AFT pharmaceuticals

Working to improve your health

AFT PHARMACEUTICALS

Investor Presentation: H1 FY2018

November 2017

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H1 FY2017 HIGHLIGHTS

124 countries that *Maxigesic* is licensed in – up from 110 at the end of FY2017

10 countries that *Maxigesic* is launched and sold in

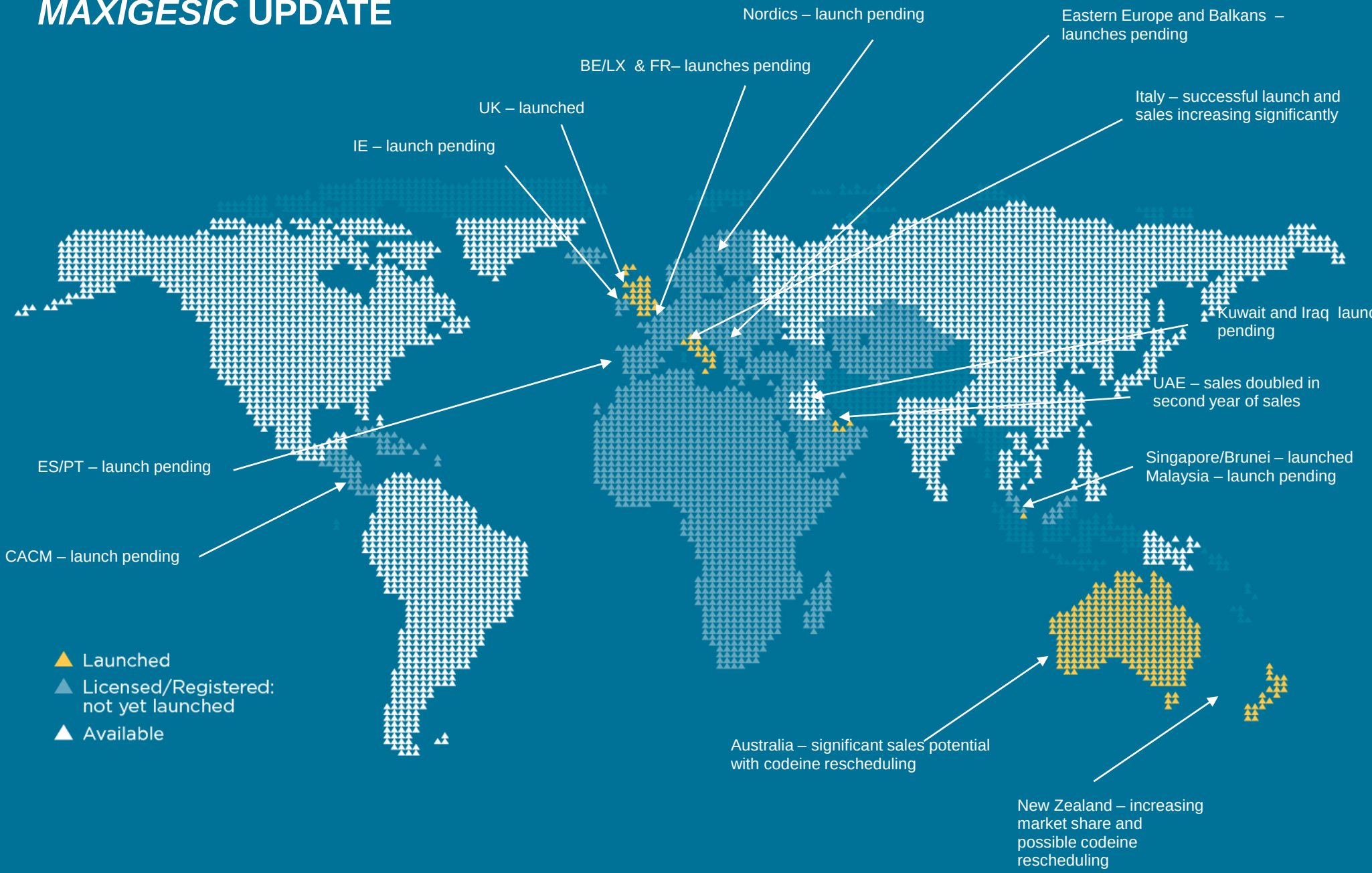
10 number of clinical studies AFT have running in FY2018

