

Quarterly Investor Briefing

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Chief Executive Officer
17 October 2013

pharmaxis
Innovating for life



Forward Looking Statements

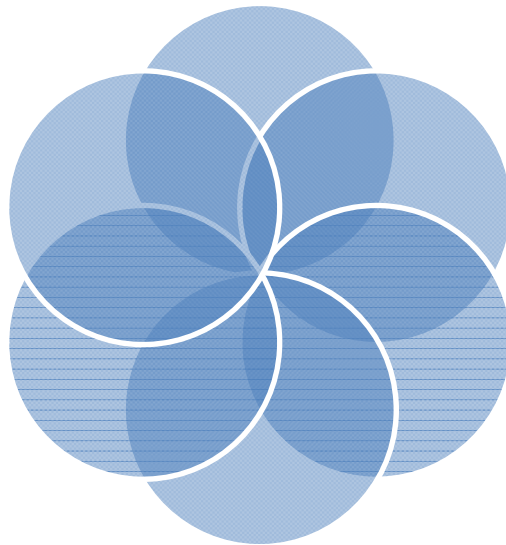
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Business plan

A speciality Pharma company with a global interest in CF and other specialist respiratory diseases

Direct commercial interest in EU and Australian CF markets



Strategic interest in an innovative pipeline of early stage compounds

Seeking to partner assets for CF and bronchiectasis in USA and other markets of interest

Bronchitol partnering

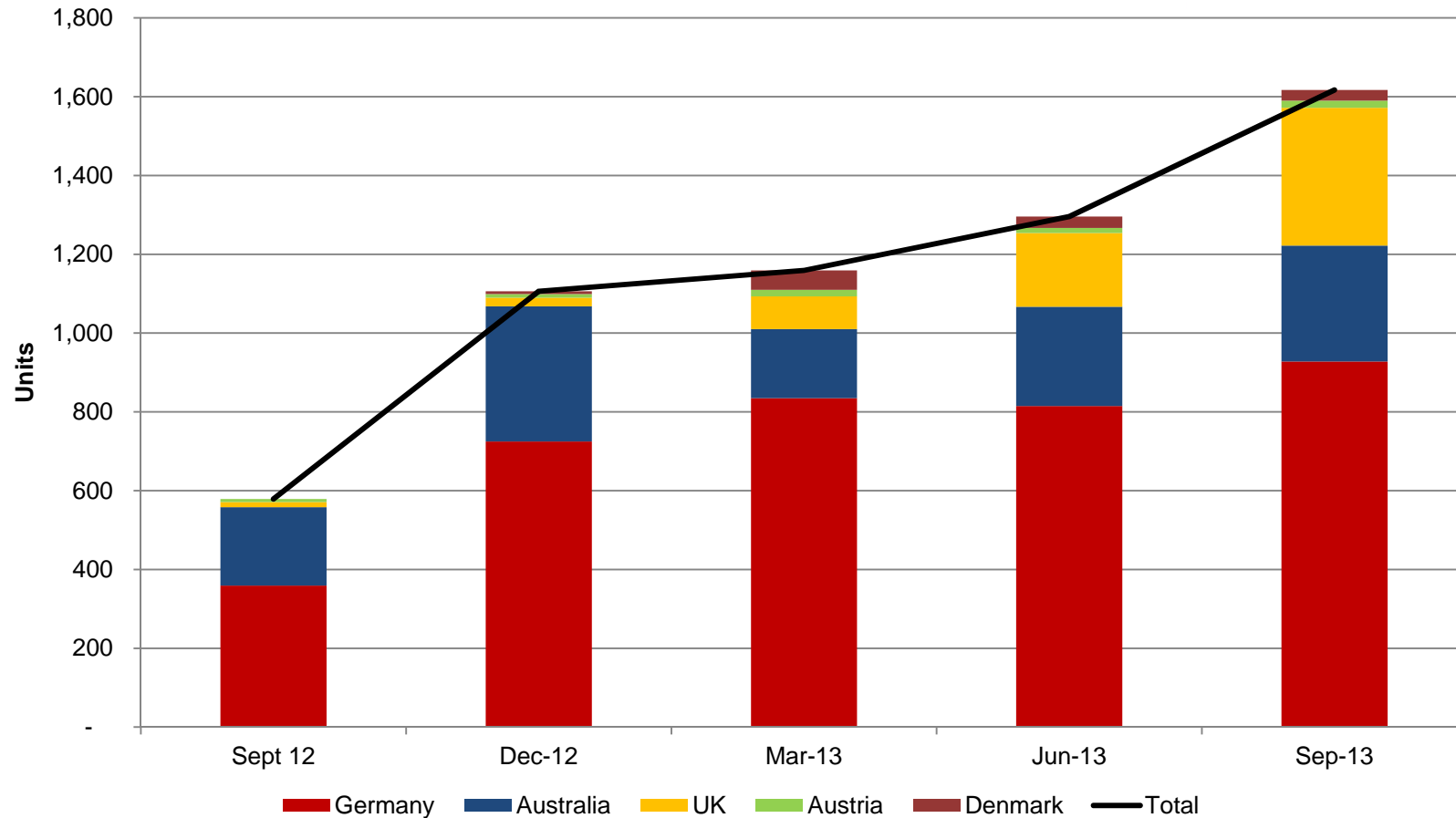
Process Q2- Q4 2013	Progress in September quarter
1. Maximise valuation a) agree development path b) finalise trial protocol and feasibility	<ul style="list-style-type: none"> • Drafted protocol for CF303 <ul style="list-style-type: none"> • Trial design very close to previous trials • Estimated cost \$15 million • Submitted protocol to FDA for review & comment – expect feedback Q4 CY2013 • Currently evaluating contract research organisation proposals to conduct trial • First patient expected H1 CY2014
2. Shortlist potential partners	<ul style="list-style-type: none"> • Completed in Q2 CY2013
3. Marketing and due diligence a) CF b) Bronchiectasis	<ul style="list-style-type: none"> • Strong strategic rationale underpinning all current discussions • Development and regulatory path for bronchiectasis to be confirmed in Q4 CY2013
4. Assess value	Quarter 4 CY2013

