



Market release

2nd August 2019

Chairman's address delivered at AFT Pharmaceutical Limited's 2019 Annual Meeting, Milford Cruising Club, 24 Craig Road, Auckland, New Zealand, at 10.30am (NZT) on Friday 2 August 2019

The financial year ending 31 March 2019 has been a very good year for AFT. We have achieved what we have been saying we would achieve – so that we made an operating profit in FY19 and we have continued to expand our pipeline of growth opportunities.

Revenue for the year to 31 March 2019 was \$85.1m. An increase of 5% over FY18 – and if we adjust that for the divestment of our lower margin hospital products to Baxter Healthcare, our revenues increased 14%.

Our operating profit rose strongly to positive \$6.1m – as compared to last year's \$10.1m operating loss – a \$16.2m turnaround.

The result reflected a number of factors – firstly – growth in sales. Secondly, tight control of operating costs – and thirdly – lower research and development expenditure following successful completion of key clinical trials - for example on our Maxigesic IV product and on other Maxigesic extension products.

Australia is our largest market and sales increased by 2% - but adjusting for the divestment to Baxters – revenue growth was 13%. Operating profit rose from \$1.2m to \$5.3m.

In New Zealand, revenue fell by 1% but again adjusting for the divestment to Baxters, revenues rose by 5%. SE Asia and International both showed significant growth and

we anticipate continued strong growth internationally as Maxigesic licences and registrations lead to sales in due course.

Maxigesic development over the past year has been significant – both in tablet form and in various other forms such as Maxigesic intravenous which I mentioned previously – and which has now been registered by the Therapeutic Goods Administration – the TGA – in Australia; and also, other line extensions such as Maxigesic oral liquid, hot drink sachets and Maxigesic Rapid. Hartley will explain more about these products.

Maxigesic tablets are now licensed in more than 125 countries, they are registered in 42 countries and now sold in 20 countries - that is double the number of countries that were selling Maxigesic tablets a year ago.

We also announced a month ago that we have signed a licensing agreement for a drug called Pascomer. Pascomer is a drug which treats a disfiguring hereditary skin condition. This is a potentially large market and we are now undertaking clinical trials – in a deal which means that those trials are being funded by our licensee. As I mentioned earlier, Ioana Stanescu, our head of drug development, is in the United States currently assisting a number of hospitals preparing to undertake those trials. Again, Hartley will go into more detail on this.

AFT remains well funded. Our total assets are up from \$56.6m a year ago to \$63.5m and our cash balance at year end was \$6.9m up from \$6.7m for the previous year end.

Shareholders will have seen that our current liabilities have risen significantly – and that is because the loan we took from CRG has become a current liability as it is repayable on 31 March 2020.

CRG's funding has been of great assistance to us as we moved through our significant R&D expenditure. The interest rate is however 13.5% and as announced to the market in May we have already repaid NZ\$14m of that with a facility from Bank of New Zealand at a significantly lower interest rate. We are confident that we will have facilities in place to repay the CRG loan in full with lower cost facilities in March next year.

We also expect to return to bottom line profitability this financial year and currently we are continuing to forecast an operating profit for the FY20 year of between \$9m and \$12m.

We have three directors coming up for re-election this meeting – Hartley, Jon Lamb and Doug Wilson – and you will hear from them as the resolutions are put to the meeting. I do however just want to comment on our board and on both our governance and some of the initiatives AFT has undertaken in the last year.

The board is unchanged from when we listed 4 ½ years ago. We work very well together and have a strong mix of skills across the pharmaceutical industry, sales and marketing, finance and governance – and with a significant international focus. The board goes through an annual evaluation process and a skills matrix exercise – and we will continue to do so. Our 2019 corporate governance statement is available on our website and it sets out the principles your board adheres to, and we review governance issues throughout the year.

In considering the re-election of the directors – Dr Doug Wilson is incredible – he is the author of a new book on how to age well, and also writes children's books. He is acknowledged globally as an expert within the pharmaceutical industry – and still is in great demand internationally for his advice. Doug chairs our Regulatory and Product Development Oversight Committee.

Jon Lamb has incredibly valuable experience in global sales and marketing in the pharmaceutical industry – and also in a number of other industries - and has led strategic planning across a number of companies he has worked with. Jon's experience has been invaluable to Hartley and the team. Jon chairs the Audit and Risk Committee and the Remuneration and Nominations Committee.

Hartley Atkinson you will hear from very shortly – he is of course our CEO and his family trust is the major shareholder in AFT. Hartley's commitment to AFT is extraordinary and his knowledge and understanding of this industry is second to none.

You can read all of our directors profiles in the annual report and of course on our website.

As part of our governance responsibilities we are strongly committed to sustainability and contributing positively to development goals – and in our annual report we set out our initiatives in relation to SDG's - sustainable development goals. As part of these initiatives we provide products to a number of groups and agencies representing under-privileged peoples including groups in Australia and Vietnam through the AusViet charity foundation. We are also supporting 3 local charities – HeartKids, Lifeline and Look Good Feel Better - through donations of \$1 from each pack of Maxigesic and Maxigesic PE sold from participating pharmacies.

We are at a pivotal point in the development of AFT. We are pleased that our share price has climbed steadily and your board feels that this simply reflects the hard work we said we would do and that we are doing. But it hasn't stopped and we are focused on pressing ahead with the ongoing development of our key products. So, thank you shareholders for your ongoing support and patience.

Thank you also to all our staff at AFT and to the management team and my fellow board members – we are all looking forward to the year ahead.

ENDS

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