$37.4m total income for H1 FY2018*

$7.2m available cash as at 30 September 2017 – down from $16.0m at the end of FY2017. $14.5m facility available for drawdown

* Total income comprises Operating Revenue of $36.6m and Other Income of $0.8m

MAXIGESIC UPDATE



MAXIGESIC HIGHLIGHTS

Additional out-licensing and distribution agreements for ***Maxigesic*** oral dose forms have been secured to increase the number of countries to **124**.

Numerous ***Maxigesic*** registrations underway which are required before many launches can occur

- EU registrations confirmed in 25 countries
- Most of the remaining countries use EU registration as a reference standard
- Additional dose forms will also be launched

Maxigesic file accepted by FDA and post successful clinical trial results ***Maxigesic IV*** filings to commence prior to end 2017

Additional IP technology has been licensed and two further ***Maxigesic*** dose forms have been developed. Planned to complete developments and file in FY2019

SUMMARY: Drive sales by

[1] Increasing sales in **Australia through codeine switch**

[2] Increasing sales in existing territories

[3] Launch in new territories

[4] Launch additional dose forms

MAXIGESIC: Australian growth strategy

Prior to the re-scheduling of codeine-based analgesics, our growth estimates were for sales increasing in Australia from 13 to 26 million tablets in FY2018.

Codeine switch confirmed for 1st February 2018.

Codeine tablet market is now circa 710 million tablets per annum.

Consumer market research indicates 40-47% codeine patients will switch to an OTC alternative analgesic.

Potential switch market is 284 - 333 million tablets.

NASOSURF NEBULISER: Future growth strategy

Product description	A handheld ultrasonic nasal mesh nebuliser for the intranasal delivery of medication and treatment of chronic sinusitis
Rationale for investment in product	• To expand our existing allergy and hospital product ranges locally • Significant global potential • First drug delivery indication a significant potential market – US$1.2B in USA alone [Based upon market research studies in USA and UK]
Current status	• Registered as Class I Device with FDA as planned • Engineering scale production completed
Our medium term plans	• Human Factor Studies in USA completed • FDA Pre-IND meeting completed • Development pathway clarified with FDA • Distribution studies underway • Open IND in FY2018 - FY2019 • First Drug PK studies targeted to commence in FY2018-FY2019 • First Drug Clinical Studies targeted to start FY2018-FY2019 • Licensing negotiations during FY2018-2019

The Naso*SURF* Nebuliser has desirable features over currently marketed nebulisers, which are not approved for delivery of specific drugs intranasally and do not possess a number of the advantages of the Naso*SURF* Nebuliser

Sales will be generated from

1) **device sales,**
2) **a per use charge administered through RFID (radio frequency identifier) cards, and**
3) **consumables**

