



Working to improve your health

**AFT Pharmaceuticals
2022 Annual Meeting
Milford Cruising Club
Friday, 5 August 2022
Chairman's address**

AFT is Expanding Globally From a Strong and Growing Australasian Core

It is a pleasure again to report to shareholders on another record year for AFT. Given our consistent record, it is tempting to look back on the year and see AFT's continued growth as a foregone conclusion.

While the Board and management have always been confident in our strategy and ability to execute, the uncertainty of the past few years have required resilience and resolve.

It is also tempting to gloss over the ongoing impacts of COVID-19 as we all seek to move on from the pandemic. While I certainly don't wish to dwell on it, I do wish to acknowledge the many unexpected challenges we have all experienced, not least of all our team here at AFT.

The last financial year has not been easy, but if there is one message that I would like you to take from AFT's performance during the 2022 financial year, it is our resilience and ability to continue to grow in the face of adversity.

At the heart of our continued strong performance is our growing and highly defensible Australasian business, which is founded on a broad portfolio of more than 130 clinically proven products for a diverse spectrum of therapeutic applications.

As you know, this success has not occurred overnight. This expanding portfolio is the result of more than two decades of careful and deliberate analysis and then the identification of medicines that will improve patient health outcomes. Maxigesic is the standout success – but we have a broad portfolio of products.

For you, our shareholders, our consistent record of success in both in-licensing and the development and commercialisation of our own intellectual property – has continued to offer investors a rare proposition in New Zealand capital markets: highly defensive revenue streams with strong growth prospects.

This has enabled directors to announce a dividend policy and indicate that we expect to declare a maiden dividend to shareholders for the 2023 financial year. This is a strong statement of confidence in AFT's future.

I will speak specifically about this further in a few moments, but first I want to turn to the highlights of the 2022 financial year.

Despite significant headwinds in all markets due to the pandemic, all regions posted strong revenue growth and we announced results in line with our earlier forecasts.

Annual operating revenue for the 2022 financial year grew by 15.2% to \$130.3 million from \$113.1 million in the previous year. And net profit after tax rose 153.8% from \$7.8 million to \$19.8 million.

We remain well funded. The company has met its targeted net debt of \$25 million to \$30 million. We have also continued to retain higher than normal inventory levels as a buffer against ongoing disruption in the global supply chain.

This approach, despite the additional holding costs, has provided considerable support to the company over the last year, largely ensuring continuity of supply across our distribution networks and ongoing sales.

We believe this has been a good decision and we will continue to monitor supply chains as they start to improve globally.

A skilled, committed and diverse team

Our long-term success is thanks to our people.

Fundamentally AFT is a lean, asset-light company that succeeds on the strengths of its intellectual property and the relationships our people have with a broad range of organisations around the world; from licensees and distributors, through to manufacturers, regulators and research and development collaborators.

We are proud to have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicities, and experiences. We employ nearly 100 people around the world, with just over half in New Zealand, about 40 in Australia and the remainder in Asia and Europe.

They come from 30 different cultural backgrounds, with a gender split of 61% women and 39% men. They are a talented team that punches above their weight, particularly in relation to medicine development, engagement with global regulators and product commercialisation.

The board has always been impressed by what they have achieved. But more so over the last two years of the pandemic. In the face of COVID restrictions they have adapted and developed new ways of working and ensured that AFT, as a global pharmaceutical company, has not been disadvantaged by the location of its operations.

They have made a tremendous effort and we thank them.

Board skills and succession planning

Today represents a landmark change in the governance of AFT. A fortnight ago we announced that Independent Director Dr Doug Wilson was retiring from the board today.

Doug came to AFT in 2012 after a diverse and distinguished career. His first job in medicine was as a nurse at Auckland Hospital during a student vacation. Upon graduating from Otago University Medical School, he undertook postgraduate training in medicine, blood and kidney diseases and research. After moving to the UK, he gained a PhD training in haematology and immunology.

He returned to New Zealand and was appointed an Associate Professor at Auckland Medical School, and this was followed by other academic roles including visiting professor at the King Saud University in Riyadh, Saudi Arabia.

At the age of 50 he opted for a new career in business, joining the German pharmaceutical company Boehringer Ingelheim, first as its New Zealand Medical Director and ending his tenure as the company's worldwide head of Medical Research and Regulatory Affairs.

During this time, he led teams that developed and commercialised new drugs for hypertension, HIV, chronic lung diseases, strokes, heart attacks, and prostatic disease among many others.

I list these achievements only to demonstrate the depth and breadth of expertise and capability Doug brought to the AFT board table when he joined the company. Since then, he has played a pivotal role in AFT's development and success.

His pharmaceutical research, development and commercialisation expertise has been of enormous value to Hartley and the board, and he has also brought to the board table a world view and a genuine and abiding care for people.

