



ADL BIONATUR SOLUTIONS 2018 First Half-Year Results

Jerez de la Frontera, 30 October 2018

Dear Sirs,

Pursuant to Article 17 of Regulation (EU) No 596/2014 on market abuse and Article 228 of the consolidated text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October 2015, and relevant provisions, in addition to Circular 15/2016 on the Alternative Stock Exchange (MAB), ADL BIONATUR SOLUTIONS S.A. reports the following half-year information at 30 June 2018.

Contents:

1. Business evolution information and events after the reporting period
2. Analysis of Consolidated Financial Statements at 30 June 2018
3. Consolidated Interim Financial Statements at 30 June 2018 and the Limited Review Report.

Yours faithfully,
ADL BIONATUR SOLUTIONS, S.A.

Ms Pilar de la Huerta Martinez
Chief Executive Officer



GENERAL CONSIDERATIONS

This document shows an analysis of the financial situation and results of the operations of ADL BIONATUR SOLUTIONS, S.A. ("company") registered during the first half of 2018, ending on 30 June.

The financial information of the company ADL Bionatur Solutions submitted in this report refers to the consolidated half-year information during the months of May and June of "Bionaturis", plus the full half-year information of "ADL Biopharma" (accounting acquired, Antibióticos de León S.L.) with limited review of the first half of financial year 2018, and compared to the profit and loss statement of the company ADL Biopharma for the same period of 2017, this company being the listed book purchaser previously known as Bioorganic Research and Services, S.A. (Bionaturis).

The assets and liabilities of "Antibióticos de León S.L.U." (book purchaser) are indicated by the amounts recorded historically, thus showing the comparative figures from its Annual Accounts at 31 December 2017, except for the Share capital in Equity heading, for which that of the Company acting as the legal purchaser is maintained (formerly Bioorganic Research and Services S.A. and Subsidiary Corporations).

The assets and liabilities of the Group formerly known as "Bioorganic Research and Services S.A. and Subsidiary Corporations" (legal purchasing company) are recorded at fair value on the date of acquisition of Antibióticos de León, thus causing a "reverse acquisition".

RELEVANT ASPECTS REGARDING PREVIOUS INFORMATION PUBLISHED

This document contains information and forecasting statements, which may be related to plans, objectives, estimates, intentions and expectations, among others. This information is typically identified by words such as "anticipating," "waiting," "estimating," "prognosis," "objective," "intent," "plan," "will," "may," "should," "could," and similar expressions. The specific forecasting information provided in this document includes, but is not limited to, statements regarding the future operating of the company and financial results, its research and development activities, and its capital expenditure plans.

Due to their nature, this information and forecasting statements involve risks and uncertainties that could lead to the actual results differing from those expected. We believe the assumptions on which these forecasts are based to be reasonable, but we realise that these assumptions about future events, many of which are beyond our control, may alter the final outcome.

ON FUTURE FORECASTS AND DEVELOPMENTS

The ASL Bionatur Solutions Group informs its shareholders that these developments are subject to significant risks and uncertainties including, but not limited to, the general conditions of industry and competition; general economic factors including interest and exchange rate fluctuations; the impact of international law on industry; global trends towards the containment of spending on animal health; technological advances, new products and new competitor patents; challenges inherent to biological products under development; manufacturing problems or delays; the instability of the international economic situation or any instability in particular; or exposure to litigation by third parties, among others. Thus, there can be no assurance that products under development will receive the necessary marketing approval or that they will be a commercial success, where applicable.

INTRODUCTION AND CONTEXT

In light of the Company's substantial transformation since the last publication of results, following the corporate operation performed and the new customer contracts recently signed, the Company believes it must describe the context, the different business units and their evolution during the period covered by this report.

During the first half of 2018, the company Bionaturis undertook a corporate operation called "reverse acquisition" involving an extension of capital underwritten entirely by the shareholder Black Toro Capital, the full owner of the company ADL BioPharma, by contributing all the shares in that company. Therefore, after this transaction, even though the company it legally acquires is Bionaturis (the company listed on the stock exchange), the book purchaser becomes ADL Biopharma and is the controlling shareholder of the new Black Toro Capital group. Following this operation, the resulting company changed its name to ADL Bionaturis Solutions and was listed on the MAB market under the ticker ADL.



- After the reverse acquisition, the sole shareholder of ADL Biopharma, the Black Toro Capital Fund, became the controlling shareholder of the new company, ADL Bionatur Solutions (the "Company"), holding 85% of its shares, while the remaining capital is in the hands of the shareholders of Bionaturis.
- As a result of this operation, there was a change in consolidation perimeter and, therefore, the financial accounts are not directly comparable to last year. Those submitted for this first half of 2018 include income and expenses for the entire former "Bionaturis Group" for the months of May and June only, and income and expenses for ADL Biopharma (industrial division within the new Company) for the whole six months.
- Data from the first half of 2017 includes only ADL BioPharma data from the first half of 2017.

