Mayne Pharma Group Limited

FY18 Results Presentation
24 August 2018

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Nick Freeman, Group Chief Financial Officer

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- The information provided is general in nature and is in summary form only. It is not complete and should be read in conjunction with the company's audited Financial Statements and market disclosures. This material is not intended to be relied upon as advice to investors or potential investors.

Non-IFRS information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from the audited Financial Statements. Throughout this document some non-IFRS financial information is stated, excluding certain specified income and expenses. Results excluding such items are considered by the Directors to provide a meaningful basis for comparison from period to period.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) – a non-IFRS term – is considered by Directors to be a meaningful measure of the operating earnings and performance of the Group and that this information may be useful for investors.
- The non-IFRS financial information has not been audited by the Group's auditors.

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- This presentation contains forward-looking statements that involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to the Company. These forward looking statements use words such as 'potential', 'expect', 'anticipate', 'intend', 'plan' and 'may', and other words of similar meaning. No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including the Company). Actual future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Subject to the Company's continuing disclosure obligations at law and under the listing rules of the Australian Securities Exchange, the Company disclaims any obligation to update or revise any forward looking statements. The factors that may affect the Company's future performance include, among others: changes in economic conditions, changes in the legal and regulatory regimes in which the Company operates, litigation or government investigations, decisions by regulatory authorities, changes in behaviour of major customers, suppliers and competitors, interruptions to manufacturing or distribution, the success of research and development activities and research collaborations and the Company's ability to protect its intellectual property.

Glossary

- A glossary of industry terminology is contained in the Mayne Pharma Annual Report which can be accessed at www.maynepharma.com/investor-relations/results-reports and product descriptions are detailed at www.maynepharma.com/us-products and www.maynepharma.com/australian-products.

Executive summary

Financial results

- Reported EBITDA of A$116.8m and adjusted EBITDA of A$165.3m
  - Significantly stronger second half with reported EBITDA up 307% and adjusted EBITDA up 35% on 1HFY18 driven by improved underlying business performance with minimal adjustments to reported earnings
- Reported net loss after tax of A$(133.9)m driven by asset impairments and other one off adjustments incurred in 1HFY18
- Positive operating cash flow of A$121.5m, with 2HFY18 operating cashflow up 53% on 1HFY18
  - Free cash flow[1] of $33.5m in the 2HFY18 after investing activities
- Net debt reduced in 2H18 - the Company will continue to maintain a conservative balance sheet

Operational highlights

- Generic Products performed strongly in the second half driven by new product launches, normalised levels of stock obsolescence, portfolio optimisation and cost savings from the transfer in of Teva acquired products
- Metrics Contract Services and Mayne Pharma International delivered solid revenue and gross margin growth
- Specialty Brands expanded its dermatology field force to 114 sales reps which drove stronger sales performance of Fabior® and Sorilux® up 67% and 110% respectively on FY17
- Launched 6 generic products in the US, filed 8 generic products with the FDA including the NDA for SUBA®-itraconazole anti-fungal capsule and launched 2 specialty products in Australia
- Completed and commissioned strategic manufacturing investments in Salisbury, South Australia and Greenville, North Carolina

(1) Operating cash flow after investing activities

Key financials[1] – Significantly stronger second half

A$million	FY18	FY17	Change	2HFY18	1HFY18	Change
Revenue	530.3	572.6	(7%)	287.0	243.3	18%
Gross Profit	256.5	315.8	(19%)	160.6	95.9	68%
Gross Profit %	*48%*	*55%*		*56%*	*39%*	
Adjusted EBITDA[2]	165.3	206.5	(20%)	94.8	70.5	35%
Adjustments	(48.5)	17.7		(1.0)	(47.5)	(98%)
Reported EBITDA	116.8	224.2	(48%)	93.8	23.0	307%
Adjusted Net income[2]	60.3	90.2	(33%)	44.1	16.2	171%
Reported Net income/(loss)	(133.9)	88.6	nm	40.3	(174.2)	nm
Cash flow from operations	121.5	(15.2)	nm	73.5	48.0	53%

- Significantly stronger second half reflecting improved underlying business performance with minimal adjustments to reported earnings
- 1HFY18 impacted by a number of one off items including asset impairments, abnormal Doryx® returns and stock obsolescence, restructuring expenses and restatement of deferred tax assets and liabilities following the US tax rate change

(1) Attributable to members with exception of cashflow which is consolidated
(2) Excludes asset impairment, abnormal stock adjustments and Doryx® returns, restructuring expenses and US tax items (in the case of Net income). Refer to page 6 for further details

Half on half segment performance

A$million	2HFY18	1HFY18	2HFY17	Change 2HFY18 v 1HFY18	Change 2HFY18 v 2HFY17
GPD	204.8	180.9	196.1	13%	4%
SBD	30.9	13.8	35.1	123%	(12%)
MCS	33.4	29.7	29.7	12%	12%
MPI	18.0	18.8	17.0	-4%	6%
Reported revenue	**287.0**	**243.3**	**277.8**	**18%**	**3%**
GPD	113.8	63.6	92.5	78%	23%
SBD	25.9	11.6	32.5	123%	(20%)
MCS	17.9	15.8	16.7	13%	7%
MPI	3.0	5.0	3.0	(40%)	(1%)
Gross profit	**160.6**	**95.9**	**144.7**	**68%**	**11%**
GPD	*56%*	*35%*	*47%*		
SBD	84%	83%	93%		
MCS	*54%*	*53%*	*56%*		
MPI	17%	27%	18%		
Gross profit %	*56%*	*39%*	*52%*		

2HFY18 sales and gross profit outperformed prior two halves

Adjusted earnings[1]

	EBITDA			Net income / (loss)		
A$million	**2HFY18**	**1HFY18**	**FY18**	**2HFY18**	**1HFY18**	**FY18**
Reported result	**93.8**	**23.0**	**116.8**	**40.2**	**(174.2)**	**(133.9)**
Impairment	-	-	-	0.7[2]	139.8	140.5
SBD – abnormal Doryx® returns	-	13.3	13.3	-	9.2	9.2
GPD – abnormal stock adjustments	-	17.3	17.3	-	12.0	12.0
Restructuring expenses	2.3	14.0	16.3	1.7	11.9	13.6
HPPI	(1.7)	2.6	0.9	(1.6)	0.3	(1.3)
DOJ	0.4	0.3	0.7	0.3	0.2	0.5
US tax	-	-	-	2.9	17.0	19.9
Total adjustments	1.0	47.5	48.5	3.9	190.4	194.4
Adjusted result	**94.8**	**70.5**	**165.3**	**44.1**	**16.2**	**60.3**