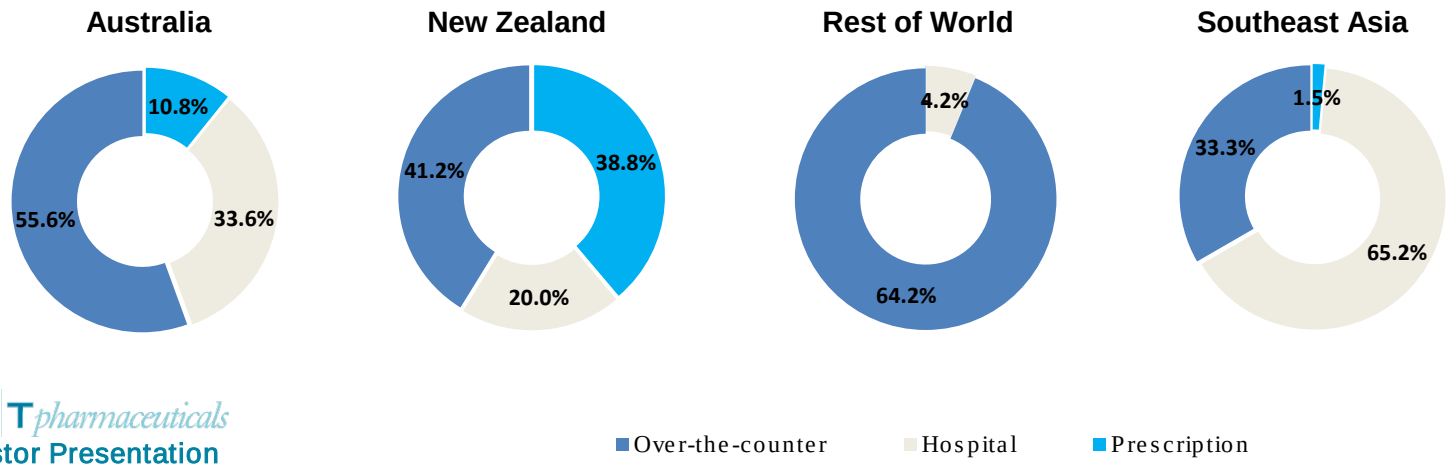
REVENUE BY REGION AND CHANNEL

Operating revenue by region, H1 FY2018 versus H1 FY2017

NZ$000's Half Year to 30 September	H1 FY2018	% of total	H1 FY2017	% of total
Australia	20,206	*55.3%*	14,569	*49.2%*
YoY growth	38%			
New Zealand	14,113	*38.6%*	13,498	*45.3%*
YoY growth	5%			
Rest of World	1,624	*4.4%*	1,177	*3.7%*
YoY growth	38%			
Southeast Asia	618	*1.7%*	543	*1.8%*
YoY growth	14%			
Total Operating Revenue	**36,561**	***100%***	**29,787**	***100%***
YoY growth	**23%**			

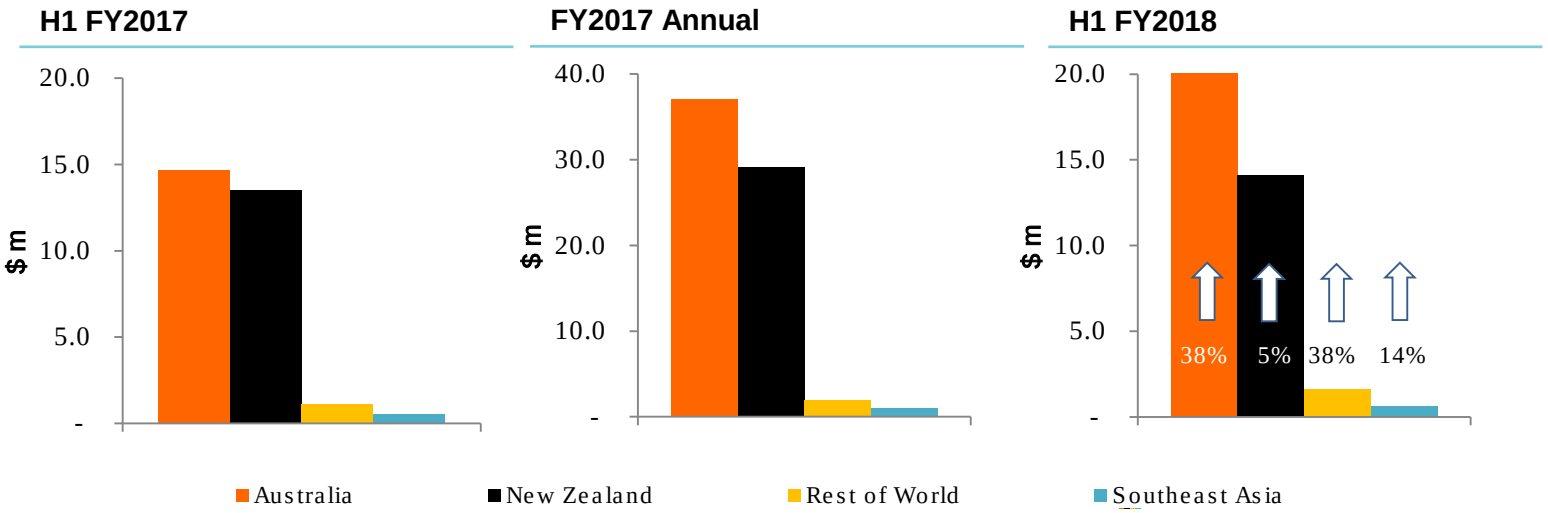
- 23% growth in Group operating revenue
- Strong Over-the-counter growth in Australia
- Strong Hospital sales in Australia with successes in tenders
- Good Over-the-counter growth in New Zealand
- Crystaderm line extensions launched in New Zealand
- Good Hospital sales in New Zealand and several new products
- Maxigesic growth in Rest of World and new launches
- Southeast Asia growth from Singapore Over-the-counter sales