- In this inconsistent comparison of results, the Company has increased its revenue by more than 40%, mainly due to the activity of ADL Biopharma, since the activity considered by Bionaturis is only that of May and June, a normally less significant activity due to the seasonality of its business. With regard to expenditure, this has increased due to both the adaptation of the contracts signed for the preparations for production and the ADL Biopharma workforce for production during the second half of the year, and to the addition of the two-month expenses of three new companies in the Bionaturis group. The combination of these circumstantial effects is reflected by losses in the first half of the year that do not reflect the company's actual situation over the second half of the year.
- The Company believes this first semester to be an investment period in which it has proportioned itself for production associated to the contracts signed in the industry area (fermentation CMO).
- On the other hand, these months have been a period of integration for companies in order to maximize the synergies of the corporate operation that will start to bear their fruits in future R&D projects for the development and production of company products.
- In February 2018, before the reverse acquisition, ADL Biopharma signed a two-year CMO contract (fermentation) for the sum of €5 million a year (plus the amounts corresponding to raw material) with the American company Amyris, with the operations associated to this contract beginning in May 2018.
- In June 2018, an addendum to the contract was signed with the aforementioned company that extended this production for 15 months as of September 2018 for another €6.2 million approximately (plus the amounts corresponding to raw material).
- In July 2018, ADL Bionatur Solutions extended its capital by attracting €12 million from Spanish institutional investors. The company attracted this funding for CAPEX financing (investment in modernization and implementation of different parts of the plant) at its León plant (Later Event reported in RE).
- In August 2018, the Company signed a production contract (fermentation CMO) with the French company Fermentalg for the production of DHA (Omega 3) for a period of between three and five years (Later Event reported in HR). Industrial production is estimated to start in early 2019.
- In October 2018, ADL Biopharma received a participative loan from SODICAL for the sum of €5 million for CAPAX financing in the León factory (Later Event reported in HR).
- The accumulated sales figure to September stands at around €13 million, ADL Bionatur Solutions plans to close the year with sales growth close to 100% of sales from the previous year, which stood at €14.6 million.
- The Company estimates that its monthly EBITDA will be positive as of October 2018.

BUSINESS EVOLUTION INFORMATION AND EVENTSTER THE REPORTING PERIOD

Organic development

The ADL Bionatur Solutions group is a biotech pharmaceutical group operating under four brands (ADL Biopharma, Bionaturis, Biobide, Zip Solutions) and through four business units:

1. Industrial Division
2. Human and Animal Health Division
3. CRO Division
4. CDMO Division

On a global quantitative level, the Group has continued the trend of increased sales in comparison with the previous years' figures, with growth values above those of its main operating markets.

ADL Bionatur Solutions Group Evolution of Net Sales and Operating Margin

It is important to note that, in the half-year analysis presented in this report, the consolidated profit and loss statement includes those corresponding to the entire consolidation group during the months of May and June, and those of ADL Biopharma during the entire six-month period, while they are compared with the income and expenses of ADL Biopharma, the book purchaser of the former "Bionaturis", for the first half of 2017.

In the section on net sales, the significant growth of the industrial division (ADL Biopharma) must be highlighted, where the CMO area (fermentation for third parties) continues to increase through the signing of new contracts with relevant international companies. It must be noted that the contract with the German customer signed in November 2017 justifies most of the growth, since the other relevant customers in the CMO area will see an increase in their turnover during the last quarter of the year.

In January 2018, ADL Biopharma began its operations as CMO in the main industrial unit of its León facilities. After several months of investments in modernising and starting the oldest of its industrial units, at the end of January the new unit began operating and the company migrated its production to the premises. To this end, the company did not begin to standardize the production in the new building until May. Despite these drawbacks during the early months of the year, the level of sales associated to its activities as CMO increased by 40% in relation to 2017.

In May, the transactions associated to the new contract signed by the US company Amyris began and, as of September 2018, production for Amyris returned to normal and acquired the speed necessary to fulfil the contracts signed with the listed US company over the next two years.

In the CMO division (fermentation for third parties), the company has grown in comparison with the previous year, with an average growth rate of 40% to June 2018. However, total expected growth for the current year remains close to 100% in relation to 2017 turnover, given the increase already underway during the second half of the year in line with the commitments acquired in the contracts signed by the Company as a fermentation producer for third parties.

The revenue section from the collaboration agreement signed with the German company Wacker Biosolutions (Wacker Chemie AG) must be mentioned in this division. Within this agreement signed at the end of 2016, one of the company's industrial units has been leased to Wacker for 20 years (initially 9 years, with automatic renewal periods of 3 years for a maximum of 20 years). ADL Biopharma renders all maintenance and general services during this period so that Wacker can produce its products at the aforementioned facility. Thus, the company will have recurring revenues in order to distribute the structural expenses of the factory with its collaborator, Wacker.