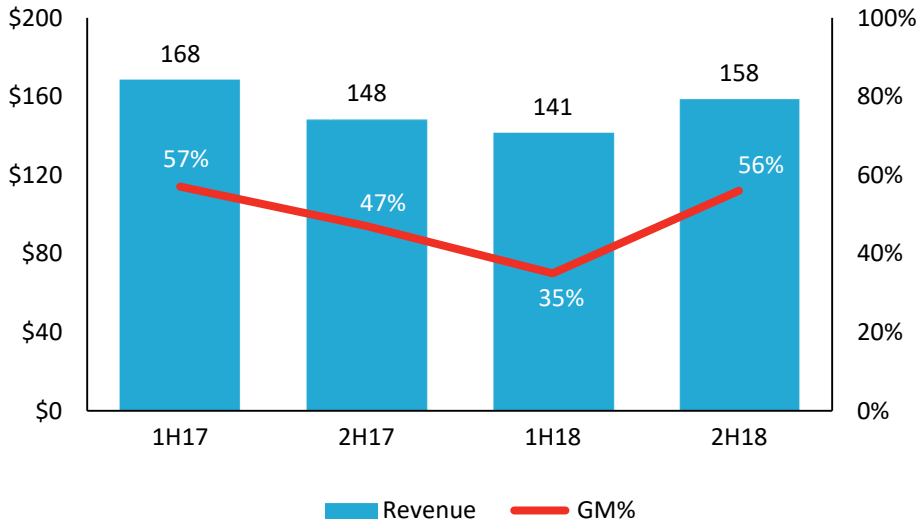
(1) Attributable to members
(2) FX impact on the 1HFY18 impairment

Generic Products Division (GPD)

- GPD revenue was US$299.0m down 5% on pcp
- 2HFY18 revenue and gross profit up 12% and 78% respectively on 1HFY18 benefiting from portfolio optimisation, new product launches and cost savings from bringing in-house manufacture of Teva acquired products
- 6 new product launches
- Dofetilide grew revenue 22% on pcp to US$67m reflecting increased market share, however two new generic competitors launched in 4QFY18
- Other key contributors were doxycycline, budesonide and carbidopa/levodopa, offset by continued competition in the oral contraceptive portfolio
- #1 or #2 position in 60% of the portfolio[1]
- 67% of portfolio have 3 or less generic competitors

A$million	FY18	FY17	Change FY18 v FY17
Revenue	385.7	418.7	(8%)
Gross Profit	177.4	218.3	(19%)
Gross Profit %	46%	52%	

GPD performance by half (US$m)



(1) IQVIA MAT Units, Jun 2018

US generic market dynamics

Pharma pricing

- Heightened price deflation through CY17 appears to be returning to normalised levels
- Product rationalisation across generic sector continues

Restructuring

- Competitor disruptions creating business opportunities
- Teva announced multiple plant closures and 15% reduction in workforce
- Novartis selling US Sandoz generics unit
- Endo restructured generic operations and refocused on brands and sterile injectables
- Perrigo announced separation of its prescription business including possible sale or merger

Channel dynamics

- Wholesaler/retailer customer consolidation
- Customer trading terms continue to be revised
- JP Morgan, Berkshire Hathaway and Amazon joint venture targeting reduced healthcare cost for their employees
- CVS (Retailer/PBM) purchase of Aetna (health insurer)
- Vertical integration continues with potential Cigna/Express Scripts merger

FDA

- Speed up of approvals and FDA review process
- Expedited review granted to applicants if 3 or less generics approved

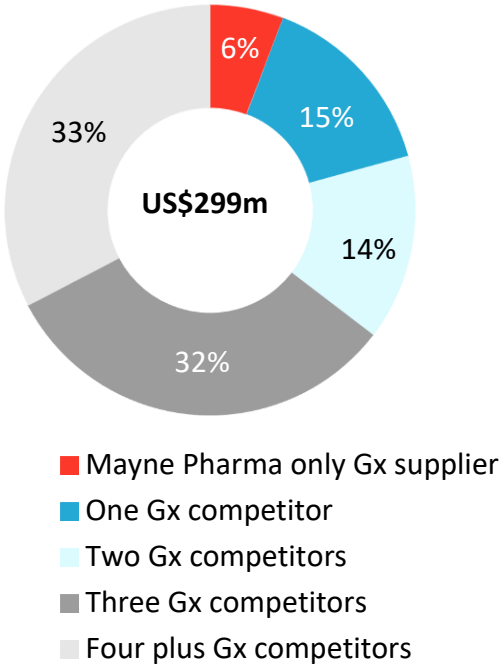
Federal / State

- Ongoing US Department of Justice anti-trust investigation into generic products
- Pricing legislation – transparency
- US trade policy
- Efforts to reduce use of opioids and related litigation

Complex and dynamic market environment challenging all industry participants

Low competition portfolio with market leading positions

FY18 GPD revenue by number of Gx competitors (excl. Mayne Pharma)



Product market share of key franchises

Product	IQVIA product market size (US$m)	# of Gx competitors (excl. Mayne) at 30 Jun 18	Product TRx market share 2Q18	Change in product TRx market share 2Q18 v 2Q17
Dofetilide capsule (generic Tikosyn)	150	3	62%	+2%
Doxycycline IR tablet (generic Acticlate)	100	3	23%	+22%
Liothyronine tablet (generic Cytomel)	70	1	22%	+22%
Methylphenidate ER capsule (generic Ritalin LA)	90	2	46%	+3%

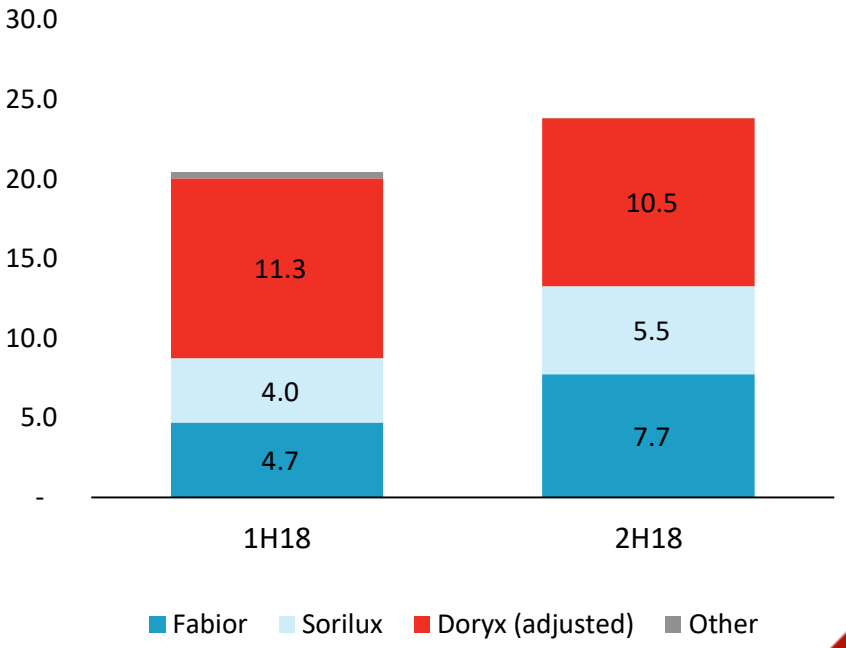
Source: IQVIA, Sales, unit and TRx data, June 2018
Gx – Generic competitor