Direct commercial interest in CF

Plan	Progress in September quarter
1. European sales	<ul style="list-style-type: none">• First impact of German adherence pilots felt• UK centre penetration and patient acquisition strong• French pricing negotiations held up• Progress pricing applications for remaining EU markets• CF204 recruitment commenced in 7 centres
2. Australian sales	<ul style="list-style-type: none">• PBAC revised reimbursement rules take effect from 1st November• Planning marketing efforts to maximise opportunity from updated PBS listing• Steady growth in last two quarters
3. Rest of world	<ul style="list-style-type: none">• Distributors for remaining significant Eastern EU countries• Russia and Turkey in final stages of contract negotiation• Distributor product training undertaken in September• Named patient sales expected to commence in Q4 CY2013• Preparing marketing approval application for Russia• Preparing marketing approval application for Brazil

Bronchitol unit sales by country

(1 unit = 14 day pack of Bronchitol)



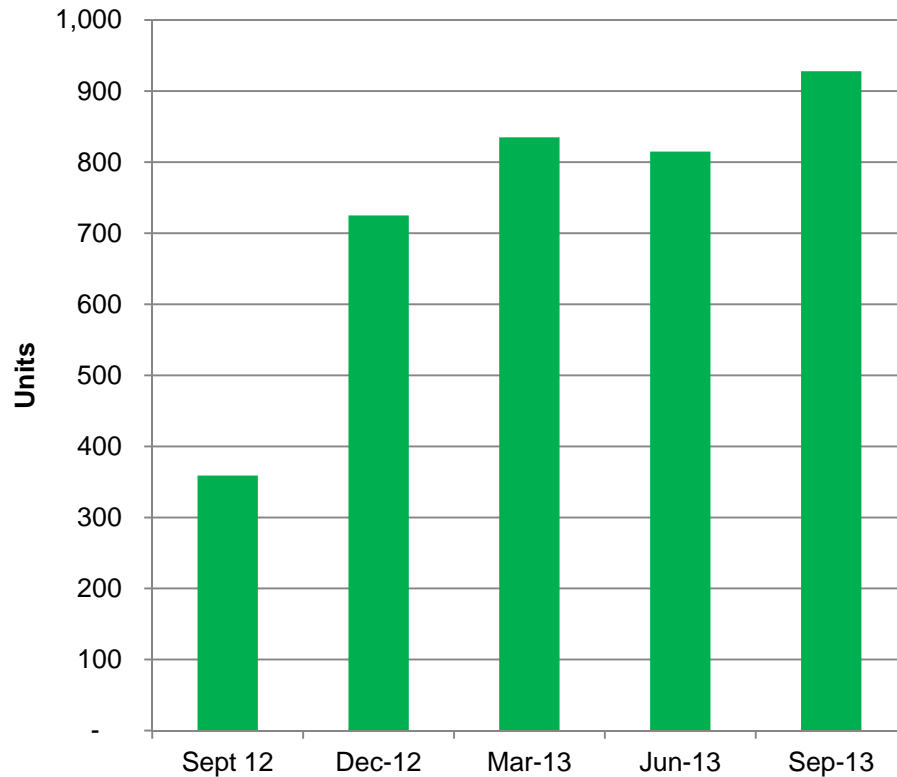
	<u>Germany</u>	<u>Australia</u>	<u>UK</u>	<u>Total</u>
Sales increase over				
Sep-12	158%	48%	nm	179%
Jun-13	14%	17%	87%	25%

Germany

- Strong uptake of Bronchitol by clinics across Germany
 - All larger clinics have now prescribed Bronchitol (Q2 = 90%)
 - Percentage of all clinics prescribing Bronchitol increased from 70% → 85%
 - Unit sales growth of 14%
 - Compliance rates low relative to UK and Australia
- Patients on Bronchitol continues to increase, but cycling on/off drug is a concern for all CF drugs
 - Retention rates lower than UK and Australia