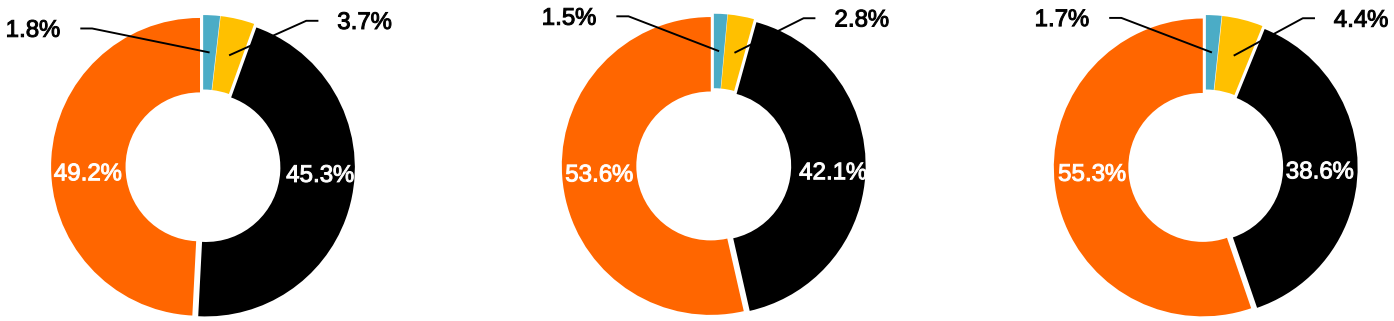
Operating revenue by channel by region, H1 FY2018



REVENUE GROWTH

Operating revenue by region, H1 FY2017 – H1 FY2018





- Australian growth 38%
- Australia now 55% of Group revenues
- New Zealand growth 5%
- New Zealand Prescription decline with transition away from *Metoprolol* tender
- Rest of World growth 48%
- Rest of World 4.4% of group revenue with *Maxigesic* selling in 10 Countries
- Southeast Asia growth 14%

SUMMARY P&L

NZ$'000's Half Year to 30 September	H1 FY2018	% of revenue	H1 FY2017	% of revenue
Revenue	36,561		29,787	
Cost of Sales	(22,256)	60.9%	(19,018)	63.8%
Gross Profit	**14,305**	**39.1%**	**10,769**	**36.2%**
Other Income	1,014	2.8%	1,007	3.4%
Selling and distribution expenses	(12,771)	34.9%	(12,575)	42.2%
General and administrative expenses	(3,618)	9.9%	(3,135)	10.5%
Research and development expenses	(4,982)	13.6%	(4,276)	14.4%
Equity accounted loss of joint venture entity	(616)	1.7%	(210)	0.7%
Operating Loss	**(6,668)**		**(8,420)**	
Finance Income	96		291	
Finance Costs	(1,590)		(1,560)	
Other gains / (Losses)	1,589		(1,260)	
Loss before tax	**(6,573)**		**(10,949)**	
Tax benefit/(expense)	(300)		(51)	
Loss after tax	**(6,873)**		**(11,000)**	