Specialty Brands Division (SBD)

- SBD revenue was US$34.7m, down 26% on FY17 impacted by US$9.7m of abnormal Doryx® returns in 1HFY18
- Abnormal Doryx® returns did not recur in 2HFY18
- 2HFY18 reported revenue up 121% on 1HFY18 and adjusted revenue (excluding Doryx® returns) up 17%[1]
- Expanded Specialty Brands team to 114 sales representatives focused on promoting the foam products to ~11,000 dermatologists
  - Fabior® and Sorilux® contributed US$22m in FY18 with Sorilux® up 110% and Fabior® up 67% versus pcp
- New infectious disease field team expected to be on board during CY19 to support potential launch of SUBA®-itraconazole anti-fungal capsules

A$million	FY18	FY17	Change FY18 v FY17
Revenue	44.7	61.9	(28%)
Gross Profit	37.5	58.6	(36%)
Gross Profit %	84%	95%	

SBD adjusted revenue by product[1] (US$m)

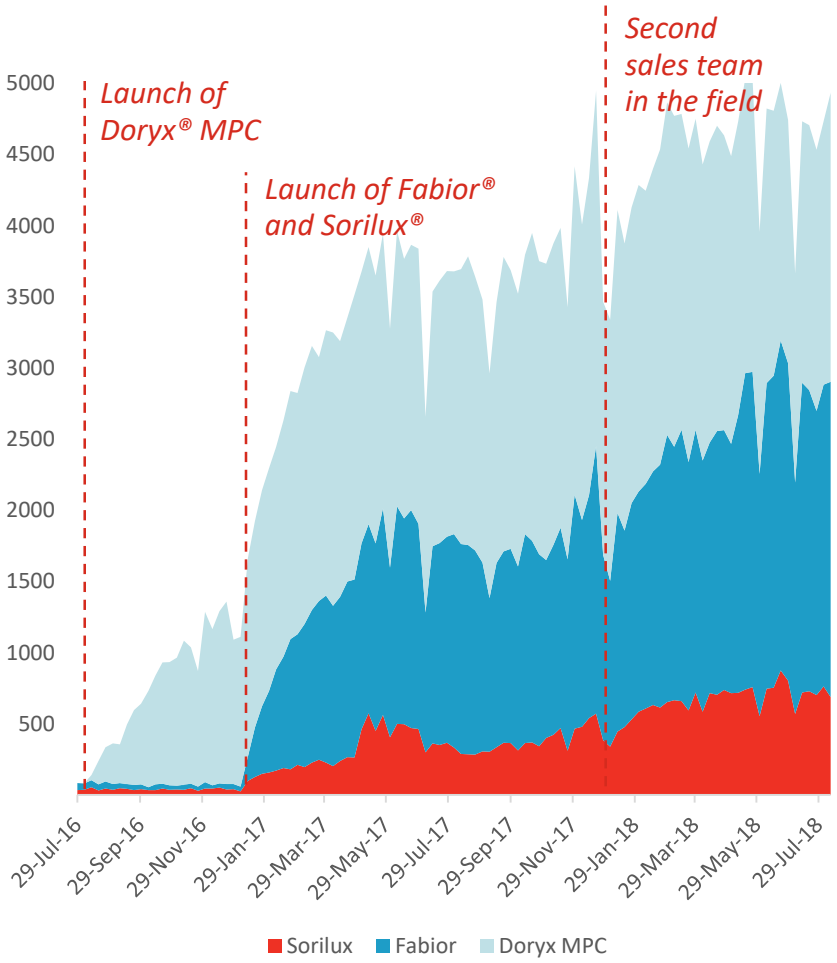


(1) Adjusted revenue and gross profit excludes US$9.7m of one-off Doryx® returns in the 1HFY18 emanating from the generic event on legacy Doryx® 50mg and 200mg tablets

Expanded sales team driving prescription growth

Specialty Brands Division (SBD)

Weekly prescriptions (TRx)



Ave Weekly TRx	2HFY18	1HFY18	2HFY17	2HFY18 v 1HFY18	2HFY18 v 2HFY17
Doryx®MPC (Doxycycline Hyclate Delayed-Release Tablets) 120 mg	2,058	1,960	1,744	5%	18%
FABIOR (Iazanulene) Foam, 0.1%	1,814	1,394	1,023	30%	77%
Sorilux	651	372	291	75%	124%
Total TRx	**4,523**	**3,726**	**3,058**	**21%**	**48%**

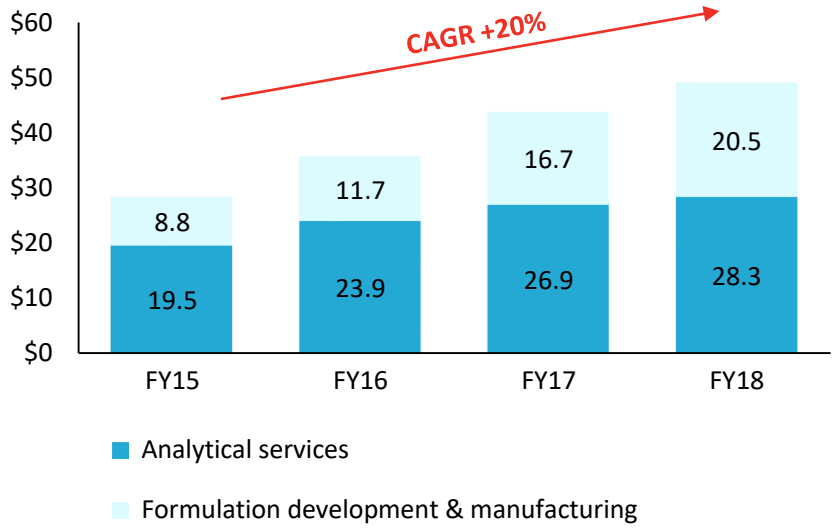
Source: IQVIA, weekly TRx as at 10 August 2018

Metrics Contract Services (MCS)