Germany quarterly unit sales

Q3 return to growth as pilots start to impact



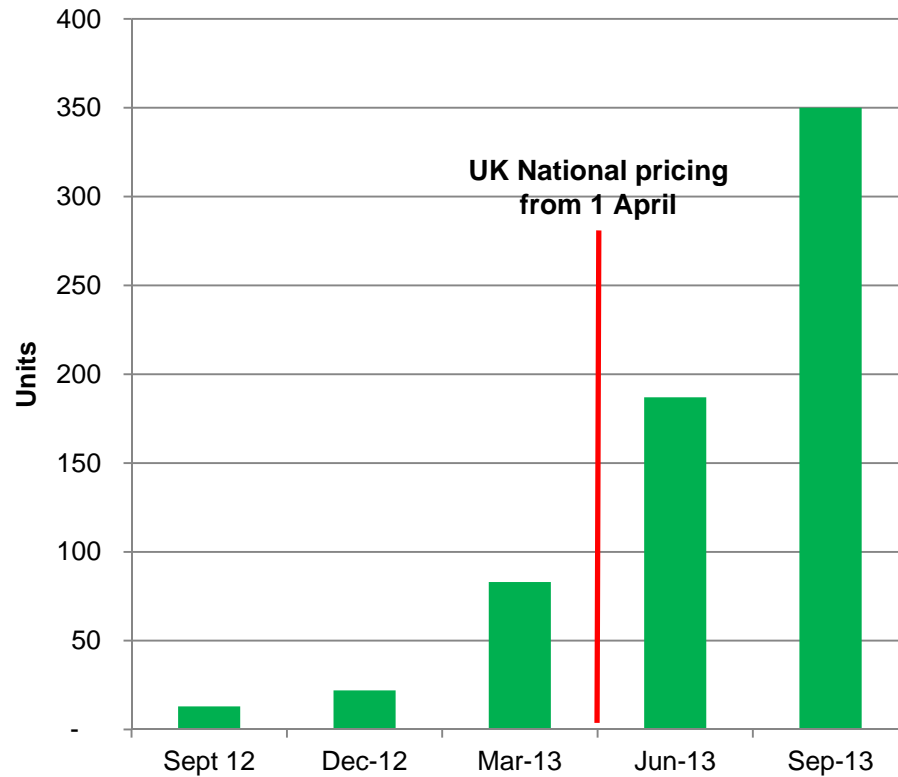
Marketing imperatives

- Increase centre penetration
 - Establish Bronchitol as the standard
 - Support peer-to-peer communication – locally, National CF conference in Q4
- Reduce patients cycling on and off Bronchitol (impact Q3/4)
 - Physio Pilot with 9 centres (5 have started recruitment with 25 patients recruited or being initiated)
 - 4 face to face visits with each new patient
- Improve adherence (impact Q4)
 - 4 centre pilot started
 - Based on centre behavioural training for “Adherence Champions”
 - New support materials to enhance bond between physician, adherence champion and patient.

United Kingdom

- Strong growth seen once funding issues resolved
 - Percentage of all clinics prescribing Bronchitol increased from 40% → 65%
 - Unit sales increased 87%
- UK clinic structure enhances adherence
 - Compliance rates close to optimum
 - Very low drop out rates in patients initiated on Bronchitol

UK quarterly unit sales



Marketing imperatives

Increase centre penetration

- Sharing positive experiences
 - Physiotherapist meetings
 - Posters and presentations at UK CF meetings
- Increasing share of voice
 - Increase in sales resource
- Improved health economic tools
 - Account level data presentation

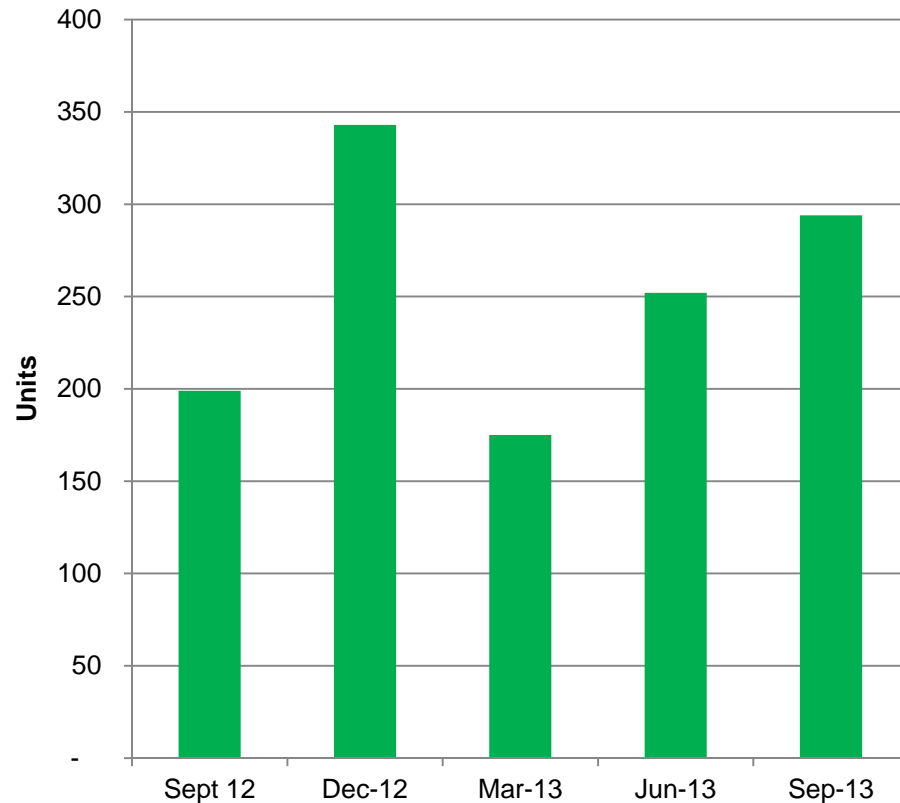
Support adherence

- Utilize learning's from German pilots

Australia

- Improved PBS rules confirmed
 - Requirement for 10% improvement in lung function removed
 - More time to assess patients using clinical judgement
 - Combination use clarified
 - Increased rates of trial expected
- Steady growth ahead of PBS changes
 - 17% growth in units in September quarter
 - Compliance rates near optimum
 - PBS changes effective 1 November 2013