- Margins reflect increasing % of higher margin over the counter products
- Sales and Marketing lowers to 35% of revenue
- Research and development has increased to $5m plus $0.6m – we are well advanced in our program
- Other finance gains are primarily unrealised foreign currency on the stronger A$ to NZ$ at 30 Sept
- The tax benefit of the losses is not recognised in the P&L

SUMMARY BALANCE SHEET

NZ$'000's	Unaudited 31 Sept '17	Audited 31 March '17	Unaudited 31 Sept '16
ASSETS			
Current Assets			
Inventories	21,137	18,718	21,451
Trade and other receivables	16,640	19,362	12,748
Cash and cash equivalents	7,197	15,980	16,054
Current income tax asset	-	-	19
Derivative assets	127	-	-
Total current assets	**45,101**	**54,060**	**50,272**
Non-current Assets			
Property, plant and equipment	374	386	421
Intangible assets	2,744	2,548	2,450
Deferred income tax assets	342	610	490
Investment in joint venture entity	1,808	627	177
Total assets	**50,369**	**58,231**	**53,810**
LIABILITIES			
Current liabilities			
Trade and other payables	10,685	11,069	11,131
Provisions	3,110	3,950	1,841
Current income tax liability	-	112	-
Derivative liabilities	-	204	745
Total current liabilities	**13,795**	**15,335**	**13,717**
Non-current liabilities			
Interest bearing liabilities	23,244	23,426	22,039
Total liabilities	**37,039**	**38,761**	**35,756**
Equity			
Share Capital	63,743	62,944	53,902
Retained earnings	(51,349)	(44,025)	(36,637)
Share options reserve	399	295	182
Redeemable Preference Share Reserve	291	-	-
Foreign currency translation reserve	246	256	607
Total equity	**13,330**	**19,470**	**18,054**
Total liabilities and equity	**50,369**	**58,231**	**53,810**

- Inventory stock build for larger sales volumes in summer months
- Cash holding of $7.2m reflecting investment into research and development and working capital increase
- Financial flexibility to increase cash reserves with further draw downs available on the long term facility
- Intangible Assets are primarily capitalised patents and trademarks

SUMMARY CASHFLOW STATEMENT

NZ$'000's Half Year to 30 September	H1 FY2018	H1 FY2017
Net cash used in operating activities	(7,678)	(10,270)
Net cash used in investing activities	(2,144)	(686)
Net cash generated from financing activities	745	-
Net increase in cash	**(9,077)**	**(10,956)**
Impact of foreign exchange on cash and cash equivalents	294	(1,045)
Opening cash and cash equivalents	15,980	28,055
Closing cash and cash equivalents	**7,197**	**16,054**

- Investment into R&D and marketing spend behind Over-the-counter revenue growth
- Financial flexibility to increase cash reserves with further draw downs available on the long term facility

SUMMARY OF NEAR TERM PLANS

Drive Increased International Sales

Phased launches of ***Maxigesic*** in over 110 countries including North America

Add additional ***Maxigesic*** dose forms to the initial launches to extend sales

Drive Increased Upfront Payments

Further licensing agreements for ***Maxigesic*** *and* ***Maxigesic IV*** in larger markets including North America

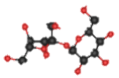
Drive Local Australian Key Market Sales

Build *Maxigesic* significant market share pre and post codeine changes and register and launch line extensions

Build further revenues of OTC product sales in Australia

Drive Revenues to Achieve Break Even

Break even targeted in the FY2018/FY2019 time frame from increased higher margin product sales in home markets; increased licensing income from existing and new agreements; increased *Maxigesic* sales from existing and new markets



Drive Value of NasoSURF and Pascomer Projects

Completing the key development targets of engineering development and clinic trails