Expenses from this division have also increased during the first half of 2018, as the company has proportioned itself to meet operational needs for contractual compliance. These have been growing needs, with 2018 being the year of least production, generating an increase in production of over 100% for 2019, compared to what has been agreed to for the current year, with the correct size workforce for this purpose.

Moreover, inherent to their business models and as usual in previous years, the animal health divisions of the former "Bionaturis", Biobide and Zip Solutions, show seasonality in their sales. Although the company's estimate is for a substantial increase in revenue in relation to 2017, sales from these divisions by the end of June 2018 are in line with the previous year, with an important quantitative leap occurring during the second half of the year. In addition, the consolidated data presented in this report only shows the revenue from the two months after the reverse acquisition, i.e., May and June.

This consideration, combined with the seasonality of the revenues from the units belonging to the former "Bionaturis", means that the overall impact of their expenses is greater than that of their income over the first half of the year, leading to an apparent impairment of EBITDA and net result for the period in comparison with 2017, which will return to normal in the accounts in the next reports. It must be remembered that we are comparing inconsistent data, as only ADL Biopharma data is included in the analysis of the first half of 2017. The company forecast for the end of the year is a standardisation of revenues from the units of the former "Bionaturis", generating an improvement in margins in relation to 2017.

Specific information on evolution during the first six months of 2018 for each of the group divisions is itemised below.

1. Industrial Division

Operating primarily under the brand of ADL Biopharma, it focuses its activities in two business areas. On one hand, **CMO services (manufacturing of fermentation products for third parties)**, and on the other the sale of beta-lactam active pharmaceutical ingredients for the pharmaceutical industry. The company has one of the largest industrial fermentation facilities in Europe, and is the main supplier of its products for several multinational companies of reference in the area of high added value innovative products produced by fermentation.

Furthermore, the industrial division has been and remains a benchmark supplier in the pharmaceutical field of **beta-lactam active ingredients** (penicillin by-products), both oral and sterile, for the large multinational companies in the market. To this end, the company has long-term agreements with companies as relevant as Boehringer, among others.

As a supplier of beta-lactam active ingredients (APIs), the Company is in the process of registering the dossiers associated with most of the range of oral and sterile products that the company offers with regulatory agencies. Under these circumstances, the company is making no commercial sales other than the orders for validation batches that pharmaceutical companies perform during the aforementioned registration process. As an exception to the above, the company has a CMO contract in this area for a sterile product with one of the most relevant pharmaceutical companies in the world. This contract is valid for 5 years, is automatically renewable and, as it is a third-party product, does not require the registration of its own dossier. The company will enter the commercial order phase following the second half of 2019. In 2020, the company expects to substantially increase its sales figure in this area. It must be noted that this subdivision produces a niche product of high added value and quality for customers seeking to maintain certain standards at European level.

In any case, as company strategy, commercial efforts are focused on the sale of the sterile product where margins are substantially greater than for the oral product.

2. Human and animal health division

Until now, the Company, under the brand of Bionaturis, has focused its activity mainly on the animal health sector, developing and marketing both prescription and non-prescription products, including food-producing animals (PMPs) and pets (PAPs). ADL Bionatur Solutions launches its products through licensing agreements with tier 1 and tier 2 companies in the industry.

Following the corporate operation last May, the division has been targeting both human health and animal health (“One Health”), leveraging the synergies and integration of the R&D teams, as well as the synergies with the industrial production division, with its experience in fermentation production for third parties in human health projects. This work is already starting to be reflected in different joint initiatives in R&D projects for the development of products of high added value for human health, such as dietary supplements (probiotics and postbiotics/antibiotic targets) and their effect on microbiome modulation.

The division's B2B business model is based on the 4Ps (Products, Portfolio, Platforms and Partnering) and has allowed it to position itself as a partner of global reference to bring to market innovative products and services with high value-added. This division's revenue model is based on the signing of Licensing Agreements with third parties for the diverse products in the development portfolio (referred to internally as BNT programmes). In most cases, the agreements are reached with leading companies in their respective areas of action. Each licensing agreement can include advance payments upon signing, milestone payments (time-based or technical), payments for research and development activities, royalty payments on sales or direct marketing payments. Thus, the company can earn revenues from these programmes before the product actually reaches the final market or even without it being registered and/or marketed. Most active BNT programmes target animal health.

Products focusing on animal health are grouped into two main categories and ADL Bionatur develops and markets prescription and non-prescription products for both:

- Prescription products for food-producing animals (FPAs)
- Prescription products for pets (CAPs)

2.1. Prescription products for food-producing animals (FPAs)

In this section, the Company develops and markets high-end products for food-producing animals, including those not requiring veterinary prescription and those that do. In both cases, these products are marketed through a B2B model of contracts with third parties in regional and global markets. These products are obtained or are likely to be produced by fermentation, so ADL Bionatur is now able to produce some of these products - which Bionaturis developed and marketed until now but produced externally - in its own industrial division.