Australia quarterly unit sales



Marketing imperatives

Increase rates of trial

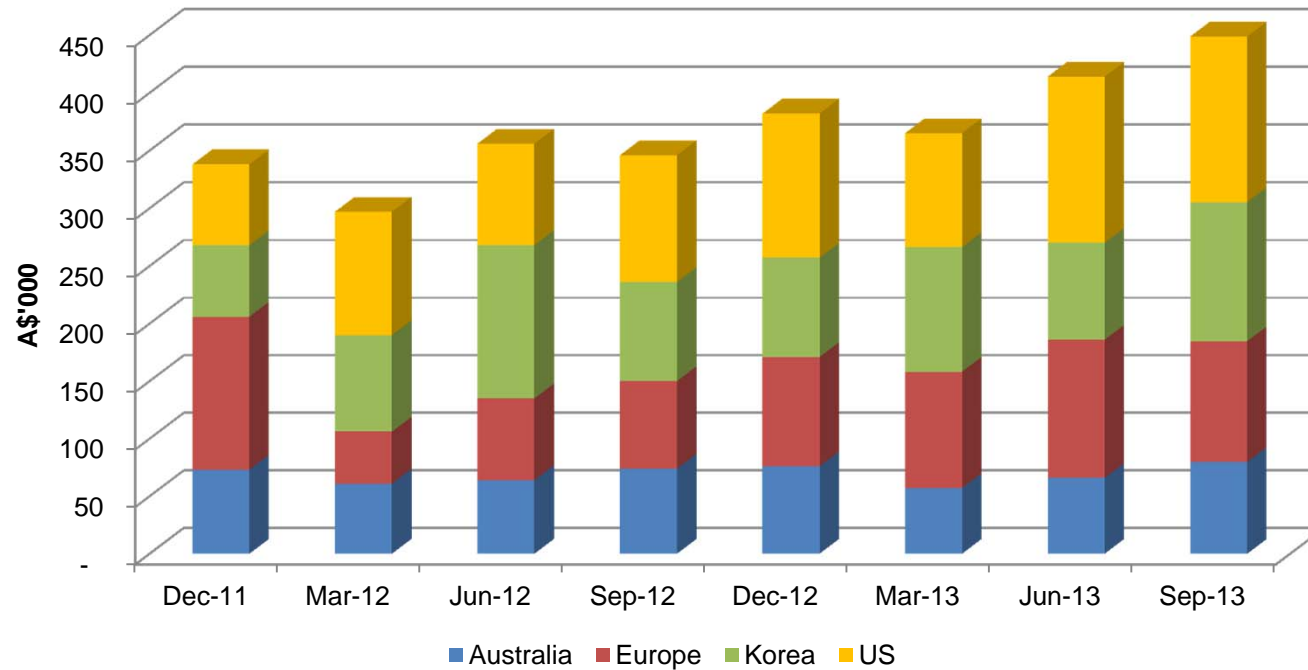
- Share positive experiences from heavy users
- Target large pool of undertreated patients

Support Adherence

- Implement learning's from German pilots

Aridol

Quarterly Aridol Sales



- Sales increased 29% over Sept 2012, 8% over June 2013
- Unit sales increased 20% over Sept 2012, 11% over June 2013
- Minimal sales investment in FTE's: US 2.6; FTE 1.0

FDA - Aridol

- Positive communication with FDA during last quarter regarding import restriction
- FDA accept remedial steps proposed by contractor
- FDA to confirm with physical inspection
- FDA notified of potential stock shortage

R&D strategy

1. Pursue multiple strategies to fund development from Q1 2014

a. Pharma research collaborations

- Contacted all companies having current or potential interest in targets
- Process underway – detailed scientific discussions

b. Grants

- Awarded two ARC linkage grants
- Applying for other larger overseas grants

c. Spin outs (VC,IPO)

- Discussions commenced globally with interested VC's

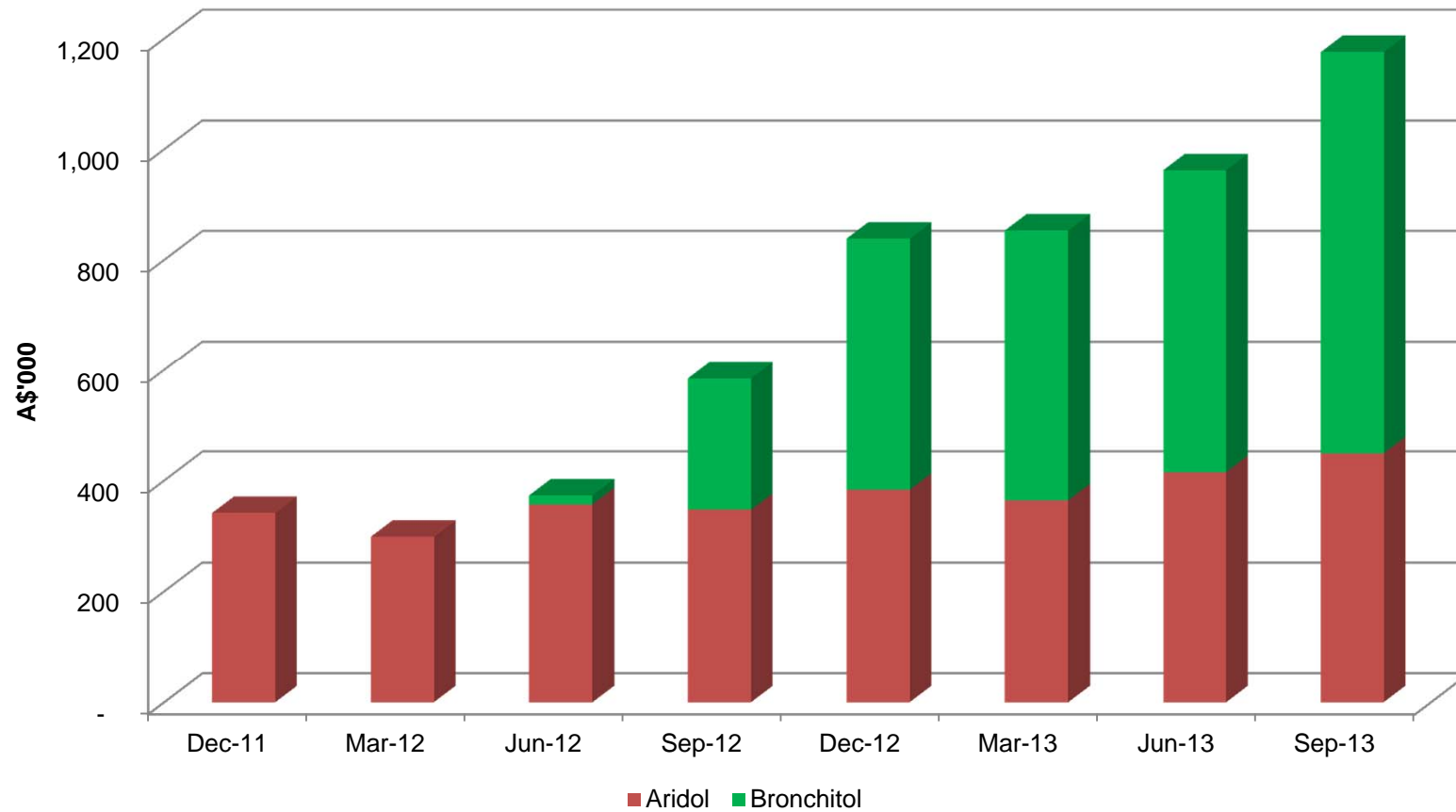
2. Continue to invest selectively in proof of concept H2 CY2013