- MCS revenue was US$48.9m, up 12% on pcp
- Achieved 3 consecutive years of double digit growth in USD terms
  - Annual growth of 20% since FY15
- First commercial manufacturing revenues from a full service MCS client
- Growth in revenue and margin driven by commercial manufacturing and increased late-stage development work including clinical trials manufacturing
- Supported registration batch manufacture for 4 programs in FY18
- Key performance indicators trending favourably
  - Committed business pipeline up 50% from 12 months ago[1]
  - Quotes dollars won up 28% in FY18 versus FY17
- Growing commercial manufacturing pipeline with 20 potential opportunities with peak aggregate annual unit demand of 250m doses

A$million	FY18	FY17	Change FY18 v FY17
Revenue	63.1	57.8	9%
Gross Profit	33.7	32.1	5%
Gross Profit %	53%	55%	

MCS sales by service area (US$m)



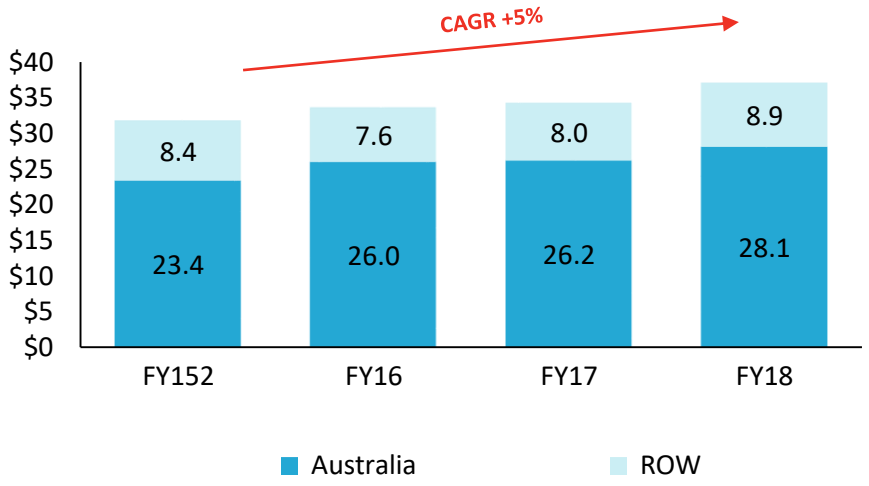
(1) Committed business pipeline is the next 6 months of signed purchase orders / statements of work

Mayne Pharma International (MPI)

- Growth in Australia driven by aspirin, injectables, itraconazole, oxycodone and new product launches of Monurol® (fosfomycin trometamol) granules and Urorec® (silodosin) capsules
- Rest of world benefited from improving morphine sulfate and itraconazole
- Stronger gross profit margin reflects improving business mix and renegotiation of supply contracts
- Lozanoc® (SUBA® -Itraconazole capsule) has captured 34% volume share of the itraconazole capsule market[1] in Australia since its launch in Jun 2014
  - Itraconazole capsule market in Australia has grown 40% over this period[1]

A$million	FY18	FY17	Change FY18 v FY17
Revenue	36.8	34.3	7%
Gross Profit	8.0	6.8	18%
Gross Profit %	22%	20%	

MPI sales by region (A$m)

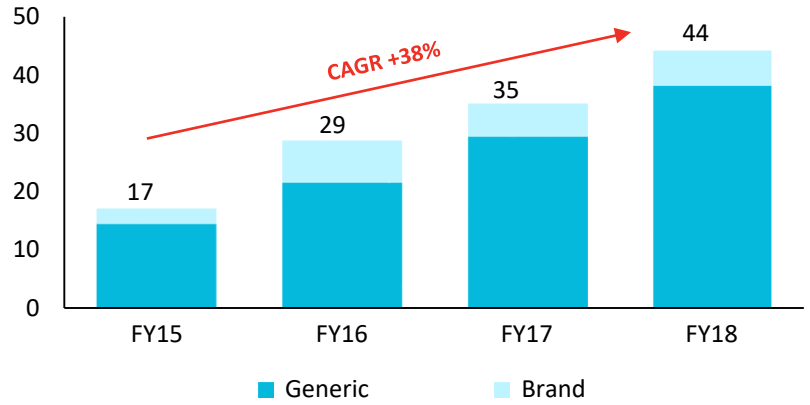


(1) IQVIA, Dec 17 quarter volume

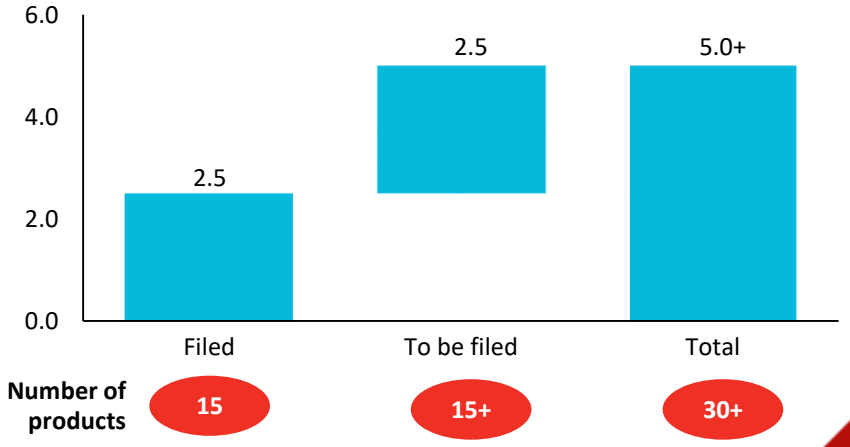
R&D update

- Cash R&D spend was $44m of which 23% directed to brand programs and the balance on generics
- Launched 6 generic products in the US and 2 specialty brands in Australia
- Filed 8 products with FDA including generic NuvaRing®, generic Ranexa® and SUBA® -itraconazole anti-fungal NDA
- R&D capitalisation rate of 73% in FY18 which is expected to decline in future years as the company directs more R&D spend to specialty products and earlier stage clinical development programs
- US$5b pipeline value of which US$2.5b pending approval at FDA[1]
- Generics: Focus on complex products, first to market, low competition markets, hard to manufacture and niche product opportunities
- Brands: Key therapeutic focus areas for specialty products are dermatology (including rare disease) and infectious disease

Gross R&D spend (A$m)



US Pipeline statistics – IQVIA product market size (US$bn)[1]