The products **not requiring veterinary prescription** are marketed through registration and marketing license agreements with third parties. In general, these products have fewer time and investment constraints for obtaining marketing authorisation in the target markets. Within this category of products, the company currently markets probiotics with high scientific support, mostly protected by patents. Probiotics are produced by fermentation processes.

It is worth noting in this category, as reported by the Relevant Event dated 16 November 2017, Bionaturis signed a licence agreement for exclusive regional registration and marketing of non-prescription products for food-producing animals with an international client whose name is protected by a non-disclosure agreement. According to this, Bionaturis will supply the products and technical assistance, while the customer will be responsible for their importing, distribution and sale, and for obtaining the marketing authorisation, ownership of which will be shared. The licence agreement is to initially last for three years, with automatic renewal for one-year periods and a minimum annual order commitment of 4,770 thousand Euros, once marketing authorisation has been obtained.

All information on the products under the licence has already been submitted to the corresponding regulatory authority to obtain the marketing authorisation. The first pre-commercial orders will be placed before the end of 2018.

The products **requiring veterinary prescription** are marketed through development, registration and marketing license agreements with third parties. Depending on the antigen and market, a transfer and manufacturing licence may or may not be included. All antigens in this division are likely to be obtained by fermentation.

The human health division of the Company has a comprehensive catalogue of new-generation vaccine antigens at varying stages of development for the main diseases affecting poultry, pork and beef production (milk and meat). The antigens developed by ADL Bionatur Solutions in this category are for the pig diseases with the biggest impact on the industry, including programmes for circovirus and PRRS.

2.2 Pet products (CAPs)

ADL Bionatur Solutions develops and sells high-end products intended for the health of pets, including those not requiring veterinary prescription and those that do. In both cases, these products are marketed through a B2B model of contracts with third parties in regional and global markets. Most of these products are obtained by fermentation and, therefore, ADL will be able to produce many of these products in its own industrial division in the near future.

Based on needs such as gingival disease, atopic dermatitis or osteoarthritis, the Company is incorporating **veterinary non-prescription** products such as food additives, probiotics, etc. into its range. These products are marketed through registration and marketing agreements with third parties. In general, these products have fewer time and investment constraints for obtaining marketing authorisation in the target markets.

One of the main products marketed by ADL Bionatur Solutions in this category is a patent-protected probiotic for the treatment of oral health in pets (dogs and cats). In August 2017, Bionaturis signed an Evaluation & Options (E&O) agreement with a global leader for the exclusive development, registration and marketing of this product. Prior to the end of the first quarter 2019, the company will indicate whether it holds the exclusive license option right, and the final terms of the license. Probiotics in this division are obtained by fermentation.

The products **requiring veterinary prescription** include medicines, such as *Medicated Feed Additives* (MFAs) and vaccines. As a general rule, these products are marketed through development, registration and marketing license agreements with third parties. Depending on the antigen and market, a transfer and manufacturing licence may or may not be included. BNT005 and the Mupipet antibiotic are obtained by fermentation.

Of note is the importance of the product BNT005, a second-generation vaccine for the treatment and prevention of canine visceral leishmaniasis. The Company has reached the following sublicense agreements and strategic agreements with third parties regarding this product:

- Sublicense Agreement for the development, registration, manufacture and marketing of BNT005 with the Argentine company Laboratorios Biológicos de Tandil (Biotandil), exclusively for the regions of Argentina and Paraguay (reported in RE on 24 April 2017). ADL Bionatur Solutions will receive 50% of the profits from the commercial exploitation of the vaccine in the region. As of the date of publication of this report, all information has been submitted to the Argentina National Department of Health and Agrifood Quality (“SENASA”) to apply for marketing authorisation for the vaccine in that country, where there are currently 12.7 million dogs and an annual growth rate of 5%.
- Evaluation and Options Agreement (E&O) with exclusive worldwide sublicense rights (except in Argentina and Paraguay) with an leading company in the industry for the development, registration, manufacture and marketing of BNT005 as a vaccine. Before the end of the second quarter 2019, the licensing company must communicate and exercise its license option right and indicate the final terms.
- Awarding of patent for BNT005 in USA by the Patent and Trademark Office (“USPTO”), as reported by Relevant Event on 7 February 2018.
- In addition to this category, in 2017 BNT and OjerPharma signed a European joint development, registration and marketing agreement for Mupipet, an antibacterial lipogel with a unique topical application, suitable for the treatment of bacterial skin infections and post-surgical prevention or wounds in pets. During the first half of 2018, a binding agreement of intent was signed with a veterinary laboratory for the exclusive distribution of Mupipet in Spain and Portugal. According to the binding agreement, the final license agreement will be executed before the end of 2018.