Financial statements – unaudited

('000 except per share data)

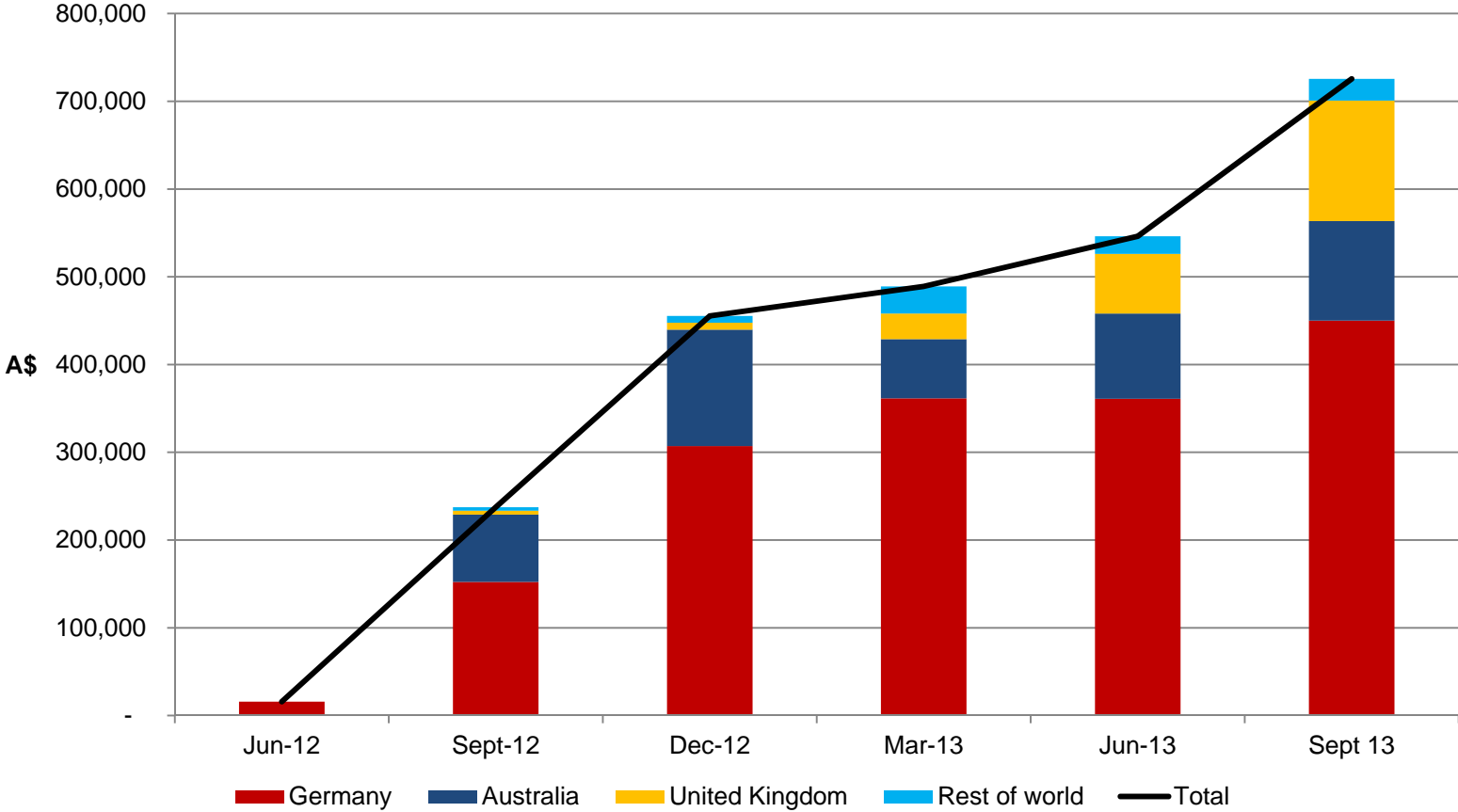
Income statement - unaudited ('000 except per share data)	Three months ended		
	30-Sep-13	30-Jun-13	30-Sep-12
	A\$		A\$
Revenue from sale of goods	1,175	962	584
Cost of sales	(405)	(326)	(227)
Gross profit	770	636	357
Interest income	544	708	699
Grant and other income	828	1,687	1,777
Expenses			
Sales & marketing	(2,271)	(3,793)	(2,897)
Regulatory, safety & medical affairs	(933)	(1,113)	(1,548)
Administration	(2,098)	(1,303)	(1,392)
Available manufacturing capacity	(1,405)		
Research & development - Bronchitol	(1,402)	(4,351)	(5,295)
Research & development - new drug development	(757)	(1,645)	(1,190)
Finance & royalties	(2,383)	(2,293)	(220)
Restructuring charges	-	(1,690)	-
Total expenses	(11,249)	(16,188)	(12,542)
Net loss before tax	(9,107)	(13,158)	(9,709)
Income tax expense	(18)	62	(16)
Net loss after tax	(9,125)	(13,095)	(9,725)
Basic and diluted earnings (loss) per share - \$	(0.030)	(0.042)	(0.032)