(1) IQVIA, MAT Sales, Jun 2018

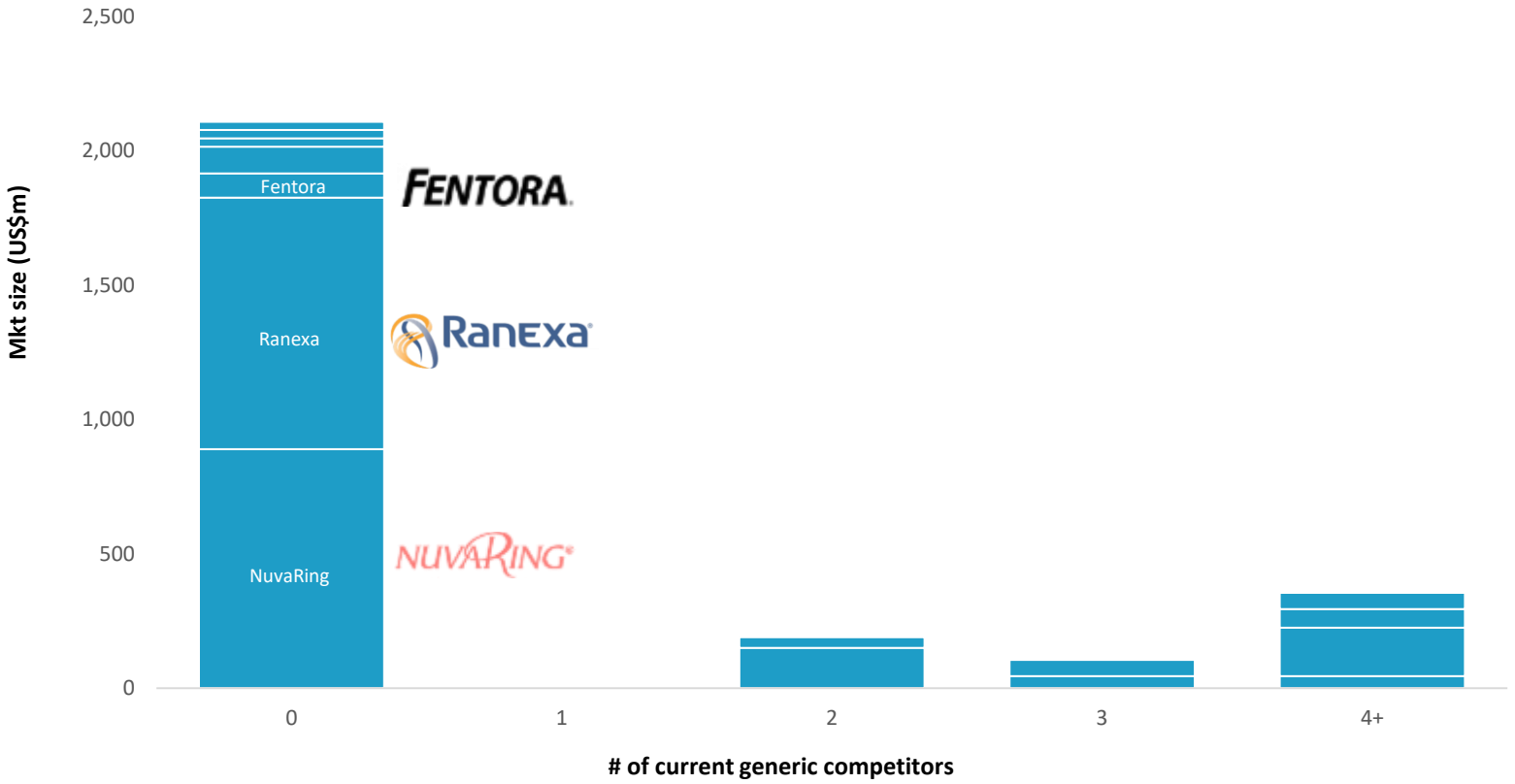
Key pipeline updates - US

Product	Therapeutic area	US Mkt size (US$m)[1]	Formulation development	Pre-clinical	Phase I	Phase II	Phase III	Filed
Generic								
generic NuvaRing	Women's health	890						
generic Ranexa	Cardiovascular	940						
generic Fentora	Pain	90						
Brand								
SUBA-itraconazole	Infectious disease	200						
SUBA-itraconazole	Oncology	300						
Trifarotene	Dermatology	150						
Foam	Dermatology	500						
Foam	Dermatology	250						
Foam	Dermatology	500						

(1) Total addressable market size based on IQVIA MAT Sales data as at Jun 2018 for generic products and target patient population, pricing and current healthcare costs to treat patient population used to determine brand products

Attractive near term generic pipeline to drive future growth

US filed generic pipeline by # of generic competitors



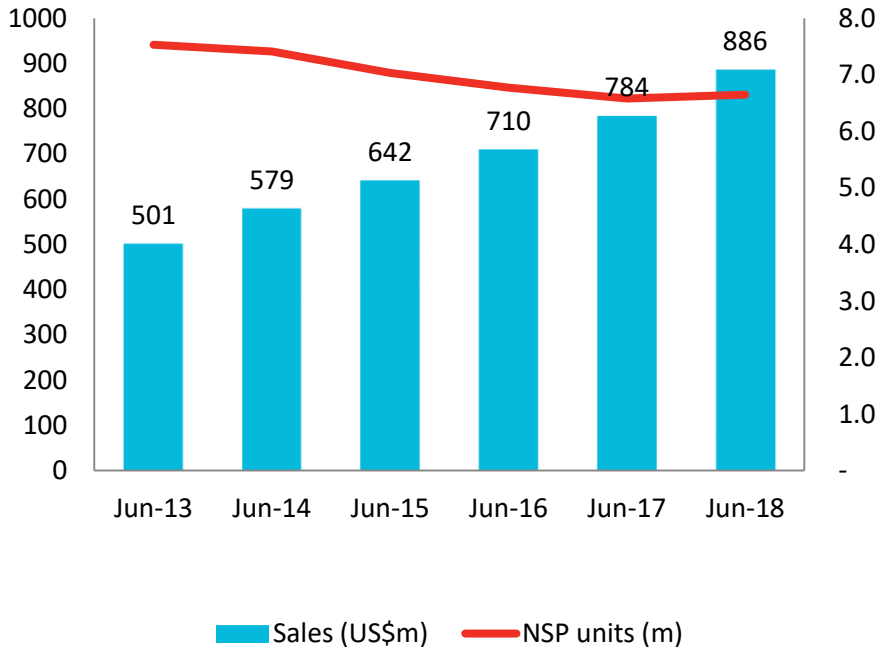
US filed pipeline targeting markets with IQVIA sales >US$2.5b

Source: IQVIA, MAT Sales Jun 2018

Generic Nuvaring®

- Intra vaginal hormonal contraceptive device combining etonogestrel and ethinyl estradiol over a 3-week period
- Accepted for filing March 2018
- Patent expired April 2018
- 2 other known generic filers
- Long-term exclusive license and supply agreement with Mithra Pharmaceuticals
- 2 FDA pre-approval inspections at Mithra complete