3. CRO (Contract Research Organization) Division:

This division of ADL Bionatur Solutions is mainly made up of Biobide (a trademark under which BBD Biophenix, S.L. acts), and deals in the testing of toxicity and efficacy in animal models of zebra fish, as well as R&D services that the Company offers to public and private research agencies.



The purpose of this division is to speed up the R&D process, adding value primarily to the preclinical area, for developments of pharmaceutical, biotechnological, chemical, cosmetic and nutraceutical companies, minimising risks through its zebra fish services.

Quantitatively, throughout the first half of 2018, Biobide has continued to renew and sign major new contracts with leading entities in its respective sectors, gaining prestige as an international benchmark CRO in the use of the zebra fish model.

Key customers in this division include internationally relevant entities such as Sanofi, Roche, Servier, NIH and Royal Dutch Shell.

During the first half of 2018, it should be noted that Biobide has renewed and extended contracts with its main customers, and added to its portfolio new strategic customers such as L’Oreal, a key milestone for Biobide’s positioning as a benchmark company in CRO services with zebra fish in the cosmetic sector. Part of the outcome of the commercial relationship with L’Oreal was presented at the prestigious EUROTOX 2018 congress held in Berlin (Germany).

4. CDMO (Contract Development and Manufacturing Organization) Division:

In this division, the Company offers the technology portfolio of ZIP Solutions and ADL Bionatur Solutions for the performance of development services for third parties in the field of biological products and technology licensing processes. Of particular relevance were:

Splittera: Patented system for high-yield expression and purification of protein-based products. SPLITTERA is exclusively and globally licensed with a multinational leader in the purification of biological products. The purification of a single step of SPLITTERA universalises the purification process of biological products, eliminating one of the main bottlenecks of these developments at industrial level. SPLITTERA is the purification solution that the industry has been waiting years for. The SPLITTERA system also offers applications to improve the properties of ELISA-type diagnostic systems. At the request of the multinational (licensee) customer, concept tests are being performed by the industrial division of ADL Biopharma for the manufacture of the proteins that form part of the SPLITTERA resins.

Zera Vaccines: Patented technology that currently has two main applications, ZERA SUBUNIT VACCINES 2.0 and ZERA DNA VACCINES. ZERA SUBUNIT VACCINES 2.0 allows optimisation of the productive parameters of expression and purification of recombinant antigens in the different standard expression systems. The technology is validated for proof of concept in animal models and is the object of an Evaluation and Option licensing agreement with a leading multinational in its sector for the development of biological vaccines for application in animal health. ZERA DNA VACCINES is designed to standardise the mechanism of action of the new DNA vaccines. Its concept tests have also been validated in animal models.

Flylife: System for the development and manufacture of biological products at industrial and laboratory level. FLYLIFE introduces greater flexibility and versatility in scaling by optimising production parameters. It was specially designed for the expression of antigens for industrial vaccines.

Within this division, the following milestones from the first half of 2018 should be highlighted:

- The technical and payment milestones have been achieved as agreed in the global licensing agreement exclusively with a leading multinational in its sector for the final development and marketing of Splittera technology for the industrial purification of biological products.
- As reported by Relevant Event on 8 March 2018, Australia's Patent Office ("PI Australia") has informed ZIP Solutions of the granting of the patent called "*Split inteins and uses thereof*", with application code 2012314355.
- As reported by Relevant Event on 4 April 2018, the Israeli Patent Office ("ILPO") has informed ZIP Solutions of the granting of the patent entitled "*Split inteins and uses thereof*". This new patent is an addition to those already granted in Europe, China, Japan and Australia to this same group of patents, thus establishing its validity and protection in the main international regions. This group of patent provides protection for the sequences and uses of inteins, which form the basis of the SPLITTERA application and are powerful tools for the production, purification and processing of biological products. The SPLITTERA system is globally and exclusively licensed to an industry multinational for its commercial development in the industrial purification of proteins and their derivatives.
- As reported by Relevant Event on 11 April 2018, the Indian Patent Office (Intellectual Property India) informed ZIP Solutions of the granting of the patent entitled "*Production of biologically active protein*", under patent number 293103. This new patent is an addition to those already granted in Europe, the United States, Australia, China, Mexico and Canada to this same group of patents, thus establishing its validity and protection in the main international regions. This group of patents is part of the group that provides protection for Zera Vaccines applications. More specifically, this group of patents protects Zera-based microparticles, a self-assembling sequence developed by ZIP Solutions, from being produced and used pharmacologically. Vaccines based on the Zera Vaccines system are currently being evaluated by major veterinary companies for licensing agreements.