Sales revenue by quarter



	Bronchitol	Aridol	Total
Sales increase over			
Sep-12	207%	29%	101%
Jun-13	33%	8%	22%

Bronchitol sales by country



	<u>Germany</u>	<u>Australia</u>	<u>UK</u>	<u>Total</u>
Sales increase over				
Sep-12	196%	48%	nm	206%
Jun-13	25%	17%	102%	33%

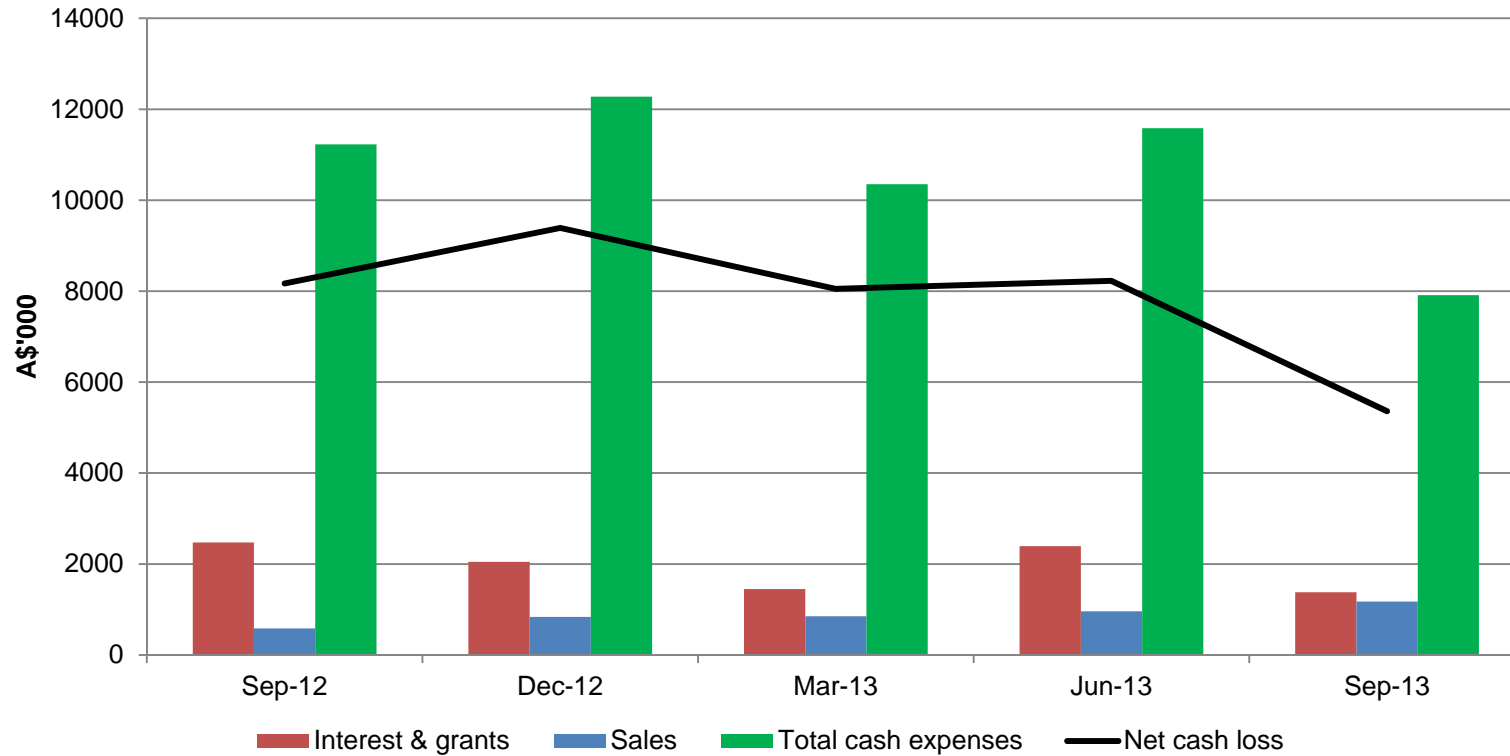
Financial statements – unaudited

(A\$'000)