NuvaRing® MAT sales and NSP units



Source: IQVIA, MAT Sales and Unit data, Jun 2018

SUBA®- itraconazole - anti-fungal

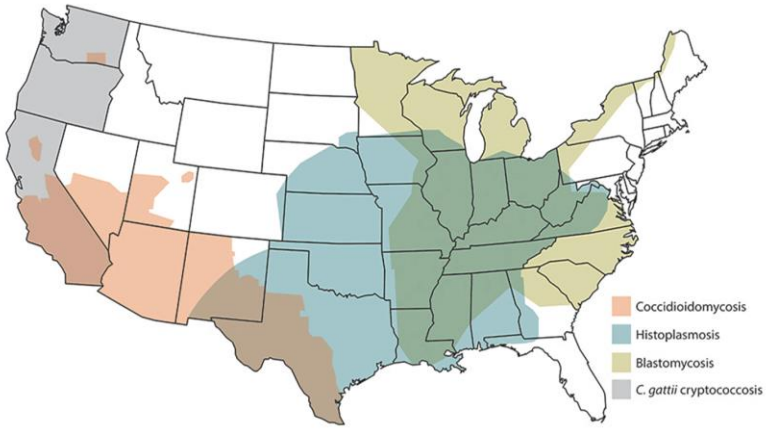
Global market

- Launched in Australia, Spain and Germany
- Approved in Argentina, Austria, Belgium, Mexico and Portugal
- Expected to launch in another 6 countries in FY19

US market

- Filed US NDA early calendar 2018
- Clinical study in endemic mycoses underway to support commercialisation in the US
- New infectious disease field team: ~10 expected to be on-board during CY19
- Leverage experience from Australian launch
- Several US patents - expiring 2025 and 2033
- US Addressable Market: US$200m / 150,000 TRx[1]

Endemic mycosis (systemic fungal infections) – geographic distribution



- Itraconazole is listed as one of the anti-fungal agents that could be used for the treatment of a number of infections in the Infectious Diseases Society of America Guidelines[2] including:
  - Histoplasmosis
  - Blastomycosis
  - Refractory aspergillosis

(1) Company estimate
(2) CDC.gov, Infectious Diseases Society of America Treatment Guidelines.

SUBA®- itraconazole - Gorlin Syndrome

- Partnered with HedgePath Pharmaceuticals, Inc. (market cap: US$100m+) to pursue the clinical development, registration and commercialisation of SUBA-itraconazole in anti-cancer applications
- Own 54% of HedgePath common stock (59% including warrants)
  - In January 2018 committed to invest another US$5m and restructured Supply and License Agreement
- FDA and EMA granted Orphan Drug Designation for SUBA®-itraconazole in the treatment of Basal Cell Carcinoma (BCC) in patients with Basal Cell Carcinoma Nevus Syndrome (BCCNS) – commonly known as Gorlin Syndrome
- Completed Phase 2(b) clinical trial in 38 BCCNS patients:
  - Analysis of changes in the largest diameter of each Target Lesion (N=477) across all subjects demonstrated that the majority of Target Lesions decreased in size, where 53.7% of Target Lesions decreased by ≥ 30%, and 26.6% completely disappeared
  - SUBA®-itraconazole well tolerated with low drop out rate and median time on study of 42 weeks
- HedgePath has submitted a Pre-NDA Meeting Request seeking an additional confirmatory meeting with FDA before its planned filing of an NDA for SUBA®-itraconazole BCCNS later this year
- US Market potential: US$300m for BCCNS[1]

Basal Cell Carcinoma Nevus Syndrome

- Orphan disease - 10,000 patients in the US
- Autosomal Dominant Inherited Disorder
- Current standard of care is surgery resulting in disfigurement given recurring incidence
- Market need for a chronic low-toxicity therapy to treat BCC in BCCNS patients to minimise surgical procedures

(1) HedgePath estimate

Facility investments in Greenville and Salisbury now complete

Greenville

Salisbury

Strategic priorities aligned with creating a durable business model

US Generic Products expansion

- Create highly efficient, focused R&D organisation with access to an array of differentiated dosage forms
- Addition of high value, high complexity products to portfolio via internal R&D, strategic alliances and other complementary business development activities

Specialty Brands expansion

- Category leadership in medical dermatology
- Maximise value of existing brand portfolio through targeted additional development and clinical activities
- R&D commitment to clinical and early stage programs – that have global application and address high unmet medical needs
- Selectively invest in relevant therapeutic areas – infectious disease, oncology, rare diseases

Leverage and diversify drug delivery platforms

- Further investment in drug delivery technologies, capabilities and expertise to enhance MCS offering
- Extension into relevant, complementary drug delivery platforms – potent topicals
- Selectively pursue co-development opportunities with high quality MCS client base

Commercial execution

- Multichannel product distribution strategy to diversify customer base (specialty pharmacy, government, telesales)
- Expanding prescriber and patient reach
- Multifaceted marketing campaigns driving sales force effectiveness
- Disciplined approach to optimising value and profitability per product

Operational excellence

- Capacity expansions across Greenville and Salisbury recently completed to improve product margins, quality and customer service
- Optimise manufacturing network to drive cost efficiencies and flexibility
- Develop organisational competency in Lean manufacturing systems and supply chain excellence

Outlook

Generic Products

- More stabilised retail pricing environment expected to continue
- Generic Efudex® expected to become a top 10 product following its acquisition in July 2018
- 6+ potential new product launches in FY19 – including several potential first to market launches
- Extracting further cost savings from optimising supply network across third party and internal manufacturing sites

Specialty Brands

- Growth trajectory of Sorilux® and Fabior® expected to continue into FY19
- Potential launch of SUBA®-itraconazole capsules in CY19

Metrics Contract Services

- Leading indicators continue to be favourable with a growing pipeline of commercial manufacturing quotes and pipeline of committed contract service business

Mayne Pharma International

- In Australia, sales growth expected to be driven by newly approved specialty products – Monurol® and Urorec®
- Rest of world sales growth expected to be driven by morphine sulfate into Canada and SUBA®-itraconazole into new markets

Continue to assess bolt-on acquisitions where they are complementary to existing portfolio and operations and can deliver shareholder value