Events after the first half of 2018

At the end of July, ADL Bionatur Solutions increased its capital through institutional investors from which it was able to attract €12,000,000 at a subscription price of €2.2 per share. On 23 July 2018, the increase in share capital of ADL Bionatur Solutions, S.A., as agreed by the Extraordinary General Meeting of 13 July 2018, was listed with the Cadiz Companies Register and executed under the delegated powers conferred for this purpose by the Company Board of Directors on 18 July 2018. This increase in capital was made public on 20 July before the Notary Public of the Association of Notaries Public of Andalusia, Ms María José Perales Piqueres, under number 1402 of her records. By virtue of the above, the company's share capital now stands at €1,969,453.35, divided into 39,389,067 shares with a nominal value of €0.05 each.

The funds collected in the aforementioned increase in capital are to be allocated to the CAPEX financing associated to investment in the modernisation of the Leon factory, along with payment of the fees arising from the increase in capital payable to the advisors and professionals required to implement it. The placement bank was Banco Sabadell, with the collaboration of GVC- Gaesco. Both entities completed the company's coverage report, placing the target value of the share way above the 2.2 euros at which the capital increase was finally subscribed.



Following the increase, 73.23% of the company remains in the hands of Black Toro Capital, with the second largest investor being Victor Infante Viñolo with 5.08%.

On 30 July 2018, ADL Bionatur Solutions, S.A. signed a binding agreement with the listed French company Fermentalg to exclusively produce a food supplement, DHA (omega 3) for the human market. The agreement is divided into two phases. An initial phase of technology transfer (which is expected to invoice between €335 thousand and €530 thousand), which is to last until the end of 2018 and acts as a condition precedent of the agreement. A second (commercial) phase in which the planned turnover of the aforementioned agreement may increase, for a minimum period of three years and a maximum of five, to between €10 and €23 million during said period.

On 5 October 2018, ADE CAPITAL SODICAL S.C.R., S.A. and ADL Biopharma – a wholly owned subsidiary of ADL Bionatur Solutions, S.A., signed a participative loan policy for the sum of (five million) 5,000,000 euros to contribute to the financing of the project for the modernisation of facilities, the expansion of production capacity and the growth of the ADL BIOPHARMA plant in Leon. The Participative Loan is due by 30 September 2025. A grace period of three (3) years has also been established.

During the fourth quarter of the year, the company is expected to record a positive partial EBITDA (positive Q4 EBITDA) as a result of the production periods established in the agreements signed to date, and this situation is to continue growing and consolidating throughout 2019.

1. Analysis of consolidated financial statements at 30 June 2018.

2.1 Consolidated profit and loss statement at 30 June 2018.

As a result of the reverse acquisition operation during the first half of the year, the profit and loss statement for of ADL Biopharma (book purchaser) for the first half of 2018 is analysed below, consolidating the data from 1 May to 30 June with the rest of the group and comparing it with the data from the first half of the 2017 for the book purchaser, i.e., ADL Biopharma (Antibióticos de León, S.L.). The effect of the reverse acquisition operation and the accounting analysis criteria used have resulted in the analysis of data that is neither homogeneous nor comparable between the periods considered. This situation will become normal over the coming analysis periods.

Data from the first half of 2018 was subject to limited review by the Company's auditor. The consolidated accounts for the first half of 2018 include the data for the book purchaser ADL Biopharma (Antibióticos de León) and two months of the following subsidiary corporations:

- BBD Biophenix, S.L.: a company wholly owned by ADL Bionatur.
- BBD Biophenix USA: a subsidiary wholly owned by BBD Biophenix, S.L.
- BNT Pacific Limited: 70% belonging to ADL Bionatur.
- BNT China Bioscience, Co. Ltd.: a company incorporated in March 2016 and a wholly owned subsidiary of BNT Pacific Limited. This is the company designated for the development and marketing of the Group's products and services in Southeast Asia.
- Zera Intein Protein Solutions, S.L.U. (hereinafter also known as Zip Solutions) a company wholly owned by ADL Bionatur.

During the first semester of 2018, BNT China Biosciences, Co. Ltd was inactive.

As indicated in the introductory paragraph, the comparative analysis of the first half of 2018 versus the first half of 2017 is affected by the lack of homogeneity in the data comparison. FY2018 includes revenues and expenses for the entire group over two months (May and June) and revenues and expenses from six months for the industrial division, ADL Biopharma; whereas 2017 only includes those corresponding to ADL Biopharma for the six months of that financial year.