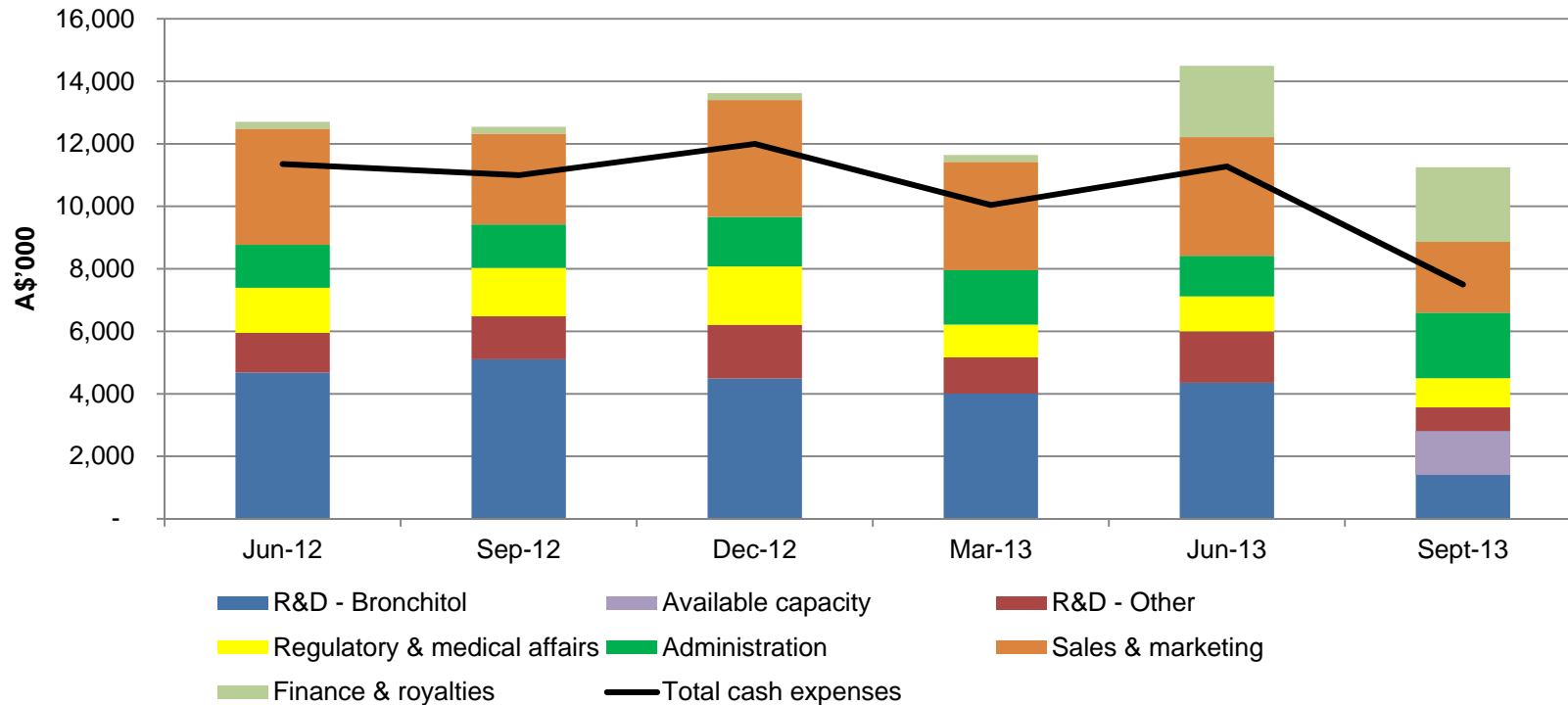
Normalised cash loss - unaudited (A\$'000)	Three months ended		
	30-Sep-13	30-Jun-13	30-Sep-12
Net loss after tax	(9,125)	(13,096)	(9,725)
Non cash expenses			
Depreciation	501	505	513
Amortisation	632	636	635
Share based compensation	473	39	399
NovaQuest finance charge	2,145	2,043	-
	3,751	3,222	1,548
Restructuring charges	-	1,690	-
Net cash loss before restructuring expenses	(5,374)	(8,183)	(8,177)
Total cash expenses before restructuring expenses	7,499	11,276	10,995

Cash loss before restructuring expenses of \$5.4m is down \$2.8m or 34% from June quarter

Net cash loss by quarter (excluding restructuring costs)



Expenses by quarter (excluding restructuring costs)

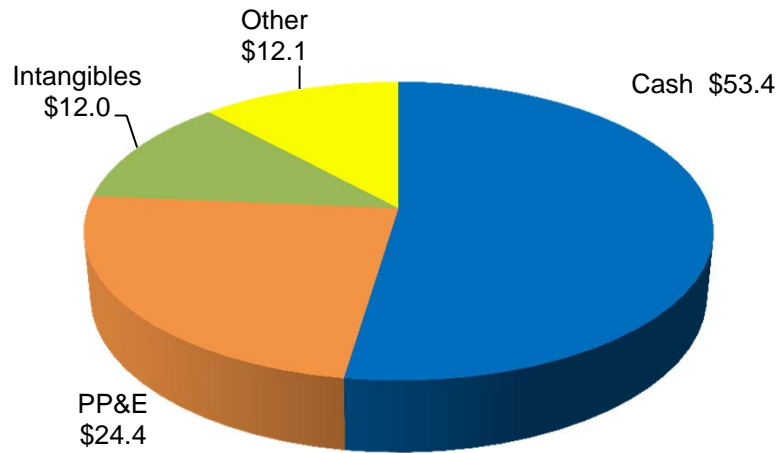


- Reduction in R&D – Bronchitol and Other
- Available capacity includes manufacturing costs previously classified as R&D
- Administration increase attributable to consolidation of certain commercial management functions and all equity compensation cost into administration
- Finance & royalties – includes non-cash accrual of current estimated future payments under the NQ financing agreement
- Net cash cost of R&D - Bronchitol: \$590k; Other: \$250k

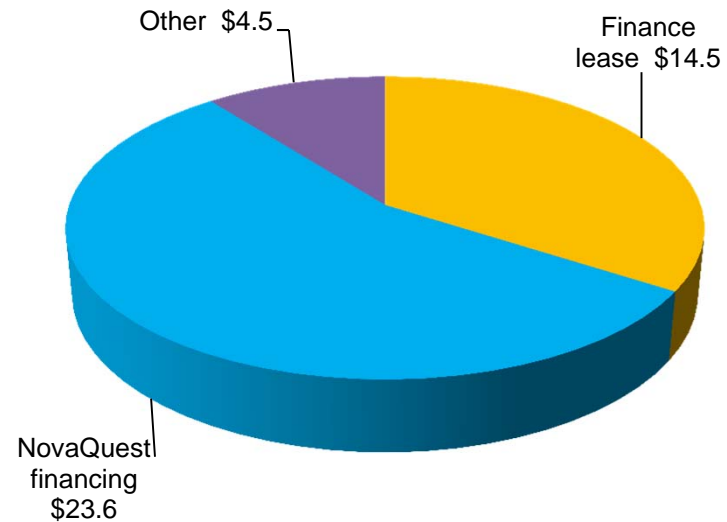
Balance sheet – 30 September 2013

(A\$mil)