FY18 financial information

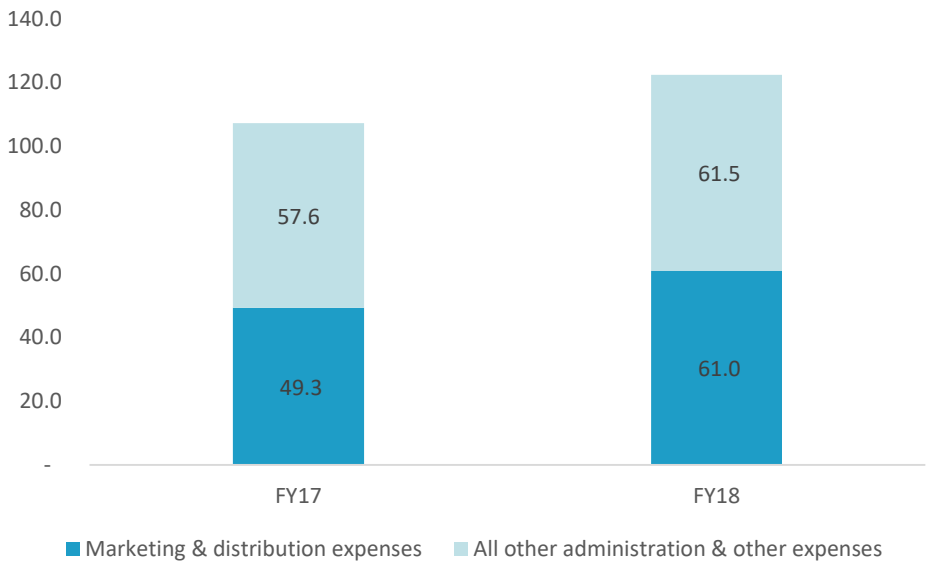
Profit and Loss – attributable to members

	Year ending		Change
A$million	30 Jun 18	30 Jun 17	$m
Revenue	530.3	572.6	(42.3)
Gross profit	256.5	315.8	(59.3)
Gross profit %	*48%*	*55%*	
EBITDA - adjusted	165.3	206.5	(41.2)
Adjustments	(48.5)	17.7	(66.2)
EBITDA – reported	116.8	224.2	(107.4)
Depreciation / amortisation	(79.5)	(73.3)	(6.2)
Impairment	(184.4)	(20.2)	(164.2)
Net interest	(17.2)	(12.1)	(5.1)
Tax	30.3	(30.0)	60.3
Net income/(loss) - adjusted	60.3	90.2	(29.9)
Net income/(loss) - reported	(133.9)	88.6	(222.6)
Average USD:AUD FX rate	0.7753	0.7539	

Half Year Ending		Change
30 Jun 18	31 Dec 17	$m
287.0	243.3	43.7
160.6	95.9	64.7
56%	*39%*	
94.9	70.5	24.4
(1.0)	(47.5)	46.5
93.9	23.0	70.9
(38.7)	(40.8)	2.1
(0.9)	(183.5)	182.6
(8.8)	(8.4)	(0.4)
(5.2)	35.5	(40.7)
44.1	16.2	27.8
40.3	(174.2)	214.5
0.7715	0.7792	

Operating expenses

Operating expenses[1] (A$m)



- Marketing and distribution expenses have increased due to the expanded Specialty Brands sales team in the US
- Other administration expenses have increased driven by wages and salaries, insurance and rent

(1) Consolidated operating expenses includes marketing and distribution expenses and other administration expenses as detailed in note 6 of the accounts

Reported to adjusted reconciliation attributable to members[1]

Sales And Profit (A$m)	Reported Attributable To Members Jun 2018	SBD – Abnormal Doryx Returns [2]	GPD – Abnormal Stock Adjustments [3]	Restructuring Expenses [4]	Asset Impairments[5]	HPPI – Mayne's Share [6]	Doj[7]	US Tax Items[8]	Adjusted JUN 2018
GPD	385.7	-	-	-	-	-	-	-	385.7
MCS	63.1	-	-	-	-	-	-	-	63.1
SBD	44.7	12.4	-	-	-	-	-	-	57.1
MPI	36.8	-	-	-	-	-	-	-	36.8
Revenue	**530.3**	12.4	-	-	-	-	-	-	**542.7**
GPD	177.4	-	17.3	3.1	-	-	-	-	197.8
MCS	33.7	-	-	-	-	-	-	-	33.7
SBD	37.5	12.4	-	-	-	-	-	-	49.9
MPI	8.0	-	-	-	-	-	-	-	8.0
Gross profit	**256.5**	12.4	17.3	3.1	-	-	-	-	**289.3**
Gross profit %									
EBITDA	**116.8**	13.3	17.3	16.3	-	0.9	0.7	-	**165.3**
D&A	(79.5)	-	-	-	-	0.4	-	-	(79.1)
Asset impairments	(184.4)	-	-	-	184.4	-	-	-	-
PBIT	(147.1)	13.3	17.3	16.3	184.4	1.3	0.7	-	**86.2**
Net Interest	(17.2)	-	-	-	-	-	-	-	(17.2)
PBT	(164.3)	13.3	17.3	16.3	184.4	1.3	0.7	-	**69.0**
Income tax	30.3	(4.1)	(5.3)	(2.7)	(43.9)	(2.6)	(0.2)	19.9	**(8.7)**
PAT	**(133.9)**	9.2	12.0	13.6	140.5	(1.3)	0.5	19.9	**60.3**

1. The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of HPPI
2. SBD – Doryx returns – represents the abnormal level of Doryx product returns (A$12.4m) and sample write-offs (A$0.9m marketing expense) due to the loss of exclusivity on Doryx 50mg and 200mg tablets in May 2016
3. GPD – stock adjustments – represents the abnormal amount of inventory obsolescence, writedowns and sell through of short dated stock below cost
4. Restructuring expenses – represents expense relating to the cancellation of specific employee shares (A$7.4m), onerous supply contracts and other expense management initiatives to lower the cost base
5. Asset impairments – intangible asset impairments relating to the change in the current and projected market dynamics for generic products
6. HPPI – Mayne Pharma's share of HPPI's EBITDA loss (A$2.5m) less the fair value gain (A$1.6m) on restatement of the value of Mayne Pharma's HPPI warrants. HPPI tax includes restatement of DTL due to tax rate change
7. Drug pricing investigations and litigation costs
8. US tax items includes A$13.3m for restatement of US related DTAs and DTLs (excluding HPPI) due to the US corporate tax rate changes and A$6.6m for tax losses for a US subsidiary not recognised as a deferred tax asset.

