)
Operating profit/(loss)	**(2,621)**	**(3,678)**
Financial expenses	(2,556)	(3,020)
Financial income	5	9
Profit/(loss) before tax	**(5,172)**	**(6,690)**
Income tax	(630)	(199)
NET OPERATING LOSS FROM OPERATING ACTIVITIES	**(5,802)**	**(6,888)**
DISCONTINUED OPERATIONS		
NET OPERATING LOSS FROM DISCONTINUED OPERATIONS	**(7,731)**	**(11,234)**
NET OPERATING LOSS	**(13,533)**	**(18,122)**
of which Net loss attributable to non-controlling interests	(5,953)	(4,479)
of which Net loss attributable to Pierrel shareholders	**(7,580)**	**(13,643)**

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

Consolidated cash flow statement

(€ thousands)	31 December 2015	31 December 2014 Restated (*)
Net loss	**(13,533)**	**(18,122)**
of which Net loss from operating activities	*(5,802)*	*(6,888)*
of which Net loss from discontinued operations	*(7,731)*	*(11,234)*
Amortisation and depreciation	2,904	3,896
Provisions and write-downs	555	5,105
(Gain)/Loss on disposal of assets	503	(13)
Movement in taxes	592	76
Movement in outstanding financial expenses	1,505	1,887
Movement in inventories and work in progress	(253)	1,799
Movement in trade receivables	1,607	305
Movement in trade payables	(1,826)	(3,264)
Net movement in other current assets and liabilities	(92)	341
Movement in employee benefits	(395)	177
Provision for THERAMetrics stock option plans	1,647	-
Cash flow used in operating activities	**(6,786)**	**(7,813)**
of which reclassified to Discontinued operations	*(4,517)*	*(7,264)*
Outflow for the acquisition of tangible assets	(501)	(891)
Outflow for the acquisition of intangible assets	(815)	(1,132)
Income from disposal of non-current assets	2,520	364
Net movement in other non-current assets and liabilities	(28)	18
Outflow for investments in other non-controlling interests	(172)	-
Purchase of non-controlling interests in subsidiaries	-	(60)
Net cash flow used in investment activities	**1,004**	**(1,701)**
of which reclassified to Discontinued operations	*1,014*	*(487)*
Net movement in short-term financing	(453)	(1,829)
Amounts of medium/long-term financing repaid	(11)	(16)
Share capital increases net of transaction costs	3,284	12,151
Stock options exercised during the year	-	7
Income from the sale of THERAMetrics own shares	935	263
Cash flow from investing activities	**3,755**	**10,576**
of which reclassified to Discontinued operations	*454*	*11,153*
TOTAL CASH FLOW FOR THE YEAR	**(2,027)**	**1,062**
Net cash and cash equivalents at the start of the year	4,461	3,357
of which from Discontinued operations	*4,163*	*773*
Total cash flow for the year	(2,027)	1,062
of which from Operating activities	*(3,141)*	*(2,340)*
of which from Discontinued operations	*1,114*	*3,402*
Exchange effect	(114)	42
Net cash and cash equivalents at the end of the year	**2,320**	**4,461**
of which reclassified to Discontinued operations	1,102	4,163
of which recorded under Cash and cash equivalents	1,218	298

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

Balance sheet, Separate income statement and Cash flow statement of Pierrel S.p.A. at 31 December 2015

Assets

(Euro)	31 December 2015	31 December 2014
Intangible assets	312,607	392,664
Tangible assets	10,967,138	12,070,361
Investments	4,574,475	19,475,101
Receivables and other non-current assets	4,325,368	4,336,586
Prepaid tax	5,395,947	6,360,427
Non-current assets	**25,575,535**	**42,635,139**
Inventories	2,037,922	3,105,298
Trade receivables	2,879,574	3,033,825
Tax receivables	136,706	272,279
Other current assets and sundry receivables	712,323	1,124,115
Cash and cash equivalents	1,172,599	282,384
Non-current assets held for sale	**8,298,635**	
Current assets	**15,237,759**	**7,817,901**
TOTAL ASSETS	**40,813,294**	**50,453,040**