Assets (\$102m)



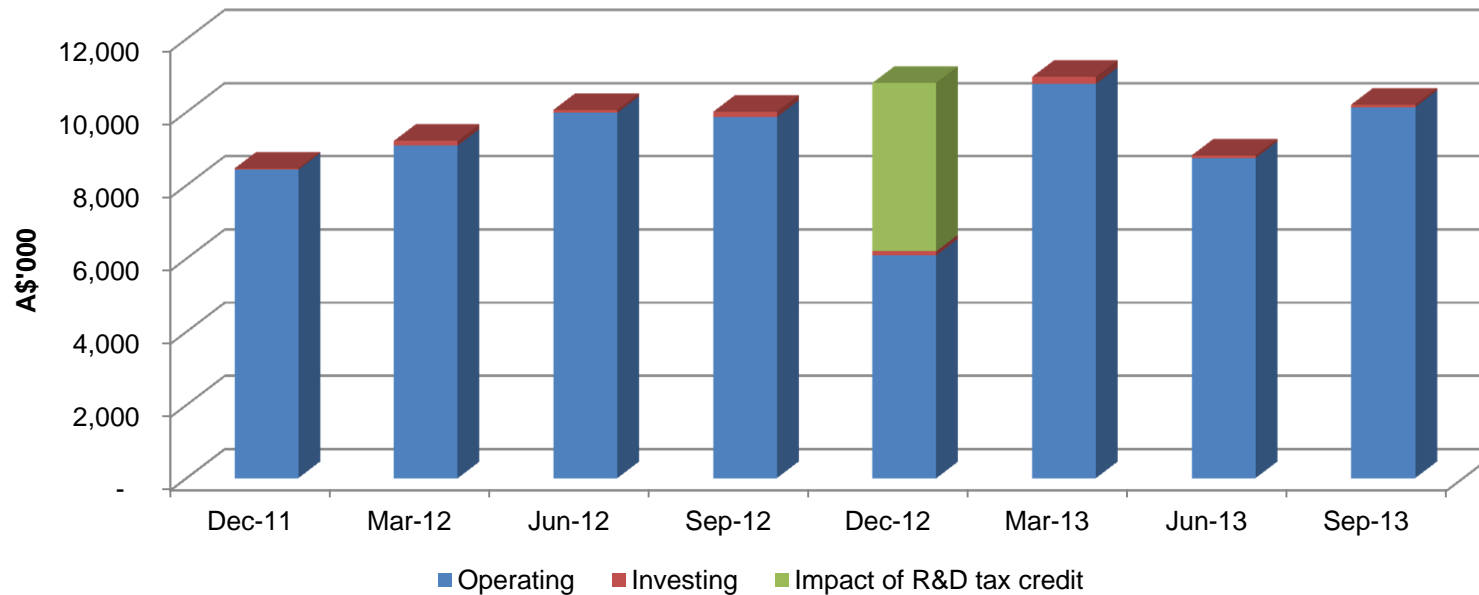
Liabilities (\$43m)



Additional US\$20m available under NovaQuest agreement on commencement of US CF trial

No of shareholders	7,500
Shares on issue	309 million
Options outstanding	18 million

Operating & investing cash outflow by quarter



- R&D tax credit of \$4.8m due to be received October 2013
- Operating cash outflow of \$10.1m for Sept quarter compares to net cash loss of \$5.4m. Operating cash flow reflects:
 - Redundancy & restructuring payments of \$502k
 - Working capital movements including:
 - reduction in large payable balances at 30 June
 - numerous annual expenses payable in Q3 (eg insurance, audit fees, tax return preparation, etc)
 - R&D tax credit for Sept quarter of \$0.8m receivable 2014

Cost reduction progress – on track

- Cash expenses
 - Planned cash expense reduction: \$12m
 - Reduction in cash expenses for Sept 2013 quarter vs base (March 2013) \$2.8m (\$11.2m annualised)
 - Some quarterly fluctuations in external variable costs such as clinical trials, but on track to reduce cost base
- Staff reductions:
 - Business plan target: 48 positions in total across sales, clinical, manufacturing, regulatory & administration, R&D (via external funding)
 - As of 30 September we have already reached this target, before considering the external funding of R&D staff to be finalised later in the year
 - Includes reduction of 5 sales staff in France

Corporate

- Board
 - retirement of Dr John Villiger & Mr Richard van den Broek
 - Board composition to size of company
 - Mr Malcolm McComas (Chair)
 - Mr Will Delaat (NED)
 - Dr Simon Buckingham (NED)
 - Mr Gary Phillips (CEO)
- 2013 Annual General Meeting
 - 27 November 2013, 2.30pm
 - Christie Conference Centre. 3 Spring Street Sydney
 - Notice of meeting – to be mailed 18 October

Upcoming quarter

(December 2013)

- Advancement of Potential Partnering of Bronchitol for US
- Ongoing consideration of External funding of R&D pipeline
- Continuing growth in Bronchitol sales
- Completion of Cost reduction initiatives announced in May 2013 Business Plan
- Expanding distribution arrangements in non EU countries
- Ongoing recruitment for CF204 trial
- Finalisation of protocol for CF303 trial

END