The revenues for the period basically reflect the revenues of ADL Biopharma, in which an average increase of 40% can be seen in relation to the same period of last year. Expenses, however, are not homogeneous or comparable, as the current period includes those of all the subsidiaries of the group, whereas only those corresponding to ADL Biopharma are included in 2017. With regard to revenues, non-industrial seasonality (all other subsidiaries except ADL Biopharma) generates a minimal impact on total revenues, as most of them will occur during the second half of the year. However, the expenses of these subsidiaries have a impact that is proportional to the months elapsed, resulting in an "increased" P&L statement in terms of expenses in comparison with 2017. The revenues for the period basically reflect the revenues of ADL Biopharma, in which an average increase of 40% can be seen in relation to the same period of last year. Expenses, however, are not consistent or comparable, as the current period includes those of all the subsidiaries of the group, whereas only those corresponding to ADL Biopharma are included in 2017.

Therefore, in the direct comparison of expenses, relevant conclusions cannot be drawn as these are inconsistent and incomparable data. By isolating the impact of expenses associated to the other subsidiaries during the months of May and June, expenses from ADL Biopharma have increased both due to the increased turnover and the structural growth needed to address the implementing of the agreements signed, the revenues from which will be included in the fourth quarter of 2018.

Profit and loss statement				
	<u>1st half</u>	<u>1st half</u>		
€ 000	2018	2017	Δ	Δ (%)
Total operating income	9,077	6,360	2,717	43 %
Net turnover	7,593	5,281	2,312	44 %
In-house work on assets	886	0	886	n.m.
Change in inventories	(429)	858	(1,287)	150 %
Other income (including grant allocation)	1,027	221	806	365 %
Total operating expenses	(15,270)	(11,355)	(3,915)	34 %
Sourcing	(3,102)	(2,395)	(707)	30 %
Staff costs	(5,559)	(4,487)	(1,072)	24 %
Other operating expenses	(6,549)	(4,461)	(2,088)	47 %
Other expenditure	(60)	(12)	(48)	400 %
EBITDA	(6,193)	(4,995)	(1,198)	24 %
Amortisation	(935)	(423)	(512)	121 %
Financial profit/(loss)	(1,250)	(945)	(305)	32 %
Profit/(loss) before tax	(8,378)	(6,363)	(2,015)	32 %
Corporate income tax	0	(140)	140	n.m.
Profit(loss) for the year	(8,378)	(6,503)	(1,875)	29 %

Evolution of revenues

Industrial Division			
€ 000	1st half 2018	1st half 2017	Δ (%)
Total Turnover	7,404	5,281	40 %
CMO Sales	4,824	2,810	72 %
API Sales	1,714	2,303	(26%)
Other Sales	866	168	415 %
CMO sales (% total)	65.2 %	53.2 %	
API Sales (% total)	23.2 %	43.6 %	
Other Sales (% total)	11.7 %	3.2 %	

Animal Division	
€ 000	1st half 2018
Total Turnover	189
CRO Sales	180
Animal Health Division Sales	2
CDMO Sales	8
CRO sales (% total)	95.0 %
Animal Health Division Sales (% total)	1.0 %
Other CDMO sales (% total)	4.0 %

* Only includes May and June for ADL Bionatur Solutions

In quantitative terms, revenue growth is based on the growth of ADL Biopharma revenues, namely CMO services (manufacturing for third parties). The contract with the German customer signed in November 2017 justifies most of the growth, since the other relevant customers in the CMO area will see an increase in their turnover during the last quarter of the year.

With regard to the pharma part of ADL Biopharma, its increase in comparison with 2017 is marginal, mainly centred on oral products since most of the dossiers of the active ingredients requested by its customers are still being processed and are expected to be approved to enter the commercial phase in 2019.

Evolution of expenses

The first half of 2018 has seen an increase in staff entries and other operating expenses, basically due to the increased structure of ADL Biopharma, the incorporation of the two-month expenses from the other subsidiaries of the group, the expenses associated with the corporate operation performed by both companies and the increase in turnover for the period, with the corresponding increase in production costs.

EBITDA

The evolution of the entries described in the previous paragraphs has led to a lower EBITDA than that of ADL Biopharma alone for the first half of 2017, although the company has signed contracts that justify its partial positive EBITDA over the last quarter of the year.

Profit/(loss) before tax

The financial result of the first half of 2018 shows an increase in profit associated to the higher level of debt of ADL Biopharma and the interest generated over two months by the debt from the other subsidiaries. As a result of the above, the net result from these six months is more negative than in the previous six months. **We once again underline the inconsistent and incomparable data.**

2.2 Consolidated Balance Sheet at 30 June 2018.

The consolidated balance sheet at 30 June 2018 is shown below. The assets and liabilities of “Antibióticos de León S.L.U.” (book purchaser) are indicated by the amounts recorded historically, thus showing the comparative figures from its Annual Accounts at 31 December 2017, except for the Share capital in Equity heading, for which that of the Company acting as the legal purchaser is maintained (formerly Bioorganic Research and Services S.A. and Subsidiary Corporations).