Consolidated Balance Sheet Position

	As at	As at	As at
A$million	**30 Jun 18**	**31 Dec 17**	**30 Jun 17**
Cash	87.3	56.0	63.0
Inventory	82.2	88.6	106.4
Receivables	252.7	231.5	225.8
PP&E	230.1	212.2	189.3
Intangibles & goodwill	1,054.5	1,018.6	1,235.4
Other assets	123.7	116.7	88.1
Total assets	**1,830.5**	**1,723.5**	**1,908.0**
Payables	152.6	157.2	147.6
Interest-bearing debt	374.1	359.1	340.2
Other financial liabilities	17.8	23.3	41.0
Other liabilities	50.7	50.8	66.8
Equity	**1,235.2**	**1,133.1**	**1,312.4**
Equity (attributable to shareholders)	**1,226.5**	**1,123.6**	**1,303.8**
Net debt (bank debt less cash)	286.9	303.1	277.2
USD:AUD FX rate	0.7407	0.7806	0.7686

Consolidated Cash Flow – EBITDA to Cash Reconciliation

	Year ending		Half Year ending	
A$million	**30 Jun 18**	**30 Jun 17**	**30 Jun 18**	**31 Dec 17**
EBITDA (Reported) attributable to members[1]	116.8	224.2	93.8	23.0
Minority share of HPPI EBITDA	(2.2)	(2.3)	(1.2)	(1.1)
Consolidated EBITDA (100% HPPI)	114.6	221.9	92.6	21.9
Share based payments (non cash)	14.5	11.2	4.2	10.3
HPPI warrants fair value (non cash)	(1.6)	(5.3)	(3.1)	1.5
Unrealised FX (non cash)	1.6	6.9	1.9	(0.3)
Provisions (non cash)	11.9	9.3	(8.1)	20.0
Other	(1.2)	(1.3)	(0.6)	(0.5)
Operating Cashflow Before WC, interest and tax	**139.7**	**242.9**	**86.8**	**52.9**
WC movements[2]	4.8	(190.2)	(4.0)	8.8
Net tax paid	(8.0)	(57.6)	(1.2)	(6.8)
Net interest paid	(15.0)	(10.0)	(8.2)	(6.9)
Net operating cash flow	**121.5**	**(15.2)**	**73.5**	**48.0**
Capitalised R&D	(32.8)	(27.8)	(13.6)	(19.2)
Acquisitions	(8.0)	(951.7)	(6.1)	(1.9)
Capex	(54.2)	(104.4)	(14.7)	(39.5)
Earn-out & deferred settlement payments	(23.4)	(13.9)	(5.6)	(17.8)
Free cash flow	**3.1**	**(1,113.0)**	**33.5**	**(30.3)**
Net proceeds borrowings & shares	20.2	1,129.7	(3.8)	24.0
Net cash flow	**23.3**	**16.7**	**29.7**	**(6.4)**

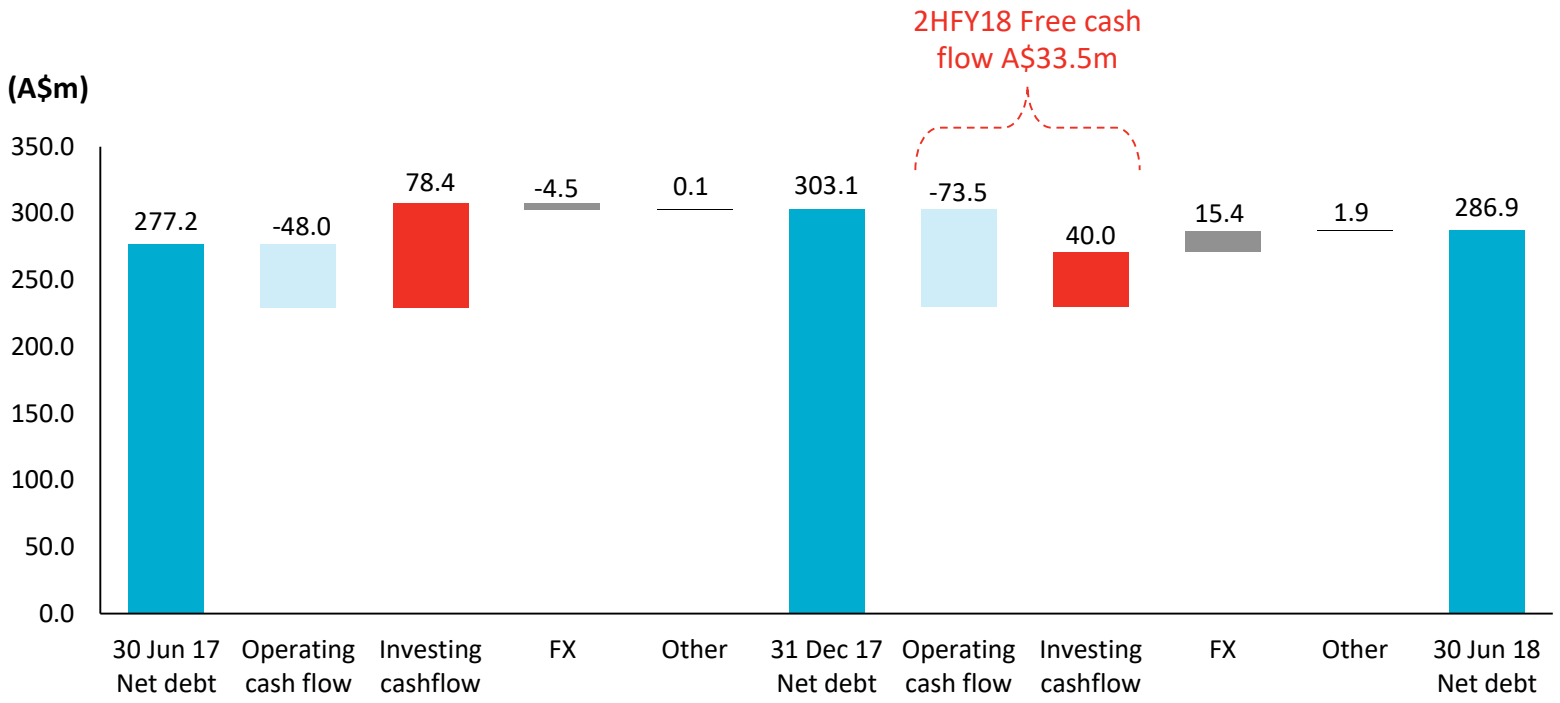
(1) Reported EBITDA in Director's Report is attributable to members. Cashflow in the Financial Statements is on a consolidated basis and includes 100% of HPPI

(2) Cash flow working capital movements based on average AUD/USD exchange rate for the period whereas the June and December balance sheet balances based on closing rates

Capital structure

- Dual currency debt facility
  - US$150m, 3 year bullet facility, matures July 2019
  - US$250m 5 year revolving facility, matures July 2021
  - US$20m 2 year working capital facility, matures July 2019
  - A$10m, 2 year working capital facility, matures July 2019
- Key bank covenants have significant headroom
  - Leverage ratio (Net debt / EBITDA): 2.07x versus covenant <3.25x
  - Interest cover (EBITDA / Interest expense): 11.2x versus covenant >3x
  - Shareholder funds: A$1.2b versus covenant >A$800m
- Other
  - US$140m undrawn debt
  - Cash A$87m
  - Net debt / Total assets: 16%
  - Net debt / Equity: 23%

Net debt profile



	30 Jun 17	31 Dec 17	30 Jun 18
Cash A$m	7.0	8.9	9.0
Cash US$m	43.0	36.8	58.0
US debt US$m	265.0	280.0	280.0
AU debt A$m	0.0	5.0	0.0