Equity and liabilities

(Euro)	31 December 2015	31 December 2014
Share capital	11,598,507	11,352,693
Reserves	(3,770,035)	1,423,469
Loss for the year	(10,510,679)	(7,495,502)
Equity	**(2,682,207)**	**5,280,660**
Employee benefits	342,457	399,014
Deferred tax liabilities	54,660	327,372
Non-current financial liabilities	15,512,000	9,007,000
Other current liabilities and sundry payables	7,068,570	7,786,158
Non-current liabilities	**22,977,687**	**17,519,544**
Trade payables	5,426,061	6,321,625
Current financial liabilities	7,494,842	13,818,842
Tax payables	1,604,418	1,484,465
Short-term provisions for liabilities	137,972	172,554
Other current liabilities and sundry payables	5,854,521	5,855,350
Current liabilities	**20,517,814**	**27,652,836**
TOTAL LIABILITIES	**43,495,501**	**45,172,380**
TOTAL EQUITY AND LIABILITIES	**40,813,294**	**50,453,040**

Separate income statement

(Euro)	31 December 2015	31 December 2014
Revenue	15,912,308	14,632,106
Raw materials and consumables used	(5,747,156)	(5,132,395)
Sundry services	(2,868,375)	(2,947,147)
Third-party goods	(102,257)	(85,185)
Personnel costs	(5,692,963)	(5,631,726)
Other provisions and costs	(2,030,262)	(1,444,003)
Earnings Before Interest, Tax, Depreciation and Amortisation	**(528,705)**	**(608,350)**
Amortisation, depreciation and write-downs	(4,904,494)	(4,020,099)
Operating profit/(loss)	**(5,433,199)**	**(4,628,449)**
Financial expenses	(4,805,748)	(2,796,544)
Financial income	358,452	127,698
Profit/(loss) before tax	**(9,880,495)**	**(7,297,295)**
Income tax	(630,184)	(198,207)
NET LOSS FOR THE YEAR	**(10,510,679)**	**(7,495,502)**

Cash flow statement

(Euro)	31 December 2015	31 December 2014
Net loss	**(10,510,679)**	**(7,495,502)**
Amortisation and depreciation	1,729,920	2,227,099
Provisions and write-downs	438,326	169,225
(Write-back)/Write-down of non-current assets	3,174,575	1,793,000
(Gain)/Loss on disposal of non-current assets	2,244,581	(15,000)
(Gain) from transfer of Deferral on AIC Pharma	(717,588)	(292,529)
Movement in outstanding financial expenses	1,427,980	1,826,623
Movement in deferred taxes	691,768	49,874
Movement in inventories	584,138	(31,635)
Movement in trade receivables	(345,749)	(821,115)
Movement in trade payables	(895,564)	(744,722)
Income tax	(56,834)	148,333
Net movement in other current assets and liabilities	723,324	1,755,250
Movement in employee benefits	(56,557)	(32,996)
Cash flow from operating activities	**(1,568,359)**	**(1,464,096)**
Outflow for the acquisition of tangible assets	(500,793)	(831,018)
Outflow for the acquisition of intangible assets	(101,230)	(188,982)
Outflow for investments in equity interests	(2,255)	(81,748)
Income from disposal of non-current assets	1,063,018	1,278,378
Net movement in other non-current assets and liabilities	3,718	317
Cash flow from investing activities	**462,458**	**176,947**
Net movement in short-term financing	(1,227,348)	(919,000)
Share capital increases net of transaction costs	3,282,359	
Other changes in equity		
Cash flow from financing activities	**2,055,011**	**(919,000)**
TOTAL CASH FLOW FOR THE YEAR	**949,110**	**(2,206,149)**
Net cash and cash equivalents at the start of the year	282,384	2,487,442
Total cash flow for the year	949,110	(2,206,149)
Exchange effect	(58,895)	1,091
Net cash and cash equivalents at the end of the year	**1,172,599**	**282,384**