He is a prolific author, writing on subjects ranging from the management of asthma and allergic diseases through to children's books and how to age. He is also a frequent and respected commentator in New Zealand's national media.

Doug has brought real insights and commitment to AFT, and it has been a pleasure to work with him.

Each year, as detailed in the Board's governance statement published to the NZX, ASX and our website, we undertake a rigorous process of self-review.

This includes the development of a comprehensive skills matrix to inform Board succession planning. It considers each director's experience against identified industry specific skills, as set out in this slide, and broader governance-related skills.

This process has informed the succession planning of the last few years, including the appointment of Anita and Ted who bring to the board the international healthcare

regulatory and sales and marketing perspectives that have complemented the skills Doug has brought to the table.

Ted worked with Doug at Boehringer and we are fortunate that he has a broad range of those relevant skills. We also continue to review potential director appointees, particularly those with complementary skills such as regulatory expertise and medical efficacy.

Focusing on ESG

Another key development in AFT's governance has been the ongoing evolution of our governance framework to acknowledge and report on the Environmental, Social and Governance factors that are material to our performance.

This year we undertook a detailed analysis of the ESG matters that are relevant to our business. We have also established a framework that will drive our efforts to manage the risks to our business and ensure we are meeting the expectations of our stakeholders.

There are opportunities for us to continue to make progress but undertaking this review has demonstrated to the board that we are effectively managing our ESG risks.

Our annual report sets out our areas of focus in detail and I would encourage you to read this. The six ESG priorities for AFT – which are linked to UN sustainable development goals – are:

- Improving Health and Wellbeing
- Best practice corporate governance
- Ethical and sustainable value chains
- Supporting and developing our people
- Waste minimisation
- Understanding our climate related risks and taking action.

Key achievements in the past year, in addition to the establishment of this formal framework, are related to the second and third of these, governance and supply chain. Specifically, we introduced and implemented a Modern Slavery Policy and an Anti-Bribery and Anti-Corruption policy as a supplement to our code of Culture & Ethics.

These changes do not reflect any concern across the supply chain or in our business, rather it is an acknowledgement that codifying and embedding such practices are fundamental to providing assurance to our customers, our people, and our shareholders that ethical, responsible behaviour is in our corporate DNA.

As an example, and as set out in our Modern Slavery statement on our website we have been in contact with all our suppliers and partners globally for confirmation of compliance with our modern slavery policy and we have embedded these principles in our supply and other contracts with third parties. We also monitor existing and new suppliers and partners on an ongoing basis.

I would also like to call out our ongoing focus on improving the health of our customers and our continual search for new products and medicines.

We spent over \$10 million on further research and development last financial year. And we continued to work with educational and research institutions including contributing \$100,000 to the University of Auckland Medical Health Sciences Foundation for anaesthesiology research.

A key focus in the current year is the preparation to report our carbon footprint under the new Financial Sector (Climate-related Disclosures and Other Matters) Act, in the 2024 financial year.

Again, I encourage shareholders to review our annual report, which details our priorities and the important work we are doing to ensure that AFT is contributing to ESG issues.

Dividend Policy – A Statement of Confidence in our Future

As announced at our annual results, AFT's strong defensible and growing core and a growing international business built on our unique intellectual property, has allowed the Board to announce the introduction of a dividend policy. The directors expect to declare a maiden dividend to shareholders for the 2023 financial year.

This is a strong statement of confidence in AFT's future. The Board believes this policy allows the company sufficient headroom to fund the ongoing significant growth opportunities we continue to see.

This is a strong signal to you as shareholders and to future investors of our expectations of the returns they can expect from their investment in the company.

Outlook

Turning to the outlook for the year ahead.

We continue to see considerable opportunities to accelerate growth and have significantly increased both our in-licensing and product R&D pipeline activities. We also believe the gradual move worldwide to living with COVID and our ability to now travel across borders to meet with both existing and new customers will allow a gradual return to a more normal trading environment.

There is no doubt that there will be ongoing challenges, particularly around the timing of regulatory approvals and clinical trials, which Hartley will talk more about, but at this stage we continue to expect an operating profit for the year to 31 March 2023 to range between \$27 million and \$32 million.

On behalf of shareholders, I want to thank the AFT team for all they do and what they have delivered. Thank you to my colleagues on the Board, including our Managing Director Dr Hartley Atkinson, for their efforts and commitment to the company's success.

On behalf of the Board and the company, I would also like to thank you our shareholders for your continued support.

I will now invite Hartley to address the meeting.

*Released for and on behalf of AFT Pharmaceuticals Limited by Chief Financial Officer
Malcolm Tubby*

For more information:

Investors

Dr Hartley Atkinson
Managing Director
AFT Pharmaceuticals
Tel: +64 9488 0232

Media

Richard Inder
The Project
Tel: +64 21 645 643