The assets and liabilities of the group formerly known as “Bioorganic Research and Services S.A. and Subsidiary Corporations” (legal purchasing company) are recorded at fair value on the date of acquisition of Antibióticos de León, thus causing a “reverse acquisition”.

Consolidated Balance Sheet			
€ 000	1st half 2018	1st half 2017	Δ
Non-current assets	54,872	30,838	24,034
Intangible fixed assets	14,330	1,302	13,028
Tangible fixed assets	33,564	25,963	7,601
Property investments	1,081	736	345
Non-current financial investments	1,090	1,562	(472)
Financial investments in group comp.	-	5	(5)
Deferred tax assets	4,807	1,270	3,537
Current assets	16,719	16,339	380
Stocks	6,668	7,181	(513)
Trade and other accounts receivable	8,055	4,191	3,864
Current financial investments	1,341	2,459	(1,118)
Current accruals and deferred income	11	5	6
Cash and cash equivalents	644	2,503	(1,859)
Total assets	71,591	47,177	24,414
Equity	18,183	14,523	3,660
Capital and reserves	16,951	14,492	2,459
Value change adjustments	-	-	-
Grants, donations and bequests	1,378	31	1,347
Minorities	(146)	-	(146)
Non-current liabilities	34,761	21,541	13,220
Non-current payables	27,292	21,530	5,762
Long-term financial debts with group companies	7,000	-	7,000
Deferred tax liabilities	469	11	458
Current liabilities	18,647	11,113	7,534
Short-term bank borrowings	10,016	5,772	4,244
Short-term provisions	-	53	(53)
Short-term financial debts with group companies	145	-	145
Trade and other accounts payable	8,486	5,288	3,198
Total equity and liabilities	71,591	47,177	24,414

Change in the Consolidation Perimeter

During the first half of 2018, a reverse acquisition occurred and ADL Biopharma (Antibióticos de León) has become the book purchaser of the group of companies previously known as “Grupo Bionaturis”.

The ADL Bionatur Solutions group is currently composed of:

Business name	Registered office	Country	Participating company	%	Business
ANTIBIÓTICOS DE LEÓN, S.L.U.	Leon	Spain	ADL Bionatur Solutions, S.A.	100	Product manufacturing basic pharmaceutical com
BBD BIOPHENIX S.L.U.	San Sebastián	Spain	ADL Bionatur Solutions, S.A.	100	Biotechnology Company
BNT PACIFIC LIMITED	Hong Kong	Hong Kong	ADL Bionatur Solutions, S.A.	70	Biotechnology Company
BBD BIOPHENIX USA	Maryland	USA	BBD Biophenix SLU	100	Biotechnology Company
BNT CHINA BIOSCIENCE.CO.LTD	Jiangsu Changsu	Rep of China	Bnt Pacific Limited	100	Biotechnology Company
ZERA INTEIN PROTEIN SOLUTIONS,SLU	Barcelona	Spain	ADL Bionatur Solutions, S.A.	100	Biotechnology Company

During the first half of 2018, there was a change in the Group’s consolidation perimeter. As of 30 April 2018, ADL Biopharma has become part of the group and, in turn, the book purchaser of the rest.

Evolution of Assets

In terms of non-current assets, the main changes stem from intangible assets, tangible assets and deferred tax assets, generating a joint increase of +€24,000 thousand in comparison with the last period end. The most relevant variation in intangible assets lies in the goodwill arising from the reverse acquisition between ADL Biopharma and the group companies formerly known as Grupo Bionaturis. On the other hand, when comparing the consolidated balance sheet with that of ADL Biopharma for the previous financial year, there is a substantial increase due to capitalization of R&D expenses incurred by the acquired company (book company purchased). Tangible fixed assets have increased primarily due to the modernization and adaptation investments made at the Leon factory, the headquarters of the subsidiary ADL Biopharma.

Current assets have seen almost no changes compared to the balance sheet at the end of June 2017, although its composition shows a decrease in cash at bank and in hand in favour of an increase in the number of customers/debtors, as well as a substantial decrease in the number of stocks.

As a result of both these effects, total assets have increase significantly by €24,414 thousand, in line with the increase in non-current assets.

Evolution of Liabilities

In terms of liabilities, the capital section shows the share capital of the legal purchaser (unlike the other accounting items), which is offset by the reserves and share premium accounts, with the equity being the equity of all the companies.

Non-current liabilities increased by €13,220 thousand, primarily because 2018 includes the debt from the balance sheet from the companies belonging to the group formerly known as Grupo Bionaturis, in addition to that of ADL Biopharma, while in 2017 only the debt of ADL Biopharma is taken into account.

As regards current liabilities, the increase of €3,198 thousand focuses on the increase in debts with various creditors, primarily suppliers of machinery and fixed assets for the Leon plant.

3 Consolidated Interim Financial Statements at 30 June 2017 and the Limited Review Report. Individual information at 30 June 2017